

# Nam Theun 2 Progress Report June 2017



Nam Theun 2  
Multi-Purpose  
Hydro Project  
Lao PDR

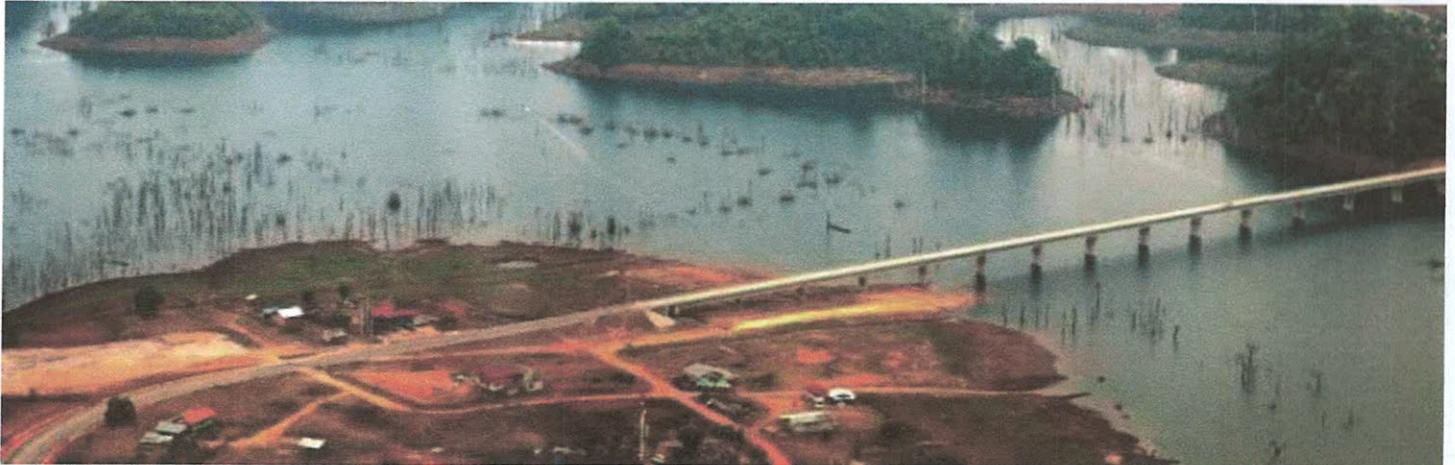
Panel of Experts  
Report No 26

**NAM THEUN 2**

**LAO PEOPLE'S DEMOCRATIC REPUBLIC**

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**NAM THEUN 2 MULTIPURPOSE HYDRO  
PROJECT**

**INTERNATIONAL ENVIRONMENTAL AND  
SOCIAL PANEL OF EXPERTS**

**TWENTY-SIXTH REPORT**

**PART A: CLOSING THE RESETTLEMENT  
IMPLEMENTATION PERIOD: REVIEW OF  
PROGRESS**

**June 2017**

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### Photos

Cover: Students from Done Village, Hip-Hop Dance Competition, Oudoumsouk

Title Page: Thalang Bridge

## ACRONYMS

<b>1G</b>	Original Resettler
<b>ADB</b>	Asian Development Bank
<b>AfD</b>	French Development Agency - Agence Française de Développement
<b>CA</b>	Concession Agreement
<b>CAP</b>	Comprehensive Action Plan
<b>CBHI</b>	Community Based Health Insurance
<b>CEO</b>	Chief Executive Officer
<b>CLT</b>	Community Land Titling
<b>DAFO</b>	District Agriculture and Forestry Office
<b>DRDPEO</b>	District Rural Development and Poverty Eradication Office
<b>DWG</b>	District Working Group
<b>FMP</b>	Forest Management Plan
<b>GoL</b>	Government of Lao PDR
<b>IFIs</b>	International Financial Institutions
<b>JWG</b>	Joint Working Group
<b>KPIs</b>	Key Performance Indicators
<b>LMCs</b>	Land Management Committees
<b>LoA</b>	List of Actions
<b>LSMS</b>	Living Standards Measurement Survey
<b>LWU</b>	Lao Women's Union
<b>MAF</b>	Ministry of Agriculture and Forestry
<b>MFA</b>	Lao Microfinance Association
<b>MTDP</b>	Medium-Term Development Plan
<b>NNT-NBCA</b>	Nakai Nam Theun National Biodiversity Conservation Area

<b>NT2</b>	Nam Theun 2 Multipurpose Project
<b>NT2DF</b>	Nam Theun 2 Development Fund
<b>NTFPs</b>	Non-timber forest products
<b>NTPC</b>	Nam Theun 2 Power Company
<b>PAFO</b>	Provincial Agriculture and Forestry Office
<b>PLUP</b>	Participatory land use planning
<b>POE</b>	International Environmental and Social Panel of Experts
<b>QSEM</b>	Quarterly Socio-Economic Monitoring
<b>RIP</b>	Resettlement Implementation Period
<b>RMU</b>	Resettlement Management Unit
<b>RO</b>	Resettlement Office
<b>SERF</b>	Social and Environmental Remediation Fund
<b>SG</b>	Subsequent growth
<b>SSN</b>	Social Safety Net
<b>TLU</b>	Tropical Livestock Unit
<b>ToR</b>	Terms of reference
<b>VAW</b>	Violence Against Women
<b>VDCs</b>	Village Development Committees
<b>VDFs</b>	Village Development Funds
<b>VFDC</b>	Village Forest Development Corporation
<b>VFGs</b>	Village Fisheries Groups
<b>WCS</b>	Wildlife Conservation Society
<b>WMPA</b>	Watershed Management Protection Authority
<b>WUG</b>	Water User Group

# **EXECUTIVE SUMMARY**

## **INTRODUCTION AND PURPOSE OF THE POE MISSION**

The 26th Report of the Panel of Experts (POE) summarises evidence of progress on the List of Actions (LoA) in the Comprehensive Action Plan (CAP) towards closure of the Resettlement Implementation Period (RIP) by December 2017, comments on the Medium Term Development Plan (MTDP) following closure, and suggests priority actions between now and the end of 2017. Achievement of the LoA will be a significant step towards closure but does not replace the project's Concession Agreement (CA) as the basis of the POE's recommendation. The POE will return in November for an assessment and recommendation on closure.

Chapter 13 of the report includes a list of the priority issues for the remainder of 2017, including both activities proposed in the CAP and some additional ones which the POE sees as merited.

The Report is in two parts. This Part A assesses progress towards requirements of the CA and CAP for RIP closure and the MTDP. Part B will review work on restructuring the Watershed Management Protection Authority (WMPA).

## **RESETTLER STANDARDS OF LIVING**

Although the income targets requirements of the CA have been met, trends in resettler incomes remain relevant in assessing sustainability. Indicators show a decline in incomes since 2014 as project employment has reduced and cash compensation has all been paid, but also as the supply of rosewood in the reservoir has virtually run out. The economic status of ethnic groups and other groups at risk need to be kept under review; and information on sources of income will help with an assessment on sustainability of livelihoods.

Mainly from production data, it seems that fishing remains the most important livelihood, cropping has grown significantly, income from small livestock (mainly poultry) is small but modestly increasing and, apart perhaps from some who still gather non-timber forest products (NTFPs) for market, the forests are making virtually no contribution to household income. A few mainly better off resettlers get income from small businesses such as shops. Large livestock are mainly a store of wealth and add little to regular income.

The POE will re-examine these trends in the light of the data from the 8<sup>th</sup> Living Standards Measurement Survey (LSMS8), which also includes more information on sources of income, when it becomes available.

## **LAND**

The LoAs include almost all the objectives identified by the POE's Report 25 including resolving major land disputes, honouring land entitlements under the CA, disseminating information and training on Community Land Titling (CLT), and achieving hamlet plans for future use of community land. There is also a new action after RIP to revise the CLT land use regulations. The POE trusts that such a revision does not reduce community control over land resources, render CLT training irrelevant and be contrary to the spirit of the Concession Agreement.

Considerable progress has been made on the LoA. Land Management Committees (LMCs) have been established in all hamlets. District staff have been trained in CLT regulations and

responsibilities and in turn have trained Village Authorities and LMCs. CLT regulations have been disseminated to 14 titled hamlets and training is now complete in these hamlets.

Of the 147 recorded cases of land related conflicts, 121 (82%) are reported resolved, well beyond the LoA target of 25%. The District and NTPC are reviewing the rest. If they cannot be resolved, they will be referred to the judicial system. This is impressive progress.

Housing and agricultural land allocation for subsequent growth (SG) households is 70% completed, but 45% of original resettler households still have not received their entitlements of additional land, although some of these would not be eligible. The Project may also struggle to achieve its target of issuing land titles for additional agricultural land to 75% of eligible SG households by December 2017.

There are several other reported problems with allocation and land use including missing land zone boundary markers; stories of unauthorised land clearance, land grabbing, and weak oversight by village Land Management Committees (LMCs) and District authorities; reports of property and land selling already, some by distressed poor households; the District allocating or facilitating access to community land to outside and ineligible persons; and construction not related to resettler or 2G households, particularly in villages near the urban area.

### **Priority actions by December**

- Resolve 90% of registered land disputes
- Land allocation to 100% of eligible resettler and SG households
- A single methodology used by all stakeholders for land resource surveys and land use plan development
- Independent enquiry into land occupied since 2014 by non-eligible persons or organisations
- Investigate sale of transfer promises of 0.66ha and housing plots before RIP.

### **AGRICULTURE**

There has been further growth in area under cropping with the biggest increases being in cassava and paddy rice. The continuing problems are poor soil and lack of water.

Cassava is now planted on a third of cultivated land but over a quarter of farmers are losing money on it and yields are said to be declining as anticipated. Planning to replace it is a matter of urgency.

The project is continuing to promote good soil enrichment practices and agro-forestry. Some further improvement in paddy rice yields may be possible with new strains and organic or artificial fertilizer, but this is expensive in labour and money.

A proposal for contract bamboo growing as a future replacement crop for cassava was being investigated by the District but will not now proceed. Any future proposal for contract farming needs similarly to be carefully evaluated against the alternatives for risks and returns to farmers.

In nearly all villages there is demand for more water for irrigating farm plots. The project is planning to meet all genuine user demand for repair or enhancement of systems and gully dams. Some new gully dams may also be cost-effective. We agree with the emphasis on working with Water User Groups.

Future actions in agriculture are being deferred to the medium term farming and fishing plan being funded by the French development agency AfD and NTPC.

### **Priority actions by December**

- Repair and upgrade irrigation facilities to meet real demand, at least ensuring sufficient water for vegetable crops
- Achieve LoA targets for extension work on soil improvement for vegetables, agro-forestry and paddy (including new rice strains)
- An agreed firm process in place for developing, funding and managing the medium-term AfD-NTPC plan for agriculture and fishing
- Advice and support to all cassava growers on mitigating erosion and soil depletion impacts and on alternative crops

### **LIVESTOCK**

Numbers of cattle and buffalo increased by 17% from 2014 to 2015 and a further 24% from 2015 to 2016. Total large livestock now well exceed the carrying capacity of the plateau estimated in a survey in 2010. The POE believes a revised assessment of capacity now is in order. There is anecdotal evidence of overgrazing but farmers are doing little to increase the available feed supply. The LoA has modest targets for increasing feed. The area of land for open foraging is in fact reducing as villagers fence off their .66 ha and .22 ha plots for agriculture. Despite continuing vaccination campaigns, there have been sporadic outbreaks of disease among both cattle and buffalo.

The number of chickens and pigs also continues to increase. More households are seeing poultry as a supplementary source of income.

Both POE and the CAP seek to encourage farmers to trade in livestock. There is a great deal of scepticism about the willingness of Lao farmers to look on cattle and buffalo as a source of income but decisions to sell may be forced on them if the feed situation gets worse.

### **Priority actions by December**

- A further vaccination campaign, particularly for cattle
- A further significant increase in pasture and forage
- Organise at least one cattle auction to test farmer interest
- Re-assess livestock carrying capacity and possible land use options

### **COMMUNAL FORESTRY**

The POE's view is that the forestry pillar is at present non-compliant with the CA in most important respects.

The JWG has called for a preliminary survey of all hamlet forests, to be funded by NTPC, leading on to the evaluation and delineation of forest management options and the drafting of a Forest Management Plan (FMP). This would involve participatory consultations, discussions and early agreement among all stakeholders including resettlers on the FMP's direction and focus.

All forestry portfolios have now been consolidated in the Ministry of Agriculture and Forestry (MAF) who will be actively engaged in forestry and other strategic issues at national level and working at an oversight and operational level through its Provincial (PAFO) and

District Offices (DAFO). The availability of the MAF's expertise in this way is a valuable asset to the project.

The preliminary survey of forest resources should get an up-to-date picture of the status of hamlet forest resources, with DAFO and possibly PAFO inputs, and actively involving hamlet dwellers. It should start before the next rainy season.

The key steps for planning are:

- Initial participatory surveys in each hamlet of available forest resources.
- Agreement on the range of options including a consensus on whether logging and timber processing should continue and discussion of the options such as preserving the forests intact and using them for carbon offsets and NTFPs; and decisions by hamlets on how to use the rest of their forest lands.
- Early completion of an audit and financial review of the Village Forest Development Corporation (VFDC), in time for drafting the FMP.
- Urgent review of the heavy tax and levy burden on production forestry on the plateau with a review to reducing it to a fair level for the resettlers.
- Circulation of a draft FMP among all stakeholders, not least resettlers, for “review and discussion and agreement”.
- Assent and support of the GoL at a national level, including the necessary legal and management backing for the FMP; and funding support from other stakeholders, including the International Financial Institutions (IFIs).

#### **Priority actions by December**

- A prompt start on preliminary forest surveys
- Forest management options assessed and ranked by all stakeholders
- Forest Management Plan approved by all stakeholders
- Audit and financial management review of VFDC
- Review of enabling measures for forestry pillar undertaken, including a further review of levies and tax burdens on production forestry.
- ToR prepared for comprehensive forest inventory exercise in 2018, with funding secured
- Preparations for the formulation of FMPs for the 16 hamlets early in 2018.

#### **FISHERIES**

Despite continued and sometimes blatant illegal fishing and trading, the number of fish in the reservoir appears to be increasing, and the variety of fish species is stable. The catch available to the resettlers is also increasing, although very little of it passes through the legal landing sites. The estimated annual household catch rose by 3% in 2015 and 22% in 2016. Less than 10% of the catch was landed at legal landing sites and attracted the landing fee that supports the fisheries management regime.

Fish are being caught commercially or by outsiders without a license, caught by illegal methods, or caught in protected zones, and fish sold to traders at illegal landing sites. Fishing is clearly widespread in the protected zone north of the Thalang bridge and traders operate freely from illegal sites. The POE encountered a trader landing fish near the dam at the northern end of the reservoir. Nothing is being done to catch traders on the roads near the reservoir.

Village patrols catch some illegal fishers near their villages but apart from that there is an almost total lack of effective enforcement both on and off the reservoir. Fisheries regulations are being consolidated, and a draft Fisheries Management Plan for 2016-2020, required by the CA, has been prepared based on actions in the CAP but it is unlikely that actions to strengthen enforcement will have much effect in 2017. The strategy needs to be rethought, to focus patrolling and checkpoints on the sensitive areas where fish breed, extend enforcement on the reservoir north of the Thalang bridge and focus on the points where traders pick up fish and on the roads where they transport them.

### **Priority actions by December**

- Complete marking out of new protected areas on the reservoir
- Implement a new patrols and checkpoints schedule for the far side of the reservoir and north of the Thalang bridge
- Consider the fisheries co-management report and decide on the report's recommendations on fisheries regulation and how it is governed
- Implement an effective system of policing illegal trade in fish, based on fixed road checkpoints and mobile patrols.

### **OFF-FARM**

Income from business and employment contributes little to livelihoods. There is potential for growth in tourism, particularly in Thalang and to the wilderness area. Further processing and selling the products of the plateau requires marketing channels between the plateau and Lakxao, Thakhek and beyond. There could be more employment in services on the plateau for those with training or further education; but at least some of the young people of the villages will need to look beyond Nakai for work. Equipping them with the skills for this wider world would seem to be a priority.

Villagers themselves say they need to know how to find markets, start up a small business, manage the risk of borrowing, get training and further education, and convert training and education into income. There is real enthusiasm in the northern villages for getting tourism-related business but little idea how to go about it.

Village Development Funds (VDFs) continue to grow and are the main source of finance for business. Arrears rates are high in a small number of villages, indicating that Funds need outside support to ensure they are well-managed and also have fair lending policies. Central support is required which preserves the independence of the VDFs.

The CAP's sensible plans for marketing and training need to show results in terms of actual business and jobs. Indicators need to be set for training-related employment, education graduates in business or employment, additional businesses established (including tourism), and increased income from business.

There are specific opportunities for tourism ventures on Nakai which need not wait for the current provincial tourism plan.

### **Priority actions by December**

- Establish a Network Support Organisation to support Village Development Funds
- Audit the operations of each VDF, with remedial actions for Funds with high arrears
- Meet targets for further training and education scholarships

- Set up the proposed venture seed fund for longer-term finance and advertise for applications
- Review VDF decision and policies to ensure that access is equally available to all who wish to borrow and can manage its requirements
- Develop a plan for village-run tours to the protected area.

## **POOR AND VULNERABLE HOUSEHOLDS**

There are 16 Vulnerable households receiving nutritional and health care under NTPC’s Social Safety Net (SSN) policy; 28 Poor households receiving targeted livelihoods support; and 25 High Risk households receiving some of the support available to the Poor (excluding free health care) under a Special Program.

NTPC will continue the SSN for Vulnerable households until 2035. NTPC and GoL have also accepted that that support will extend beyond the RIP for other households who do not have “sustainable bases for their livelihoods” (CAP). Medium-term support would be through some form of GoL program but its actual terms remain to be spelled out, as would be the mechanism for ongoing identification of poor and high risk households.

Criteria for Vulnerable, Poor and High Risk households have now been reviewed, revised and agreed between NTPC and the District and expanded to include SG households. Lists of qualifying households were due to be updated in May.

There are several options currently being considered for health support but whichever is finally selected will not affect coverage for eligible resettler households until the end of the CA.

