LAO PEOPLE'S DEMOCRATIC REPUBLIC
NAM THEUN 2 MULTIPURPOSE PROJECT

TWENTY THIRD REPORT OF THE INTERNATIONAL ENVIRONMENTAL AND SOCIAL PANEL OF EXPERTS

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Cover photo: Fishing for the family table near Nam Nian/Sop Ma.
LIST OF RECOMMENDATIONS

The POE recommends:

1/23 That consideration be given to opening the part of the now-protected area of the reservoir adjacent to village lands but north of the Thalang bridge to resettler fishing, bearing in mind the need to protect the areas that are biologically important for fish reproduction, fairness to the adjacent resettler villages, the needs of adequate patrolling and the requirement to modify the relevant decrees.

2/23 That the registration and provision of clear identification on all boats on the reservoir be completed without delay, so that illegal activities can be more easily identified.

3/23 That GoL convene at an early date a high-level meeting with NTPC and the IFIs in order to endeavor to re-engage these partners in the urgent task of resuscitating the forestry pillar, the objective being to decide collectively what needs to be done now to accomplish this and by whom.

4/23 That GoL instruct its responsible agencies and formally request its NT2 partners to take responsibility for supporting agreed aspects of the rescue effort, including the undertaking of an early inventory of the remaining forest resource and the provision of additional expertise and advice in the required areas to the VFDC.

5/23 That a logging plan for 2015, the selection and engagement of a reputable contractor and arrangements for monitoring of the VFDC be drafted by VFDC, preferably with international technical assistance, for submission to its Board by February/March 2015.

6/23 That steps be taken by the VFDC Board, in consultation with stakeholders and the village shareholders, to ensure that the CA’s call for “forest management by villagers, for villagers” becomes a reality.

7/23 That the GoL revisit the question of a reduction in the excessive levels of tax royalties and fees paid by VFDC. The POE supports the proposals in this regard advanced by the IFI Management Mission in November 2014.

8/23 That, along with recommendations 15/23 and 16/23 below, the targets and timelines for the resettler agriculture program highlighted in the text be considered by LOM stakeholders and drafters of the proposed Road Map for inclusion in their respective texts.

9/23 That the NTPC undertake to ensure that a minimum of one irrigation system per hamlet, preferably managed by suitably trained second generation resettlers, be in running order and productive by the end of the coming dry season.
10/23 That NRO and DAFO place more emphasis on assisting and training master farmers in each hamlet.

11/23 That DAFO take steps to upgrade as a matter of urgency the overall quality and experience of its Village Extension Worker system in all hamlets.

12/23 That the livestock vaccination program on the Plateau continue to be expanded.

13/23 That NRO, DAFO and the VDCs, draw on the consultant’s report to begin developing a program to achieve higher productivity from the livestock sector, including training in enhancing soil fertility and plant nutrition and vigorous expansion of pasture development, to achieve a greater, sustainable economic benefit to the resettlers from the livestock pillar.

14/23 That NRO, DAFO and the VDCs plan and initiate a complementary program for small livestock.

15/23 That an intensified program aimed at and designed largely for the natural growth generation of resettlers, with special emphasis on those who have formed new families, be initiated to take up the opportunities offered by the idle irrigation systems set up by the NTPC.

16/23 That the NTPC Vocational Training Program initiated in 2013 under the Off-Farm Pillar accordingly be expanded across the board and include natural growth resettlers willing to be trained as irrigation farmers or as initiators of small business enterprises.

17/23 That the GoL reassess the risks involved in not meeting its funding responsibilities under the Concession Agreement, while continuing to pursue its discussions with the World Bank on accessing NT2 revenues to deal with especially critical NT2 issues and on benefit sharing under the Hydropower and Mining Technical Assistance Project.

18/23 That the NRO monitoring team provide data on the livelihoods and on the involvement in local government of natural growth households in village and hamlet affairs no later than 1 April 2015.

19/23 That the recommendations of the gender specialist be further actioned as a matter of importance in the period before the RIP concludes and that follow-up measures be extended well into the post-RIP era.

20/23 That further endeavors be undertaken by the District authorities to ensure that the representation of women on resettler village institutions especially the VDCs and, where appropriate, on District-level bodies be further
raised within the next year or two and the level of training of women taking part in such institutions be extended as required.

