

VOLUME 1 – CHAPTER 1

INTRODUCTION to SDP

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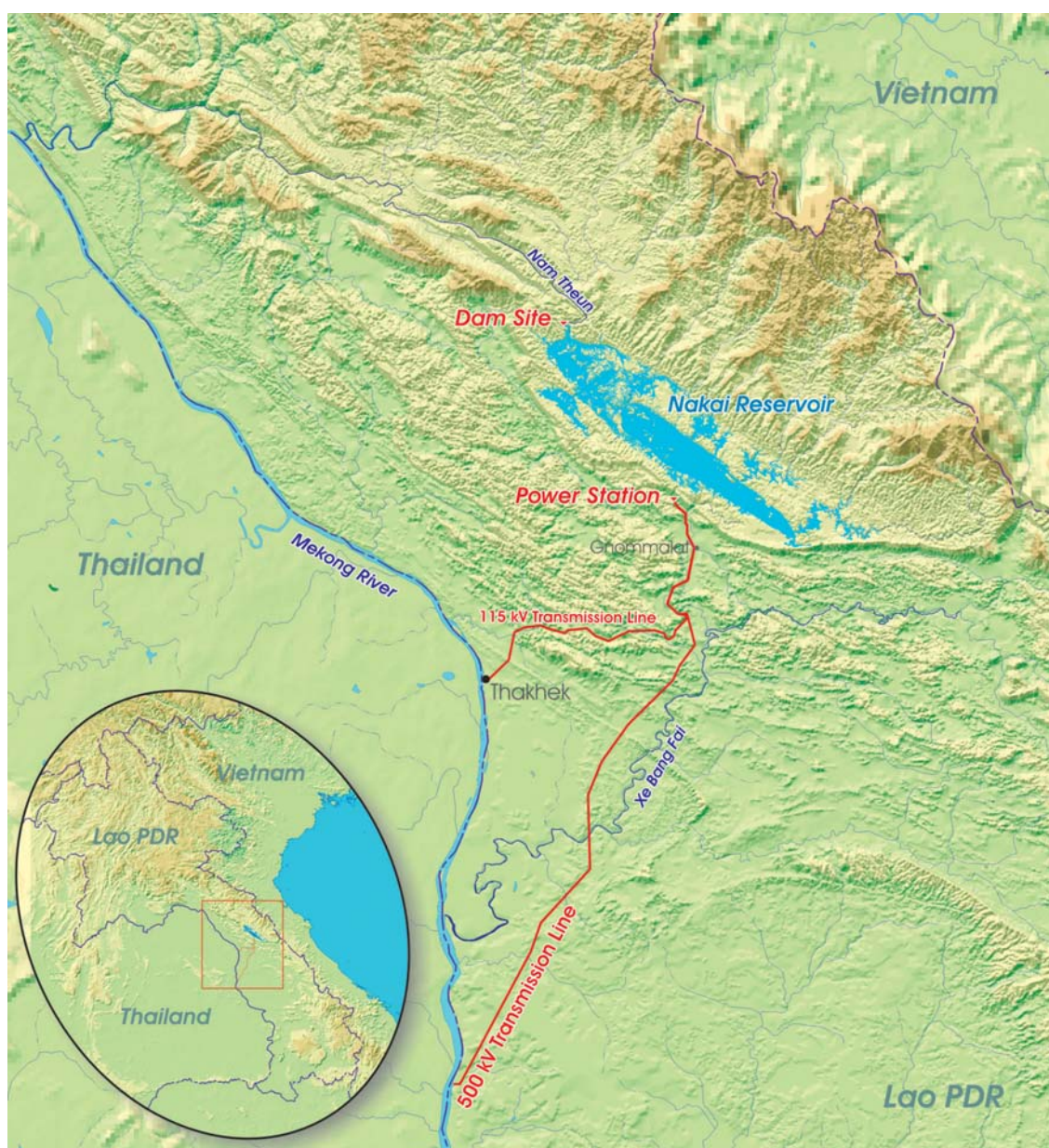
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1 INTRODUCTION

1.1 BACKGROUND

The Nam Theun 2 Project (NT2) involves the development of a hydroelectric scheme in Khammouane, Bolikhamxay and Savannakhet Provinces in central Laos, which will generate an average USD 235 million per year of gross revenue from electricity export to Thailand. The general Project location is shown in Figure 1-1.

Figure 1-1: Project Location & Key Infrastructure



The scheme involves constructing a dam on the Nam Theun River, a tributary of the Mekong River, 250 km east of Vientiane. This will create a 450 square kilometre reservoir on the Naki Plateau and necessitate the relocation and rehabilitation of livelihoods of more than 1,000 households (for exact numbers, in each relocation or development program, refer to Chapter 2 in Volume 2). Water from the Nam Theun reservoir will be diverted by an intake structure (located about 40 kilometres upstream from the dam) into a diversion tunnel excavated in Phu Ark escarpment. The water in this tunnel will then drop about 350 meters before entering the turbines in a Powerhouse located at the foot of the escarpment.

The water discharged from the powerhouse will then flow to another river system, the Xe Bangfai (XBF) (which also flows into the Mekong River, but about 150 kilometres south of the Nam Theun/Nam Kading), through a purpose-built downstream channel which, for about 10 kilometres, flows through paddy lands. The additional water in the XBF (described in Volume 3 Chapters 4 and 5) will impact current fisheries and riverside gardens livelihood activities. Transmission lines to the Thai border and to Thakhek, the construction or upgrade of some 150 kilometres of roads, quarries and soil deposit sites and other Project structures will also require some compensatory measures. A more detailed description of how these physical works impact on people is provided in Volume 4.

NT2 has been developed as a Build Own Operate Transfer (BOOT) Project by the Nam Theun 2 Electricity Consortium (NTEC) and the Government of the Lao PDR (GOL). It is owned by the Nam Theun 2 Power Company Limited (NTPC), a limited company registered under the laws of the Lao PDR, in which the GOL has a 25% equity stake. This approach allows GOL to be mostly protected from construction and operating risks, while at the same time benefiting significantly from its shareholding in the Project. Other shareholders of NTPC are EDF International, a subsidiary of Electricité de France, the world's largest electric utility, with 35%; the Electricity Generating Public Company Limited (EGCO) of Thailand with 25%; and Thailand's leading construction company Italian-Thai Development Public Company Limited (ITD) with 15%.