### **Priority actions by December**

- Update lists of Vulnerable, Poor and High Risk households, including 2G households
- Profile Poor and High Risk households, and extend support beyond RIP for those without sustainable livelihoods
- Investigate reports of Poor households selling land to raise cash, and improve targeting of the Special Program
- Evaluate effectiveness of Community Based Health Insurance (CBHI) and revise or replace with a viable alternative if necessary

## **ETHNIC GROUPS**

There is a considerable risk that in December the project will not be able to demonstrate compliance with the CA provisions for ethnic groups or the IFI Safeguard Policies. Although all ethnic groups have achieved the CA income targets, some groups are lagging behind in developing new livelihoods and have difficulty accessing the training and other support provided by the project. Most are also under-represented in village planning and governance or encounter language difficulties which inhibit their participation in these activities.

It is clear to the POE that the project is not affording some ethnic groups the special treatment required by the CA, covering matters such as language and tailored development programmes. The CAP addresses the main CA requirements for special measures while recognizing the challenges in achieving some of them. Some officials see a conflict between these requirements and GoL policy on equal treatment of all Lao citizens. The POE argues that provision of special measures means setting up required equal access to project support. This should not be interpreted as provision of additional benefits for some.

The POE trusts that a planned IFI study of the historical and other issues surrounding the situation will help produce an outcome acceptable to all, though this is not guaranteed.

### **Priority actions by December**

- An agreed list of special measures for ethnic groups drawn up
- Appointment of a local facilitator with wide knowledge of minority languages for communication with ethnic groups
- Resolution of Ahoé issues and a decision on a WMPA checkpoint at Old Sophia
- A mechanism for all hamlets and ethnic groups to have equal opportunities to benefit from MTDP programs
- Development of tailor-made plans to meet ethnic groups' needs
- Refresher ethnic sensitivity training for Resettlement Office (RO) and government (GoL) staff.

### **GENDER**

The POE supports the strategy of mainstreaming gender across all components of the CAP. Results in monitoring data and specific gender markers in the CAP will demonstrate whether the strategy is effective. Some markers are integrated into fisheries, off farm and overall gender pillars. Further targeting could be included for to agriculture and forestry, as recommended in POE25. Planning must avoid "double jeopardy" where increasing women's roles also greatly increases the relative workload they must carry. This requires women's voices to be properly heard. CAP provisions for strengthening women's voice and leadership in the District are welcome. They should extend to a larger role in village governance. At present no naiban are women and only one deputy naiban. In planning, separate women's and men's meetings may be required in addition to combined meetings.

The POE recommends continue effort on programs to counter Violence Against Women and stronger linkages to national and provincial programs. The inclusion of literacy activities in the CAP is welcome.

### **Priority actions by December**

- Improve gender-disaggregated indicators for agriculture, livestock and forestry activities
- Ensure "double jeopardy" is avoided by including explicit discussion of relative workloads for women and men in planned livelihood activities
- Integrate separate men's and women's inputs, meetings and prioritised activities into the proposed village planning processes.

### **FUTURE GOVERNANCE AND MANAGEMENT OF THE PROJECT**

Our advice to the government in November/December will rely partly on there being a robust system of planning and implementation in place to sustain development beyond RIP. The POE sees development of the GoL Sam Sang principles, incorporating participatory planning by villages and development management by the District, as a step forward and is pleased to see that they will be piloted in some villages. Both villages and District need to develop new capabilities to carry out these roles.

At the village level, the CAP planning exercise was a most useful step forward but revealed that villagers need to understand the full significance of the CAP consultations, recognize they are making real choices about limited resources, believe they can influence higher-level

decision-making, be assured that all voices will be heard in planning and receive regular feedback on choices they make. Consultations need to take into account the time demands of the expanding number of meetings.

Transfer of real decision power to villages will involve giving them some direct control over budgets. We were pleased to see that both the AfD-NTPC project and the Nam Theun 2 Development Fund (NT2DF) envisage some budget going direct to villages.

To connect village and District-level planning, District officials need to be trained in participative processes and villagers ought to be represented on District-level coordinating bodies.

Organising for medium term development planning requires consideration of bodies for exercising authority on behalf of the Government of Laos, coordinating District office activity, providing technical and systems support to district and villages, a central point for communications between district and outside organisations including funders, capacity building and other support for villages in their planning role, coordination between GoL and funders, and transition arrangements from existing RIP organisations to the MTDP.

The Social and Environmental Remediation Fund (SERF) will make a significant contribution to the MTDP for operation and maintenance of community assets. There are some concerns about its operation. While a new SERF manual is in place, a full audit of SERF operations is long overdue and should be completed before the MTDP comes into effect.

#### **Priority actions by December**

- Agreement on the organisational responsibilities for the MTDP project and transition to the new arrangements
- An evaluation of updating of Village Development Plans and a decision on how to extend Sam Sang principles to all villages.
- Re-assessment of District and village management capabilities and adequacy of staffing and budgets
- An audit of the SERF Fund with recommendations for strengthening its management.

#### **CONCLUDING THOUGHTS**

There has been some progress in securing livelihoods for the resettlers, and some good planning for the future, but challenges of varying degrees remain in all the livelihood and cross-cutting pillars. Some more general issues are important in meeting the conditions of the CA for RIP closure:

- By December the actions in the Plan will have had little real impact on livelihoods. Major outcomes are mostly projected into the medium term. A positive judgment in December will almost certainly require an act of faith in relation to some sectors that planned results will emerge in the medium term.
- The handover of the project from NTPC to District and villages requires a corresponding enhancement of management and support capability in the District, and in the villages a greater capacity to handle project planning and implementation.
- A truly participative approach to planning under the Sam Sang principle requires a changed relationship between government officials and villagers. Within villages themselves, it is particularly important that all voices are heard including those of incorporated hamlets.

- The apparent difference in approach between the CA and GoL officials on special measures for ethnic groups must be resolved.

## 1 INTRODUCTION AND PURPOSE OF THE POE MISSION



**POE village meeting at Sop On – sheltering from rain squall across reservoir**

### 1.1 The POE Mission

This 26th Report of the International Environmental and Social Panel of Experts (POE) for the Nam Theun 2 Multipurpose Project (NT2) in the Lao PDR summarizes the results of our visit to Laos in March/April 2017.

The POE team consisted of David McDowell (consultant, Otaki, New Zealand), Lee Talbot (Professor, George Mason University, Virginia, USA), and Elizabeth Mann, a former consultant to the Asian Development Bank (ADB), from the UK. They were again joined for the mission by Rob Laking (consultant, Wellington, New Zealand), former member and convener of the World Bank Independent Advisory Group (IAG) on the NT2 Project.

The mission followed its usual practice of first bringing itself up to date with the evolving development on the ground by holding detailed talks with the Village Development Committees (VDCs) and other hamlet members in most of the resettlement villages of the Nakai Plateau in central Laos and being briefed by Nakai District and Nam Theun 2 Power Company (NTPC) officials and field staff.

The Panel also held discussions on site in Nakai with the members of the Joint Working Group (JWG) of the Government of Lao PDR (GoL), NTPC, and the International

Financial Institutions (IFIs). The JWG has been preparing the Comprehensive Action Plan (CAP). The CAP consists of a List of Actions which, in the JWG's opinion, need to be completed if the Resettlement Implementation Period (RIP) is to be closed by the extended deadline of 31 December 2017, and a Medium-Term Development Plan (MTDP): a comprehensive plan for further development on the NT2 project following RIP closure.

Following talks with the Nakai Governor and the District Working Group (DWG) in Nakai, the POE met the Provincial Governor in Thakhek and drove to Vientiane. An extensive program there culminated in discussions about the project with the Vice Minister of the Ministry of Agriculture and Forestry (MAF), Thongphath Vongmany, calls on Deputy Prime Minister Sonexay Siphandone and Vice Minister Thongphat Inthavong of the Ministry of Mines and Energy, and further exchanges with the JWG whose membership includes representatives of key GoL Ministries, the NTPC Chief Executive Officer (CEO) and representatives of the World Bank and ADB.

The first objective of this mission was to gather evidence about progress towards the CAP objectives set for December 2017 and beyond. But it was also the final opportunity for the POE to influence on site the direction and nature of the measures being taken to fulfill the Concession Agreement (CA) requirements – from which the POE derives its basic mandate – before a decision whether or not to close the RIP on 31 December 2017. So we have used the opportunity also to suggest actions through the CAP that have priority in the endeavour to get closer to that goal. The POE will return for a second mission in mid-November to undertake a final evaluation and recommendation on closure.

While in Laos, the POE also held discussions on the future of the Watershed Management Protection Authority (WMPA), which is charged with the management of the Nakai Nam Theun National Biodiversity Conservation Area (NNT-NBCA). Part B of our Report, to follow, will discuss the options for the WMPA.

## **1.2 Planning and implementation**

There is now firmly in place, and approved by stakeholders, a JWG on the project. This is a multi-party group of Lao and international agencies and key people involved in a substantive way in the activities underway, chaired by the Deputy Director of the Ministry of Energy and Mines and supported logistically and otherwise by World Bank and NTPC staff. It has produced a coherent consensus on the way forward – until RIP closure and beyond – which is invaluable. The POE has some remaining reservations, detailed in the following chapters, about some aspects of the CAP, regarding a number of its targets and deadlines, for example, as lacking in ambition, and viewing some of the proposed actions as process-oriented rather than results-oriented. But we see the consensus achieved in the CAP as a milestone in the project's progress.

The CAP is still short on detail, particularly of budgets and targets for its proposals. The POE was shown approximate figures and sources of funds for a budget for 2018 and beyond, but there needs to be more detail and firm assurances of adequate budget contributions from all sources for the years ahead. The NTPC has made commitments, including the extension of several of its funding operations right through to the planned end of the Concession Period in 2035 – a very helpful move - and other donors are contracting to contribute. GoL officials at District and national levels have been a willing partner in the CAP negotiations and are actively seeking government approval for co-funding of CAP projects and staff and budget for the District to support its additional responsibilities after RIP, although GoL budgetary processes do not easily accommodate multi-year future commitments.

The planning needs to be more specific on budgets and targets, but what is equally important now is that the attention of the implementing agencies turns swiftly to Plan implementation. The villagers were well involved in drawing up the sectoral Action Plans. This was a participatory process and well conducted. The villagers are unanimous on this score. But they have not had adequate feedback on the content of the consolidated Plan and say they have seen little impact as yet on the ground. The POE has a simple mantra: implementation is now the main game.

### **1.3 The POE's role**

We need to make one consideration clear at this point regarding the ongoing work on the CAP, which is that while the Plan is a valuable step forward and is taken seriously by the POE it does not replace the CA as the basis of the POE's mandate and work. The CAP itself acknowledges that the POE's input into formulation of the Plan is based on the CA. As the text says "...specifically, the POE's mandate [is to] review progress towards achievement of the Resettlement Objectives and the Resettlement Provisions, and recommend closure or extension of the RIP." That remains our position though it does not inhibit our further interest and close involvement where appropriate in the evolution of the CAP.

The CAP is a logically-developed and well-articulated set of actions for getting beyond RIP and into the medium term. But it has to produce results. For the POE to give its advice on closure, we need evidence that the project is on the path to sustainable livelihoods, particularly in farming, fishing and forestry, and that the well-being of ethnic groups, women and the poor and vulnerable are being fostered and protected. In the following chapters, our report identifies these aspects of the sectors and programs in which we will be taking a close interest in November.

We will also be looking closely at the institutions and processes by which decisions are made post-RIP, for this is another element in the drive to ensure sustainability. There are commitments in the CAP to participatory processes, so that resettlers at the hamlet level can play their part in both the future planning and implementation of projects. That will involve some new thinking, some new ways of operating and some new institutions. The GoL is keen to ensure that its Sam Sang policy, which sees the village as the basic unit of development in the Lao economy, is incorporated into the system on the plateau after RIP. There will also be a need to establish new institutions at the District level, and to work out how the villages retain a voice and a part in District decision-making.

### **1.4 Remaining challenges before RIP is closed**

The POE concluded its Report 25 with a listing of the big challenges as we saw them a year ago. We were particularly concerned at that stage that the institutions or agencies accountable for new responsibilities seemed not fully aware of what the actions required to get themselves up to speed might be. To a degree we are less concerned now about this aspect of the operation though we have views on the matters set out in Chapter 12 and will follow closely the debates in the months ahead on the shape, function and composition of the institutional structures which emerge. There are encouraging signs of preparations being made by the GoL agencies - most importantly MAF - by the NTPC and by the VDC and other village committees for the handover and the transition period which follows. There is a long way to go before they are ready to handle what lies ahead but they have initiated a number of positive actions and are discussing others.

One indicator of the beginnings of a switch in emphasis and role is that much of the managerial action now takes place not in Vientiane but in Oudoumsouk, Nakai's district centre. It was not coincidental that the POE went first to Nakai on arrival, that the substantive

briefing was undertaken by District staff rather than NTPC and that the initial debrief by POE was to the District Governor and DWG. To its credit, NTPC management has accepted that it is already in transition from being a multipurpose project manager to being a project donor. District managers are correspondingly stepping up to replace them in due course.

Our reading of where gaps remain now relates more to the state of two of the livelihood pillars - forestry and agriculture, both with associated land use problems - and the three cross-cutting sets of issues (gender, ethnic groups and the poor and vulnerable). The last chapter of Part A below includes a list of the priority issues for the remainder of 2017 as we see them. The list includes both activities proposed in the CAP and some additional ones which the POE sees as merited. The confluence of views on most issues between the POE and the JWG is reflected in the column marking the origin of the proposal.

Some issues, by their very nature, are not susceptible to rapid change or solutions. Making progress on ethnic group and gender issues in particular requires modification of human attitudes and behaviour, which calls for sensitive and sustained efforts at both community and individual levels. Change in these areas does not happen within short timeframes and is difficult to measure. So it would be illusory to imagine that setting targets or deadlines in these areas will of themselves stimulate change. The CAP acknowledges this by adopting a step by step approach to change, calling - for example - for stakeholders to draw up and set in place as a matter of some urgency an agreed list of special measures designed to lift performance or seek alternative ways forward for ethnic groups. That is an approach strongly supported by the POE.

## **1.5 Innovation**

From the perspective of twenty years of observation and comment – sometimes laudatory, sometimes critical, but always frank – the POE records below the ways in which the project has been and remains a global leader in introducing new concepts and practices into multi-purpose operations such as NT2 has become. The title by which it now identifies itself - the NT2 Multipurpose Project, originally simply a Hydropower Project – is an indicator. The POE takes some credit for this change in nomenclature which was not cosmetic but reflected a real extension of roles.

The innovations go back to the origins of the whole operation:

- the CA itself, drafted over fifteen years ago, still serves as a reliable and prescient guide to the objectives and management of the project. The fact that some elements are binding on the parties has often been crucial. It has in particular often helped safeguard the interests of the resettlers when these appeared to be under threat.
- the inclusion, as an offset to the loss of valley land and biodiversity when the dam was closed and inundation occurred, of a large watershed with world class biological and cultural diversity in the project as a protected area. That was a generous move by the GoL, whose gesture merits a more rewarding outcome than has yet been achieved.
- the decision to include remedial and mitigation measures for the rivers and people downstream of the dam and powerhouse. The POE criticized what it saw as the premature winding up of this work, but that in itself was an acknowledgement of the value of the operation and its place as a precedent worldwide.
- the establishment of a Social and Environmental Remediation Fund (SERF) to continue to support and provide maintenance for project buildings and village roads right through to 2035. The lack of maintenance funds after completion of infrastructure programs has frequently undermined projects elsewhere.

- the decision by the NTPC Board to continue annual support to livelihood and Social Safety Net (SSN) programs, again through to the end of the Concession Period, is a further highly innovatory move. The funds will help ensure a greater level of sustainability for these programs.

There remains a requirement for innovation. The vision of the project designers has been fulfilled in many respects but not wholly. The villages and other infrastructural elements are established and functioning well. What remains to be accomplished is the clear intent of the CA signatories to set up a working system for village forestry, a secure base for further agricultural and agroforestry development, a well protected watershed with enclave villages enjoying the benefits of social and economic advances and a set of social safeguards for all resettlers firmly in place. Ways to achieve these final goals are addressed below and in the CAP.

## **1.6 Form of the Report**

This Part A of our Report focusses on assessing and evaluating progress towards fulfilling the requirements of the Project's CA and the CAP and is organised broadly to follow the structure of the CAP. Rather than following the usual practice of presenting a list of recommendations, Part A appends a list of priority actions, drawn first from the CAP but with some extensions and additions, which we believe are most important to focus on in the months remaining to the end of 2017.

## 2 RESETTLER STANDARDS OF LIVING

The following Chapters of the Report address each of the four livelihood pillars of the Comprehensive Action Plan. This short Chapter discusses the overall measurement of standards of living and the state of economic development for the Resettlers.

The Resettlement Objectives of the CA include to “ensure that Resettlers have their income earning capacity enhanced and achieve the Household Income Target, with adequate support being provided by the parties during the Resettlement Implementation Period” and “materially improve Resettler livelihoods on a sustainable basis”. In 2014, the Resettlement Committee (RC) ruled that, as required in the CA, 97% of resettler households had incomes above the Lao national poverty line, and that average consumption was three times this level. In 2015, the RC agreed that each of the 16 Resettler hamlets had reached the average Village Income Target required by the CA.

The incomes of resettlers remain relevant in assessing sustainability. The sources of incomes have changed since 2014 and quite possibly their distribution. In reviewing the situation on the plateau in December 2017, we will be looking at how they have changed. First, having a range of livelihood options is an important indicator of security for resettlers, so we will report on the evidence of changing contributions of different livelihood activities. Second, we will be interested in how different groups have been affected by income changes and particularly whether some are more at risk than others. The Objectives include to “apply special measures as required towards ethnic minorities and vulnerable persons to take care of their needs and foster self-reliance and to improve their socio-economic status.” The POE will therefore look for any indicators – including ethnicity - that some households may be lagging behind and more at risk of poverty as income changes.

The most comprehensive survey for evaluating living standards on the plateau is the Living Standards Measurement Survey (LSMS). The last of these, LSMS7, was conducted in 2013. LSMS8 has completed fieldwork and results are being analysed now, but a report will not be available until July this year. In the meantime, some indicators of trends in income and consumption are provided by the more limited Quarterly Socio-Economic Monitoring (QSEM).