21/23 That Lao women be recruited, or trained where necessary, to take over the role of monitoring and supervising the gender strategy’s implementation as soon as possible and certainly once the RIP is terminated. An agreement on a relevant reporting line will be called for. One solution would be to fund the CLWP to carry out this function.

22/23 That NTPC make available to the POE the data on the 25 cash compensated villages covered in the 2014 Socio-Economic Survey.

23/23 That GoL assess the new Gnommalath irrigation project’s impacts on compensation rights, livelihoods and incomes of the affected villages in the light of national legislation on investment projects. Relevant legislation may include PM’s Decree 192 on Compensation and Resettlement for Project Affected People and the more recent Ministerial Instructions on Project Impacts (No.8030/MONRE) and on Initial Environmental Examination of Investment Projects (No. 8029/MONRE). Arrangements made in the case of the NT2 Project Lands undertakings in respect of compensation and livelihood development would be a basis for comparison also.

24/23 That the critically important work of the WMPA Task Force and its Secretariat be completed as soon as possible, and that its recommendations be put into effect urgently.

25/23 That in the interim, priority for the use of the reduced funds available to the WMPA be given to the law enforcement activities.

26/23 That since the necessary restructuring of WMPA will require new or redefined staff positions these should be advertised or announced and applications assessed by an independent group with international representation.

27/23 That without delay an Interim Director to replace the present three Directors be appointed to oversee the implementation of the recommendations of the high level task force when they become available.

28/23 That the present interim quarterly program/budget process be changed to an annual interim one, but with funds released on a quarterly basis.
1. INTRODUCTION

This is Report 23 of the International Panel of Environmental and Social Experts (POE or the Panel) for the Nam Theun 2 (NT2) Multipurpose Project in the Lao People's Democratic Republic. On this mission the members of the Panel were D.K. McDowell (consultant, Otaki, New Zealand),) and L.M. Talbot, (Professor, George Mason University, Virginia, USA). The third member of the Panel, T. Scudder (Professor Emeritus, California Institute of Technology, USA) was not available to participate in this mission. He contributed substantially to the drafting of most sections of this report.

The mission was initially seen as primarily a monitoring and fact-finding one, with two main foci. The first was the resettlement process, assessing progress on the Nakai Plateau in establishing new livelihoods and in handing over to the Government of Laos (GoL) responsibility for execution and completion of resettlement. The requirements of the impressive and comprehensive Concession Agreement (CA) covering the extension or closure of the Resettlement Implementation Period (RIP) will be assessed during a further POE visit in 2015.

The second main focus was the status of the Watershed Management and Protection Authority (WMPA). The performance of the WMPA has always been problematical, most particularly in terms of its responsibilities for conservation of the globally important biodiversity of the Nakai-Nam Theun National Protected Area (NPA). Two recent external reviews of the WMPA (a Fiduciary review and an Organizational one), along with POE reports, especially Report #22, have documented that the performance of the WMPA has been so lacking that a comprehensive restructuring is required. To accomplish this objective GOL has established a high level task force under the supervision of a Deputy Prime Minister, backed by a Secretariat of senior officials and an academic.

On arrival in Vientiane the POE found that a good deal of new thinking about the way forward on the project had occurred among stakeholders. This was particularly marked in the case of NTPC. A new CEO had restructured the management team and the way it works. A new level of flexibility and creativity has emerged, holding the promise of a fresh approach on the programmatic side. The new team has begun drawing together a Road Map to guide the further evolution of the project’s five livelihood pillars and to help create a consensus among stakeholders on how to round out successfully the resettlement process. More flexibility on timelines and the prospect of additional resources add up to an appreciation that fostering development, adopting new livelihood systems and achieving the CA goal of sustainability of livelihoods cannot be achieved in a few months or in some sectors years.

The POE welcomes this new initiative. It amounts to a recognition of the realities on the ground. Along with the collaborative work on drawing up an evolving List of Measures needed before the Resettlement Implementation Period (RIP) can be brought to a close – an exercise which was updated during this mission – the new thinking has helped produce an important shift in opinion across the stakeholding group. For the unlikelihood of being able to illustrate the sustainability of NT2 livelihoods in the immediate future has become apparent over the past year or two to nearly all stakeholders. In addition to the
POE the other two major monitors of the project – the LTA, which is the Lenders’ own monitoring agency and the IFIs including the World Bank and the Asian Development Bank – have made this clear in their most recent reports.

