



USAID
FROM THE AMERICAN PEOPLE

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

April 2018

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Review Process

Title XIII of the International Financial Institutions (IFI) Act¹ directs the U.S. Government (USG) to strengthen the environmental and social performance of each multilateral development bank (MDB) in which the USG is a shareholder.² Toward this end, the United States Agency for International Development (USAID) leads pre- and post-approval³ reviews of selected projects funded by MDBs.⁴ These reviews are distinct from, but related to, the loan reviews and other Congressionally mandated MDB-oversight functions led by the U. S. Department of the Treasury (Treasury). If the information is not classified, USAID publishes the resulting reports on its public website,⁵ and distributes them to stakeholders.

Title XIII further directs USAID to report semi-annually to Congress on its reviews of MDB-funded projects. This report covers the six-month period from September 2017 to February 2018.

In the time period covered by this report, USAID conducted pre-approval field reviews in the Republic of Indonesia, the Democratic Socialist Republic of Sri Lanka, and Georgia. USAID also conducted a post-approval field review in the Lao People's Democratic Republic. USAID is also considering four projects for pre-approval field review, and four different projects for post-approval field review in the future.

USAID reviews a subset of MDB projects that are “particularly likely” to have “substantial” adverse impacts on the environment, natural resources, public health, or indigenous peoples.⁶ USAID selects MDB projects to review in consultation with USAID/Washington and field Missions, Offices of the U.S. Executive Director to the MDBs, Treasury, the U.S. Department of State, the U.S. Environmental Protection Agency, other Federal Agencies and Departments, civil-society organizations, researchers, and the MDBs themselves.

¹ Title XIII of the International Financial Institutions Act, Sections 1301-1307:
https://www.usaid.gov/our_work/environment/compliance/title13.

² This includes the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and the World Bank Group.

³ Throughout this document, “approval” refers to the approval of financing by a Board of Executive Directors at an MDB.

⁴ Projects can include any type of MDB investment (*e.g.*, project loans, technical assistance, development-policy loans, risk or loan guarantees, and grants), and all phases of the investment cycle, from identification to closure.

⁵ USAID's repository of public reports: <http://gemini.info.usaid.gov/egat/envcomp/mdb.php>.

⁶ Title XIII of the International Financial Institutions Act, Sections 1303(a)(3):
https://www.usaid.gov/our_work/environment/compliance/title13.

Generally, USAID collects information from, and frames its analysis, using the following:

- Relevant U.S. legislation;
- Any previous USG recommendations;
- An MDB's safeguard policies and guidance;
- Publicly disclosed MDB project documents;
- International best practice standards;
- Reports produced by civil society, academics, and others;
- Site observations;
- Meetings with stakeholders and experts; and, *especially*,
- Meetings with people whom a project could affect.

Reviews can cover any aspect of environmental and social assessment and management: screening; scoping; definition of the project area; borrower capacity; analysis of alternatives; baseline data; direct, indirect, and cumulative impacts; and impacts from associated facilities. Reviews can focus particularly on environmental and social issues formally raised to MDBs by the USG through policy reviews or other processes. Unless specified, findings and recommendations illuminate specific cases, and are not generalizable; they can highlight good practice or areas for improvement.

Annex

Section 1

Pre-Approval Field Reviews

The purpose of pre-approval field reviews is to provide recommendations as to measures, including alternatives that could avoid or mitigate adverse environmental and social impacts. USAID conducts pre-approval field reviews any time prior to the vote by an MDB's Board.

1. Republic of Indonesia – *Rantau Dedap* Geothermal Power Project (ADB)

In July 2017, USAID visited Sumatra Island as part of its pre-approval review of the proposed *Rantau Dedap* geothermal project. USAID selected the 92-megawatt (MW), \$173.5 million investment by the ADB in the *Rantau Dedap* Geothermal Power Project based on the possible adverse impacts on biodiversity. Although geothermal development has a relatively small “footprint,” potentially significant environmental impacts can result from increased human activity, loss of habitat, and habitat-fragmentation, if project components such as 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 environmental and social impact-assessment (ESIA) baseline study documented that the area has critical habitat for seven species/subspecies of threatened mammals, including the critically endangered Sumatran tiger and pangolin, and the endangered *dhole*, Malayan tapir, Sumatran serow, siamang gibbon, and Sumatran *surili*.



Expanding energy access is a priority for the Government of Indonesia (GoI). The GoI has proposed at least 30 geothermal-energy projects, of which seven are ready for the exploration phase, eight are in the exploitation phase, and three 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 (a World Heritage Site recognized by the United Nations Educational, Cultural, and Scientific Organization, UNESCO), comprised of *Gunang Leuser*, *Kerinci Seblat*, and *Bukit Barisan Selatan* National Parks. The USG, through the Tropical Forest Conservation Act, has invested more than \$16 million in conservation activities over the past eight years

in Sumatra, including in this landscape, in addition to resources invested by the Fish and Wildlife Service of the U.S. Department of the Interior and the USAID Mission in Jakarta.

The ADB has financed two private-sector geothermal projects in Sumatra: a 250-MW project in *Muara Laboh*,⁷ which borders *Kerinci Seblat* National Park, and the exploration phase of the proposed 250-MW project in *Rantau Dedap*,⁸ 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, pending a decision by the GoI. The remaining potential geothermal projects in Sumatra are highly likely to be developed with non-MDB financing.