The most recent QSEM (No 13, third quarter 2016) reported that, since 2014, “the resettlers have been in a post-project, post timber economic environment ... employment opportunities with the project have diminished and the payment of cash compensation for loss of assets has ended”. In addition, the supply of rosewood in the reservoir has virtually run out. In the last two years, after declining significantly, “resettler income and total per capita consumption<sup>1</sup> have remained approximately constant”. Trends in household net worth are hard to detect from the indicators: in QSEM13, total debt increased and total savings decreased somewhat, both after a 2-3 year period of stability, but livestock numbers (an important store of wealth for many families) continued to rise.

There are no direct indicators in the QSEM of sources of income from fishing, farming, forestry and off-farm. Surveyed households are asked to indicate their main activity on the previous day but the resultant data have no clear trends. Mainly from production statistics, it seems that fishing remains the most important livelihood, cropping has grown

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<sup>1</sup> This is an index based on cash expenditure on consumption items reported by the sample of households surveyed in the QSEM. It does not include imputed income from, for example, consumption of rice or vegetables grown for home consumption, or fish caught for the table. The LSMS includes imputed income.

significantly, income from small livestock (mainly poultry) is small but modestly increasing and, apart perhaps from some who still gather non-timber forest products (NTFPs) for market, the forests are making virtually no contribution – the last dividend from the Village Forest Development Corporation (VFDC) was paid nearly three years ago. A few resettlers, mainly the better off, derive some income from small businesses such as shops. Large livestock remain primarily a store of wealth and add little to regular income.

The POE will re-examine these trends in the light of the data from LSMS8 (which includes more information on sources of income as well) when it becomes available.

### 3 LAND



**.66ha plots and drawdown zone, Nakai Neua**

#### 3.1 Current situation

The land topic has been central to whether or not the original resettler (1G) households and subsequent growth (SG) households can derive satisfactory livelihoods from agriculture, livestock, agroforestry and forest resources. This is a key CA compliance issue, as is the allocation of additional housing and agricultural land to eligible households<sup>2</sup>.

#### 3.2 POE25 and the CAP

The POE is happy to see that almost all Objectives and Outcomes relating to land and identified in POE25<sup>3</sup> have been reflected in the CAP's List of Actions to be completed by December 2017. These include resolving major land disputes, honouring land entitlements under the CA, disseminating information and training on Community Land Titling (CLT), and achieving hamlet plans for future use of community land<sup>4</sup>.

However, it is also very disappointing to see that a new target for the MTDP (AL2.3.2[E-I]) included in the CAP implementation monitoring, intends to revise the land use regulations of CLTs, apparently without the prior consent or agreement of titled resettler households. This will annul all the hard work done in the past to strengthen community

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<sup>2</sup> Concession Agreement, Schedule 4, Article 15.1 Plateau Resettlers' Entitlements, Section (a) 1.1

<sup>3</sup> POE Report 25, paras 4.3 and 4.4

<sup>4</sup> LoAs 2.1.1-2.1.4, 2.2.1-2.2.6

control over land resources, make the CLT training irrelevant, and be contrary to the spirit of the CA, which the POE sincerely hopes will not be the case.

### 3.3 Progress on the CAP

Recommended Outcomes to achieve RIP are underway and considerable progress has been made. Land Management Committees (LMCs) have been established in all hamlets. District staff have been trained in CLT regulations and responsibilities and in turn have trained Village Authorities and LMCs. Dissemination of CLT regulations to 14 titled hamlets<sup>5</sup> has been undertaken in two phases, the first before land conflict resolution, completed by the end of 2016. The second phase in March 2017 with re-distributed CLT booklets to all households, including SG families. Training is now complete in 14 hamlets.

**Table 1: Land Allocation for Subsequent Growth Households, March 2017<sup>6</sup>**

Hamlet	No. of SG HH	Housing Land		Agricultural Land	
		Completed	Pending	Completed	Pending
Sop Phene	9	5	4	8	1
Nongbouakham	11	9	2	4	7
Sop Hia	17	10	7	17	0
Sop Ma	27	11	16	15	12
Nam Nian	18	5	13	1	17
Nakai Tai	62	41	21	52	10
Nakai Neua	35	23	12	34	1
Nongboua	12	5	7	0	12
Bouama	14	13	1	7	7
Phonesavang	9	7	2	4	5
Sop On	31	29	2	28	3
Done	65	65	0	<b>63</b>	2
Khon Kaen	16	15	1	7	9
Thalang	38	15	23	12	26
<b>Total</b>	<b>364</b>	<b>253</b>	<b>111</b>	<b>252</b>	<b>112</b>

Source: NTPC

Land disputes have been addressed by the District. Of the 147 recorded cases of land related conflicts, 121 (82%) are reported resolved. The Advisory Committee on dispute

<sup>5</sup> In 14 of the 16 original resettlement villages. Oudoumsouk and Phonpanpek are consolidated into one municipal centre and have separate urban plans developed by the District. These two did not receive CLTs. The term "village" in this Report refers to the eight consolidated villages, while "hamlets" refers to the original 16 resettlement villages.

<sup>6</sup> Source: NTPC. POE Report 25 noted a list of 413 eligible SG households. Of these, 49 are in Oudoumsouk and Phonpanpek, and their land needs addressed under the urban plan.

resolution together with NTPC's technical team was due to meet after Phimai (Lao New Year) to resolve the remaining 26 pending cases. If this cannot be achieved, they will be referred to the judicial system for a solution. The 26 pending conflicts include outsider complaints as well as inter-hamlet boundary disputes between Nongbouakham, Sop Hia and Sop Phene<sup>7</sup>.

Some proposed LoA outcome targets by December 2017 were initially low compared to earlier POE recommendations. However, positive progress on resolving land conflicts means that the target indicator has been revised to 85% resolution. As land-related conflicts are among several reasons continuing to block land allocation, this is a welcome achievement.

Following participatory land use planning (PLUP) completed in 2012, a total of 3,085 ha was identified for additional agricultural land. When its allocation started in 2014, conducted by the District Agriculture and Forestry Office (DAFO) and financed by SERF, 55% of first generation resettler households and some SG households received an additional plot, amounting to 407 ha<sup>8</sup>. There is now 2,678 ha of additional agricultural land remaining available. Although the POE heard many complaints from villagers about land shortages, there appears to be plenty of land available but a lack of institutional will to allocate it.

A large percentage (45%) of 1G households still have not received their entitlements of additional land, and most of the focus has been on SG households. Some resettlers are no longer eligible since their families split and land was allocated to the new SG household, or they do not meet the criteria (e.g. demonstrating an effort to cultivate their original 0.66ha allocation). Nonetheless, allocation remains lagging for original resettlers. Housing and agricultural land allocation for SG households has been under way since 2015 and is 70% completed (Table 1)<sup>9</sup>.

Land zone boundary markers installed during PLUP seem to have disappeared and despite searching, the POE was unable to locate any during village visits. The Project is aware of this, explaining they were too small in the first place and now overgrown by vegetation. The CAP identifies replacing these boundary markers with larger and more robust versions by the end of 2017 (AL.2.2.1[D]).

Failure to complete early additional land allocation and unfairness of allocation were repeated complaints from hamlets during this mission. All villages continue to complain about the shortage of agricultural land. The POE also heard reports of unauthorised land clearance, land-grabbing, and weak oversight by village LMCs and District authorities. Five years after PLUP conclusion, a great deal of work remains to be done.

In mid 2015, 1,076 ha (69%) were listed were listed by the District, with support from NTPC's technical team, as illegally used by both resettlers, SG and outsiders. The District has been active in preventing and fining resettlers who have cleared forest or additional land for their own housing or agricultural expansion, and the POE would like to see a similar rigour applied to illegal use of housing and agricultural land by outsiders. At least four of the ten hamlets visited recounted failure to take action despite reporting cases to the LMCs and District authorities.

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<sup>7</sup> Who were consolidated into one village of Nonghoum together with Nam Nian

<sup>8</sup> The number of resettled households eligible for additional agricultural land was 869, out of which 481 received their entitlements.

<sup>9</sup> The POE has requested equivalent detail for 1G households.

Despite several significant achievements since the POE's last visit, some activities have stalled and, at the current rate of progress, the Project will struggle to achieve its target of issuing Land Use Certificates for additional agricultural land to individual SG households (AL2.2.6) by December 2017. The focus has remained on SG households but, as indicated above, 45% of original entitled households still have not received their extra land. Next generation families will continue to grow as will land demand, and a speedy resolution of these well-overdue land entitlements is needed. The largest number of pending cases are found in Thalang, Sop Ma, Nam Nian and Nakai Tai.

The POE recommends that the Project's reworded target states: "Pending allocation of Land Use Certificates for Additional Agricultural Land to 100% of eligible G1 and G2 households who meet the eligibility criteria.". It is important that the District and Project are pro-active to discuss with eligible households how these allocations can be finalised and to assist them to prepare a formal request, rather than passively wait for requests to be submitted.

There are reports of property and land selling already, and of poor households obliged to sell their 0.66 ha plots in order to raise funds for immediate daily needs. According to Project reports, about 7% of 0.66 ha<sup>10</sup> and some 4% of 0.22 ha plots have already been sold in 14 hamlets. 14 houses in seven hamlets were sold<sup>11</sup>. However, it remains unclear whether these sales are distress sales or simply routine transactions. Reports of the District allocating or facilitating access to community land to outside and ineligible persons, need verifying, as this could be a contributing factor in some hamlets for inability to allocate land to entitled families. The POE came across several examples of recent construction clearly not related to resettler or SG households, particularly in villages closest to Oudoumsouk or Phonpanpek, which appeared to bear out these reports.

Joint management of community land is also related to the failure of the VFDC to fulfil its objectives established in the CA, to prepare forestry land use plans for each resettlement village<sup>12</sup>. Forestry is addressed further in Chapter 6 of this report, but managing the community forest area is a land management topic.

In the CAP (FO3.1.1) an updated FMP will be prepared as a CA compliance requirement. POE25 recommended that at least two hamlets prepare land management plans for forest zoned areas, but this is one recommendation not included in the CAP. Not all hamlet plans can be completed by December 2017, but if at least two can be achieved, this provides examples of community forest management intentions and can be incorporated into the Forest Management Plan (FMP) to be updated as required by the provisions of the CA. A priority action to this effect is included in Chapter 6 on Forestry.

An additional limitation is that the community planning methodology still has not been clearly identified. In the MTDP, land planning will come into a project jointly funded by NTPC and the French Development Agency (AfD<sup>13</sup>). The AfD-NTPC project is proposing to repeat a PLUP exercise to see what land is available for what purpose. NTPC has agreed to support the cost of 16 hamlet forest surveys to indicate what activities could be appropriate in

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<sup>10</sup> 93 plots of 0.66 ha of the original 1,310 resettler households, and 16 plots of the 364 SG households

<sup>11</sup> These data do not include land sales in the designated urban areas of Phonpanpek and Oudoumsouk. No information was available for the other 7 hamlets regarding the number of houses sold.

<sup>12</sup> Schedule 4, para 7.5

<sup>13</sup> Agence Française de Développement

forest zoned land. These activities include where NTFPs could be developed or need protection, which areas could be suitable for agroforestry development, which areas could be suitable for pasture enrichment, or where good timber stands still remain. The District is pursuing the national policy of Sam Sang to strengthen village decision making process.

It therefore seems that a number of possibly different planning methods are in circulation. Villagers are already experiencing "consultation fatigue", and poor coordination at a higher level will only result in confusion. The different parties need to reach common agreement as soon as possible on the village resources assessment and surveying methodologies, as well as coordinate necessary training and village plan outputs.

### **3.4 POE view on priorities**

In general the Project has made good progress towards achieving satisfactory results under the CAP. However, land allocation to both resettler and SG families has been needlessly long and if a similarly slow approach continues, the Project will not be in compliance with its CA requirements by December 2017. It is critical that some sense of urgency is injected into both the Project and District on this point and that a greater push is made to finalise allocation to eligible households.

Lastly, the status of land title sales must be evaluated and the impact on poor and vulnerable households assessed. The POE requires the District to clamp down on such sales prior to RIP. If reported sales of 0.66 ha plots and housing land are distress sales, then an urgent re-assessment is needed of affected household livelihoods status and additional support provided under the High Risk, Poor and Vulnerable cross-cutting measures.

### **3.5 Priority actions**

#### **In CAP:**

- At least 85% of currently registered land-related disputes resolved by December 2017 (AL2.1.4 - extended)
- Pending allocation of Land Use Certificates for Additional Agricultural Land to 100% of eligible 1G and SG households who meet the eligibility criteria. completed by November 2017 (AL2.2.6 - extended)

#### **Additional:**

- Relevant stakeholders reach consensus beforehand on one methodology for land resource surveys and land use plan development – September 2017
- Undertake an independent enquiry into the amount of land occupied since 2014 by non-eligible persons or organisations, and on which land classifications these are found – November 2017
- Investigate the extent of reported buying, selling and transfer promises of 0.66ha and housing plots prior to RIP, to determine the scale involved and the possible economic risk to poor and vulnerable households. In the meantime, a District embargo on further sales prior to RIP – November 2017.

## 4 AGRICULTURE



**Hand-watered vegetable garden, Nakai Neua**

### 4.1 Current situation

#### 4.1.1 Cropping

The resettlers continue to turn back to agriculture. The biggest change has been the turn to cassava, cultivation of which spread rapidly in 2015 and 2016. But NTPC reports that, where there is suitable land, farmers are also increasing planting of paddy rice: the area planted in 2016 was up nearly 50% compared with 2015. Area planted in vegetables and agro-forestry also continues to grow. But on the whole, comments in village meetings about agriculture were fairly pessimistic. As in previous years, the most prevalent were about the limited supply of agricultural land, the poor quality of soils and the lack of available water. As we have done before, we visited a .66 ha plot (this time at Nakai Neua) where the family were growing vegetables productively on organically .enriched soil; but more generally it did not appear that many farmers were improving soil, organically or otherwise. Nakai soil can be improved, but it takes extra labour and cash to do it and the alternatives – fishing and foraging for the remaining scraps of rosewood - have been more economical in the past.

Table 2 shows that in 2016, 33% of land under cultivation has been ploughed and planted with cassava. This is a major issue for future sustainability on the plateau. After some initial successes, most farmers are now facing reducing yields and many are unable to cover their costs. In most of our village meetings, a substantial number of those present had entered into contracts with Chinese company in Gnommalath to grow cassava. Although one or two villagers reported that they had made money, the majority of comments were that yields were poor and declining and that many households were unable to pay off their debts incurred to

the company for preparation of land and provision of seedlings. NTPC data on the 2017 harvest indicate that over a quarter of farmers on .66 ha plots (where most cassava is grown) did not produce enough to reach the breakeven figure of about 4 tonnes. Figures from the latest QSEM report indicate that 53% of households growing cassava are carrying cassava debt. There were reports also that the company had stopped buying cassava or was paying only with vouchers, or even that it had shut down operations. With the advantage of hindsight, farmers who signed contracts with the Gnommalath company were taking on a great deal of risk, including possibly losing their land.

**Table 2: Resettlement villages: Area under cultivation**

	Area (ha)	Percent
Paddy rice	303	25%
Upland rice	242	20%
Cassava	403	33%
Wet season veg	8	1%
Dry season veg	19	2%
Agro-forestry	246	20%
<b>Total</b>	<b>1221</b>	<b>100%</b>
<b>Source: NTPC</b>		

We noted that the Project has been distributing stylo seed both as a replacement pasture crop and as a soil mulch for cassava or upland rice, but finding a replacement for cassava in its present form of cultivation has become a matter of urgency. A proposal for contract bamboo growing as a replacement will not now proceed. At the time of our mission in April, it was under investigation by the District, based on an agreement between Khammouane Province and the Phonesack Company. The District was taking a measured approach to its investigations. A single demonstration plot of 1.2ha had been established and the next step was to have been two trial plots of 22 ha in total, at Nakai Neua and the consolidated village of Houaymalay. We were assured by the District that a decision to invite more farmers to participate would have followed evaluation of the trial, and that the income and cost risk of cultivation would have been carried by the District. In late May, however, we were advised that, since our mission, the villagers in Nakai Neua and Houaymalay have rejected bamboo contract farming as unsuitable and the trial plots would not be developed.

Although replacing cassava as a mono-crop must be addressed in planning, we agree that it is sensible not to proceed with the bamboo contract proposal at this stage of the project. Any decision in the medium term to promote specific agricultural products or techniques must be made in the light of good evidence and in comparison with the alternatives for land use, properly as part of the AfD-NTPC project.

There is nothing wrong in itself with contract farming but we would continue to urge caution in taking up any new large-scale proposals. We commend the District for its measured approach to the bamboo proposal. Villagers who are considering contracts for new cash crops should be shown that they will yield significant returns on the varieties of land found on the plateau. Any future contracts for growers should be independently reviewed to determine what safeguards there are for farmers to limit their risk.

## 4.1.2 Irrigation



**Pumping water direct from reservoir, Nakai Neua**

Most villages we visited complained about lack of water. In some cases it was about problems with domestic water but in nearly all villages a shortage of water for irrigating farm plots was a problem. Wells were running dry, there were failures or breakages of equipment, or failures of gully dams. More than one village had requests for new gully dams.

**Table 3: Current status of irrigation schemes and gully dams**

<i>Irrigation schemes</i>	228
Repaired	102
.66 ha plots supported	428
.22 ha plots supported	114
Area supported (ha)	308
Percent schemes working	45%
<i>Gully Dams</i>	22
Bad condition	13
Good condition	9
Source: NTPC	

A 2015 DAFO survey of water use needs produced a 90% increase in requests for irrigation repair or refurbishment and will require a big increase in the allocation from the

SERF budget. So far the programme of repairs or replacement seems to be making good progress, both for irrigation systems and gully dams. We think it is a good investment, provided it is based on real demand for agricultural water.

The approach of the CAP in surveying farmer intentions and feasible irrigation solutions, including repair or relocation of gully dams, is a good one. DAFO will only consider irrigation requests if there is evidence that the water is being or will be used for farming. It also requires requests to come signed by all members of a Water User Group (WUG). Thus the demand is evidence of an increased real interest in agriculture and particularly use of .66 ha plots. For the same reason we would also support the WUGs contributing labour and perhaps some cash to repairing and maintaining irrigation.