Even more significantly, the NTPC itself has begun planning for program funding and technical assistance designed to set out certain as yet unspecified livelihood and other targets and timelines, reportedly in an endeavor to achieve many of the CA’s objectives by 2018 or so.

Further examination of options is called for before decisions are made, not least on timing. There is room for discussion, for example, on the bases for an extended RIP, including the priorities set out in the Road Map under preparation, and on continuing if perhaps non-binding commitments subsequent to the expiry of an extended RIP. It would, however, be less than honest for the POE not to make clear at this point that the Panel doubts that proposals to conditionally end the RIP at the end of 2015 on the basis, for example, of non-binding undertakings to continue some social and environmental programs to 2018 or so would meet the provisions of the CA or indeed that such a proposal would not lessen the resettlers’ entitlements under the CA.

In the interim, the POE looks forward to reviewing the Road Map and trusts that it will mark a substantial step toward attaining livelihood sustainability in particular.

Set out in the second section of the report below is the POE’s assessment of the resettlement program on the Nakai Plateau focussing on the five pillars which underlie sustainable livelihoods for the resettlers and bringing forward new recommendations on using the talents and skills of the new generation of resettlers, followed by a review of funding and social issues, a section on the Xe Bang Fai (XBF) Downstream Program and a final one on the WMPA. An updated version of the List of Measures (LOM) has yet to be endorsed by all stakeholders and is thus not annexed.

1.1 The Panel’s Mandate

The Panel derives its mandate from the Concession Agreement. This is a 1,352 page legal document which assigns the POE a contractual responsibility to provide independent review of, and guidance on, the treatment of environmental and social issues associated with the Project, along with some executive functions, and towards the conclusion of the Implementation Period, to review and report on whether the Resettlement Objectives and the Resettlement Provisions “have been achieved and maintained for a reasonable period of time”. The POE remains a standing body for the period of the concession. The POE submits its findings to the GOL Minister of Energy and Mines and to Deputy Prime Minister Somsavat Lengsavad, addresses recommendations to the GOL, Nam Theun 2 Power Company (NTPC) and the International Financial Institutions (IFIs), and is required to “act independently of the parties and in a manner which…is in accordance with the World Bank Safeguard Policies and the ADB Safeguard Policies and best protects both the environment and the interests of those affected by the Project Impacts.”
1.2 Panel Activities

David McDowell arrived in Vientiane on 9 October, 2014, and Lee Talbot arrived the following day. Over the weekend informal meetings were held with various individuals involved with the project to obtain further background information. On October 13, 14 and 15 meetings and briefings were held with the Minister of Energy and Mines, Soulivong Daravong, the Vice Minister of Natural Resources and Environment (MONRE), Mme. Bounkham Vorachit, the Department of Energy Business (DEB) of the Ministry of Energy and Mines, the Nam Theun Power Company (NTPC), the World Bank and the Asian Development Bank (ADB). October 15 and the previous afternoon were spent in meetings at the NTPC discussing the List of Measures (LOM) with representatives of GoL, the International Financial Institutions (IFIs), NTPC and WMPA.

On October 16 the team drove to Lak Sao, met the Khamkeut Office of the WMPA, and then proceeded to Oudomsouk and the NTPC Wooden Guest House. The following four days were spent on the Nakai Plateau. Meetings and consultations were held with the Nakai Resettlement Office (NRO), the District Governor, Resettlement Management Unit (RMU), the Reservoir Management Secretariat (RMS), the Village Forestry Development Company Ltd (VFDC, formerly the Village Forestry Association), WMPA, and the NTPC Fisheries Research Unit. The team also held discussions with the Reservoir Fishery Association, Village Development Committees and Village Fishing Groups in the villages of Phon Pan Pek/Nong Boua, Ban Done, Nakai Tai/ Nakai Neua, Nam Nian/Sop Ma, and Sophene/ Thalang.