Although it was not possible during the time the USAID team was in Indonesia to visit the *Rantau Dedap* site, the team was able to visit areas that are representative of the biodiversity issues associated with geothermal development in Sumatra, including the *Gunung Leuser* National Park and surrounding area and forests south of *Kerinci Seblat* National Park. The review included meetings with PT Supreme Energy (the project's sponsor), the World Bank, researchers, and conservation and civil-society organizations. The USAID team based its findings and recommendations on field observations, discussions and environmental documentation available at the time of the site visit, or shortly afterward. USAID is in the process of analyzing information obtained from the visit, and is continuing discussions with stakeholders concerning biodiversity offsets and project-development in critical habitat.

Findings and Recommendations

USAID has not finalized its report; however, its findings and recommendations focus on the following areas:

- The collection of baseline data: The report will assess whether the data collected and the resulting analysis presented in the ESIA for the *Rantau Dedap* geothermal project are adequate to measure directly the future: a) adverse impacts, or the likelihood of such, on critical habitat; b) any possible reduction in the population of endangered, or critically endangered, species; or c) loss of habitat that could compromise the persistence of a viable and representative host ecosystem.
- Biodiversity offset: The report will assess whether the biodiversity baseline data and analysis support the proposed biodiversity-offset measures in the *Bukit Jambul Gunung Patah* Protection Forest, to ensure no reduction in the population of any recognized endangered, or critically endangered, species, and to achieve at least no net loss of biodiversity.
- Cumulative-impact assessment: The report will assess whether the selected valued environmental components (VECs) and data for the cumulative-impact assessment are sufficient to support the conclusion of the project's ESIA that the development

⁷ In 2014, the ADB provided \$50 million as early stage-financing to facilitate Phase I, which is 80 MW.

⁸ Phase 2 is 92 MW.

will cause no significant, cumulative impact on critically endangered and endangered species.

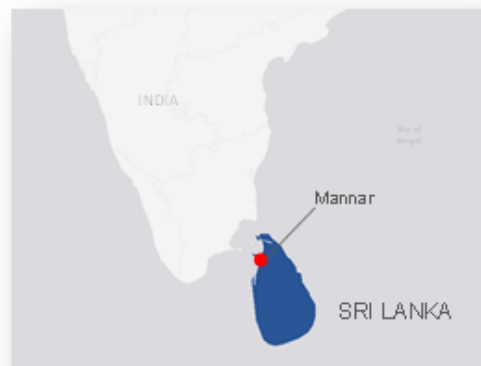
- **Strategic Environmental Assessment (SEA):** The report will assess the need for a strategic environmental assessment for the geothermal sector in Sumatra to provide an opportunity for integrating environmental and social considerations into the energy-development process:
 - The SEA would prioritize the sequencing of developing geothermal fields by taking into account biodiversity considerations to protect the integrity of the Tropical Rainforest Heritage of Sumatra.⁹ ; and
 - The SEA would improve the decision-making process to develop measures to maximize the ecological integrity of the landscape, while addressing development needs.

Current Status

USAID will produce a trip report and submit a summary of findings and recommendations in its next report to Congress.

2. The Democratic Socialist Republic of Sri Lanka – Mannar Island Wind-Power Generation Project (ADB)

At the time of writing, the ADB is proposing \$200 million to finance the 100-MW Mannar Island Wind-Power Generation Project (WPGP) in Sri Lanka.¹⁰ This project supports the goal of the Government of Sri Lanka (GoSL) to diversify the country’s energy sources and ensure the portion of electricity produced by renewable sources increases to 20 percent of total generation power by 2020.



This project is 1) located in the Central Asian Flyway for migratory birds; 2) near two important protected areas used by birds and bats; 3) interdependent with the 220-kilovolt (kV) *Mannar-Nadukuda* transmission line, which traverses the *Vankalai* Sanctuary;^{11,12} and, 4) likely to contribute to cumulative impacts.

⁹ The Tropical Rainforest Heritage of Sumatra is a UNESCO World Heritage Site composed of three National Parks – *Gunung Leuser*, *Kerinci Seblat* and *Bukit Barisan Selatan*.

¹⁰ The ADB’s Board approved the project for financing in October 2017. The USG abstained on the vote.

¹¹ The Mannar-Nadukuda transmission line is required to evacuate power from the WPGP; the ADB’s Board approved it for financing in 2016.

¹² A 7.5-kilometer (km) section of the 29-km transmission line passes through the *Vankalai* Sanctuary, which is an internationally important wetland under the Ramsar Convention on Wetlands of International Importance (for which the United States is a Contracting Party).

The GoSL approved the Mannar Island WPGP and transmission line based on an Initial Environmental Examination. The projects were initially proposed to the ADB as Category B (moderate risk). Because of inadequate bird surveys, the ADB required the GoSL to undertake an ESIA, and conduct bird vantage-point surveys for both projects. Surveys revealed significant anticipated impacts to endangered, migratory and congregatory bird species. Thus, the project is proposing mitigation measures to meet the ADB’s safeguard requirement for funding projects that affect critical habitat.

USAID conducted a pre-approval field review in August 2017, which included visits to the location for the proposed Mannar Island WPGP and the transmission line, including the portion that traverses the *Vankalai* Sanctuary. The findings of this report reflect views expressed in semi-structured interviews with stakeholders, including the ADB project team, ADB consultants, GoSL Ministries and Agencies, civil-society organizations, and researchers with expertise in assessing the impact of wind farms on birds and bats. The USAID team based its recommendations on interviews, observations, and environmental documentation available at the time of the site visit, or shortly thereafter.