The GOL will receive during concession agreement period an average USD 80 million annual revenues from NT2 - in taxes, royalties and dividends. Such much needed GOL incomes will be used in a large portion to implement poverty alleviation programs within the country while providing an important source of revenue to the state budget.. NT2 will also contribute financially to the management of a 4,000 square kilometre protected forest area of recognized international significance, forming the watershed of the Project.

NTPC and the GOL are committed to meeting the World Bank (WB)'s and Asian Development Bank (ADB)'s economic, social and environmental standards as outlined in the Safeguard Policies (WB: OP 4.12 Involuntary Resettlement, OP 4.11 Cultural Property and OD 4.20 Indigenous People, and ADB: Policy on Indigenous Peoples, Policy on Involuntary Resettlement and Policy on Gender and Development, see Appendix B). This will help achieve greater benefits to the people of Lao PDR, while allowing WB and ADB to appraise the Project with a view to issuing a country risk guarantee to some of the Project's commercial lenders.

1.2 REGIONAL CONTEXT

1.2.1 Description of the Region

The Project area is in central Lao PDR and straddles the provinces of Bolikhamxay, Khammouane and Savannakhet (see Figure 1-2).

The region is characterized by intensive rural development along the lowland flood-plains of the Mekong River and by sparsely populated mountains to the north and northwest. Nine districts are affected by project activities, these being: Khamkeut, Nakai, Gnommalat, Mahaxai, Xe Bangfai, Thakhek, Nong Bok, Xaibouly and Khanthabouly, with most activities taking place in the districts of Nakai, Gnommalat and Mahaxai.

The contrasting scale of landforms in the Project area is pronounced. The topography varies from lowland alluvial plains near the Mekong River at approximately El 140 to the foot of the escarpment of the Nakai Plateau, to the Plateau itself and to the adjacent mountains rising up to El 2,200 to the Vietnam border. The lowland plains include relatively flat low-lying areas (0% - 10% slope) interspersed with remnant "tower karst" limestone pinnacles.

1.2.2 Climate

The climate of the area is influenced by the southwest monsoon (wet season) which normally affects the area from May to October; and by the northwest monsoon (dry season) lasting from November until April.

The average annual rainfall over the Plateau is approximately 2,600 mm per year and at the damsite approximately 2,800 mm per year. Rainfall distribution is markedly seasonal with over 88% falling between April and September during the southwest monsoon, and only 12% falling between October and March during the northwest monsoon. This causes substantially high flows in the Nam Theun in the months of July and August (SMEC March 2003).

The Thakhek region is more seriously affected by the winter monsoon than other regions of Lao PDR. The summer monsoon reaches the region unhindered after crossing the overheated plains of Thailand. The monsoon wind speeds of highest frequency are between 2 and 4 on the Beaufort Scale (less than 26 km/h). The strongest winds are usually only felt during intense periods of the northeast monsoon. On average, 10 to 12 north-east monsoon events occur each year, generating wind up to approximately 100 km/h. On average, seven to ten South China Sea typhoons occur each year. Some of these may affect the region. Thai weather service information shows that for the period from 1951 to 1993, 18 typhoons passed through the area.

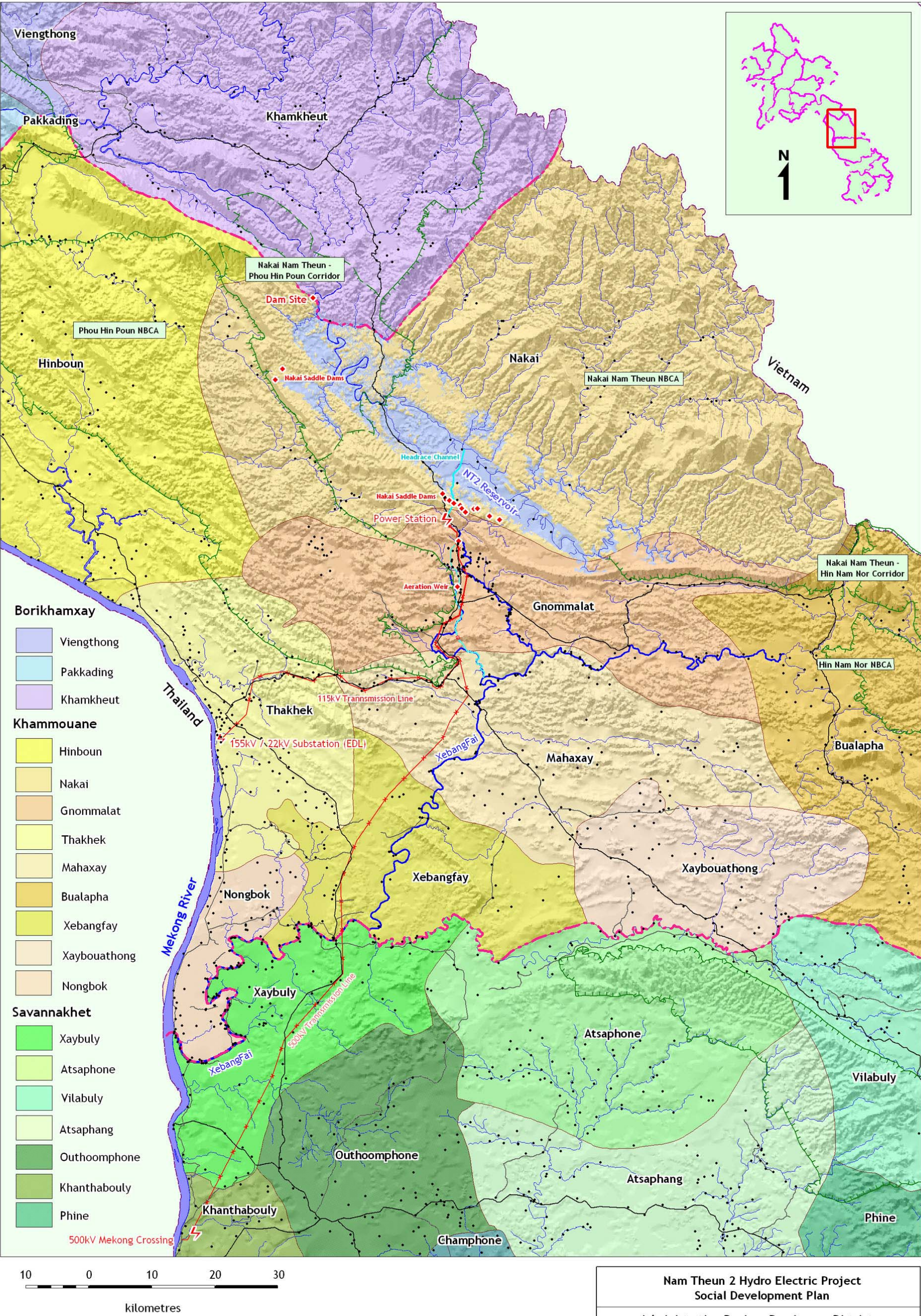
1.2.3 Regional Land Use

Regional land use is dominated by agriculture, predominantly rice cultivation, production forestry and subsistence activities. Specifically, the alluvial lowlands are dominated by rice cultivation whilst forestry and swidden or “slash-and-burn” agriculture occur on the Nakai Plateau. Infrastructure and development in the region is sparse, except for agricultural development and irrigation along the Mekong flood plain. Five categories of land use have been identified:

- i. Agricultural land which is primarily used for rice paddy cultivation;
- ii. Production forest which is used for commercial timber operations;
- iii. Undeveloped forest land which is primarily used for swidden agriculture;
- iv. National Biodiversity Conservation Areas which can be used for conservation and tourism; and
- v. Urban land which is used for urban purposes.

Various GOL policies on land use within the project area are detailed in Chapter 10. The land use categories mentioned here are general and used for broad classification purposes only.

Figure 1-2: Districts and Provinces in the Project Area



1.3 REGIONAL SOCIO-ECONOMIC PROFILE

1.3.1 Population

In 1999, the total population in Khammouane Province was estimated to be 331,044, with a density of 20.3 persons/km², which is close to the average Lao PDR population density of 22.1 p/km². Bolikhamxay Province had a population of 171,976, with a density of 11.5 p/km², and Savannakhet, a population of 755,781, with a density of 21.8 p/km² (LECS2 1999). A summary of population statistics for the three provinces is provided in Table 1-1.

Table 1-1: Population Statistics for Provinces Affected by the NT2 Project

Province	Population - 1999						Pop. Density (p/km ²)
	Total ('000s)	% of Country Population	Male	Female	No. of households	Avg. no. persons per HH	
Bolikhamxay	170.0	3.4	48.7%	51.3%	27,602	6.23	11.5
Khammouane	331.0	6.5	49.5%	50.5%	51,298	6.45	20.3
Savannakhet	755.8	14.9	50.5%	49.5%	112,256	6.91	21.8
Lao PDR	5,087.3		49.5%	50.5%	783,376	6.49	22.1

1.3.2 Ethnicity

In terms of ethnicity, the region is populated by a wide range of ethnic groups, which could be divided into four main ethno-linguistic families: Tai-Lao, representing the majority population, and three ethnic minority groupings: Austro-Asiatic, Miao-Yao and Tibeto-Burman. The main groups in the lowland areas are Tai-Lao majority and some Austro-Asiatic groups. In the mountainous areas, numerous minority groups predominate as well as some Upland Tai that have relocated in these areas from Vietnam. Table 1-2 provides an overview of ethnic minorities the three provinces affected by the Project. Ethnic minorities, that is non-Tai-Lao groups, make up approximately 40.2% of the population.

Table 1-2: Ethnic Minorities in the Three Affected Provinces

Province	1995 Census Data	1997 Population Estimates	
		Total	% Ethnic Minorities
Bolikhamxay	163,589	171,201	34,240 (20.0%)
Khammouane	273,779	288,600	134,500 (46.6%)
Savannakhet	671,581	711,500	302,400 (42.5%)
3 Provinces	1,108,949	1,171,301	471,140 (40.2%)

Sources: 1995 National Census, Lao PDR

1.3.3 Livelihoods

Rice production is a major rural activity for both consumption and sale on the flood plains along the Mekong River and its major tributaries. In the foothills and mountains, rice is grown in paddies on the valley floors and on the hillsides as shifting cultivation in swidden fields. Rice production on the Nakai Plateau is insufficient to meet the annual needs of the population. In 50% of the plateau communities rice produced locally is deficient in order to satisfy the needs of the communities for at least six months of the year. To make up for the deficit, these communities traditionally depend on maize, starchy roots and general gathering in the forest to supplement their food as well as the sale and barter of Non-Timber Forest Products (NTFPs). People living on the Nakai Plateau are dependent on on-farm and off-farm production from the forest. In the context of the planned resettlement programme, sustainable food production is a critical component to improved livelihood and well-being as well as poverty alleviation. Sustainable food production also contributes to economic growth and social stability in Lao PDR.

The Downstream Areas along the XBF are typical of many lowland areas in Lao PDR with its dependency on paddy cultivation, fishing and some degree of non-agricultural income. Over 85% of the

population derive its income from agriculture. Irrigated paddy and rain-fed paddy yields in the lowlands are more than double that of the Nakai Plateau: 1,558 kilos/family versus 723 kilos/family per year (SMEC 1990). Dry-season riverbank gardens supply most of the vegetables for local consumption. Riverine forests and wetlands are an additional but limited source of edible plants, aquatic animals, NTFPs and herbal medicines.

The reliance on the XBF as a source of food is a central aspect of the lowland or “river-based” livelihoods. The seasonal changes in river flow and fish migration patterns determines how communities harvest and manage the natural resources of the river. Although there are very few full-time fishermen along the XBF many, if not most, fish in the river at different times of the year. Fish is the main source of protein and most fish are consumed locally with only small surplus catches reaching local markets.

Livestock, as is the case throughout the country, serve as “banks on four legs”, that is a means of storing wealth and a source of cash in time of bad harvests. Communities along the XBF have access to roads and markets, health and education services and opportunities for wage income. The standard of living is higher on average than the Nakai Plateau, representative of the upland areas, but it should be noted that 40% are still classified as being under the Lao Poverty Line.

1.3.4 Forestry

There is significant interest in Lao PDR in implementing sustainable forestry management practices. The Forest Management and Conservation Programme (FOMACOP) was executed jointly by the GOL and the International Development Agency (IDA) of the World Bank, together with the Global Environmental Facility (GEF) and the Government of Finland. Under the Forest Management Sub-programme, village forestry was developed on a pilot scale as a partnership between the villagers and the GOL. These forest management systems have been evaluated in Savannakhet and Khammouane Provinces (see Volume 2 Appendix E). The experience being gained is of direct relevance to the proposed forestry model in the Nakai Plateau, as discussed in Chapter 14. More recently, the Ministry of Agriculture and Forestry passed Regulation 535 of June 18, 2001, on The Management of Village Forestry. However, considering the special case of the Nakai Plateau, this Regulation will not apply.