As well as rehabilitating existing viable gully dams, new sites could also be considered if farmers want them and they are good places for new dams. Villagers could also be helped to decide where it is possible to build smaller gully dams and be given help with building them. DAFO said it would consider building new ones if they are in a location that would serve a number of water users.

We would hope that these actions will enable the CAP to achieve its objective of ensuring sufficient water for vegetable crops by the end of 2017. Beyond that, irrigation is likely to serve the purposes of any new agricultural strategy on the plateau, so we see no need to hold up the repair and replacement programme for the completion of the AfD-NTPC strategy.

#### **4.2 POE25 and the CAP**

POE25 suggested some indicators as evidence that agriculture was on the path to sustainability, including irrigated dry season cropping on 1,000 plots, an increase in paddy rice yield to 2.5 t/ha, and 450 plots in permanent agriculture. The CAP's objectives for cropping in 2017 are generally much more conservative. Actual achievement to date has in some areas been impressive. About 1,300 of the .66 ha and .22 ha plots are under some form of cultivation, although over 40% of these are planted in cassava, which as discussed cannot be regarded as sustainable. Currently working irrigation schemes will support 428 of the .66 ha plots and 114 of the .22 ha plots and there are prospects for further real demand for irrigation. In fact, on a small number of plots, the project has achieved our indicated paddy rice yields and better using new rice strains and organic fertiliser, but NTPC says "the viability of such practice is questioned, knowing the amount of inputs (provided by NTPC) ...". However it does seem important to continue to promote the use of the new strains.

The POE also recommended targets for phasing out and replacing cassava mono-cropping. There is no specific mention of cassava in the LoA. The CAP text notes the risk that cassava poses for agricultural sustainability "both in terms of the risks associated with contract farming and the soil degradation resulting from the cultivation processes" but does not set any specific objectives for transition to other land use because "in the short-term, it may be difficult for farmers to transition to alternative crops."

In the CAP therefore this is also an issue deferred for the MTDP and the AfD-NTPC project which is expected to "empower resettlers with the information and technical capacity to gradually transition to more sustainable forms of agriculture".

#### **4.3 Progress on the CAP**

In summary, a new strategy is required to develop land sustainably for agricultural purposes, given the cost to farmers in relation to other uses for their cash and labour. As discussed above, the actual changes in the CAP planned for farming systems by end 2017 are

modest compared with the indicators suggested in POE25. The CAP is relying heavily on the AfD-NTPC project to come up with a new and effective strategy. We do not know yet what that strategy might be, and probably will not before the end of this year. Knowing that there is a good plan for future agriculture is very important for the POE to be able to say that there can be sustainable farming on the plateau. But the fact that most outcomes are as yet unspecified casts some considerable doubt on whether the project will be able to demonstrate sustainability of the agricultural pillar by the end of 2017.

#### **4.4 Priority actions:**

##### **In CAP:**

- Repair and upgrading of irrigation facilities, including both gully dams and pumped systems, to meet real demand with the objective of at least ensuring sufficient water for vegetable crops – by October 2017 (AL.3.1.2 and AL.3.1.5);
- Achieving LoA targets for extension work on soil improvement for vegetables, agro-forestry and paddy (including new rice strains) – by November 2017; (AL.4.2.1, AL4.2.2, AL.4.2.3).

##### **Additional:**

- Getting to the point with the AfD-NTPC medium-term project where there is a firm process in place for planning, funding and implementation and the GoL, NTPC and AfD have signed up for it – by November 2017.
- Advising all households that have planted cassava on measures that they can take either to mitigate the effects of erosion and soil depletion or on alternative uses for their land, and supplying materials such as seeds where possible – by November 2017.

## 5 LIVESTOCK



**Cattle wandering freely, Khon Kaen**

### 5.1 Current situation

Nothing much seems to have changed as regards large livestock since we reported in 2016, except that the pressure continues to increase on carrying capacity from increased numbers and nothing much is happening to reduce them. There have also been some significant outbreaks of diseases in both large and small animals. We were pleased to see however an apparent growth in the number of households raising chickens as a business.

The numbers of cows and buffalo on the plateau continue to grow rapidly. As Table 4 shows, total large animal numbers increased by 17% from 2014 to 2015 and a further 24% from 2015 to 2016. Both cattle and buffalo numbers are growing with cattle numbers growing only slightly faster. The number of households with large animals has also increased considerably – by 54% in the last two years. Ownership of large animals is considerably skewed, however, with most households running only a few animals and a smaller number having larger herds. QSEM 13 reports that most of the increase in the last three years "has occurred because of acquisition of large livestock, mainly cattle, by Makong households located in the central and southern parts of the resettlement area."<sup>14</sup>

Total large livestock numbers now well exceed the carrying capacity of the plateau estimated in a survey in 2010. There is anecdotal evidence of overgrazing (and some concerns about competition from the growing number of goats in villages) but farmers are

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<sup>14</sup> QSEM13 p 45.

doing little to increase the available feed supply. Most appeared to be continuing to rely on open foraging to feed their animals; there were few signs or reports of increased pasturing. At the end of 2016, only 81 of the 750 or so households with large animals were pasturing their animals or growing fodder crops. The area of land for open foraging is in fact reducing as villagers fence off their .66 ha and .22 ha plots for agriculture.

**Table 4: Large livestock numbers**

	<b>Cattle</b>	<b>Buffalo</b>	<b>Total</b>	<b>% change</b>	<b>TLUs<sup>15</sup></b>	<b>% change</b>
2013	1,744	1,228	2,972		2,623	
2014	1,912	1,532	3,444	16%	3,062	17%
2015	2,369	1,664	4,033	17%	3,559	16%
2016	3,052	1,961	5,013	24%	4,403	24%
2013-2016	75%	60%		69%		68%

Source: NTPC

There have been sporadic outbreaks of haemorrhagic fever and foot and mouth disease amongst both cattle and buffalo. Vaccination rates have been increasing – more for cattle than for buffalo, which are harder to catch – and are still ahead of national averages, but not enough for herd immunity.

Despite the apparent lack of feed (always more obvious at the end of the dry season) we didn't get much sense of crisis in the villages. Only one villager mentioned selling animals to reduce numbers. Nobody spoke about increasing pasture or fodder and the general impression remains that most farmers don't consider it worth the extra labour and cost. One villager commented that they would prefer to use their household land for agriculture.

The number of chickens and pigs also continues to increase and more households are seeing poultry as a supplementary source of income. In Phonesavang and Khon Kaen, most families seemed to be in the chicken business. In both villages, the view was you could make money from raising chickens. At Khon Khaen, villagers said that a trader comes to buy poultry 3-4 times a month and they could get 25,000-50,000 kip per bird. Disease is a problem: several villagers reported losing birds to disease. Villagers said that vaccine is expensive and immunising chickens is difficult and time-consuming. Information from NTPC indicates that the cost of immunizing one bird for six months is between 2,000 and 2,500 kip which, the JWG said, "should not be prohibitively expensive", although the cost of transporting vaccine to Khon Khaen might be high.

## **5.2 Action in the CAP**

Last year the POE recommended a reduction in total large animals towards the estimated carrying capacity, further increases in pasture and fodder crop, vaccination

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<sup>15</sup> Tropical Livestock Units. An index measurement of ruminant herds based on relative feed requirements. Weightings vary. The Livestock Strategic Management Plan (2010) which estimated carrying capacity on the plateau at 3500 TLU used weightings of adult buffalo = 1 TLU, and adult cow = 0.8 TLU. QSEM13 (which used different weightings) said that an index based on adult animal weights is "likely to be an overestimate as it does not account for younger animals with a lower body weight." (QSEM13 p 44 fn).

sufficient to ensure no significant animal losses from disease, and measures to promote growth in income from large and small livestock.

The POE's objective of a stabilised large animal stocking rate is not reflected in the LoA targets. The CAP reports 2015 figures of 3,800 TLUs as "just within the carrying capacity range of 3,200–4,000 TLUs reported in the Livestock Strategic Management Plan (2010) but less than the carrying capacity estimated in the Social Development Plan (5,500 TLUs)". It now seems beyond doubt that the numbers exceed the 2010 estimate of capacity.

The POE agreed that carrying capacity should be assessed "subject to increase in available pasture, fodder or forage" and set an indicator of 70 ha of improved pasture. The LoA set a much less ambitious target. What is now in pasture seems much less than that and not adequate even to keep up with the growth in numbers.

For animal health, the POE set an objective of "no significant animal losses from disease" and an indicator of a 60% vaccination rate of large livestock. The JWG says this target is "achievable for cattle" but would be "extremely difficult" for (semi-feral) buffalo, and proposes a 30% rate. There are no results targets in the CAP for animal health such as vaccination rates. With the recurrence of stock losses amongst both cattle and buffalo, a renewed vaccination campaign is a priority.

For small livestock, there is a specific LoA target for households with income from raising chickens. We don't have a baseline here to compare it with the POE target of "doubling households with significant income from all small livestock" but it does appear that there has been a significant and pleasing increase in poultry trading.

Both POE and CAP identify the low rate of conversion of large animals into income as an issue and seek to encourage farmers to trade in livestock. The POE proposed four auctions a year; the LoA includes a target of two auctions a year. There is a great deal of scepticism about the willingness of Lao farmers to look on cattle and buffalo as a source of income and to sell regularly but it seems to us that, if animals and feed can't be brought into better balance, this option will soon be forced on livestock owners.

### **5.3 Progress on the CAP**

The current situation of imbalance for large livestock seems headed for a forced solution: if the problem of carrying capacity cannot be solved, numbers will be reduced by disease, starvation or – preferably – a rational program of auctioning off surplus stock.

Efforts should certainly continue to persuade farmers to develop additional land for pasture and fodder, given the very modest targets set this year. It also still seems desirable to re-assess carrying capacity, as we suggested last year. We were told that the JWG did not adopt this proposal in the last version of the CAP, on the grounds that it would not be cost-effective. Given the big increase in livestock numbers since 2010, we continue to believe that a re-assessment would have value<sup>16</sup>. It ought to take into account the potential of degraded forestland to be used for pasture, which will be in competition with other community uses such as cropping or plantation forestry. The proposed reassessment of land use in the existing zones, to be part of the AfD-NTPC project, would be an appropriate vehicle for this further evaluation.

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<sup>16</sup> We endorse the proposal in QSEM13 for monitoring indicators of livestock condition and pasture cover and condition to supplement the "relatively static" estimate of carrying capacity. (QSEM13 p 60).

## 5.4 Priority actions

### In CAP:

- A further vaccination campaign, particularly for cattle. (AL. 4.4.2.) – December 2017.
- A further significant increase in pasture and forage. (AL.4.5.1 – Extended) – December 2017.
- Organise at least one cattle auction to test farmer interest (AL.4.5.3). – October 2017.

### Additional:

- Re-assess livestock carrying capacity and possible land use options in relation to stock numbers. (Additional) – December 2017

## 6 COMMUNAL FORESTRY



**Chopping and bagging vine for sale, Old Sop Hia**

### 6.1 Situation on the ground

The forest pillar remains the major failure of the livelihood pillars. It can only be seen as presently non-compliant with the CA in most important respects. Some welcome progress has been made recently through the constructive interventions of the JWG, which has called for a preliminary survey of all hamlet forests, leading on to the evaluation and delineation of forest management options and the drafting of a Forest Management Plan. This would involve participatory consultations, discussions and early agreement among all stakeholders including resettlers on the FMP's direction and focus. Having a funded FMP in place - the NTPC has stepped up to provide the resources required for this - and agreed and unified support for it will not of itself put the sector on a path to sustainability. But it is a firm step in the right direction, based on a wide and welcome consensus in the JWG.

No one factor has been the cause of the past inability to carry out the still largely valid requirements of the CA. Confusion over which agency has had the primary management

responsibilities, some bureaucratic resistance to the concept of communally run forests, heavy encroachment by outsiders on the forest resources, a collective failure to enforce protective measures, forest and sawmill management inadequacies and heavy levies and taxation by all levels of GoL, have all played a part.

The villagers are disillusioned with the situation. They have no sense of owning their forest lands. Illegal logging and other encroachments on the resource continue unchecked. Livestock owners let animals forage freely on forest lands. The Village Forestry Development Corporation stopped harvesting logs after only about a quarter of the current annual quota had been met and logging is now suspended in anticipation of a logging ban. There have been no dividends paid since 2014.

There is now, however, greater clarity over which GoL agencies are to be in the lead on forestry issues. The new Prime Minister has set the tone across the forestry sector by calling for active enforcement of a ban on the export of logs and unprocessed timber products. All forestry portfolios have now been consolidated in MAF. The POE was encouraged by their discussions with MAF officials at all levels including Vice Minister Thongphath Vongmany. The Ministry has moved from feeling excluded from NT2 activities to being actively engaged in the work of the JWG on forestry and other strategic issues at national level and working at an oversight and operational level through its Provincial (PAFO) and District Offices (DAFO). The availability of the MAF's expertise in this way is a valuable asset to the project.

## **6.2 Towards a Forest Management Plan**

The “economic and feasibility overview of possible forest management options” proposed in the CAP is not a comprehensive inventory of all the plateau forest assets. It is rather an attempt to get an up-to-date picture of the status of all hamlet forest resources within a short timeframe and has been called a preliminary survey of all hamlet forest resources. The survey should desirably have enough data available for decision-makers to make informed choices among options without having a fully detailed inventory to hand. The draft ToR for the survey note that the original management of the Plateau's forest resources focussed on timber management and value-added wood products. It is now envisaged that other options should be included such as log sales without value-added products, NTFPs, ecotourism, carbon finance, conservation set asides or a combination of these uses. Further down the track plantation forestry and forest regeneration will presumably be added to the list.

The consultant who drafted the ToR adds that the various options should build on the well-informed wishes and suggestions of the resettlers (females and males of all ethnic groups who know the forest estate and may use it differently) who are the owners of the CLT, the forest concession rights and the sawmill.

It seems to the POE that getting agreement on the range of options and the preferred options is a key precursor to Plan drafting. The resettlers themselves, with the help of the consultant, will need to establish some sort of a consensus on where they stand collectively on key matters like continuing or otherwise of plateau-wide operations like selective logging and further processing of timber. They will also have to address what parts of the estate will be made available if selective logging and further processing are in fact favoured. Then hamlets will have to decide on uses for the remaining part of their forest lands.

The POE strongly supports the survey exercise and feels that it should probably start with a discussion with a representative group of villagers on their views on future use of their forests. It should be initiated as quickly as possible and should not, for example, await the

passing of the Wet Season before initiating and completing its work. A realistic target, given that this is only the start of a participatory process, is completion and circulation by mid-July 2017 of at least half of the hamlet surveys.

While the POE supports and endorses the list of CAP actions drawn up it suggests that consideration be given to reversing the order of Actions FO.1.1.2 and FO.1.1.3 which relate to the sequence of consultations on options. It would appear more appropriate that before the GoL makes a decision on the options list it be fully briefed on what the views of the villagers are on the options.

The POE also proposes that recruiting consultants for both the surveys and the Plan writing be initiated as a matter of urgency.

### **6.3 Formulation of the draft FMP**

The selection of options is to be followed by the formulation of the FMP draft and the distribution of the draft Plan among all stakeholders for “review and discussion and agreement” among them. The assent and support of resettlers, of MAF and of Ministers at the national level are absolutely essential at that point in the decision-making process.

Since the survey consultant’s ToR did not cover drafting of the FMP it is assumed that the task will be undertaken by another consultant, working closely with DAFO/PAFO staff as well as with NTPC and AfD/NTPC project teams.

With a de facto logging ban operating, the question arises whether VFDC logging is to resume in future. There was a disposition among some people in the hamlets to say that the forests should be locked up and remain simply a source of NTFPs, timber to build houses for future generations, grazing areas for livestock and a greater focus on agroforestry. When others were asked, however, where they would stand were the returns from logging to become regular and adequate, they thought it was still a good option. Preserving the forests intact was mused about as an option by the Provincial Governor in our talks with him while one well-informed villager thought that the UN-sponsored REDD<sup>17</sup> program, set up to help slow down climate change and provide for the preservation of forests as a source of carbon offsets in return for monetary incentives, was an attractive alternative even to selective logging of the Nakai forests. The DoF felt that more options should be considered, including widening the value-added options of further processing of timber before export to include additional furniture manufacturing, for example. A consultant thought that a combination of several activities would be preferable to an over-concentration in one, thus reducing the exposure to market risks.

The POE’s view is that all such options should be on the table and considered by those working on the FMP, with - as the CAP proposes - an evaluation of each and rankings of options according to their potential returns for eligible households, employment opportunities for villagers, value-added components and environmental impacts. The commitments of support made by core stakeholders to each option should also be recorded. In that respect the POE is surprised, given past indications of support, by the lack of contributions to this key project pillar made by the IFIs beyond the provision of advice.

#### **6.3.1 The POE and other CAP proposals**

The POE views successful conclusion of the above steps as the minimum requirement by the end of November 2017 to begin complying with the original intent of the CA. Early and

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<sup>17</sup> “Reducing emissions from deforestation and forest degradation”

decisive action is called for. Firm commitments from GoL to providing the necessary legal and management backing involved in implementing the FMP and from all stakeholders, including the IFIs, to providing the funding and other requirements including expertise and capacity building programs are part of the overall commitment requirement. But there are further steps which must be taken.

In line with the objective of strengthening the enabling environment the audit and financial review of the VFDC envisaged in the CAP should be undertaken and completed by early July 2017, in time for its findings to be available for consideration by those drafting the FMP. It is to be hoped that this study will help explain why the logging operation has been a failure and thus provide some lessons for the future.

Similarly, the CAP's call for a range of technical studies to be completed within the timeframe of the LoA, including preparation of a terms of reference (ToR) for undertaking a comprehensive forest inventory in 2018, should be addressed and completed by the end of 2017.

The planning work does not stop with the approval of the overall FMP. Equally significant will be the adaptation of policies set out in this FMP to the situation of the 16 hamlet FMPs. Preparations should be underway by early 2018 for the drafting of these key documents, drawing on the national level Plan but adjusted to meet the requirements of individual hamlets. A capacity building program will be called for in hamlets to enable them to participate actively in all phases of work on their FMPs, not least implementation.