On October 21 the team went first to the NTPC residence headquarters below the power plant for a wrap up briefing on the resettlement; then examined the Gnomnalath irrigation project that is under construction using gate 3 on the downstream channel; held discussions with the people of two Xe Bang Fai villages, Nakoknai and Kuase; and spent the night at Thakhek. On the following morning the team met with Governor Khambay of Khammouane Province, then drove to Vientiane for a meeting with Deputy Prime Minister Somsavat Lengsavad. The following morning the team met with Deputy Prime Minister Asang Laoly and later met with members of the Secretariat of the GoL Task Force for the WMPA.

The usual wrap-up meeting to present POE preliminary views and findings to stakeholders and others was held on Friday, October 24th. Lee Talbot departed Laos on October 27th and David McDowell left on October 30th.

1.3 Acknowledgements – Appreciation

The POE expresses its appreciation to Patrick Dye of NTPC for organizing the very full, worthwhile and productive program for the POE. The Panel is particularly grateful to Deputy Prime Minister Somsavat Lengsavad and Deputy Prime Minister Asang Laoly for productive meetings, and to Minister of Energy and Mines, Soulivong Daravong, for his insights and advice. We are grateful to Khammouane Governor Khambay Damlath for his time and advice, and likewise to Nakai District Governor Bouma Soutsadavone. The Panel
is grateful for the information and advice from the many individuals we met, including NTPC CEO Frederic Hofmann, NTPC E& S Director Xavier Bouan, NRO Manager Vilhayak Somsoulivong, World Bank Country Director Sally Burningham and NT2 Manager Ingo Wiederhofer, ADB Country Director Sandra Nicoll and ADB consultant Francois Obein, RMU Manager Sivixay Soukkarath and Deputy Manager Mme. Keoula Souliyadeth, WMPA Director Phouthone Sophathilath, interim manager of VFDC Khamsing Boualaphant, Director General of DEB Xaypaseuth Phomsoupha, and many others in the DEB and other GOL units and the World Bank. Sivixay Soukkarath accompanied the Panel throughout the visit and provided essential assistance, as did Ms. Paphavanh Singharath of DEB, and the NRO’s Phairath Phrongthong arranged the meetings with Village Development Committees. As always, the Panel is extremely grateful for the warmth and willing help and advice it has received from all the Lao, notably in a range of villages, and others it has had the pleasure and privilege of meeting.
2. THE NAKAI PLATEAU: THE FIVE LIVELIHOOD PILLARS

Introduction

The Nam Theun 2 project has a remarkable founding document. The Concession Agreement (CA) remains as prescient as it was when first drafted over a decade ago. Some elements have been overtaken by events but the underlying concepts and principles remain valid. Project managers - and the POE - depart from them at their peril.

A primary CA principle is to build into all aspects of the project a high level of sustainability. The CA drafters did not want to see the people of this unique experiment strive for and often attain improved life styles and incomes and then have these lapse through a lack of foresight and planning. Sustainability in this project is not about a few years of high consumption based on two or three years of big fish catches in the initial years after the reservoir was filled or on illegal harvesting of wildlife and high value hardwoods like rosewood. The fish catches dropped, as was predicted, to a relatively stable but lower level and the more accessible rosewood was harvested while prices were high. There has been no dividend paid from the villagers’ forestry program for over two years. Planting on the village areas originally allotted for cultivation is in decline, additional lands allocated to resettlers including the new generation have largely been devoted to extensive and unsustainable swidden rice growing and there is insufficient forage available at this time to sustain greatly expanded herds of livestock. Potentially lucrative service industries like tourism are developing but at a slow pace. As one monitoring agency reported in late 2014, most resettlers they interviewed claimed to have insufficient rice to feed their families and lacked steady income that would ensure food security for resettler households.