Findings and Recommendations

Finding 1: The Mannar Island WPGP and *Mannar-Nadukuda* transmission line are located in, or adjacent to, internationally recognized, ecologically sensitive, high-value biodiversity areas – Adam’s Bridge National Park, *Vankalai* Sanctuary, and *Vedithalativu* Nature Reserve – used by migratory birds along the Central Asian Flyway and resident birds and bats. The projects are also in proximity to Giant’s Tank Sanctuary, designated by Birdlife International as both an Important Bird Area and an Important Biodiversity Area.

Finding 2: Baseline data and analysis presented in the Mannar Island WPGP and *Mannar-Nadukuda* transmission line ESIA are not sufficient for USAID to concur with the ADB’s conclusion that the projects meet the bank’s safeguard policy concerning critical habitat. Insufficient baseline data make it difficult to analyze the possible impact associated with these complex and sensitive ecological migration systems, and to propose effective avoidance and/or mitigation measures. Collision-risk modeling conclusions are only as robust as the data and parameters within the model.

Project-Specific Recommendation for Findings I and 2: Because of the significant biodiversity assets in the project area and the importance of disrupting bird migrations, USAID considers this to be a “highly complex and sensitive”¹³ project, although the ADB does not characterize it as such. The ADB should consider establishing an independent advisory panel of experts to review both the Mannar Island WPGP and the *Mannar-Nadukuda* transmission line, to identify gaps in knowledge and recommend supplementary

¹³ “Highly Complex and Sensitive” projects are those that ADB deems to be highly risky or contentious, or that involve serious, multidimensional, and generally interrelated potential social and/or environmental impacts. For such projects, the ADB’s safeguard policy calls for independent advisory panels of experts to provide advice to a project’s proponents during its preparation and implementation.

studies of birds and bats to guide subsequent decisions for both projects. The panel should work closely with the GoSL's Department of Wildlife Conservation to enhance staff capacity in this sector.

Finding 3: The Mannar Island WPGP and the *Mannar-Nadukuda* transmission line are under two separate financing modalities. As a consequence, the ESIA analysis, review, and approval process for the projects was divided into two segments, with the transmission line approved for financing almost one year prior to the completion of the ESIA for the wind farm. Although the projects are interdependent, segmentation resulted in the strong likelihood that the ADB's Board would approve the wind farm for financing. Since the WPGP and the transmission line are connected, interdependent activities, it is critical to analyze alternatives, assess cumulative impacts, and determine avoidance and other mitigation measures for both projects together, to ensure the environmental sustainability of all components.

Project-Specific Recommendations:

- a. The ADB should expand the analysis in the ESIA of alternatives to the Mannar Island WPGP, to include new information concerning the environmental sensitivity of Mannar Island, and compare it with other areas in Sri Lanka's Northern Province (or nearby Provinces) in which wind-generation would be economically feasible, and where the threats to biodiversity could be less significant:
 - a. The ADB should make sure to conduct a robust analysis of alternatives for future projects.
- b. The ADB should have expanded the cumulative-impact assessment to include the associated infrastructure and increased development the projects could bring to Mannar Island:
 - a. If the proposed evacuation capacity of the transmission line remains at 300 MW, the cumulative-impact assessment should expand to include the development of infrastructure required to generate the additional 200 MWs beyond the 100 MW the wind farm will produce.

General Recommendations:

- c. The ADB's current practice can lead to the approval of one segment of a project before the completion of a thorough analysis of the environmental and social impacts of the entire project. Therefore, the ADB should ensure that when segmenting interdependent projects for financing operations, the collection of baseline data, impact-analysis, and mitigation measures for the entire suite of projects capture all relevant information for decision-making purposes:
 - a. This policy would be consistent with international best practices for ESIA's: to achieve a project's objectives while minimizing adverse environmental and social impacts.
- d. The GoSL, with donor support, should consider conducting a national-level, cumulative-impact assessment on the major coastal areas considered important for

migratory species, especially those threatened by existing and future development, to help inform the design of avoidance and other mitigation measures.

Finding 4: Although there is incomplete knowledge of the impact of the Mannar Island WPGP on migratory birds along the Central Asian Flyway, threats from urban, agricultural, and industrial development are increasing. At a minimum, these impacts will reduce available habitat for, and increase stress on, migrating bird populations.

General Recommendations:

- a. The GoSL, with support from the ADB, should engage other entities (*e.g.*, the Global Environmental Facility, the International Union for the Conservation of Nature, the Secretariat of the Bonn Convention on the Conservation of Migratory Species of Wild Animals, *etc.*) to develop a national monitoring program that would provide early-warning mechanisms for potential adverse, cumulative impacts along the migratory bird routes within Sri Lanka, and to support the establishment of the Central Asian Flyway Site Network with Sri Lankan participation; and
- b. The ADB should develop guidelines for the assessment, avoidance, and mitigation of potential impacts in global migratory flyways from the construction and operation of wind farms and associated facilities:
 - a. The guidelines should specify key factors to assess in deciding whether to proceed with a project under consideration, and specify the minimum standards for ADB financing of such projects, and/or conditions under which the ADB would not finance such projects; and
 - b. The ADB should also explore whether it might fund projects that would aim to protect global flyways in borrowing countries.