The Nakai villagers have reason to be disappointed at the meagre returns thus far from exploitation of their forests.. POE remains of the firm view that too high a proportion – authoritative sources say upwards of 70% - of the total income of VFDC log sales goes into GoL, provincial and District coffers. This is an unsustainable burden for a sector which was intended to provide a third of the resettlers' income. POE again calls for a high level review of this situation and the reduction of the GoL's cut to a more reasonable level should selective logging resume on the plateau. Such a review, which would be in accord with the positive spirit of the Prime Minister's Order No.15, should be available by mid-year for the drafters of the FMP to consider its implications.

#### **6.4 Priority actions**

##### **In CAP:**

- Preliminary forest surveys undertaken urgently, at least half completed by mid-July 2017 (FO.1.1.1)
- Forest management options assessed and ranked by stakeholders notably MAF and resettlers by early September. (FO.1.1.2)
- Forest Management Plan drawn up by early October and approved by all stakeholders including the 16 hamlets by end of November 2017 (FO.1.1.2 and FO.1.1.3)
- Audit and financial management review of VFDC completed by early July (FO.2.1.1)

##### **Additional:**

- Review of enabling measures for forestry pillar undertaken, notably including a further review of levies and tax burdens, by mid-2017.
- ToR prepared for comprehensive forest inventory exercise in 2018, with funding secured, initiated by end of 2017.
- Preparations made for the drawing up of FMPs for the 16 hamlets early in 2018.

## 7 FISHERIES



**Village fishing group landing site, Thalang**

### 7.1 The situation

The reservoir fishery continues to be the most reliable contributor to resettler livelihoods. As reported last year, despite continued illegal fishing and trading, the number of fish in the reservoir appear to be increasing, and the variety of fish species is stable. The catch available to the resettlers is also increasing, although very little of it passes through the legal landing sites. The main risk to the sustainability of the fishery is the almost total lack of effective enforcement both on and off the reservoir. Steps are being taken to improve the situation but it is questionable whether they will have effect in 2017, or whether they are indeed an effective enforcement strategy.

Table 5 shows estimated total reservoir fish catches based on a random sample of households over a number of years. These figures continue to show an upwards trend, starting in 2013, in fish consumed or traded by resettler households.

Direct experimental fishing by the NTPC Fisheries Lab also suggests that in recent years total fish biomass has continued to increase without a reduction in species variation (although a small number of species dominate the catch).

These are good signs for the sustainability of the fishery but the worrying factor continues to be how little is known about the extent of illegal fishing. Several villages referred to illegal fishing. Assessments of its impact varied: in Thalang, illegal fishing north of the bridge was recognised as a major problem, and Nakai Neua reported fishing in the

protected area on the other side of the reservoir. In several other villages it did not appear to be seen as a major problem.

**Table 5: Estimated mean monthly fish catch by resettler households<sup>18</sup>**

Year	Estimated catch (kg)
2009	85,619
2010	74,306
2011	66,176
2012	48,012
2013	62,890
2014	87,811
2015	90,213
2016	110,318
Source: NTPC	

By its nature, the extent of illegal fishing is difficult to measure. Most fish landed outside the legal landing sites is probably caught by resettlers and, although they are evading the landing fee that supports the fisheries management regime, they are entitled to catch the fish in the first place. Illegality can mean fish caught commercially or by outsiders without a license, fish caught by illegal methods, fish caught in protected zones, or fish sold to traders at illegal landing sites. Otherwise it is common knowledge that illegal methods (undersized gill nets, spears, even apparently explosives or electrocution) are being used, that fishing is widespread in the protected zone north of the Thalang bridge (anybody can see fishing boats passing freely under the bridge), and traders operate freely from illegal sites. On a boat trip to the northern end of the reservoir, POE members were able to confirm all of these for themselves when they encountered a truck at the landing with possibly 200-400 kg of fish in boxes, several boats landing while we were there to sell fish, and evidence on the fish themselves of use of spear-guns. The term “blatant” doesn’t seem too strong for this illegal activity, which we were told involves two or three regular traders coming from Lakxao.

We get conflicting stories of how much of this activity is based on outsider fishing. We heard that the extent of outsider fishing has diminished somewhat recently. On the other hand, we were told in Nakai Neua that illegal fishers come from different directions, mostly from off plateau (they may stay with relatives in Oudoumsouk, we were told, and we guess can borrow registered boats), stay for a long time, mostly fish on the other side of the reservoir in the protected area, and use electric shock and poison.

Enforcement in the form of patrolling is not completely absent: villages are all aware of the protection zones on this side of the reservoir and Village Fisheries Groups (VFGs) do patrol their zones. Warnings are issued, and sometimes arrests are made and gear confiscated.

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<sup>18</sup> Table constructed from data supplied by NTPC. Based on a random sample of households and their reported catch, projected onto the total resettler household population. Paradoxically, we were told in most village meetings that fish catch had declined this year, but it is possible that villagers may have been referring to the regular seasonal decline in catch towards the end of the dry season.

But patrolling on the other side of the reservoir where breeding zones are particularly at risk is sporadic; the WMPA, who are supposed to be jointly patrolling, but are completely absorbed in their restructuring, haven't been on the water now since last rainy season, although some patrols instigated by DAFO have continued.

Trading (legal, anyway) remains patchy. As in past years, some villages reported that traders came irregularly to landings. In Done and Khon Kaen we heard that local traders collected fish and took it to markets in Oudoumsouk or further afield. There were widespread complaints about low prices and a common view that "traders set the prices", although it was clear that prices vary according to seasonal supply and demand.

## **7.2 POE25 and the CAP**

There is no disagreement between the POE and the stakeholders on the ultimate objectives for the fishery: to maintain fish stocks, both in terms of total biomass and species diversity; to ensure that illegal fishing is kept to a minimum; and to increase opportunities to add value to fish caught through marketing and processing. The CAP is also broadly in line with the POE on the regulatory and enforcement framework required to achieve legal, sustainable fishing and we can see progress on achieving the related tasks in the detailed plan for fisheries. A draft Fisheries Management Plan for 2016-2020, required by the CA, has also been prepared based on the actions in the CAP. A summary of progress on important actions in the CAP is as follows:

- FI.1.2.1 Defining fish protected areas: there has been good progress on this action. Areas have been mapped and stakeholder discussions are underway. However it is unclear whether actual marking out of the protected areas on the reservoir is not likely before the end of 2017.
- FI.1.3.1 Re-establish existing checkpoints: this is recorded as 95% complete but without progress on the final step of monitoring the checkpoints. For operations to be effective as well as regular, effective co-patrolling between WMPA and VFGs (FI.1.3.3) needs to be restored and strengthening village patrolling (FI.1.4.3) has to be strengthened. Although progress is recorded on village patrolling improving WMPA/VFG co-patrolling is correctly described as "challenging". On the far side of the reservoir in WMPA's present state of suspended animation, any patrolling in the foreseeable future is going to depend on what the District Authority can muster.
- FI.1.3.2 Defining new checkpoints: there has been little progress beyond an initial meeting between NTPC and the District. Further discussions are required between the two provinces involved and with WMPA. At the present rate of progress, effective establishment and monitoring of the new checkpoints is unlikely before end 2017.
- FI.2.3.1 Boat registration: the POE wanted to see 80% of boats registered and households with fishing licenses in 2017. We do not have full results of either registration or licensing rounds yet for 2016: it is uncertain whether boat registrations will reach the 80% target but seems unlikely that fisher licensing will get near 80%. Most fishers probably see no need to acquire a license when they are not landing their fish at the legal landing sites. Anyway these controls will make little difference to fisheries management without effective enforcement.
- FI.3.1.1 Improvement of marketing has got as far as preparing an implementation plan but no specific improvements have been identified or implemented and the timing is given as during the MTDP.

- FI.3.2.1 There has been little progress to date beyond an initial “reflection meeting” and establishment of fish processing groups in central and south Nakai. The strategy is for northern groups to transfer knowledge to southern village groups and then for the southern groups to train central groups, which seems like a good strategy.

### 7.3 Priorities

The main priorities remain an efficient regulatory environment and effective enforcement to back it up. Up until now, neither regulation or enforcement have been working at all well. Some new fishing regulations are to be issued, but they seem mainly to be a consolidation of the old ones and do not fundamentally alter the rules. It may be time for a more basic reappraisal.

On regulation, a very interesting and provocative report has been prepared on the current co-management regime which challenges some of the basic assumptions of current regulation. It argues that regulation could be greatly simplified by eliminating the boat registration requirements and reducing the licensing categories to one for resettlers and another for outsiders. It also says that control of the reservoir ought to be put back in the hands of a single authority – the Reservoir Management Committee. We don’t want to form a final judgement on these recommendations: they will be controversial and they pay too little attention in our view to the problems of enforcement, but they ought to be seriously considered.

On enforcement, rather than simply advocating more patrols and checkpoints, it may be time to consider more carefully what the priorities are for enforcement and where the scarce enforcement resources are best deployed. Here are three ideas.

1. The biggest payoff to both reservoir patrols and checkpoints will probably come from focusing on the sensitive areas, particularly enforcing exclusion from the transition areas at the mouths of the rivers and streams where fish come down to breed at specific times of the year; the work of defining these zones has been completed and it now remains only to clearly mark them off and, more importantly, establish an effective system of patrols and checkpoints in their vicinity.
2. There also needs to be effective patrolling and checkpoints north of the Thalang Bridge, where there is extensive and obvious illegal fishing. As in previous reports, we continue to believe that a checkpoint at Old Sophia would be a valuable component of enforcement in this sector.
3. Around the margins of the reservoir and the roads leading to it, the most effective strategy is to focus on the points where fish catch changes hands from fishers to traders. At that point it is possible to get evidence that the fish the traders are holding has been legally caught and landed by demanding (and properly inspecting) receipts from the VFG at a legal landing point. Fish can also be inspected for evidence of illegal catching methods. Catching traders in this way at illegal landing points might be more effective with good intelligence but it seems to us that the biggest payoff would come from checkpoints at the very small number of road exits from the plateau. Fish can only be moved in volume by truck and the prospect of losing fish, equipment and vehicle itself would greatly increase the risk for traders of using illegal landing points. Fixed checkpoints could be supplemented by mobile patrols. The objective of this strategy is to force traders back to legal landing points, where fishers can be required to produce a valid fishing licence when they land fish.

These ideas are advanced simply to encourage a more basic re-think of the regulation and enforcement strategy as part of the new Fisheries Management Plan. We would suggest that this action could be included in the LoA for December.

#### **7.4 Priority actions**

##### **In CAP:**

- Complete marking out of new protected areas on the reservoir (FI.1.2.1) – an accelerated timetable for completion by December 2017
- Agree on and implement a new patrols and checkpoints schedule for the far side of the reservoir and north of the Thalang bridge, including agreement between the two Districts involved. (FI.1.3.2 and FI.1.3.3) – an accelerated timetable for completion by December 2017

##### **Additional:**

- Consider the fisheries co-management report and decide on the report's recommendations on fisheries regulation and how it is governed – additional by October 2017
- Agree on and implement an effective system of policing illegal trade in fish, based on fixed road checkpoints and mobile patrols. – additional by December 2017

## Illegal Fish Trading on Reservoir

The POE came across this trader with his truck at an illegal landing near the dam. After an initial attempt to leave, he decided to stay and let us inspect his operations.



We encountered five or six fishing boats approaching or leaving the trader, and fishers at the landing bringing their fish up to be weighed.

We estimated that ice chests on the truck already contained more than 200 kg of fish. Some we inspected had puncture wounds from spear guns.





**Children from Done Village at dance competition, Oudoumsouk**

### 8.1 Current situation

Income from business and employment continues to make only a small contribution to livelihoods on the plateau<sup>19</sup>. There are signs of growth in tourism, particularly in Thalang, and there is some potential for it to grow further, particularly if there are opportunities to explore the wilderness area. The opportunities for processing and selling the products of the plateau, from fishing, forests or gardens, and for tourism-related businesses, will depend as always on creating marketing channels between the plateau and Lakxao, Thakhek and beyond. There appear to be further opportunities for employment, mainly in services on the plateau, for those with training or further education. Older villagers comment that they want salaried jobs for their children. At some stage, however, it seems likely that at least some of the young people of the villages will need to look beyond Nakai for work. Equipping them with the skills for this wider world, so that they don't end up at the bottom of the employment heap, would seem to be a priority.

Villagers, in consultations on the CAP and the POE's own village meetings identified a wide range of issues around developing off-farm activities. The needs included identifying

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<sup>19</sup> Until the next LSMS is available, the most recent indicators for business and employment are the activity indicators in QSEM13, which are small in relation to farming and fishing and show no clear trend, and short-term borrowing from Village Development Funds for small business, which has trended upwards but is also small in relation to borrowing for fishing and farming activities.

and accessing markets, how to start up a small business, taking on the risk of borrowing for business development, how to access and get assistance for training and further education, and how to convert training and education into real business and employment income. The POE itself found real enthusiasm in the northern villages for getting tourism-related business but little idea how to go about it.

The Village Development Funds (VDFs) continue to grow. Funds retained (including from dividends of members voluntarily left in) increased by 134% over 2015 and cumulative loan disbursements by 60%. About 75% of borrowing is recorded as for livelihood activities: fishing, agriculture (cassava was a significant contributor) and small business; but there was significant borrowing for “emergencies”, particularly to buy rice, and a suggestion that more may have been misclassified as for livelihoods. Poorer households and some ethnic groups tend to borrow less from the VDFs. The POE remains of the view that this is a problem to be dealt with mainly on the demand side by supporting the development of livelihood activities by these households but it does also require monitoring VDF lending policies to ensure that they are not unfairly discriminatory.

Credit performance of the Funds remains good, but not outstanding: about 11% of outstanding loans were more than 30 days in arrears, although this may be relatively high because of the annual repayment cycle of loans. We were advised that, except for three hamlets, all arrears on 2016 loans had been cleared by May 2017. Nevertheless, credit risk appears to be worryingly high for two of these villages. NTPC attributes some of this to cash flow problems occasioned by cassava debt or poor fishing conditions and bad financial planning, but also problems with VDF management such as deficiencies in management committees: lack of close monitoring, “high tolerance with past due loans” and “no experiences of solving high risk of default loan issues”. These factors clearly indicate a need for closer supervision and stronger support for management committees in some villages.

## **8.2 POE25 and the CAP**

The efforts NTPC has been making to support development of small business and to generate employable skills should be applauded. In 2016 the company supported 23 students in short-term skills training and assisted 16 to gain scholarships for degree or diploma education. The challenge continues to be to convert this education into viable business or employment. Over the history of NTPC’s efforts at supporting off-farm business so far there has been very little return. The CAP observes that in 2015 “only 51% of participants in training programs in 2013 and 2014 are still applying their new skills to generate income. Factors contributing to the poor uptake of skills training included a lack of business skills, lack of connections to employment networks, poor market connectivity, insufficient market research, and the risk averse nature of low income / rural households.” Analysis of the 2013 LSMS<sup>20</sup> cited by the CAP also indicates that only the top income quintile of Nakai households have any significant income from business and it is also the richer villages that borrow more from their VDFs.

The POE’s priorities are a mix of demonstrated increases in off-farm employment and income and some key tasks related to business and skills development. The LoA is an articulated sequence of business development actions covering most of the POE’s key tasks in one way or another. Again in line with POE expectations the strategy seems to be founded on consultation and agreement with villagers. There is a significant expansion of related tasks and some specific targets for the process actions. Targets for vocational training on-site (60

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<sup>20</sup> Fredericks, Nakai Socio Economic Survey Round 7, 2013

participants by Q4 2017) and off-site (30 by Q4 2017) and for Scholarships for higher education (30 by Q4 2017) broadly reflect POE expectations. The LoA includes some innovative ideas for internships bridging training graduates into paid employment, expanding handicraft production groups (the “Happy Nakai” program which has earned some modest additions to household income for its participants), a business start-up Resource Centre and a Venture Finance Seed Fund.

These are all useful initiatives but the payoff will be in terms of new jobs and businesses. The POE also included specific indicators for training graduates in training-related employment, school or further education graduates in business or employment, additional businesses established (including tourism), and increased income from business. There are no equivalent objectives or indicators in the CAP’s LoA mostly on the grounds that it would be too soon by end 2017 to expect meaningful results and, in the case of tourism, there was no reliable baseline data. On training or education the JWG added that “Off-farm Programs aim to encourage secondary school graduates to either enter further education or training programs, therefore the number of scholarships and training programs allocated will be an indicator of success here.” While we agree with the aim of increasing progression to further education, the ultimate test again of its value will be the generation of more employment opportunities for the young people of Nakai.

The CAP sees tourism development as part of a wider provincial development of tourism, with no action beyond market research contemplated before the end of the year. We think matters could proceed faster than this. There is some useful research going on at present on solutions seem specific to Nakai: how to build a package attractive to tour operators in Vientiane or even further afield. Tourism is unlikely to be a huge bonanza for Nakai but there are some useful opportunities for the resettler villages and local businesses to capitalise more on the traffic that passes along the reservoir. We think that the research is far enough advanced to be the basis for a plan for further development of attractions such as overnight tours to the protected area to be put in place by the end of this year. There are some institutional challenges to be overcome and some investments to be made at the plateau end but it is not too soon to begin planning them.

The POE agrees that “VDFs are expected to play an increasing role for agricultural and small business development after the RIP closure” and also that supervision and support must be strengthened. We support the continued ownership of the VDFs by the villages and the need for general access by all villagers to VDF finance.

On the first point, we understand that supervisory responsibility for the VDFs will be transferred from the District Rural Development and Poverty Eradication Office (DRDPEO) to DAFO and that a management unit will be created within DAFO. We were also pleased to see that a full audit of the VDFs is included but consider this is also an action that should be completed this year. We have also previously supported the recommendation of the consultant for a Network Support Organisation as an urgent necessity to help ensure the continued good debt performance of the VDFs. Staff must be available and qualified to help the VDFs resolve outstanding arrears problems of the sort reported here and to counsel VDF management committees how to avoid finding themselves with these problems in the first place. We were told that the District and NTPC are currently discussing a model for support with the Lao Microfinance Association (MFA). The model “would work to ensure the continued independence of the VDFs from direct external governance which was identified as a key element of [the consultant’s] model.” We consider that continued independence very important.