Forest resource management in Lao PDR is largely delegated to the Provincial Forestry Departments under the general oversight of the National Forestry Department in the Ministry of Agriculture and Forestry (MAF).

Three state-owned companies have had significant involvement in forest management and logging. One of these companies, the Mountainous Area Development Company known as Bolisat Phattana Khet Phoudoy (BPKP), has harvested logs from areas lying below El 538, within the Project reservoir. The EAMP contains more information regarding the history of logging on the Nakai Plateau. Many of the commercial logs have been removed from the reservoir area, but quantities of small commercial timber remain, potentially for use by the reservoir villages, and small-scale contractors.

1.3.5 Plantations

Plantations have been established in the Lao PDR. Between 1990 and 1993, about 5,200 hectares were established. In 1994, about 3,800 hectares were established while 8,800 hectares were established in 1995. For the period 1996 through 1999, about 10,000 hectares of plantation has been established per annum. Plantations will not provide sufficient resource to maintain the industry in Khammouane Province at its present production levels in the short to medium term (5-10 years).

1.3.6 Industry

Based on estimates of sustainable yield calculated in 1996 by Margules Pöyry, the forests in Khammouane Province can supply about 400,000 m³ per annum for the next 6 years, from regions other than the Plateau. This will then decline to around 100,000 m³ pa for the medium to long term, based on the existing resource, without plantations. With plantations, the longer-term yield may be increased to around 500,000 m³ pa if programs and support for such development is provided.

The wood processing industry utilizing logs from Khammouane Province is located around the towns of Ban Lak Sao, Ban Oudomsouk (Nakai), Mahaxai and Thakhek. Most of the wood processing industry is, however, concentrated in Thakhek. The existing forest industry in Khammouane Province is comprised of nine privately-owned sawmills, a plywood plant, a particleboard mill and seven sawmills established under joint ventures with BPKP. According to Margules Pöyry, the industry in Thakhek in 1997 was operating at about two-thirds capacity based on the sawmills' own estimates. As of 2003, production has decreased and some of these facilities have ceased operations.

1.3.7 Handicrafts and Other Industry

According to Lao PDR's National Statistical Centre, in 1994, Khammouane Province had a total of 28 industry or handicraft units of which 5 were large (more than 100 employees), 14 were middle-sized (from 10 to 99 employees) and 9 were small (less than 10 employees). By comparison, Bolikhamxay Province had a total of 348 units: 1 large, 11 middle-sized, and 336 small; Vientiane municipality had a total of 810 units; Xieng Khuang Province had a total of 493 units; and Luang Prabang Province had a total of 111 units.

1.3.8 Regional and Local Planning

Development in the region is under the authority of the respective provincial and district administrations. As in other Lao PDR provinces, there is a Governor's and a Vice-Governor's office in Khammouane Province. The Lao Women's Union, the Lao Youth Union and the Lao National Front for Construction all are represented at the provincial level. Planning is directed by government decree, and five-year development plans are prepared. Land use at the regional and local level is generally governed by central government policy.

Because of the potential for development in the Project area, it is appropriate that the Project's many aspects be coordinated and integrated with other regional development plans where there is either potential synergy or conflict. There are, in fact, several areas where synergistic benefits appear possible. These are health services, management of conservation and forest areas, sustained development of the local timber and wood utilization industries, improvements to agriculture and livestock management practices, and the development of local fishery expertise and irrigation potential.

1.4 THE NEED FOR RESETTLEMENT AND DEVELOPMENT PLANNING

The construction and operation of NT2 will result in a range of impacts, both beneficial and adverse, to the biophysical, socio-economic and cultural environments of the Project Area. In planning for NT2, the GOL and NTPC, with advice from the World Bank, have strived to integrate factors into the design which minimize adverse affects and enhance benefits. However, impacts will occur, and resettlement will be required, and in these cases all PAP will be adequately compensated for any adverse impacts.

There are three main areas of social impacts which have been the subject of resettlement and/or compensation and development planning.

i. The Reservoir Area on the Nakai Plateau

Over the period 2003-07, it is estimated¹ that 1,127 households with approximately 6,219 persons will be relocated from 16 out of the 17 plateau villages (although only 15 villages will be fully relocated, and 1 village partially). All of these affected households (PAH's/AP's) are entitled to relocation to a preferred location, new housing and physical and community infrastructure. Also, an extensive range of livelihood restoration programme activities will be offered to them).

ii. The Project (construction) Lands

The acquisition of Project Lands for the construction of Project components will result in impacts ranging from disturbance, temporary and permanent land and asset acquisition, and this

¹ The figures are presented as estimates because of natural increase in populations. By the time any particular village is relocated, or a development program initiated, then the population would have grown in relation to the current baselines.

will require compensation to Project Affected Persons (PAP/AP's) and restoration of their livelihoods

iii. Downstream (of the Power Station) and the XBF

Communities downstream of the power station, along the XBF (and to a much lesser extent along the Nam Kathang/Nam Gnom) will experience varying degrees of impact on their livelihood and infrastructure resulting from changes in the hydrological regime, quality of the water and erosion patterns in the receiving water bodies.

1.5 OVERALL OBJECTIVES AND PRINCIPLES OF THE SDP

Improving the welfare of families living in the Project area who might be adversely affected has been a joint objective of NTPC (earlier the NTEC) and GOL ever since the mandate for the Project's development was agreed to in 1993. The evaluation of sites for resettlement and interaction with PAPs has proceeded in parallel with the development of engineering, environmental and financial plans.

The present situation on the Nakai Plateau can be characterised as having a 'diminishing resource base' and services and infrastructure in the area can be described as lacking or inadequate. Hence, mitigation measures in the plans will provide ethnic minorities with a development opportunity to establish sustainable livelihoods and to improve health, education and other service facilities. The Project will also provide local and regional organisations with the necessary support and training need to improve performance. In addition, other project areas in the downstream should also experience considerable improvement in terms of livelihood development (irrigation and livelihood alternatives) and services (public health, education and availability of electricity). In general, the Project aims to be a catalyst for regional development and for alleviating existing poverty.