Current Status

An ABD consultant team is preparing the project's biodiversity-management plan, and was expected to submit a draft to the ADB and the GoSL's Department of Wildlife Conservation by February 2018. International ornithologists have initiated pre-construction surveys to supplement the baseline data for the Mannar Island WPGP and *Mannar-Nadukuda* transmission line. The results of the survey will provide inputs to the radar-based detection system used for establishing optimized protocols for curtailing the operations of the wind turbines when large flocks of migratory birds pass through the area.

3. Georgia – Nenskra Hydropower Project (EBRD and ADB)

The proposed *Nenskra* Hydropower Project (HPP) is a 280-MW complex in Northwestern Georgia. The Government of Georgia (GoG) identified the *Nenskra* HPP as key to furthering its strategic objectives to meet growing domestic energy needs and reduce the country’s dependency on imported power from Russia and thermal power during the winter. The estimated total cost of the project is \$1.1 billion. The ADB assigned the project an “A” for environmental risks, a “B” for involuntary-resettlement risks, and a “C” for risks to indigenous peoples.



USAID selected the *Nenskra* HPP to review because of its potential environmental and social impact, and because the project is one of numerous HPPs planned or under construction in Georgia. USAID based its review on desk and field research, including a literature review; more than 45 interviews with people potentially affected by the project, other stakeholders and experts; observations in and around the project area; and continuous engagement with the European Bank for Reconstruction and Development (EBRD), the ADB, and project staff. USAID conducted its field review in August 2017, and publicly disclosed its report in late November 2017, to inform USG and public discussion prior to the vote on the project by the EBRD Board, which occurred on January 31, 2018.

Findings and Recommendations

Finding 1: In November 2017, the GoG publicly disclosed a significant portion of the project’s Implementation Agreement, and a summary of a cost-benefit analysis that concluded the project is “cost-benefit justified.” These disclosures demonstrate progress toward transparency regarding the economic feasibility of such investments.

Recommendation:

- a. The EBRD and ADB should continue to promote transparency regarding the economic feasibility of the projects they finance.

Finding 2: Numerous, fixed elements of the project constrained the analysis of alternatives to the project, which did not consider river-basin-wide or nationwide strategic environmental and social assessments or least-cost planning analyses.

Recommendation:

- a. The EBRD and ADB should encourage and/or fund partner governments to complete and disclose basin-wide and nationwide strategic environmental and social assessments and least-cost planning analyses prior to analyzing any alternatives to, selecting, and designing large dam projects.

Finding 3: The GoG has not yet determined, or publicly disclosed, the specific path of the 220-kV evacuation transmission line, an associated facility of the *Nenskra* HPP. An ESIA, including for the transmission line associated with the *Nenskra* HPP facility, will be completed as part of a separate EBRD project. Disclosure of the ESIA is expected in late 2018, after the planned start of construction of the *Nenskra* HPP. The project is actively managing what has historically been a strained relationship with a community the transmission line might affect.

Recommendations:

- a. The EBRD should work with the Georgian State Electrosystem to complete the ESIA and environmental and social action plan for the transmission line associated with the *Nenskra* HPP facility, which should include a robust analysis of alternatives and meaningful consultation with all stakeholders, especially communities potentially affected by the project; and
- b. The EBRD and ADB should require borrowers to assess the environmental and social risks of associated facilities—including by examining alternatives, cumulative impacts, and avoidance or mitigation measures—together with those of other major project components, prior to putting forward a project to their Boards for approval.

Finding 4: The assessment of operational flows necessary to maintain ecosystem services (*i.e.*, the environmental flow) appears appropriate for this stage of the development of the project.

Recommendation:

- a. As committed to in the ESIA, the project should follow through with the planned studies of biological and sediment transport and monitoring to refine and enable the adaptive management of environmental flow.

Finding 5: There is a pending complaint related to the *Nenskra* HPP, submitted to the Secretariat of the Bern Convention on the Conservation of European Wildlife and Natural Habitats by a Georgian civil-society organization. A key decision regarding the complaint was scheduled to occur in March 2018.

Recommendation:

- a. The GoG, lenders, and the project should work in good faith with the Bern Convention institutions, to an extent appropriate to their respective institutional

roles and responsibilities, to identify means for the *Nenskra* HPP and a “sufficient” Georgian Emerald Site network (*i.e.*, special-status protected areas) to co-exist, and to enable the implementation of the GoG’s international obligations.

Finding 6: This review concurs with the conclusion in the social-impact assessment that the project does not trigger the lenders’ policies concerning indigenous peoples.

Current Status

On January 31, 2018, after two additional delays from the originally planned date of December 13, 2017, the EBRD Board unanimously supported the *Nenskra* HPP. The ADB has not disclosed a date for a vote by its Board.

(To view the full USAID pre-approval field-review report for this project, please visit the following address: https://ecd.usaid.gov/repository/titlexiii/2017/Trip_Report_32.pdf. To view a Georgian-language version of the Executive Summary of the report, please visit: https://ecd.usaid.gov/repository/titlexiii/2017/Trip_Report_32_Georgian.pdf.)

Section 2 Post-Approval Field Reviews

The purpose of post-approval field reviews is to assess the adequacy of the MDBs’ safeguard policies; evaluate the incorporation and effectiveness of any USG recommendations; and provide additional recommendations to improve the environmental and social performance of a project. USAID conducts post-approval field reviews any time after approval of a project by the Board of an MDB.