We also agree that “improved access of disadvantaged groups (vulnerable, poor and risk populations, as well as ethnic groups and women) to VDFs” is important, this will depend as much on increasing demand for VDF finance from these groups as on removing restrictions on their access to it.

### **8.3 Progress on the CAP**

Overall, the Off-Farm pillar’s approach to developing business and employment opportunities is well thought out and contains some useful objectives. The POE commends the general thrust of the program but we think that more could be got underway before the end of 2017.

### **8.4 Priority actions**

#### **In CAP:**

- Create and staff a Network Support Organisation to support Village Development funds (OF.3.1.4) – September 2017 (accelerated) – (note that this may be in a modified form which will preserve the independence of the VDFs)
- Audit the operations of each VDF and put in place specific remedial actions for those funds that are experiencing difficulties with arrears (OF.3.1.4) –December 2017 (audit accelerated)
- Ensure that the targets for further training and education scholarships are met (OF.3.3.3 and OF.3.3.4) – December 2017
- Develop the rules and procedures and decide on the initial capitalisation of a venture seed fund to complement VDFs with longer-term finance and begin to canvas for applications (OF.3.2.5). – December 2017 (Launch accelerated).

#### **Additional:**

- Review the lending decisions and policies of the Funds and suggest how they can ensure that access is equally available to all groups who wish to borrow and can manage its requirements (additional) – December 2017
- Develop a plan in cooperation with one or more Lao tourism operators and the WMPA for investing in the necessary training and facilities for village-run tours to the protected area (OF.1.2.1-OF.1.2.3) – December 2017 (modified and accelerated)

## 9 POOR AND VULNERABLE HOUSEHOLDS

### 9.1 Current situation

The number of Poor and Vulnerable households has decreased slightly, but this is mainly due to the natural life cycle. There are currently 16 Vulnerable households that still receive support under NTPC's Social Safety Net (SSN) policy<sup>21</sup>, with little prospect of being able to support themselves after RIP. There are 28 Poor households receiving targeted livelihoods support. At the time of the POE mission, a further 25 High Risk households had been identified, and they are now receiving some of the support available to the Poor (excluding free health care) under a Special Program to ensure that they reach their household income targets. The terms of this Program focus mainly on livelihoods strengthening, facilitating access to the VDF, job preferences and free health care, and are due to terminate at RIP.

As reported in Chapter 3, the POE heard during its current visit that Poor and High Risk households were selling their 0.66 ha land parcels in order to raise money to meet daily needs. This is a matter of serious concern and needs further exploration to determine the validity of the report. If such households have sold their land asset, it undermines the value of the Special Program in assisting them to strengthen land-based livelihoods and emphasises the need to continue more targeted efforts for these marginal families.

### 9.2 POE25 and the CAP

The Overall Outcome in POE25 for this component was "Poor and vulnerable resettler households achieve, and can sustain, incomes above the poverty line."

The CAP continues classifying the three categories of poor households falling beneath the poverty line and which comprise 3% of resettler families. POE25 recommended that eligibility for additional support be extended to SG households, that Poor households needed more targeted inputs, and that criteria for all three categories be revised to acknowledge that families may move in or move out of need over time. We are pleased to see that the CAP acknowledges all these requirements and has included LoAs to measure their progress<sup>22</sup>.

NTPC has now agreed to continue funding the SSN until the end of the CA in 2035. Criteria defining the SSN have been revised a number of times over the years, and were again updated during the POE mission to reflect the changing Project circumstances.

The CAP indicates that NTPC and GoL have responded positively to the concern that Poor and High Risk households would not receive any further assistance after RIP: the CAP indicates that support will extend beyond the RIP for households who do not have "sustainable bases for their livelihoods" (CAP). This assessment will be made at the end of RIP through "Household Profiles of each poor household, detailing their livelihood sources and the skills and/or assets they have to support those livelihoods" (CAP). Medium-term support would be through some form of GoL program but its actual terms remain to be spelled out, as would be the mechanism for ongoing identification of poor and high risk households.

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<sup>21</sup> This guarantees cash transfers and health insurance for Vulnerable households

<sup>22</sup> PV1.1.1-3.1.5

### **9.3 Progress on the CAP**

Of the 16 Vulnerable households currently listed, 13 have signed “Kinship Contracts” guaranteeing family support in return for inheritance rights, the remaining three are under further evaluation. They can also participate in the livelihoods Special Program if they are interested and able to do so. The other two categories will not receive any targeted programmes after RIP, but particular consideration is planned to be given during a village development planning process to identify the list of Poor and High Risk households and to target VDFs for their further support. Additional High Risk households have been identified and have had the right to benefit from the Special Program as Poor households.

Lists are due to be updated to reflect current realities. The POE was informed that criteria for each group have now been reviewed, revised and agreed between NTPC and the District. A welcome addition is to expand the updating to include SG households who may meet these revised criteria. By June 2017, a list of High Risk households will be identified according to criteria defined with GoL in 2016; this list will capture a broad range of economically disadvantaged households including original resettlers and subsequent growth households. From this list, a more intensive filter based on an updated set of criteria (2017) will be applied to identify the Vulnerable households. The remaining group will therefore consist of Poor households and other High Risk (non-poor and non-vulnerable) households. The Poor are defined by a list provided by the government in 2014 and will not be updated.

All High Risk households currently receive treatment coverage from NTPC until the end of the RIP and preventative care (vaccinations, maternal health) through GoL policy. Vulnerable households will continue to receive full coverage from NTPC until the end of the CA. The government is currently rolling out a National Health Insurance scheme which will be accessible by the Poor and other High Risk households. This will start in Khammouane Province in June 2017 and extend to Nakai district, though the date is not yet specified.

### **9.4 Priority actions**

#### **In CAP:**

- Update household lists as soon as possible, including 2G households (PV2.1.2-4)
- Closely monitor progress of livelihoods for Poor and High Risk households, and consider extending the Special Programme beyond RIP if targets not reached (PV2.1.8)
- Investigate reports of Poor households selling land to raise cash, and improve targeting of the Special Programme (POE26)
- Evaluate effectiveness of NHI and revise or replace with viable alternative if necessary (PV1.1.2)

## 10 ETHNIC GROUPS

### 10.1 Introduction

The situation regarding ethnic groups is a cause for concern. The Resettlement Objectives in the CA include to “apply special measures as required towards ethnic minorities and vulnerable persons to take care of their needs and foster self-reliance and to improve their socio-economic status”. Many groups however seem to be lagging behind in developing livelihoods and to have difficulty accessing the training and other support provided by the project. Most are also under-represented in village planning and governance.

The POE is required to review the achievement of the CA Objective for ethnic groups and the supporting Provisions. It is also mandated by the CA to take into consideration both World Bank and ADB Safeguard Policies as they relate to ethnic groups. A recent Ethnic Compliance Review commissioned by NTPC<sup>23</sup> indicates that by the end of 2017 there will be a significant risk remaining that the project will not be able to demonstrate compliance with these provisions, one of the requirements for ending RIP. Although the CAP explicitly recognises the challenge of real engagement with these groups on their priorities, it is arguable that the project is not affording them the special consideration required by the CA.

### 10.2 Current situation

#### 10.2.1 Change and adaptation

Socially and economically, things are changing for all the ethnic groups, including Lao Loum. But for groups other than Lao Loum, the adaptation has been relatively large. First, there is striking feedback from some groups that they have in fact made what seems to be a considerable cultural adaptation: particularly by discarding, apparently voluntarily, traditional customs and rituals in favour of their Lao Loum equivalents, on the grounds (some said) that they are simpler and less costly. It also seems that shamanic authority has weakened in some cases, although most groups still have *neo hom* (traditional cultural leaders). But many older members of some groups still have a language other than Lao as their first language and have difficulty communicating in Lao. Second, some groups, particularly those that depended mainly on the forest for a large part of their subsistence, have had to make a bigger adaptation than others to the new livelihoods requirements.

A big change is education. The proportion of adults with some formal education is now 95% for the 15-24 group and with the exception of Vietic (82%), primary age school enrolment is over 90%. What this means is that the second generation of resettlers from all ethnic groups are mostly literate and probably regard Lao as their primary language. But substantial numbers of older resettlers have another primary language and large numbers will be illiterate: more than half over the age of 40 have no formal education. Regardless of ethnicity, these factors pose a challenge for these older adults’ access to a lot of training opportunities and for participation in village governance.

Information on other indicators of social well-being by ethnicity, particularly health, would be useful. In terms of economic welfare, however, the picture is mixed. Locality (e.g. land availability and use) has to be disentangled from ethnicity, which is difficult. The Household and Village Income Targets cover all ethnic groups so 97% of households and all villages have already reached those targets which, as the CAP fairly points out, indicates that

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<sup>23</sup> NTPC 2017. *Compliance Review of the Concession Agreement Specifically for Ethnic Groups Related Obligations*, Vientiane, Nam Theun 2 Power Company Limited.

there have been significant improvements in living standards for all ethnicities. The feedback from group meetings in the recent report sounds quite similar to what is heard in all villages: satisfaction with great improvement in physical quality of life but worries about future livelihoods.

The survey in QSEM13 gives some further information specific to broadly classified ethnic groups:

- For most households in all groups fishing is the most important source of income but for both Vietic and Tai Bor collecting NTFPs is important compared with other groups;
- Estimates of cash expenditure are an imperfect indicator of income and estimates are imprecise but Vietic and Makong lag on this measure;
- Vietic and Makong also have the lowest value on an index of household possessions excluding livestock; Makong still have relatively large numbers of cattle and buffalo although a relatively small number of Makong families have large herds;
- Poorer families tend to borrow less and Makong, Tai/Bor and Vietic families have relatively low levels of borrowing, but greater difficulty paying back what they do borrow – they tend to borrow for emergencies (including paying off district fines for slash and burn cultivation) rather than livelihoods; but borrowing from the VDF seems more related to different village fund policies than ethnicity.

### **10.2.2 Access and participation**

There are significant concerns also in both the Ethnic Compliance Review and the CAP about the difficulty of access of some ethnic groups to livelihood support and more broadly about their lack of voice in villages which may particularly affect their ability to participate in village governance or planning.

The CAP acknowledges the “linguistic and cultural differences [which] can make it hard for NTPC and GoL staff to communicate effectively with minority groups.” The same concern is expressed in the evaluation report. The Compliance Review found that “... all of the visited hamlets said that all forms of communication are in the Lao language, and meanwhile the review has found that a language barrier does exist in some villages, especially when communicating with the older people belonging to Makong and Ahoe ethnic groups in Oudoumsouk, Nakai Tai, Nakai Neua, Nongboua, Bouama, Phonpanpek, Nam Nian and Sop Phene.”

On the other side of the conversation there is clearly a conflict between, on the one hand, the concept of “special measures” in the CA, the Safeguards, and the Social Development Plan and, on the other, Lao government policy and officials’ attitudes. A tangible example of the problem of uniform treatment is the comments of some groups on training sessions. Some ethnic group members dropped out of or found little value in these sessions: “Interviews with the participants from the Makong, Bor, and Ahoe groups revealed that the reasons given for not completing the training courses or not using what they have learned included: (i) uncertainty of what to do with the training, thus discontinued; (ii) shyness of being poorer than others in the group, (iii) shyness of belonging to the ethnic Makong or Ahoe group and not being as clever as the other people, (iv) uncertainty of how to use what they have learned.”

The Ethnic Compliance Review “found no records or evidence to suggest that special treatment or attention had been given to the ethnic groups as specified in the [Ethnic Development] plan”. In the words of the Review: “The officials explained that giving special attention to a particular ethnic group could be considered to be dividing groups instead of unifying them, which may be incompatible with the government’s ethnic groups’ harmonization policy.”

More generally, the combined effect of merger of hamlets into the village administrative unit has increased the risk that some groups will not have influence over village decision-making. In four predominantly Makong hamlets, there is a Makong naiban, but in all others “the majority of the leading positions at the village level are still being held by members of the Lao Loum groups, which include the Tai Lao, the Tai Mene and the Bo.”

Government criteria for pre-selection of village committees in effect effectively limits participation by some groups. The Compliance Review reported that “When a new village is formed, it is frequently the Lao Loum group that is appointed to lead the village. According to the district LNFC [Lao National Front for Construction], this is partly due to the fact that the Lao Loum often have a higher education, have had more exposure to and are more familiar with the Lao PDR’s social and political administrative system, and partly because it makes it convenient for the government officials to communicate with the villages.”

### **10.3 Risk of project non-compliance**

In sum, the assessment of the NTPC Ethnic Compliance Review is that, in terms of the CA’s requirements, four major areas are in compliance, two others are “in progress”, five are non-compliant and eight more are seen as not being able to be documented as being in compliance. Non-compliance issues include:

- The language in meetings is usually Lao, which is not understood by many older members of some ethnic groups; and consultation does not adequately incorporate age, gender, ethnic and poverty sensitivities.
- inappropriate application of a “one size fits all” solution to developmental programs based on a belief that the focus should be on “equal participation for all.” (The point of the special measures would be precisely to achieve “equal participation for all” rather than the existing unequal treatment in some cases.)
- lack of options and further training opportunities when new technologies and methods have produced poor adaptation to new livelihood ventures.
- failure to relocate Vietic and other vulnerable groups into separate administrative units with adequate access to resource use.
- lack of training of district and project staff in ethnic sensitivity.

The POE supports the general tenor of the report’s findings which is a useful contribution to the ongoing debates on this contentious subject.

### **10.4 Previous POE comments**

The POE has commented extensively on ethnic group issues in numerous reports in the past. In POE25 we endorsed the objectives set out in the draft Action Plan prepared by the JWG, including the meeting of basic needs and improvement in the socio-economic situation of ethnic minority households on a sustainable basis through fostering self-reliance among ethnic groups and through facilitating their full and equal participation in political, economic and public life. The report drew attention to the danger of the voices of specific groups being lost in the larger hamlet and endorsed the approach in the Action Plan of directing training or livelihood activities at the hamlet. These goals were broadly the same as

the three basic objectives in the Action Plan draft of May 2016, which have been carried over into the CAP.

Our Report 25 in 2016 supported the tenor of what was then the CAP draft report on ethnic minorities. Report 25 went on to suggest that the real challenge before the drafters was to define outcomes in terms of measurable objectives and Key Performance Indicators (KPIs) that can be achieved in the relevant time period. It proposed some indicators, all basically measuring the gap between ethnic groups whose performance was lagging on a number of dimensions of basic needs and socio-economic status, and the average population; and achieving proportionate representation of groups on hamlet and village institutions. We did not put any specific target numbers on these indicators.

## **10.5 The CAP**

The POE's approach to evidence gathering is primarily to look for measured changes in the relative status of ethnic groups. The CAP is more (but not exclusively) focused on identification of and planning for group needs and ensuring they have access to programs which will it is assumed enable lagging groups to improve their relative status.

The objectives of the CAP focus on "equal, fair and secure" access to project support and to land and other entitlements, full and equal participation in village decision-making and planning, tailoring support for livelihoods to meet group needs and preferences, and ensuring similar tailored support and equitable access to training and further education.

The important actions in the CAP, for completion by the end of 2017, are:

- EG.1.1.2: Share the results of the assessment [of return of Ahoe to Old Sop Hia] with the JWG for a collective statement in response to POE report #24
- EG.1.2.1: Identify and implement necessary, additional measures to bring the project into compliance [with the ethnic group provisions of the CA].
- EG.1.2.2: Enhance reporting specifically on the Ahoe and presenting data broken down by ethnic group where possible (e.g. for the QSEM) as well as by hamlet (where more appropriate, for example in operational reporting), with a column explaining what the main ethnic groups in that hamlet are.
- EG.2.1.1: Promote meaningful participation of vulnerable groups and smaller hamlets in VDCs and other important committees.
- EG.2.1.3: Develop a mechanism for ensuring that all hamlets and ethnic groups have equal opportunities to participate in and/or benefit from the NT2DF.
- EG.3.1.1: Conduct an assessment into the feasibility and desirability of setting up a WMPA office at the old Sop Hia site, including consultation with the Ahoe themselves and the WMPA
- EG.3.1.2: Hire a local facilitator with relevant experience, and knowledge of not only Lao but also minority languages if possible.
- EG.4.1.1: Ethnic groups receive priority and additional support (where feasible and appropriate) to help them to access livelihood activities and support such as training and scholarships.
- EG.4.1.2: Ethnic groups are targeted, where interested, for inclusion in adult literacy courses (proposed under the gender action plan, and required as part of special measures under the CA)
- EG.4.2.1: Provide refresher ethnic sensitivity training for all relevant RO and GoL staff.

Two of these actions are (fairly) described as “challenging”:

- EG.1.2.1 follows the completion of the Review which discusses what would be required to bring the project into compliance with the CA provisions. As yet there has been no discussion with stakeholders of the required actions to achieve compliance.
- EG.2.1.1 refers to updated provincial (and district) decisions on “structure, role and responsibilities of VDC (Doc. 1034)” which may have reference to ethnic representation. It is paired with EG.2.1.2 on reporting on ethnic representation. There is no evidence that it has made any difference yet to VDC composition.

In both cases, a basic issue is, as discussed in the section above on “access and participation”, aligning the requirements of the CA with attitudes of some officials on “special measures”.

## **10.6 Progress on CAP**

The POE again endorses the general approach taken by the CAP and on the specific actions listed above. But there is a lot of ground to cover yet before the project is able to demonstrate significant progress, and compliance with the CA, by December this year. We comment here on progress with the important actions listed above, and on what remains to be done.

### **10.6.1 Indicators and targets**

The POE is pleased to see the further analysis of the available information about resettlers by ethnic group. It is still a bit patchy, and there is certainly more that would be useful, but linking the household data on ethnicity with a wider range of survey and operational data helps get some firm numbers on these groups’ situation. We have made use of these statistics extensively in preparing this report. We acknowledge that it may not always be possible to analyse operational data by ethnic group and that a second best is to present it by hamlet.