So where lies sustainability we asked members of the Village Development Committee of a large southern resettlement village? As always they turned first to rice production. They have no rain-fed padi - it was submerged under the rising waters of the reservoir. They and adjacent villages with extra allocated land have resorted to the tried and long proven technique of slashing and burning the vegetation on these lands - including on this occasion, regrettably, some substantial and commercially valuable trees - and planting rain-fed rice among the ashes. It works, for a time. The rice grows, not as intensively as in padi, but the harvest seemed adequate to meet immediate needs. The experienced older men thought, however, that after two harvests the land would have to go into fallow for 5-6 years. So how long would it take for the expanding swidden areas to reach the limits of their potentially arable land on the edge of the escarpment? They thought about five years - which will be before today’s fields are adequately fallowed. After that they would have to look at alternatives. In the meantime, they grumbled, the District authorities were clamping down on slash-and-burn as a wasteful use of the remaining available land.
We recount this conversation simply as an illustration of the necessity for planning ahead if a semblance of sustainability is to be achieved. The project managers and the Nakai District authorities are not unaware of this. The POE has been working constructively with them and the IFIs (World Bank and Asian Development Bank) over the past year and more in drawing up a List of Measures (LOM) which are among those which should be implemented if the CA’s objectives are to be attained and sustainability eventually achieved. As noted above, the latest version of the LOM has not yet been endorsed by all stakeholders so it is not attached to this report. The Road Map being drafted by NTPC - referred to in the report introduction - is awaited with great interest.

There is a final introductory point which should be made. The first generation of resettlers has been asked to absorb fundamental changes in attitude, livelihood practices and daily behavior. That always takes time. It may be that the major adaptations to come will only be achieved by the promising second generation of villagers with the better educational opportunities the project has brought them, the experience of living in the new partially urbanized villages and their ready acceptance of the new technologies symbolized by the electric light, the motorbike and the cell phone - 80% of resettled households are said to own at least one cell phone.

To date the quality of daily advice resettlers in general have received on pioneering new livelihoods, including moving on for example from swidden cultivation to intensive and sedentary agriculture utilizing pump and pipe irrigation to produce dry season crops, has been limited by the inexperience of DAFO’s volunteer extension workers as well as the capacities of the first generation of resettlers. It could be especially important to single out for development purposes the several hundred resettlers who have now formed new families in some of which the POE has found that one spouse is a better educated and more experienced outsider who could play a useful role in resettlement hamlet development.
The paragraphs below, to be read alongside earlier POE Reports, examine the present state of the five livelihood pillars as the POE perceives them. They include where appropriate new indicators and targets which may prove helpful for the drafters of the Road Map.

2.1 Fisheries

The fisheries pillar is currently the most successful and most important of the livelihood pillars for the resettler villages. It provides the highest consistent income as well as being a significant food source. The foundation for fisheries yield is the stock or biomass of the target fish. Experience throughout the world is that when a new reservoir is created, the fish stock increases rapidly in response to the abundant organic material that has been inundated. After one or more years the surplus food material has been consumed or dispersed, and the fish stocks then drop to the level of the carrying capacity of the reservoir. Other things being equal, they remain relatively stable at that level, recognizing, however, that there will be significant fluctuations in the stock caused by variations in factors such as the weather.

Fish catches in the Nakai Reservoir have followed that classic pattern. After extremely high yields shortly after the dam was closed, the catch more or less stabilized at a much lower level. The NTPC Fishery Research Unit reports that the catch, and presumably the fish stock on which it is based, has remained relatively level with a slightly decreasing trend but with occasional increases from about June 2009 to September 2014, the last period for which they had data available. However, during this mission it was reported to the POE by both villagers and the Village Fishery Association (VFA) that the catch levels were decreasing. This discrepancy could be due to different approaches to estimating fish catch. If overfishing was a problem it would be indicated by reduced size of the individual fish in the catch, but
the Fishery Research Unit reported that the size of fish caught has not decreased so overfishing would not appear to be a problem.

The success of the fishers is affected by many factors, consequently analysis is very complex. One factor that most villager fishers emphasized was competition from outsiders illegally fishing in the reservoir. We would note that there are two types of illegal fishing. One is by the villagers themselves, some fishing in protected areas (areas reserved for reproduction of the reservoir fish) and some selling their catch to outside traders, thus avoiding the seven percent tax on catches that otherwise would go to the Reservoir Fisheries Agency (RFA). The other type of illegal fishing is by outsiders. As part of the total resettlement process most of the fish in the reservoir are reserved for the benefit of the resettlers. The POE’s concern is that the apparently very substantial illegal fishing steals resources from the resettlers, undermining the sustainability of this important livelihood pillar.