1. Lao People's Democratic Republic – *Nam Theun 2* Hydropower Project (WB and ADB)

In February 2017, USAID conducted a post-approval field review of the *Nam Theun 2* (NT2) Hydropower Project (HPP), 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 the Kingdom of Thailand (via the Electricity-Generating Authority of Thailand), the revenues from which the Government of Laos (GoL) is supposed to use for poverty-reduction and environmental-protection activities.

Since the Boards of the WB and ADB approved the project in 2005, USAID and other USG representatives have visited NT2 on two separate occasions (2008, 2010) to follow up

on concerns about protecting biodiversity and ethnic minorities (indigenous peoples). Each of these visits consisted of meetings with GoL officials, the project’s sponsor (the *Nam Theun* Power Company - NTPC), civil society (development and conservation non-governmental organizations, NGOs), project-affected ethnic minorities, and the Laotian Watershed-Management and Protection Authority (WMPA). USAID conducted this review approximately one year before the planned closure of the Resettlement Implementation Period (RIP), which was delayed by two years based on the 2015 findings of the Panel of Experts (POE), an independent monitoring body.

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 people from three ethnic minorities, and affected numerous rare and endangered species. Operation of the dam requires diverting approximately seven billion cubic meters (approximately 30 percent of the volume of the *Nam Theun* River’s annual flow) each year to turbines at generating stations, and then 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, the diversion of water from the *Nam Theun* has affected approximately 155,000 people in 159 villages, including 56 hinterland villages. The *Nakai Nam Theun* National Protected Area (NNT NPA) has been designated as a “natural habitat compensation” for loss of the *Nakai* Plateau under the WB’s Natural Habitat Safeguard Policy. This project triggered all 10 of the WB’s safeguard policies.

As part of this review, USAID staff, with participation by staff from the U.S. Departments of Treasury and State and the U.S. Embassy in Vientiane, conducted a visit to the NT2 project area, including the operational facilities, dam site, and areas downstream of the power station, along the *Xe Bang Fai* River. The trip included meetings with the WB country team, the ADB (in Manila), the NTPC, and GoL Ministries in Vientiane and in the Provinces and Districts, as well as villagers in resettled communities on the *Nakai* Plateau and economically displaced villages along the *Xe Bang Fai* River. On the *Nakai* Plateau, the team visited four villages– on both the North and South sides. The team visited several villages (both *Brou* and *Lao Tai*) along the *Xe Bang Fai*.

The focus of this report is on the conditions, findings and recommendations as determined at the time of the February 2017 field review. USAID has made significant efforts to incorporate information on changing conditions that have emerged since the February field visit. Considering the dynamic nature of the project and the context, USAID anticipates that the information in, and perhaps the findings and recommendations of, this report will be overtaken by events after its public disclosure.

Summary of Findings and Recommendations

Finding 1: In February 2017, the NTPC and the GoL were focused on finalizing and implementing an action plan by December 2017, including measurable indicators, to achieve the closure of the RIP on the *Nakai* Plateau according to the obligations of the concession agreement. The WB and ADB are supporting this process.

Recommendation:

- a. The NTPC and the GOL should make the action plan and progress on meeting indicators available to project-affected villagers, and to the public.

Finding 2: Actions to “materially improve Resettler livelihoods on a sustainable basis” are a key objective in the concession agreement, and required for the closure of the RIP. However, the concession agreement does not provide a definition and metrics to determine “sustainable basis,” nor were they available at the time of the project’s approval by the ADB’s Board. This lack of clarity leads to different interpretations for determining when to consider the RIP closed.

Recommendations:

- a. To determine the closure of the RIP, the action plan’s definition of “sustainability” should incorporate, at a minimum, the following components:
 - i. Identifying income-generating activities that do not deplete the natural-resource base in the area;
 - ii. Securing the well-being of children and the next generation of families after their original families were displaced; and
 - iii. Ensuring the GoL and village institutions have the capacity to support the continued development of livelihoods in a culturally appropriate manner.
- b. All future concession agreements in Laos, beyond NT2, that seek to ensure the sustainability of livelihoods should incorporate the above components into the definition of “sustainability,” along with indicators of sustainable outcomes, including those beyond socio-economic measurements; and
- c. Although the action plan is intended to provide continuing support for resettlers’ livelihoods (*e.g.*, a five-year, medium-term development plan and Development Fund [NT2DF]), the determination of the closure of the RIP needs to depend on fulfilling the obligations spelled out in the concession agreement.

Finding 3: While results of the NTPC survey indicate that villagers are achieving income targets, discussions with reliable stakeholders on the economic performance of the project’s livelihood pillars reveal continuing challenges. Villagers interviewed acknowledged improvements in infrastructure, including health clinics, schools and roads. However, they also explained that essential elements of their livelihoods have either stayed the same, or worsened.¹⁴ These include access to good and sufficient land for agriculture (especially rice, which is the main food source for resettlers), livestock-grazing, and access to non-timber forest products.

¹⁴ Based on the March 2017 Nakai Socio Economic Survey, (received by USAID November 2017), “99% of the respondents reported that their life was as good or better than before resettlement, the highest level of satisfaction since the question was first asked in 2011.”