Emphasis is being given to resettlement planning because failure to do so has resulted in otherwise successful hydroelectric projects elsewhere in the world being significantly blemished. All of the key parties: GOL, NTEC and NTPC, the financiers, and most of all, the people who live in the project area, have an interest in ensuring that resettlement is implemented in such a way that all families involved are better off as a result of the Project. This is the formal objective of GOL policy for the Project.

GOL, NTEC and NTPC have agreed that the approach put forward by the World Bank and ADB in its relevant Safeguard Policies is a blueprint for NT2, with the added goal that all families are to be better off soon after relocation, rather than simply restored to their former living conditions. This is considered an appropriate and feasible objective given the amount of time given to planning, consultation and training prior to the physical relocation of the people, and the considerable budgets allocated to resettlement and social development.

To ensure a higher standard of program implementation, the Resettlement Action Plan (RAP) has been prepared in accordance with the World Bank Safeguard Policies: Operational Policy on Involuntary Resettlement (OP 4.12), Operational Policy on Cultural Property (OP 4.11) and Operational Directive on Indigenous People (OD 4.20), and more recently the ADB Policies on Indigenous Peoples (versions of 1998), on Gender and Development in ADB Operations (OM Section, C2/BP, October 2003) and Operational Procedures (OM Section, C2/OP), Involuntary Resettlement Policy OM section F2/BP (29 October 2003) and Operational Procedures (OP) OM Section F2/OP (29 October, 2003). In addressing these policies, the SDP has developed specific sections for each geographic impact area, dealing with:

1. Ethnic Minority Development Plans (EMDPs);
2. Resettlement Action Plans or Frameworks (RAPs, RFs).

As Gender Action Planning (GAP) is a cross cutting theme, gender promoting components have been incorporated directly into the SDP. In this way, the Gender Concerns are mainstreamed into relevant major activities, and specific women-promoting activities are integrated into the SDP.

The primary aim of these IFI Policies, and the NT2 Plans to address them, is to minimize the impacts on the affected population, to adequately compensate those who are adversely affected by the Project, and to ensure that resettlement is planned and implemented in a culturally sensitive, gender sensitive and optimal manner.

In summary, the SDP has been developed under the following guiding principles, or Resettlement Provisions:

- (i) Funding is to be assured, with the partners agreeing that the SDP is to be fully financed by the Project as an essential expenditure;
- (ii) Resettlement planning to be integrated with the general project design from the earliest stages of project preparation;
- (iii) GOL to develop and adopt the appropriate policies to ensure high standards of resettlement, including the development of an applicable Resettlement Policy for the Project;
- (iv) Resettled people to have their living standards and income earning capacity promptly improved to at least the national poverty level, and to be provided adequate support during the transition period;
- (v) Resettlement to be avoided or minimized wherever feasible;
- (vi) Identified gender concerns and specific women's needs and perspectives are to be considered in all components, strategies and planned activities;
- (vii) Women and men will have opportunity to participate in decision-making, training and the project benefits;
- (viii) Assistance from both international experts and the population directly affected is essential and will be obtained;
- (ix) People to be resettled or directly affected will play an active role in the design, planning and implementation of the RAP;
- (x) The social and cultural cohesion of villages will be protected and resettlement sites will be as near as possible to previous villages;
- (xi) Traditional organizational structures, religious beliefs and resource use will be incorporated into resettlement planning and implementation;
- (xii) Appropriate consultation and participatory methods are to be used, utilizing local knowledge in developing production systems that suit the people's needs and the environment and which avoid dependency on project or government agencies;
- (xiii) Housing and community buildings will be provided in all resettlement sites, and reasonable access to all weather roads provided where practicable;
- (xiv) All plateau resettler houses will have electrical connections;
- (xv) Irrigation and domestic use water will be supplied to plateau resettlers; and
- (xvi) The planning, implementation and compensation processes will be open and transparent.

1.6 THE NEED FOR GENDER ACTION PLANNING

A gender assessment (IRAM, June 2004) and a Gender Strategy and Plan (Chagnon, Dec 2004) reveal that within the NT2 Project there are three major areas of gender impacts: within the impacted villages, within the institutions which require a Gender Action Plan (GAP). All points mentioned below have been incorporated within the SDP as mainstreamed gender-sensitive actions or women-specific actions.

1.6.1 Gender Actions within Project Impacted Areas

Each Project Impacted Area (PIA) will witness varying degrees of positive and negative gender impacts. Key concerns focus largely on gender division of household labour and responsibility for food and livelihood security (farming, fishing, animal raising, foraging and hunting), and health and social security. In the Nakai Plateau, the enhancement of community structures within the resettlement process creates added institutional impacts related to gender. Women's political, social and economic empowerment could either become enhanced or negated, depending on the level of gender sensitivity within project actions.

A gender assessment found that women and girls, particularly those from certain marginalized ethnic groups and those living within disadvantaged households on the Nakai Plateau, are decidedly the most vulnerable and over-burdened social group. In the past, the majority of these women and girls have had limited access to education, off-farm employment, production markets, cash assets, and socio-political empowerment. Even slight socio-economic disturbances could easily overwhelm their household coping mechanisms, deepen their already heavy family burdens, and over-stress their psychological welfare. The gender risk is severe, requiring continual and intense gender technical support throughout the SDP.

Therefore, the following gender impacts and gender-sensitive actions have been incorporated directly into the SDP text as mainstreamed gender actions:

- Collection and analysis of disaggregated community data by gender, ethnicity and poverty levels;
- Precise recording of original ownership (husband, wife, or both) of each family's assets;
- Use of the term "heads of household" to recognize the hidden presence of female authority;
- Identification of vulnerable households, including those with only one adult labourer, for special interventions and follow-up;
- Identification of gender divisions of labour within each village and ethnic group to foster gender-sensitive development;
- Gender-sensitive and participatory planning mechanisms;
- Gender-sensitive monitoring and mitigation;
- Promotion of gender-balanced community institutions, especially on the Village Resettlement / Development Committees (VR/DC), the Grievance Committees, and the Oversight Committees, all of which deal with decision-making and authority on resettlement and development;
- Gender-sensitive opportunities for income generation and skills development, based upon gender divisions of labour;
- Gender-balanced training and off-farm work opportunities;
- Increased family planning and programs for youth health and sex education; and
- Support for community education on Sexually Transmitted Infections (STI), including HIV/AIDS, alcoholism and spouse abuse.