What is needed is more effective law enforcement on the reservoir, particularly in terms of patrolling by boat to apprehend and deter illegal activities. For years now there has been friction reported between the RFA and the WMPA. This problem stemmed from the WMPA’s responsibility and authority over the protected areas of the reservoir adjacent to the lands for which WMPA has responsibility, and their perceived failure to adequately patrol these areas or to cooperate with the resettlers. This is particularly the case with the section of the reservoir north of the Thalang bridge, between the bridge and the dam, most of which lies in Khamkeut District and which is where most of the illegal fishing and marketing reportedly takes place but where the WMPA does not allow villager patrolling or fishing. Some co-patrols with the WMPA and the RFA have been undertaken in the past several months and this is a welcome development. However, everyone consulted by the POE cited problems with the WMPA including failure to cooperate and interference with villagers’ patrolling, and the overwhelming opinion is that cooperation with the WMPA is not working.

Several options for improvement in reservoir law enforcement and management have been suggested. These include but may not be limited to the following, most of which are not mutually exclusive:

- Transfer all responsibility and authority for patrolling on the reservoir waters from the WMPA to the RFA. This would require providing some expert assistance to the RFA along with adequate budgetary sources;
- Establish much more effective cooperation and patrolling between the RFA and the WMPA;
- WMPA authorize, budget and equip its Khamkeut Office to patrol those reservoir waters that are in Khamkeut District;
- Open the now-protected area of the reservoir between the Thalang Bridge and the dam to RFA patrols;
- Open part of the now-protected area of the reservoir north of the Thalang bridge to resettler fishing, bearing in mind the need to protect the areas that are biologically important for fish reproduction, fairness to the adjacent resettler villages, the needs of adequate patrolling and the requirement to modify the existing decrees;
Complete the registration and provision of clear identification on all boats on the reservoir, so that illegal activities can be more easily identified.

Decisions on most of the options should await the results of the WMPA Task Force that determines the role and responsibilities of the WMPA. However, regardless of the options chosen there is an urgent need to give the resettler fishers a feeling of ownership of the fish resource and recognition of their self-interested responsibility to watch for and report or apprehend those conducting illegal activities that undermine their fishery livelihood.

The POE recommends:

- 1/23 That consideration be given to opening the part of the now-protected area of the reservoir adjacent to village lands but north of the Thalang bridge to resettler fishing, bearing in mind the need to protect the areas that are biologically important for fish reproduction, fairness to the adjacent resettler villages, the needs of adequate patrolling and the requirement to modify the relevant decrees.

- 2/23 That the registration and provision of clear identification on all boats on the reservoir be completed without delay, so that illegal activities can be more easily identified.

2.2 Forestry

No objective observer would contend that holding the NT2 forestry pillar upright is a sustainable exercise at this moment. The situation of a sector which was to have produced up to a third of the villagers’ income is parlous. Unless rapid and effective steps are taken to right the situation it will deteriorate further.

As the POE emphasized in its oral debriefing at the end of this mission, progress in getting the pillar upright and beginning to strengthen it in the years ahead will be one of the major considerations central to the outcome of the POE’s assessment of whether the RIP has progressed to a point where it may be brought to closure. The situation should be addressed at the highest levels in the GoL, the IFIs and the NTPC as a matter of urgency and decisive steps taken to start the process of correcting the weakness of a sector which is very shaky.

In the absence of substantive decisions and actions and full participation by all stakeholders in the process of rehabilitating the sector within the next few months the outlook is bleak. The opportunity is there: if leadership is taken by the GoL at Ministerial level and the World Bank, the NTPC has undertaken to help underpin them. That chance of forward movement must be seized or reputational damage will result for all major parties. There are encouraging signs that the World Bank is facing up to the challenge. The GoL needs to follow suit.

To summarize, there have been no dividends paid to resettlers since April
2012, the inventorizing, protection and management of the forest resource have been minimal, the harvesting and utilization of the timber have been deficient to a level which has produced serious waste, the marketing has been inadequate and the endeavors to meet market demands seriously flawed, and there has been little success in the few attempts to begin the process - so important to achieve sustainability in the medium to long term - of fostering regeneration and forestation of degraded or cleared forest land.