Recommendations:

- a. Identify and provide additional land and technical support for growing rice and other agricultural products, where necessary;
- b. Provide additional technical assistance to support the livestock pillar (sector), where necessary, including the management of grazing areas and a comprehensive vaccination program to cover all cattle and buffalo on the Plateau;
- c. Support medium-term (five-year) development, including the French Development Agency's *Nakai* Plateau Livestock, Agriculture and Forestry Program;
- d. Address illegal fishing, either by assisting the WMPA to become an effective institution able to coordinate reservoir patrols, or by designating that responsibility solely to the Reservoir Management Committee;
- e. Conduct a survey to determine the size of tree stocks, and, with community involvement, develop a forest-management plan that includes the use of non-timber forest products:
 - o Given the apparently low management capacity at the local level, the village-forestry pillar will likely require additional financial and technical support;¹⁵
- f. Expand the range of livelihood opportunities for ethnic minorities to prevent inadvertent income inequities between them, the *Lao Tai*, and immigrants to the Plateau;
- g. Establish a mentorship program for ethnic minorities with businesses that are already operational on the Plateau, such as in the hotel and restaurant sectors;
- h. Build on early efforts to establish the area as a tourist destination, which would be an opportunity to preserve the culture, history, and languages of the ethnic minorities; and ¹⁶
- i. Establish a specific role for the *Vietic* ethnic minority¹⁷ in which they can apply their indigenous knowledge to the conservation of the NNT NPA as part of an ecotourism program.

Finding 4: A key element of the success of handing over control to the GoL and resettler institutions on the *Nakai* Plateau will be the financial and institutional capacity of these organizations to undertake resettlement responsibilities on a sustainable basis.

Recommendations:

- a. Create mechanisms to ensure the sustainability of the ongoing capacity-building efforts;

¹⁵ USAID understands that this is already a component in the action plan. However, given the low management capacity, USAID believes it is important to include as part of this report's recommendations.

¹⁶ A model already exists in Luang Prabang at the Traditional Arts and Ethnology Centre which is the only independent resource center in Laos dedicated to the country's diverse ethnic groups. (<http://www.taeclaos.org>)

¹⁷ The Vietic ethnic minority is one of the groups living on the *Nakai* Plateau. As hunter-gatherers, they have extensive knowledge of the forest.

- b. Provide parallel capacity-building for Provincial and District staff responsible for the *Xe Bang Fai* Downstream Program, to avoid overstretching the GoL’s resources; and
- c. Make the financial commitment required to ensure the continuity of livelihood-development programs so project-affected communities do not fall behind if there is a gap in funding for them:
 - o NT2 revenues should be available on a consistent and timely basis for the planning and implementation of programs.

Finding 5: The project might not have provided the ethnic minorities affected by NT2 with all the protections and opportunities afforded in the concession agreement, and under the WB’s safeguard policy on indigenous peoples.

Recommendations:

- a. Retain an independent anthropological expert to review all available data on the ethnic-minority dimensions of the current socio-economic and cultural sustainability of resettler livelihoods, to inform the design and subsequent implementation of specific development plans for ethnic minorities prior to the closure of the RIP (originally proposed for December 2017), and as part of the decision-making process;
- b. Design and develop these plans in consultation with ethnic minorities, and make them available to the public;
- c. Provide additional assistance if the independent review shows significant disparities between ethnic minority groups and the *Lao Tai*, and postpone the closure of the RIP until the achievement of its objective to “materially improve Resettler livelihoods on a sustainable basis”;
- d. Develop specific Ethnic-Minority Development Plans relevant for this stage in the resettlement process, with the participation of the *Vietic*, *Brou*, and *Tai-Bo* ethnic minorities, consistent with the recommendations of the POE, and based on the findings from the above recommendation;
- e. Hire an experienced sociologist or anthropologist, with local-language competency, to work with the GoL’s Department of Ethnic and Religious Affairs, to guide the development and implementation of the Ethnic-Minority Development Plans;
- f. Design a culturally appropriate monitoring system for tracking the well-being of ethnic-minority households;
- g. Apply fully the obligations under the concession agreement, which require the “advancement and equitable treatment of ethnic minority resettlers”;
- h. Engage with the GoL’s Department of Ethnic and Religious Affairs as advisors, and, if possible, provide resources for the Department to develop recommendations for future MDB-funded projects that will affect ethnic minorities;
- i. Redesign the NT2DF to address the needs of both ethnic minorities and vulnerable groups separately; and
- j. Encourage the WB to remain actively involved in satisfactorily addressing the ethnic-minority challenges identified by the POE, and, where appropriate, provide additional assistance until the fulfillment of the above recommendations.

Finding 6: The WMPA has not fulfilled its original objective of conserving biodiversity within the NNT NPA. In February 2017, reliable stakeholders reported that the GoL's plan for fulfilling its original objective of conserving biodiversity within the NNT NPA was unclear. The Prime Minister has since approved a decree to transfer the WMPA to the Ministry of Agriculture and Forestry, and prioritized the *Nakai Nam Theun* as one of Laos' first national parks. The GOL has designated a consortium of Lao NGOs to support the WMPA, with co-management responsibilities for the WMPA's budget, but the political implications and substantive effectiveness of this move are unclear.

Recommendations:

- a. Fully implement the recommendations of the POE and the Independent Monitoring Authority (IMA) on restructuring the WMPA, including concluding an arrangement for co-management with an international NGO with experience in protected areas, which are fundamental to addressing the underlying problems with the WMPA;
- b. Conduct an independent, in-depth review of the WMPA, and make it publicly available, to learn and catalogue lessons for future application to biodiversity-compensation projects (including offsets) and support for the cultural diversity of enclave villages¹⁸ in Laos; and
- c. Encourage the WB to remain actively engaged and monitor the proposed restructuring of the WMPA; identify key benchmarks for determining whether the fundamental, underlying management challenges with WMPA are resolved; and assess whether the WMPA is demonstrating an ability to fulfill its conservation mandate:
 - a. If the WMPA does not meet the benchmarks, the WB should consider providing additional technical assistance.