Specific actions to enhance the empowerment and skills of women are also included:

- Reduction of women's heavy labour (rice milling, water, and carrying loads);
- Increased opportunities and facilities for women to attend non-formal education (NFE) classes;
- Village-based workshops to build women's public confidence and leadership skills;
- Provisions for female technical specialists to work closely with women;
- Training on setting up Women's Groups for Micro-Savings and Loans;
- Support for childcare facilities during resettlement; and
- Vocational training for young female and male adults in semi-skilled and skilled occupations, needed during the NT2 construction and for sustainable economic and social development of the areas.

1.6.2 Gender Sensitive Actions within SDP Support Institutions

By 2005, the Resettlement Office (RO) and the Resettlement Management Unit (RMU) will become the most influential development institutions in Nakai and Gnommalat. Therefore, creating gender-balanced staffing models and gender sensitive planning could have wide reverberations on other local institutions.

Patterns of personnel recruitment, assignment and training will become pivotal indicators about gender sensitivity within the SDP. During the latter part of 2004, the gender risks have lessened somewhat as

the RO and RMU began to recruit women into community development positions. Also, in late 2004, the RMU / RO organized a Mini-Workshop on Gender Action Planning. Forty local professionals (half women) learned about the ADB's Policy on Gender and Development, reviewed the GoL's gender promotion policies, and proposed an outline of actions for the Gender Plan.

Workshop participants also identified the serious need to recruit women into technical field positions (agriculture, health, education, marketing and infrastructure construction). Although women professionals are significant in the health and education sectors, they continue to be overlooked for field assignments and professional training.

The situation is worse for women agricultural and marketing technicians. They are barely visible in Nakai and some other districts. This glaring personnel gap needs immediate attention. If left unaddressed this gender deficiency could jeopardize seriously vital field communications and the training of the Nakai women being resettled. According to the gender assessment, the women of the Nakai Plateau, more than anyone else, will face the major brunt of the high-risk changes to family food security and livelihoods. They will need experienced extension agents, preferably women, to make the critical shifts toward alternatives in agriculture and marketing.

The following gender mainstreaming points of the GAP have been integrated into the overall SDP.

- Gender-balanced recruitment targets for the RMU, the RO, international and local advisory support, and district sectors working with NTPC;
- Staff Regulations and Enforcement Procedures to promote professional behaviour;
- Annual Gender Awareness Training for all staff;
- Staff training on health issues such as STIs and HIV/AIDS, and family planning.

Women-promoting actions are also included in the SDP.

- Recruitment of additional women technicians, particularly in agriculture, health and education;
- Assignment of Women into Leadership Functions; and
- Special opportunities for ethnic minority women to become District Development Volunteers.

1.6.3 Gender Actions Regarding NTPC Workers and Camp Followers

Approximately 4000 workers (about ½ Lao citizens) and up to 16,000 camp followers (families of workers and service providers) will impact heavily on the social, health and economic dynamics of all PIAs, especially in Nakai, Gnommalat and Lak Sao. The population influx could prove explosive. Strong social regulations and serious enforcement procedures are essential to avoid putting the security and health of the local population at risk.

The combination of the dramatic population influx, the sudden increase in eating and drinking establishments and the availability of employment cash could certainly produced extremely high risks and negative impacts. Worldwide, gender concerns relate closely to five socio-economic issues, which often emerge significantly during large infrastructure construction projects:

1. The increase in sexually transmitted infections (STI), most importantly HIV/AIDS;
2. The introduction of illegal trafficking problems, especially those involving women and young adolescents;
3. The super-inflation of local market prices due to high demand and limited supply;
4. The rise alcoholic disease; and
5. The escalation of physical abuse and mental illness, due to all of the above and the social traumas associated with habitat and cultural changes.

In most of the NT2 affected areas, the risks and negative impacts will rise exponentially for local residents, especially women and children, due to low education, poorly motivated policing and legal mechanisms, limited health awareness and services, and deep household poverty. Therefore, it is

imperative to set forth effective and continual prevention measures. The Social Order Management during the Nam Theun 2 Construction issued by the Khammouane Governor and President of the Resettlement Committee in November 2004 sets the process in place.

For effective and gender-sensitive implementation, the SDP includes the following actions:

1. Set up a unified enforcement strategy with clear penalties and prosecution procedures, enforcement training for all districts, and mechanisms to ensure the commitment of local enforcers.
2. Increase substantially the number of women enforcers in all affected districts to protect women's rights and security and to prosecute women offenders.
3. Implement the recommended community awareness and prevention campaigns on the five above topics, as addressed in the gender, health, community and social planning sections.
4. Monitor carefully and regularly all the potential socio-economic risks related to workers and camp followers, as they are deemed very high. The RMU / RO, the external monitoring team, and the POE have the mandate to review and recommend immediate actions to the RC and NT2 companies.

To promote gender and community sensitive behaviour, the NT2 companies are urged to regulate directly their employees, using a standard and unified system. This could include a Workers' Code for Appropriate Behaviour (signed by all employees) with a work dismissal clause for violation. Also, companies could set forth pro-active prevention mechanisms within camp living quarters (e.g., entrance restrictions and regulated in-camp establishments for sports, entertainment and eating.)

1.7 THE NEED FOR ETHNIC MINORITY PLANNING

1.7.1 Ethnic Groups in the NT2 Area

Overall Objectives

The Ethnic Minorities Development Plans (EMDP) address the important issue of culturally sensitive development for Project Affected People (PAPs) on the Nakai Plateau and in the Downstream Areas, which will be impacted by the construction of the NT2 Project. The overall aims of the EMDPs are to:

- (a) Avoid adverse project impacts and, where this is unavoidable, to reduce and mitigate these impacts through fair and effective compensation
- (b) Significantly improve the livelihoods and standards of living of the ethnic minorities to be resettled on the Nakai Plateau; and
- (c) Ensure that ethnic minorities on Project Lands (infrastructure) and in the downstream areas (mainly along the Xe Bangfai) are adequately consulted, fully compensated and participate actively in mitigation activities.

All of the affected people to be resettled on the Nakai Plateau are classified as Ethnic Minorities in the RAP, about 10% along the Xe Bangfai and approximately 45% for Project Lands and other downstream areas are also minority groups; hence, the need for EMDPs. World Bank (OD 4.20) and ADB Policy (1998) state that groups with a distinct social and cultural identity from the dominant society may be classed as vulnerable or disadvantaged in the context of the development processes. Hence the necessity of identifying specific needs and aspirations through prior consultation in order to create conditions for participatory planning, implementation and monitoring, minimizing potentially adverse effects and encouraging developments that will lead to economic and social improvements.