### **10.6.2 Compliance with CA on measures for ethnic groups**

As discussed above, the Ethnic Compliance Review is a useful base document, whose credibility is enhanced because the evidence gives considerable weight to the views of ethnic groups themselves. But the key tasks under this action are for the stakeholders to identify and agree on “interventions required to be implemented” and then to actually make a start on getting them done. The Review in our view correctly identified the main issue here: to get agreement between GoL and the other stakeholders on what “special treatment” or “special measures” mean. It does not mean favouritism. We also understand and accept completely the GoL’s view that with citizenship comes duties as well as rights. But there is an evident gap between the principle of equal access to all the rights and benefits of Lao citizenship, to which the Government is surely committed, and the means of attaining it for groups who feel themselves excluded from this access. Between the principle of equal access and the reality of getting it, lies the idea of “special measures”, which the Compliance Review rightly says apparently requires discussion and clarification.

We say “apparently” because in fact there are a number of working principles for “special treatment” which are contained directly in the CA<sup>24</sup> as well as in working documents like the Social Development Plan and the Compliance Review itself. They are not new, and they certainly do not imply that any group in Lao society should end up getting more benefits or rights than any other. They include:

- Basing planning and other consultations on hamlets rather than consolidated villages;
- Using the ethnic group’s language as appropriate, or ensuring that interpretation is available for older people who may not be fluent in Lao;
- Arranging for additional or separate training sessions for members of group who would benefit from extra work outside the main sessions;
- Discussing with families approaches to livelihood options which meet their absorption capacity;
- Respecting and where possible including appropriate cultural events or customs in meetings or training sessions.

In short, no progress can be made on achieving compliance with the Safeguards unless there is agreement on what they require.

### **10.6.3 Voice in hamlets and villages**

In terms of positions of authority, the majority of top positions are still held by Lao Loum people but the Compliance Review reports that in those villages with a larger number of other ethnic groups such as the Makong in Phonesavang, Done, Khon Kaen and Nongboua the leading position is held by a Makong. The Deputies are almost always Lao Loum people in these cases. EG.2.1.1 refers to updated provincial (and district) decisions on “structure, role and responsibilities of VDC (Doc. 1034)” which may have reference to ethnic representation. This goes with EG.2.1.2 on reporting on ethnic representation. The action is also described as “challenging” and there is no evidence that it has made any difference to VDC composition.

### **10.6.4 Communication with ethnic groups**

POE25 also argued that the consultant taken on to review the status of ethnic groups, or another suitably qualified person, should be retained to see the ethnic plan through to implementation. We were pleased to see this action in the LoA. A job description has been prepared but as yet no appointment has been made. We would like to see this appointment made in time for involvement in the next full round of village planning, and certainly by July of this year given the upcoming consultations on a range of issues including village forestry.

A facilitator however can help organise and advise on means of engagement with ethnic groups, supported where necessary by additional specialist interpretation. Following that facilitation and engagement, action in line with the Safeguards will largely be in the hands of GoL officials. The POE therefore strongly supports the CAP provision for refresher ethnic sensitivity training for relevant Resettlement Office (RO) and GoL staff (EG.4.2.1).

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<sup>24</sup> See for example CA Schedule 4 Part 1, Clause 9.1.4, which sets out a number of principles covering adequate consultation, additional training and options for livelihood development, support for local languages and traditions, adult literacy programs, specific health initiatives and monitoring of use of NTFPs.

That is an early requirement – but it needs to be backed by a clear message from senior officials in District and Province that it is indeed a requirement.

### **10.6.5 Access to project support and entitlements**

There has been some limited progress over the past year on livelihoods, land allocation and social support among the ethnic groups - and some backsliding. Progress has been made in allocating house plots and additional agricultural land to ethnic groups, for example. In Nam Nian the POE was told that the District had allocated 14 new house plots to Vietic families. On this occasion the plots were not occupied so the transfers went ahead. But finding more agricultural land is proving a greater challenge. There is no evidence that this is more or less of a challenge for some ethnic groups than others: it seems more closely related to individual hamlet circumstances. The same ethnic group can have different experiences in different hamlets. Our Chapter on land includes action by November 2017 on completing land allocation to all eligible 1G and 2G households.

Additional CAP measures which call for early action include the development of plans within broader livelihood development programs but tailored to ethnic group needs. These plans, embedded in livelihood pillars, are well overdue and call for special attention and action. Pilot projects in at least six hamlets with significant ethnic group(s) should be in place by November 2017. Similarly, the percentage of ethnic group individuals participating in scholarship programs and adult literacy programs – already expanded in recent years – should be increased in order to ensure that the new generation of ethnic group people are enabled to take up those opportunities for leadership often denied to their parents.

In the interest of lifting performance in the less well-off hamlets the CAP proposes that NTPC and GoL enter into consultations, in which all ethnic groups should be included, on possible new livelihood initiatives. Since this will also potentially affect the vulnerable as well the POE supports this proactive initiative.

EG.2.1.3 proposes developing a mechanism for ensuring that all hamlets and ethnic groups have equal opportunities to participate in and benefit from MTDP programs and from the Nam Theun 2 Development Fund (NT2DF) established by NTPC and other funding. NTPC and GoL are still discussing what the “mechanism” would be. We think the mechanisms should be agreed before the end of 2017, because they form part of the requirements for a further round of planning in the villages on the medium term. In the interim resettlers are apprehensive about what exactly will happen to livelihood programs after the NTPC hands over the management reins to District agencies and the VDCs. They are keen to see a proportion of funding being channeled to their own projects and decision-making powers being devolved to the hamlet level. One hamlet which is part of a consolidated village with a dominant partner was doubtful that any funds going through the associated village systems would find their way to the smaller hamlet. Such apprehensions should be addressed and laid to rest.

### **10.6.6 The Ahoe**

In POE Report 24 there is a detailed history of recommendations made by the POE over the years on ethnic group issues. A lot of it has to do with the Ahoe. They have attracted this attention firstly because they are one of the smallest and most vulnerable coherent ethnic groups on the plateau who have found it hardest to adapt to the options available to them in resettlement, and secondly because they are a bellwether group for the basic requirement in the Safeguards of respecting the preferences of ethnic groups, and helping them protect their culture and identity, in resettlement. We welcome the CAP’s planned “assessment of the situation regarding the return of the Ahoe to Old Sop Hia” to be undertaken by the World

Bank from a range of perspectives, including their Safeguard Policies, and the subsequent response of the JWG to the Report 24 recommendations. That should be a clarifying exercise.

The POE has been informed that the assessment is designed to determine the viability of the continued settlement on the Old Sop Hia site from the multiple “and possibly conflicting” perspectives of: (1) national legislation on protected areas and the traditional rights of ethnic peoples in using those areas; (2) the district policy and district government stakeholders; (3) IFI environmental safeguards and the integrity of the protected area; (4) IFI social safeguards (indigenous people and involuntary settlement); and the social sustainability of resettlement on the Plateau; and (5) WMPA policy and institutional capacity to manage and control settlement at this site. Whether the assessment will stimulate a collective statement by the JWG which contributes to the solution of this set of issues remains to be seen but it is a positive attempt to come up with answers, which can only be applauded.

Part of the background is that there has been a long stand-off between a number of the Ahoe and the District which is not resolved. Negotiations are still proceeding and the Nakai Vice Governor is hopeful that a solution will be found before November. The District argues that it is unlawful for three or four Ahoe families to have returned from their project houses in Nam Nian to the Old Sop Hia site near the dam site, since this is in a Protected Area. They are apprehensive that the presence of Mrs Soun, an Ahoe elder, and her family on the site will produce a return of others and that it will provide a cover for illegal fishing and wildlife activity. Others say that Mrs. Soun will eventually return to Nam Nian to be with the balance of her family. She says herself that she simply wishes to see out her days on the “ancestral lands”. The POE trusts that the IFI study of the issues mentioned above and subsequent negotiations will produce an acceptable and peaceful outcome. Part of the solution may lie in the POE-recommended establishment of a WMPA checkpoint in the area of Old Sop Hia, since this would inter alia lessen the fears of illegal activities in the immediate neighbourhood and render patrolling in the protected area and on the northern sector of the reservoir more effective since it would be less detectable.

### **10.7 Conclusions on ethnic groups**

In summary, the CAP approach to ethnic safeguards is based on sound principles. The challenge is to actualise these principles, and that requires agreement between the principal stakeholders on appropriate measures and approaches to meet the special requirement of ethnic groups. In line with our comment above, this is going to require acceptance of the principles by the government officials who in future will be in charge of these relationships.

### **10.8 Priority actions**

#### **In CAP:**

- Stakeholders to draw up agreed list of special measures for ethnic groups as required by the CA – by September 2017 (EG.1.2.1)
- Appointment of a local facilitator who speaks Lao and one or preferably more of the other plateau ethnic languages to facilitate consultations and communication in general with ethnic groups – by July 2017 to be available for consultations thereafter. (EG.3.1.2)
- Resolution of Ahoe issues through negotiation and a decision on an outpost at Old Sop Hia – November 2017 (EG.1.1.2 and EG.3.1.1)
- Development of a mechanism for all hamlets and ethnic groups to have equal opportunities to benefit from MTDP programs and funds from other sources including NT2DF post-RIP – September 2017 (EG.2.1.3)

- Development of tailor-made plans within broader development programs to meet ethnic groups' needs – December 2017 (EG.4.1.1 and EG.4.1.2)
- Provision of refresher ethnic sensitivity training for relevant RO and GoL staff, focusing on requirements for village development planning – by September 2017 (E.G.4.2.1).

## 11 GENDER



**Mother and daughter, Phonesavang village**

### 11.1 Current situation

It is sometimes difficult to tease out progress of the cross cutting gender component as the Project has attempted to mainstream it across all components. This is the right strategy in the POE's view, and results in monitoring data will demonstrate whether it is effective or not. However, there are also more specific gender markers in the CAP, which are necessary.

### 11.2 POE25 and the CAP

Priority actions and objectives in the CAP include (i) Gender mainstreaming operationalized in APs and MTDP (ii) Capacity building for GoL and (iii) Increasing women's agency and voice.

POE25 recognised that the CAP approach is quite complex and that outcomes are informed by equality in (i) endowments (health, nutrition and education); (ii) economic opportunity, and (iii) agency (voice and influence). However, it also noted that the CAP is primarily focused on process rather than results. While process is important, results are the proof that the process is the right one.

Women's roles, and LoA indicators to reflect progress on these, are integrated into the CAP in Fisheries (FI.3.1.1-3) and Off Farm (OF3.2.3) and in the overall Gender Equality and Women's Advancement component of the CAP. This is a significant improvement from previous planning. Gender mainstreaming could be improved with similar targeting for agricultural activities (e.g. drudgery reduction), livestock (e.g. women's marketing groups for small livestock) and forestry (development of different types of NTFPs for men and women's cultivation). This was recommended in POE25 but there does not seem to be many gender-disaggregated and results-focused LoAs in these pillars.

A warning flag should be raised here: the danger for women (as has been learned elsewhere in the world) is that some empowering results can add to the burden of women's work rather than reduce or change it - what has been called "double jeopardy". For example, before recommending soil enrichment techniques that require intensive weeding, women should be asked whether they want to add these tasks to their daily routine. Again, drudgery reduction includes maintenance of amenities that reduce effort, such as ensuring domestic water pumps are not broken or captured by a single household. Failure to do this means women have to walk and carry heavy buckets further.

In other words, action planning must take account not just of what can be done, but whose responsibility it is to do it, and balance recommendations with existing tasks and responsibilities. Therefore it would be interesting to see some drudgery reduction and consultation components included. To ensure that this happens requires women's voices to be properly heard in village governance and planning.

### **11.3 Progress on the CAP**

The CAP reports considerable progress on a number of fronts in the progress towards gender equality. Certainly the Lao Women's Union (LWU) has always been one of the most effective mass organisations in the country, and is one of the few to have a presence in every Lao village. It is therefore an important partner in the enabling process.

It is also a positive result to see gender specific interventions introduced at an early stage rather than as afterthoughts. For example, in the Community Living Well and Violence Against Women (VAW) Programs, in growing women's interest and participation in key livelihoods activities (e.g. fisheries and small livestock), and in strong institutional support through the Resettlement Management Unit (RMU).

The POE supports the intention to strengthen women's leadership capabilities (GE.3.1.1), including provision for the inclusion of women, from all ethnic groups, in the next generation of District level bodies like an MTDP decision-making body when it emerges. The POE is also interested in progress on strengthening women's voices in decision making bodies and in the proposed village level planning processes. It is not coincidental that there are no female naibans, although there are three female deputy naibans in the resettlement villages (Nongbouakham, Done and Oudoumsouk). However, in most hamlet meetings conducted by the POE, women's willingness to speak out varied from village to village. Some remained completely silent while others were certainly not shy in voicing their opinions. It is important therefore that hamlet planning methods allow separate men and women's meetings to identify and prioritise those actions and activities important to women, as well as to men, and allocate budgets accordingly. An example is in the forthcoming surveys of hamlet forest areas. Women use forest resources differently from men so will have different information about and interest in, different types of resources. These kind of gender differences must be integrated into any survey, planning and activity identification methods.

The POE recommends that the VAW inputs so far are continued and lessons learned reinforced. Linkages with national and provincial efforts, such as the VAW program piloted with the Ministry of Education & Sports and the Lao UN program, should be strengthened. In the meantime, links are already planned to the provincial Strategic Plan on Advancement of Women, Mother and Child 2016-2020 (GE.3.3.1).

GoL has also identified poor literacy levels as a key limitation in the country, particularly among women. The CAP (GE.3.1.2) has incorporated activities to contribute towards overcoming the limitation of adult literacy and numeracy, particularly in the more vulnerable hamlets of Sop Phene, Nam Nian, Nongboua, and Phonesavang.

#### **11.4 Priority actions**

##### **Additional:**

- Improve gender-disaggregated indicators for agriculture, livestock and forestry activities by explicit identification of results of relative importance to women
- Ensure "double jeopardy" is avoided by including explicit discussion of relative workloads for women and men from planned livelihood activities
- Integrate separate men and women's inputs, meetings and prioritised activities in the proposed and village planning process, including choice of options for forest resource use from the resource survey.

## 12 FUTURE GOVERNANCE AND MANAGEMENT OF THE PROJECT



**At the Nakai District Government briefing for the POE: Mme. Keo Ula Souliyadeth, Manager, Resettlement Management Unit, Mrs Tadam Akhanit, Nakai District Government, Mr Thonekeo Chanthavong, Nakai District Vice Governor**

### 12.1 Introduction

The CAP is a well-articulated set of linked activities directed at a clear set of objectives for sustainable livelihoods on the plateau. Some of its content needs to be further developed, for example in agriculture and forestry, where it is mostly “watch this space”; it clearly assigns accountabilities but the actions programmed also need budgets and results indicators; and managing implementation requires some further thought to organisation and systems. All this work is underway: we were encouraged by what we heard and read. We were particularly pleased to see that some high-level understandings have been reached on funding for the MTDP. But there is more to do to get the arrangements for the medium term in place. Our advice to the government in November/December on closure will rely partly on there being a robust system of planning and implementation in place. This section develops what we said in POE25 on this topic and looks at the further decisions that need to be made between now and then. It’s about sustainability of activities and institutions beyond RIP.

### 12.2 What we said last time

POE 25 noted that, with the end of RIP, the project would not go away and most of the principal actors – government, company and financial institutions and resettlers – would remain. But two things will change fundamentally. The role of the company will change from primary agent and manager of the development project on the plateau, to manager of a hydro station and sometime funder and monitor of plateau development; and the District, villages

and Hamlets will take over full responsibility for planning and implementation of the various development activities. There will also be new sources of funding: the major ones at this stage are the Nam Theun 2 Development Fund (NT2DF) and the financing provided by AfD for the farming and fishing project co-funded by AfD and NTPC.

These changes, we said, will require a re-examination of the methodology of development on the plateau and of the capacities of the District and villages to take on new roles. On the first point, the GoL requires that the principles of Sam Sang should apply in planning. Sam Sang envisages the District becoming a development manager, coordinating and integrating the different inputs and activities required to implement a development plan. The villagers become both the source of development priorities and the principal vehicle for that development. Their plans are the foundation of the overall project for the plateau; and they will be its implementers: actively creating its outcomes, as farmers, fishers, custodians of the forests, or making new opportunities for business or employment. On the second point, both Districts and villages need to develop new capabilities to take on these roles.

### **12.3 Requirements for planning and implementation**

We concluded POE25 with some recommendations that, stated in brief, suggested that:

- Future development on the plateau should be based on a District Development Plan, which should be prepared by integrating Village Development Plans, developed in the villages with full participation of the villagers.
- The longer-term Nakai Development Program should be governed by a Steering Committee representing villages and government at all levels and with representation as required of funders or their agents.
- The District Administration should be accountable to the Steering Committee for the planning and implementation of development activities.
- District offices need to be strengthened both to carry out this management role and to support the villages; villages also need strengthening of their planning and implementation capabilities.

There are two further principles, related to the role of funders in large and complex multi-donor projects.

- The funders need to get their act together and agree, in consultation with the District, on a common set of processes for planning, implementation, monitoring and review. Not to do this runs the risk of competing and excessive demands on the time of the District and villages, conflicting priorities and neglect of the connections between different parts of the project, and the potential for “double-dipping”: more than one source of funding for the same activities.
- Funders need to work closely with agents and with each other for the whole duration of the project; decision and execution are not two distinct phases: because of the learning in implementation (some things work, others do not), it has to be actively managed.

### **12.4 Current situation and decisions to be made**

It was quite clear from our discussions with government, company and IFIs in March-April this year that they are well aware of these institutional requirements and are working

together on how to meet them. We discuss the state of play as we understand it here and what still needs to be done.

#### **12.4.1 General approach to planning**

We were told by all the stakeholders that they will base their processes for planning and implementation on the principles of Sam Sang (the “three builds” for province, district and village). Essentially this is that the planning cycle will start with fully participative discussions in villages and hamlets on the development of five-year Village Development Plans and their consolidation into a District Development Plan to be integrated into the GoL’s overall Five Year planning process.

The facilitated village consultations on the CAP itself were a first encouraging step towards full participatory planning based on the village. The CAP includes “early scoping” of a fully articulated process for implementing this principle and reports that “It is proposed to pilot the participatory VDP process in selected villages including possibly those where the GoL would implement Sam Sang program in 2017”. We understand that there will be a first update of piloted village development plans by end of June, initiated by the District and the Poverty Reduction Fund with support from NTPC. However, “The full participatory VDP process would not become fully functional before the RIP closing in December 2017.”