Finding 7: The concession agreement inadequately considered the project-affected villagers who are living upstream and downstream of the NT2 outlet on the *Xe Bang Fai* River, which has resulted in reduced financial and technical assistance in comparison to resettled villagers on the *Nakai* Plateau, and a premature handover of the responsibility for livelihood programs to the GoL.

Recommendations:

- a. Conduct a socio-economic survey, supplemented by a mix of qualitative and quantitative inquiry into income sources at the household, village and ethnic-minority levels to identify factors that could affect both the sources and levels of income:
 - o This survey should include not only data on consumption and income, but also information on maintenance, depreciation, and debt, along with evidence that dietary requirements are being met, disaggregated by ethnic group.

¹⁸ Enclave villages are located within the NNT NPA.

- b. Based on the results of the survey, identify and develop programs to support the original intent of the concession agreement¹⁹; and
- c. Provide a mechanism for the GOL to allocate the revenue from the NT2 in a consistent and timely manner to the Resettlement-Management Unit, so it can continue to fulfill its role and responsibilities.

Finding 8: Members of the *Brou* ethnic minority, classified by the WB as an indigenous people under its Indigenous Peoples Safeguard Policy, inhabit a number of affected villages along the *Xe Bang Fai* River, and in its hinterlands. The project did not develop a specific Ethnic-Minority Development Plan for the *Brou*, as required by the WB's policy, and, consequently, they might not have benefitted from the appropriate safeguards.

Recommendations:

- a. Develop a specific Ethnic-Minority Development Plan relevant for this period of NT2 operation to address the economic displacement of *Brou* communities;
- b. Hire an experienced sociologist or anthropologist, with local-language competency, to guide the development and implementation of the Ethnic-Minority Development Plan; and
- c. Design a more culturally appropriate monitoring system for tracking the welfare of ethnic-minority households.

Current Status

As of March 1, 2018, the POE had not released to the public its report based on its November/December 2017 visit, and there is no public information concerning the status of the closure of the RIP.

(To view the full USAID post-approval field-review report for this project, please visit the following web address: https://ecd.usaid.gov/repository/titlexiii/2018/Trip_Report_33.pdf)

¹⁹ Concession Agreement, Schedule No. 4 Part 1: 5.1 Objectives of the Mitigation, Compensation and Resettlement Process including: “b) at least restore livelihoods of Project Affected Persons in the Downstream Areas on a sustainable basis”... “e) apply special measures as required toward ethnic minorities and vulnerable persons to take care of their needs and foster self-reliance and to improve their socioeconomic status” pg 117-118.

Section 3 Potential Future Reviews

Pre-Approval

1. Republic of Kenya – *Malindi-Lunga Lunga Road* (AfDB)

The AfDB is proposing to provide \$300 million to support improvements to the *Malindi-Lunga Lunga Road*, a 250-kilometer (km) section along Kenya's southern coast. The improved road is expected to facilitate domestic and cross-border trade and export from the Port of Mombasa. The AfDB has set a tentative date for a vote by its Board in the fourth quarter of 2018. The bank has not yet determined the project's risk category, and has not published the ESIA.



USAID identified this project for possible future review because of the potential for adverse impacts related to the following:

1. Poaching and trafficking of illegal wildlife products;
2. Access to terrestrial and marine national parks and a protected forest;
3. Access to medieval Swahili-Arab sites, such as the *Gedi* and *Mazingira* ruins;
4. Prevalence of communicable diseases, such as HIV/AIDS; and
5. Social disruption and gender-based violence associated with road labor camps.

2. Kingdom of Bhutan – Second Green-Power Investment Program - *Nyera Amari Hydropower Project* (ADB)

The ADB proposes to invest approximately \$320 million to develop the *Nyera Amari HPP* in the Eastern Region of Bhutan. The project consists of two river-diversion projects (125 MW and 315 MW) and transmission-system facilities, which will support domestic consumption in the Eastern Region and exports.



Bhutan is rapidly expanding its generation capacity from large hydropower. USAID identified the *Nyera Amari HPP* for possible

review largely because of the project’s contribution to cumulative adverse environmental and social impacts.

Possible project-level and cumulative adverse impacts include those on the following:

- Aquatic and riparian biodiversity from changes in environmental flow;
- Terrestrial biodiversity from associated roads and transmission lines;
- Livelihoods and living standards from economic displacement (including both upstream and downstream impacts); and
- Community health and safety and social cohesion from construction activities and the influx of workers.

USAID is considering contextualizing its pre-approval field review of the *Nyera Amari* HPP through a simultaneous post-approval field review of the *Nikachhu* HPP (see below).

3. Socialist Republic of Vietnam – Greater Mekong Subregion Corridor Connectivity-Enhancement Project (ADB)

The Greater Mekong Subregion (GMS) Corridor Connectivity-Enhancement Project aims to improve the international and national transport connectivity of underdeveloped Provinces of Vietnam by improving accessibility to existing GMS road corridors that extend to the border with Laos. The project will improve roads in difficult terrain (*e.g.*, crossing high mountains or large rivers) in four Provinces adjacent to existing GMS corridors that have high poverty rates and high concentrations of ethnic minorities.



USAID identified this project for possible review because of the potential cross-border environmental and social impacts; the potential large amount of physical and economic displacement; and the potential impact on protected areas, associated biodiversity, and indigenous peoples.