It should also be pointed out that all relevant material and recommendations in the EMDPs have been incorporated fully into the RAP and mitigation plans. This implies that there is no relevant information that is only found in the EMDP and not in the main plans. However, the EMDPs are much more detailed and provide background material justifying recommendations and conclusions. This integrated planning process, in effect a 'mainstreaming' of ethnic minority issues, is possible since all the groups to be resettled on the Nakai Plateau are classified as 'ethnic minorities' and culturally sensitive methods of

consultation and planning have been used throughout the planning process. Regarding the ethnic minorities in the Downstream, similar culturally sensitive methods of consultation and planning approach have been used for those communities that are directly and indirectly affected by project impacts and that require compensation and mitigation.

Ethnic Minority Planning Objectives

A number of specific issues are addressed in the planning approach that takes into consideration Ethnic Minority issues:

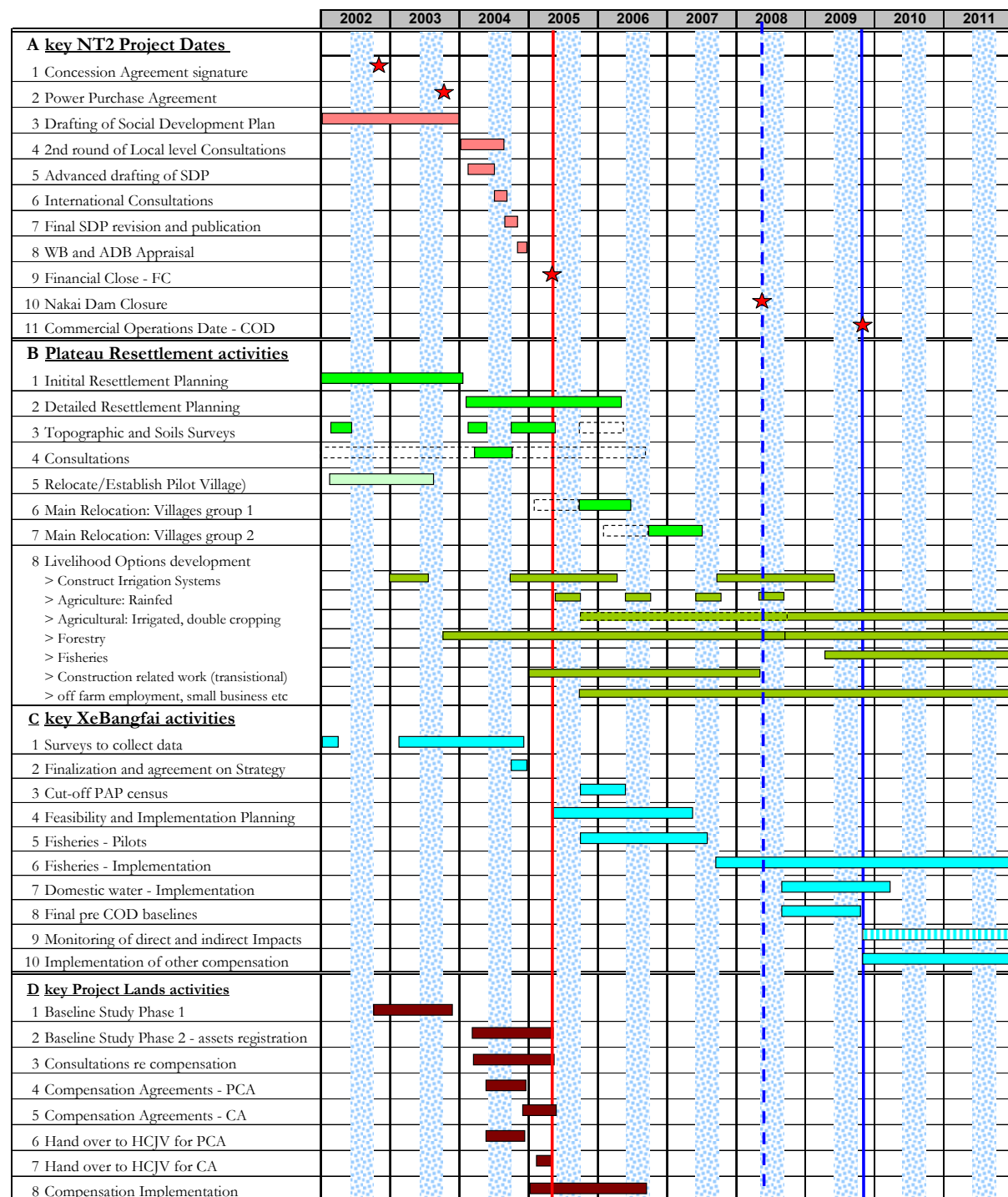
- **Vulnerability**: It is acknowledged that Ethnic Minorities (EMs) are vulnerable groups and that the planning process addresses this in the various programmes and mitigation measures. It also recognizes that some ethnic minorities and communities are particularly vulnerable, in terms of livelihoods, economic well-being and power relations, and that additional measures are required. Measures take into consideration the differences and inequalities between ethnic minorities/communities and how these may have adverse impacts on the more vulnerable groups, unless additional measures are taken.
- **Livelihoods**: EMDPs present both similarities and differences of the different communities in terms of food security and livelihood, and focus on the more vulnerable groups. This is particularly important for small minority groups that do not have the same level of technology and skills as other groups, and could be further marginalised if specific interventions are not devised, such as additional training and support during the transitional period.
- **Land Rights**: Strengthening community land tenure security and long-term rights to resources are a key issue for the long-term sustainability of minority communities. Legal documents, land certificates and the introduction of necessary legislation and decrees aim to secure the land and resources on the Nakai Plateau for resettlers and to guard against exploitation by outsiders.
- **Relocation and Site Selection**: Relocation of villages within or as close as possible to traditional administrative, cultural and spiritual boundaries in order to retain familiarity with the land and its resources and avoid cultural alienation and social disruption during resettlement and rehabilitation. Specific arrangements for a separate Vietic community and relocation of Tai groups to a village in Bolikhamxai have been planned.
- **Local Traditions**: The relocation process includes a number of cultural aspects. These include ritual and ceremonies for local spirits, territorial spirits and ancestors, village layout according to kin relations and clan membership, house designs and re-establishing ritual and cultural centres and organisations in new villages or replacing them due to project impacts.
- **Consultations**: consultations and participatory planning have been a key feature in the development of the EMDPs and the SDP. Concerns and aspirations of affected peoples have been incorporated into project planning and have influenced project design, including relocation sites, livelihood options and mitigation alternatives.
- **Traditional Organisations**: The EMDPs include roles and responsibilities for traditional organisations and individuals in order to facilitate the mitigation and resettlement process at the village and household levels. Formal leadership positions and informal leaders and ritual specialists are to be included in to the planning and implementation. Greater representation on decision-making bodies at the district level are recommended.
- **Capacity building**: Capacity building and institutional strengthening of local institutions through training and support in order to have a more culturally-sensitive approach to planning and implementation. Institutional arrangements will provide for a social development and ethnic minority expertise.
- **Budget and Schedule**: Recommendations for ethnic minorities and specific additional measures for vulnerable groups have been included in RAP and mitigation budgets. This includes funds for organisations dealing with EM issues and consideration of local concerns in detailed planning of the schedules.