Our main concerns at the village level, based on our discussions with villagers are as follows:

- Villagers should understand what’s going on and what happens next. It was not always clear that villagers understood the full significance of the CAP consultations.
- Consultation should go beyond wish lists. To plan is to choose. Real planning will allocate scarce time, resources and budgets. Villagers need to be aware of these constraints and that it requires real decisions by them on matters like land use, forestry, irrigation and fisheries management. It was not clear to us from the feedback we got that these factors entered into the CAP consultations (possibly because they were not concerned with the content of crucial “pillar plans” like agriculture and forestry) but they are central to planning the further development of livelihoods.
- Villagers must believe that they can influence decisions outside the village. This can seem like a remote possibility when some people turn up, ask you a lot of questions, then go away and do not tell you what happened to your answers. Participative planning requires feedback, and evidence that your input actually changed things; but when we asked, nobody in villages said they had heard back about what happened after the meetings they attended. Getting this ongoing engagement is central to the Sam Sang principle.
- Decision-making can seem inequitable. Some villagers – sometimes related to their economic circumstances, gender or ethnic status – can feel that they have no influence over more powerful forces in the village. There are no easy solutions to this but clearly full engagement in planning requires first that all voices are heard. Specifically: organising separate meetings with individual hamlets, ethnic groups (taking account of different language and cultural requirements) and with men and women would often help ensure that at least the consultations are more even-handed.

- One important practical consideration is the demands that the various consultation initiatives can make on villagers' time. Here the POE is a part (albeit we hope a modest one) of the problem. We generally get good and energetic feedback from villagers but we can see that we are dragging them away from other things they are doing and the body language when they arrive is sometimes clearly "not another boring meeting". Part of the solution would be organising meetings at times which suit villagers including women, not bureaucrats, but another part is clearly ensuring that villagers need to think attending has value for them. That comes back to the basic principles of real participatory planning.

Embedding the principles of Sam Sang fully into village-level planning will require a lot more than training District officials and village authorities in how to facilitate participative approaches. It has to involve the transfer of real power to villagers to decide for themselves what their priorities are and to face the constraints in achieving them. We were pleased to hear that some of the planning on budget allocations in both the agriculture project and for the NT2DF generally envisages creating funds under the direct control of the villages themselves, and financial contributions by villagers towards identified activities. But beyond that villagers need to be assured that they have control over the decisions made by others on their behalf. If villages were represented on the coordinating body at the District level, this would help their understanding of the entire process and strengthen communication between villages and District as well.

#### **12.4.2 Organising implementation**

One of the strengths of the CA is that it has a well-developed set of organisations to manage the implementation phase of the project – Resettlement Committee, NTPC's Resettlement Office, the Resettlement Management Unit and District Working Groups. These have been complemented, highly successfully in our view, by the Joint Working Group, which has brought together GoL, Company and IFIs with the express purpose of achieving a coherence of view and thus bringing the RIP to closure and developing a plan for the medium term. We are not clear what the future is of these specific organisations following closure, but many of their features could well be replicated in the medium term. In particular, the following elements are required:

- Exercising **authority on behalf of the Government of Laos** for determining government policies and regulations with respect to the Medium Term Development Plan. We understand that this steering role is likely to continue to be the responsibility of the Khammouane Provincial Government. Central Ministries like the MAF will be able to provide expert resources but on request from Provincial or District governments. However, some central level decision making will be required, most notably on the forest resources management plan.
- **Coordinating the activities of Departmental Offices of the District** required for implementation of the MTDP. This function is undertaken now by the RMU and DWGs. The RMU has proposed something similar for the MTDP which looks sensible to us; but given that this future organisation will presumably be engaged only on the Nakai Plateau, the government needs to consider whether it should report to the District Governor rather than the Provincial Governor. That seems appropriate in terms of the GoL's decentralization policy. As noted above, communications between District and village would be improved if this unit and the District Working Group met regularly with village representatives.

- **Providing technical and systems support** for implementation of activities by the District. Under the CA, this responsibility was shared between RO and RMU. With the change in role of the Company, its role (through the RO) in technical support will reduce. On the other hand Technical Assistance (TA) will be in place for the AfD-NTPC project and probably other livelihood pillars. A workable option would be a Program Management Unit bringing together technical support by District officials and TA teams.
- Acting as a **central point for communications** between the District and organisations providing funding or technical assistance. This role would logically be a responsibility of the replacement for the RMU - perhaps working out of the District Governor's Office and reporting directly to the District Governor and senior management team.
- Providing capacity-building, technical assistance, systems and logistical **support for villages in their role in planning and implementation** of the activities of the MTDP. We were pleased to see that the agreement between the GoL and NTPC on use of the NT2DF includes indicative budgets for "capacity building for Sam Sang stakeholders". The District is already training VDCs in law and administration (about 75 villagers on each subject). There are a number of other areas where the District can usefully provide support. The proposed support for the VDFs is an example but more generally naibans and village authorities have quite limited access to basic office equipment and systems like communications and printing. Eventually basic computers – and associated training programs - will be needed for both communication and record retention purposes. The present situation needs remedying quickly and should be included in the LoA.
- Ensuring the **coordination of the planning, funding, implementation, monitoring and reporting requirements** of the GoL and funding partners in the MTDP and active management of the plan itself. Again, the POE was considerably encouraged by the thinking that has gone into harmonising these requirements both in the CAP and subsequent discussions, for example between AfD and NTPC on the requirements of the agricultural project. As noted above, the work of the JWG provides a model for ongoing coordination. We understand that the continuation of the JWG, or something like it, is under consideration by the stakeholders. That has POE support.
- **Transition arrangements:** in all of the cases above, many of the people now engaged in the resettlement processes of the CA will also have roles in the MTDP project. The general principle ought to be that as far as possible the transition into roles in MTDP is staged so that experience is not lost. There will be opportunities to bring in new players like the TA team for the AfD/NTPC co-funded project well before the end of the year. The JWG and its successor can oversee and assist with this transition.

## 12.5 Social and Environmental Remediation Fund (SERF)

This calls for specific comment. The SERF will make a significant contribution to project funding in the MTDP within its rules for operation and maintenance of community infrastructure, GoL Resettlement Assets and some operational costs, and any further mitigation of problems from the Resettlement Process. As the CAP acknowledges, "the

eligibility, cost-effectiveness, fund use and quality of some of the work funded by the SERF to date are questionable”. The new SERF manual is a welcome response to these concerns about its operation. But the CAP also notes that for some time now the POE and IFIs have been calling for a full audit of SERF for the past four years of operations. The POE endorses (again) this requirement, which is overdue and should be completed before the MTDP comes into effect, since recommendations from the audit may suggest specific requirements for District capability.

## **12.6 Priority actions**

### **Additional:**

- Agreement on the organisational responsibilities for steering, coordinating, planning, implementation and monitoring of the MTDP project and transition to the new arrangements – by August 2017.
- An evaluation of the experience of the updating of Village Development Plans with particular attention to the Sam Sang pilots and a decision on how to extend these principles to the remaining villages – by November 2017.
- Re-assessment of District and village management capabilities and adequacy of staffing and budgets. – by October 2017.
- An audit of the SERF Fund with recommendations for strengthening its management – by September 2017.

## 13 CONCLUDING THOUGHTS



**Mekong River at Thakhek**

On this Mission the POE has reviewed changes in the NT2 Project since we were last here in May-June 2016, and progress on securing the conditions for closure of the RIP. Our broad conclusion is that there has been some progress in securing livelihoods for the resettlers, and some good planning for the future, but some big challenges remain if RIP is to be closed at the end of December.

The four livelihood pillars are a mixed picture. Fishing continues as a strong source of income and the reservoir fishery is in good shape, but illegal fishing and trading is blatant and surveillance and enforcement almost non-existent except in the village fishing zones. The turn back to agriculture continues, reflected in the increased demand for irrigation. The main concerns continue to be enhancing the productivity of the soil, the long-term unsuitability of cassava monocropping and the risks of contract farming. The capacity of the plateau to carry the rapidly increasing number of large animals also remains a concern. There has been some progress resolving land disputes but allocation of additional land remains incomplete. There have been some useful initiatives in business development and further education but they have yet to be turned into substantial new sources of income for the resettlers, particularly their children. Forestry remains the biggest disappointment with the resettlers deriving virtually no benefit from their forests, with the exception of a shrinking harvest of NTFPs.

On the cross-cutting pillars, there is a robust system in place to identify and support vulnerable households but still some concern about how to develop livelihood options for poor households and those at risk; a well-developed system for monitoring the gender impact of the CAP but there is less emphasis on actual results of value for women; and, although all

ethnic groups have achieved the household and village income targets, some of the disparities in income and wealth are at least partly associated with ethnicity.

All of these challenges have been recognised in the CAP. Its logic is impeccable and its development commendably thorough. The JWG has proved a very effective means of securing agreement and a coherence of view amongst the stakeholders on its content, both up to the end of the extended RIP and into the medium term, and also on the organisation and funding of the medium-term project. But there are some significant more general issues relating to meeting the conditions of the CA.

First, the actions in the plan will have had little real impact on livelihoods by December. Major outcomes are mostly projected into the medium term. Agriculture and livestock depends on the AfD-NTPC funded project, which will only be in the field towards the end of the year. There are major decisions to be made about land use, and some disputes are not yet resolved. There is little likelihood of a significant improvement in fisheries enforcement by the end of the year. Forestry is nowhere near a consensus on what needs to be done, particularly about the future of village production forestry, and a new strategy requires support at all levels of government. Off-farm projects are still to yield significant results for business or employment. Effectively, therefore, a judgment in December will require an act of faith that these results will emerge in the medium term. The history of development planning gives plenty of examples to the contrary. We trust that this plan will do better than many.

Secondly, the handover of the project from NTPC to District and villages requires a corresponding enhancement of management and support capability in the District, and in village project planning and implementation. There is no disagreement about the need for these changes, and encouraging signs that they will be properly resourced, but as the handover continues, actually getting the budget, the staffing and the training in place is a matter of some urgency.

Thirdly, we have strongly endorsed the application of the Sam Sang principle to the practice of planning, and we were pleased to see that the stakeholders have given it a central role in planning in implementation. We would simply underline that a truly participative approach requires a changed relationship between government officials and villagers, and within villages themselves. We are particularly concerned that, in planning, all voices are heard and, in implementation, all have equal opportunities to access the training and support provided – and always with equal regard for both women and men and for all ethnic groups including minority groups in consolidated villages with a dominant culture and status.

With regard to ethnicity, there is a difference of view among stakeholders on whether special measures are to be taken to lift the livelihood development of what are seen as ethnic groups and hamlets. The POE's firm view is that this is both mandated by the CA and required on the ground. The issues must be resolved quickly if progress in the lagging groups is to be accelerated.

The list of priority actions that follows is long but a large part of it is simply highlighting or suggesting specific sequencing and deadlines for actions already in the CAP. We recognise that with only seven months to go until the end of 2017, there is little opportunity for a major course correction. The corollary of this is that we cannot make any judgement now on whether the List of Actions will secure the conditions for closure. That will have to wait until we return in November to make a final assessment of what our advice will be to the Government and the stakeholders on whether the Objectives and Provisions of the CA have overall been met or are well on the way to that point.

Finally, our thanks to the development partners, and particularly to the Department of Energy Business, the District Government of Nakai and the Nam Theun 2 Power Company, for facilitating our Mission this time and for helping make our four weeks in Laos enjoyable, challenging and productive. We will be keeping a watch on developments between now and November and are sure that the conversation will continue in the forthcoming months. In the meantime:

ແລ້ວພົບກັນໃໝ່, *ka kite ano*, see you next time!

### 13.1 Table of Recommended Priority Actions for Remainder of 2017

Chapter	Priority	Completion Date	CAP reference
Land	At least 90% of currently registered land-related disputes resolved.	December 2017	AL2.1.4 - Extended
Land	Pending land allocation to 100% eligible 1G and SG households completed	November 2017	AL2.2.6 - Extended
Land	Stakeholder consensus on methodology for village resource surveys and plan development	September 2017	Additional
Land	Independent inquiry into land occupied since 2014 by non-eligible persons or organisations	November 2017	Additional
Land	Investigation of transfer promises of 0.66ha and housing plots prior to RIP and District embargo on sales before RIP.	November 2017	Additional
Agriculture	Repair of gully dams and pumped irrigation systems sufficient to ensure water for vegetable crops	October 2017	AL.3.1.2, AL.3.1.5
Agriculture	Meet targets for extension work on soil improvement for vegetables, agro-forestry and paddy (including new rice strains)	November 2017	AL.4.2.1-AL.4.2.3
Agriculture	Process in place for planning, funding and implementation of AfD-NTPC project agreed by GoL, NTPC and AfD	November 2017	Additional
Agriculture	Advice and support to all cassava farmers on mitigating soil impacts or alternative uses of land.	September 2017	Additional
Livestock	A further significant increase in pasture and forage.	December 2017	AL.4.5.1 – Extended
Livestock	A further vaccination campaign, particularly for cattle	December 2017	AL.4.4.2
Livestock	Organise at least one cattle auction to test farmer interest.	October 2017	AL.4.5.3
Livestock	Re-assess livestock carrying capacity and possible land use options in relation to stock numbers.	December 2017	Additional

Forestry	Preliminary forest surveys at least half completed.	July 2017	FO.1.1.1
Forestry	Forest management options assessed and ranked by stakeholders.	September 2017	FO.1.1.2
Forestry	Forest Management Plan drawn up and approved by all stakeholders including 16 hamlets	Drawn up early October, approved mid-November	FO.1.1.2 & FO.1.1.3
Forestry	Audit and financial management review of VFDC completed.	July 2017	FO.2.1.1
Forestry	Review of enabling measures including a further review of levies and tax burdens.	June 2017	Additional
Forestry	Preparations for comprehensive forest inventory exercise in 2018 initiated.	December 2017	FO.2.2.2
Forestry	Preparations made for the formulation of FMPs for the 16 hamlets early in 2018.	December 2017	Additional
Fish	Complete marking out of new protected areas on the reservoir	December 2017	FI.1.2.1 - accelerated
Fish	Agree on – and implement - a new patrols and checkpoints schedule for the far side of the reservoir and north of the Thalang bridge, including consideration of a checkpoint at Old Sophia.	December 2017	FI.1.3.2, FI.1.3.3 - accelerated
Fish	Consider the fisheries co-management report and decide on the report's recommendations on fisheries regulation and how it is governed	October 2017	Additional
Fish	Agree on and implement an effective system of policing illegal trade in fish, based on fixed road checkpoints and mobile patrols.	December 2017	Additional
Off-Farm	Create and staff a Network Support Organisation to support Village Development Funds .	September 2017	OF.3.1.4 - accelerated
Off-Farm	Audit the operations of each VDF and put in place specific remedial actions for those funds that are experiencing difficulties with arrears	December 2017	OF.3.1.4 - modified and audit accelerated

Off-Farm	Review the lending decisions and policies of the Funds and suggest how they can ensure that access is equally available to all groups who wish to borrow and can manage its requirements	December 2017	Additional
Off-Farm	Ensure that the targets for further training and education scholarships are met.	December 2017	OF.3.3.3, OF.3.3.4
Off-Farm	Develop the rules and procedures and decide on the initial capitalisation of a venture seed fund to complement VDFs with longer-term finance and begin to canvas for applications.	December 2017	OF.3.2.5 - launch accelerated
Off-Farm	Develop a plan in cooperation with one or more Lao tourism operators and the WMPA for investing in the necessary training and facilities for village-run tours to the protected area.	December 2017	OF.1.2.1-OF.1.2.3 - modified and accelerated
Gender	Improve gender-disaggregated indicators for agriculture, livestock and forestry activities by explicit identification of results of relative importance to women	December 2017	GE.1.1.1
Gender	Ensure "double jeopardy" is avoided by including explicit discussion of relative workloads for women and men from planned livelihood activities	December 2017	Additional
Gender	Ensure that the proposed forest resource survey includes resources, such as NTFPs, of relative importance to women	June 2017	Additional
Gender	Integrate separate men and women's inputs, meetings and prioritised activities in the proposed and village planning process, including choice of options for forest resource use from the resource survey.	September 2017	Additional
Ethnic	Stakeholders to draw up agreed list of special measures for ethnic groups as required by the CA	September 2017	EG.1.2.1
Ethnic	Resolution of Ahoie issues through negotiation and decision on an outpost at Old Sophia	November 2017	EG.1.1.2, EG.3.1.1)
Ethnic	Development of a mechanism for all hamlets and ethnic groups to have equal opportunities	December 2017	EG.2.1.3

	to benefit from MTDP programs and funds from other sources including NT2DF post-RIP		
Ethnic	Development of tailor-made plans within broader development programs to meet ethnic groups' needs	December 2017	EG.4.1.1 and EG.4.1.2
Ethnic	Appointment of a local facilitator who speaks Lao and one or preferably more of the other plateau ethnic languages to facilitate consultations and communication in general with ethnic groups.	July 2017 (and for consultations after that)	EG.3.1.2
Ethnic	Provision of refresher ethnic sensitivity training for relevant RO and GoL staff.	September 2017	EG.4.2.1
Poor and Vulnerable	Update household lists as soon as possible, including 2G households	December 2017	PV2.1.2-4
Poor and Vulnerable	Closely monitor progress of livelihoods for Poor and High Risk households, and consider extending the Special Program if targets not reached	December 2017	PV2.1.8
Poor and Vulnerable	Investigate reports of Poor households selling land to raise cash, and improve targeting of the Special Program	December 2017	Additional
Poor and Vulnerable	Evaluate effectiveness of Community Based Health Insurance and revise or replace with viable alternative if necessary	December 2017	PV1.1.2
Institutions	Agreement on the organisational responsibilities for steering, coordinating, planning, implementation and monitoring of the MTDP project and transition to the new arrangements.	August 2017	Additional
Institutions	An evaluation of the experience of the updating of VDPs with particular attention to the Sam Sang pilots and a decision on how to extend these principles to the remaining villages.	November 2017	Additional
Institutions	Re-assessment of District and village management capabilities and adequacy of staffing and budgets.	October 2017	Additional

Institutions	An audit of the SERF Fund with recommendations for strengthening its management.	September 2017	Additional
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