4. Republic of Tunisia – Tunisia-Italy Power Interconnector (WB)

WB is proposing to support the Government of Tunisia in evaluating the feasibility of the proposed Tunisia-Italy Power Interconnector (the “Elmed Interconnector”), a 192-km, 600-MW undersea high-voltage direct-current (HVDC) interconnector that will enable trade in electricity between Tunisia and Italy. The proposed project also includes a five-km underground cable in Tunisia, a 32-km underground cable in Italy, and HVDC converter stations in each country.



USAID identified the project for possible review because of the potential for adverse environmental and social impact related to marine biodiversity, the alteration of terrestrial habitats, pollution and the management of hazardous wastes, and involuntary resettlement.

Post-Approval

1. Kingdom of Bhutan – Second Green-Power Investment Program – *Nikachhu* Hydropower Project (ADB)

The development objectives of the 118-MW *Nikachhu* HPP are to supplement domestic power in East and Central Bhutan, and to export generated power to India during the summer months. The project consists of a 33-meter-high dam with a 12-km headrace tunnel to the powerhouse.



The estimated total cost of the project is \$198 million. In December 2014, the ADB’s board approved \$120.5 million, in a mix of loans and grants, to support the project. The United States supported the project at the Board.

USAID identified the *Nikachhu* HPP for possible review largely because of the project’s potential contribution to cumulative, adverse environmental and social impacts (similar to those described in relation to *Nyera Amari* HPP, above). Further, the project site is adjacent to the *Jigme Singye Wangchuck* National Park (JWSNP), and will temporarily occupy a small percentage of the Eastern Biological Corridor that joins JWSNP and *Wangchuck* Centennial Park.

2. Burma – *Shwe Taung* Group Cement Project (IFC)

In June of 2017, the IFC financed the expansion of an existing cement plant owned by the *Shwe Taung* Group (STG) Cement, Limited, with concurrent expansion of an associated coal mine in the *Sagaing* region of Western Burma.

The United States voted “no” on the project proposal at the IFC, based on gaps in the baseline data for rare and endangered species, as well as insufficient analysis and mitigation plans to address possible environmental impacts, including a biodiversity action plan.

USAID identified the project for possible review based on its potential negative environmental impact on species on the “Red List” of the International Union for Conservation of Nature, forestry, habitat and ecosystem services, and the quality of river water; the potential for acid drainage from mines; increased emissions of greenhouse gases; and the potential negative social impact on forest- and fisheries-based livelihoods.



3. Federal Democratic Republic of Nepal - South Asia Sub-Regional Economic Cooperation Road-Improvement Project (ADB)

The development objective of the Nepal Sub-Regional Economic Cooperation Road-Improvement Project’s is to improve transport connectivity in Nepal with a focus on providing faster and better access to social services and economic opportunities. The project’s roads are also integral to the international and regional road network that connects Nepal to India, will facilitate closer trade-integration, and contribute to the competitiveness of Nepal’s exports.

USAID identified the project for possible review based on its potential cumulative and project-specific negative impacts to critical habitat for multiple endangered species in and around *Chitwan* National Park. The project’s roads are also one of at least four linear developments – the East-West Mahendra Highway, the Postal Road, and the rail line – that pass through sensitive biodiversity-conservation areas, including corridors that allow tigers to move between Nepal and India.



In December 2016, the Board of the ADB approved an \$186.80 million loan to support the project. The United States supported the project at the Board.

4. Republic of Colombia – *Ituango* Hydroelectric Project (IIC)

The IIC of the Inter-American Development Bank (IDB) Group is financing the company *Empresas Públicas de Medellín* (EPM) to develop the *Ituango* Hydropower Project. It will be the country’s largest hydropower plant, and will have an installed capacity of 2,400 MW, about 17 percent of the country’s energy demand. The project is located about eight km north of the mouth of the *Ituango* River in Antioquia Department. 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.



On November 30, 2016, the IDB Board approved a \$400 million loan for the project. The U.S. Government abstained from voting on the deal, because the loan triggered the so-called “Pelosi Amendment²⁰,” and did not meet the “Large-Dam” legislative requirements²¹. The project qualified as “A” (highest risk) according to the IIC’s Environmental and Social Sustainability Policy, and although a fairly comprehensive Environmental and Social Management Plan exists, concerns remain. In September 2016, the USG suggested that all relevant studies regarding the indirect and cumulative effects of connected actions form part of the documentation package submitted to the IDB, and that mitigation measures contained in these analyses be incorporated into the operating license for the dam and enforced by the Government of Colombia. The scale of the project is significant enough to draw continued interest from USAID and others.

²⁰Passed by Congress in 1989, the Pelosi Amendment mandates that U.S. Executive Director (USED) at each MDB is prohibited from voting in favor of any project that might have a significant negative effect on the human environment unless an environmental assessment (EA) or comprehensive environmental summary has been done and made available to the USED and the public at least 120 days before a vote on approval of the project. (Public Law 101-240; 22 U.S.C. 262m-7.)”

²¹ Passed by Congress in 2016, the Large Dam legislative requirements mandate that the USED at each MDB may vote to support projects involving large dams only if the Secretary of the Treasury, after consulting with the Department of State, USAID, and other technical personnel, as appropriate, determines that the MDB is taking the necessary steps to meet specified environmental and social safeguards (Public Law 115-31; division J 7060(c)(3) and Senate Report 114-79.)