1.8 TIMING AND DURATION

Agreement to the Resettlement Plan, including budget and implementation schedule, by the affected villages, the Provincial Authorities, the GOL and the World Bank will be necessary before the Project shareholders and financiers finally commit to funding the construction of NT2. Thus, the SDP is scheduled to be agreed approximately six months in advance of Financial Close and about one and half years before the actual physical relocation of the first group of villages. The scheduling of the social and resettlement activities is also linked closely to the construction and then operation of the NT2 Project as a whole. a summary of the scheduling of key NT2 Project activities, and especially key Social and Resettlement programs, is provided in Figure 1-3.

As shown on Figure 1-3, while implementation of the SDP will formally commence at Financial Close, a considerable number of preliminary activities are being undertaken in advance, including the relocation of a pilot village. Other preparatory work will continue once there is an strong indication that the Project implementation will concretely proceed.

Figure 1-3: Summary of Indicative Schedule of Main Social and Resettlement activities



1.9 RESPONSIBILITIES OF GOL AND NTPC

The responsibility to implement all commitments in the finally agreed SDP will be distributed between two bodies, GOL and NTPC. NTPC will have approximately USD 350 million of equity, and loan agreements for more than twice that amount. NTPC will thus be in a position to commit to the agreed expenditure on resettlement and related activities. The allocation of responsibilities is presented in detail in Volume 1 Chapter 6 and Volume 2 Chapter 7 relating to the Implementation Programs for mitigation on the Nakai Plateau (Reservoir) and along the Xe Bangfai.

While the responsibility to implement all the commitments in the finally agreed upon SDP will be distributed between two bodies, GOL and NTPC, the premise of such distribution is that NTPC will be the primary responsible party for funding, for financial management, and for the provision of infrastructure, while GOL will be the primary responsible party for government liaison with the affected population, the actual relocation of households, the issuance of compensation payments, community development and health. Both the NTPC and the GOL will be fully responsible for livelihood restoration and/or development.

The earlier SDP of 2002 was incorporated in the Concession Agreement (CA) between GOL and NTPC, as Schedule 4 Part 1: Social Component (see Appendix A1), as signed in October 2002. It may be required to incorporate any further provisions or plans as detailed in the 2004 SDP into a revision of specific sections of the Concession Agreement.

1.10 DEVELOPMENT AND STRUCTURE OF THE SOCIAL DEVELOPMENT PLAN

The Nam Theun 2 Hydroelectric Project (NT2) has been under active planning and development by the Government of Lao PDR (GOL) and the Nam Theun 2 Consortium (NTEC) since 1993. The project was originally scheduled to start construction starting at the end of 1996 and begin commercial operations in the year 2000. However, it was delayed due to the financial crisis of the late '90s. It is now expected that construction will start in May 2005 and operation begin in 2009.

In 1995 GOL and NTEC confirmed that the decision had been made to proceed with the project according to World Bank standards. The decision to comply with World Bank standards so as to enable the World Bank to support the Project was based principally on two considerations.

Firstly, it would be demonstrated to investors, multi-lateral agencies, lending institutions and other stakeholders that NT2 would comply with appropriate international social, environmental, economic and technical standards. Complying with rigorous standards and review processes will benefit all the stakeholders of the Project. Secondly, the financing will be more easily achieved, with World Bank support.

The additional development time has allowed for more research to be conducted and studies written, the environmental and resettlement plans to be prepared in greater detail, more independent assessments to be done and for a comprehensive Public Consultation, Participation and Disclosure (PCPD) Program to be implemented.

A first Resettlement Action Plan (RAP) was issued in May 1997 and was the subject of a 2-day public consultation meeting in Vientiane. It was made available to a wide range of stakeholders for review and comment. Further revisions and public disclosure of a revised RAP were carried out in 1998-99.

In preparing for the second draft it was decided to have a separate volume dedicated to ethnic minority issues, i.e. the Ethnic Minority Development Plan (EMDP). Together with the RAP these two volumes formed the Social Development Plan (SDP), which was issued in September 2002. This was also made available to interested parties, including the GOL, its agencies, regional and local administrations, Non-Government Organizations (NGO), and the public at large.

Based on comments from GOL, World Bank, ADB and other stakeholders the third draft of the SDP was developed to specifically address the Xe Bangfai (downstream) and Project Lands issues. It was issued in December 2003 and had more details on feasibility and presentations.

A fourth version termed the Advanced Draft of the SDP was produced from May 2004 to July 2004, and then an Appraisal Draft (this versions) produced in November 2004, based on further comments from mainly IFIs (WB, ADB and AFD), the POE and other stakeholders. A final version will be produced following appraisal, which will also include all relevant proposal arising from the local consultation program (many of which have already been included in this current version).

The SDP has now separated the three areas of Plateau, Xe Bangfai and Project Lands, plus an introductory section. Thus, the SDP is organised (presented) in 4 main volumes, as follows:

- Volume 1: Introduction and General Issues;
- Volume 2: Plateau/Reservoir Ethnic Development and Resettlement Plan;
- Volume 3: Xe Bangfai Compensation and Ethnic Minority Development Frameworks; and
- Volume 4: Project Lands Resettlement and Compensation Framework.

Further to this major subdivision of the SDP, Volumes 2 and 3 are also divided into:

- Ethnic Minority Development Plans; and
- Resettlement Actions Plans and Frameworks.

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