The size of the forest estate has, furthermore, been reduced by encroachments, the latest being the conversion of some of the land to “additional agricultural land” which has been distributed to resettlers and often burned off for swidden cultivation without the considerable timber resources being harvested beforehand. When logs were removed ahead of the firing they were seldom processed but abandoned in log yards or ponds. One assessment is that shifting cultivation took around 700 ha of community forests in 2013, which would amount to about 4-5% of the VFDC forests.

The condition of the sector is not yet terminal. There have been preliminary if only partial assessments of the remaining forest resource which suggest that if the planning and forest management flaws were to be remedied and the required advice and expertise supplied the sector could become revenue-earning and self-sustaining in due course. Those are substantial prerequisites. The Interim Manager needs help. He does not claim to have expertise in all the required fields. He inherited a damaged enterprise and has done reasonably well in re-establishing working relationships with key agencies and people including the village shareholders, has got the sawmill operating again which at least provides about 50 jobs for villagers, has now succeeded in recovering over 90% of the money owed the Company by the former contractor and has been transparent in communicating what he is doing.

It has to be said that the GoL agencies which have been key players in the NT2 village forestry experiment - for that is what it is - cannot escape a degree of responsibility for the failure of the enterprise thus far to meet its objectives.

Neither have the IFIs always fully pulled their weight in providing expertise and advice in this sector. There are now positive signs that the World Bank for one is taking a new and active interest with a team reported to be in Laos looking at what is needed for a survey of forest resources and to lift the forest management performance of the VFDC. That is encouraging.

For its part NTPC deserves credit for carrying out its initial CA responsibilities in terms of providing advice, equipment and operating finance but it found developing a forest management and development plan, to cite one example, difficult in the Lao context and it was not able to put one in place. Similarly, the role of identifying the forest resource was not satisfactorily completed. These key gaps remain. NTPC’s inputs were in part limited by cost in the CA and once the funds provided were apparently exceeded the Company largely disengaged from the sector. It is worth noting in this regard that the NTPC functions of helping develop a Forest Management Plan and a Sustainable Forestry Plan are listed in the CA as lasting until RIP completion date. The withdrawal of NTPC has proved to be counter-productive in that the elements of continuity, competent oversight and planning were lost as the enterprise ran downhill.
In the view of the POE the GoL would be well advised to make a serious endeavor to fully re-engage the IFIs and the NTPC in resuscitating the forest pillar. The consequences of not doing so are likely to be fatal for the VFDC and damaging for the incomes of the resettlers. Convening by Government of a high-level meeting, in concert with the World Bank, to decide what now needs to be done, by whom and with what funds is a priority. Follow up requests from the Government to the IFIs and NTPC to take responsibility for working with the VFDC on specific aspects of the rescue operation will then be called for.

So what is to be done? The POE 22 report set out a series of steps to be taken:

- release and distribute to resettlers tax funds, as authorised by the DPM
- reclaim replanting fees (since no replanting had, or has, occurred)
- undertake a forest inventory as a matter of urgency
- ensure that the CA’s call for “forest management by villagers, for villagers” be given a practical and sustainable form
- put together an updated strategy, with forest protection and management, marketing and reforestation included
- recover the full amount of the LFH arrears.

Of these steps there has been progress on two aspects only - payment of the larger part of LFH’s arrears and a satellite survey undertaken which has now to be followed up by ground-based verification and the compiling of a full inventory of remaining usable timber. Most of the POE’s steps listed above remain valid - but unactioned. We would add to them three others. First, as already noted, there is a requirement for the Interim Manager to acquire technical expertise and advice in the areas of forest management, planning (of realistic extraction rates, of timber quotas matched to sawmill capacity, of quality control), marketing and, in the interests of sustainability of the resource in the longer term, regeneration and reforestation.

Secondly, based on the findings of an inventory, drawing up an overall forest management and associated operational plan (called for in the CA) is well overdue. It will have to address inter alia such difficult questions as to whether to simply sell off or even abandon the damaged logs lying around the resettlement area and aim for the high end of the market by concentrating the sawmill’s capacity on producing high quality pine cuts from the best trees for the very demanding but lucrative Japanese market.

Finally, hard decisions are going to have to be taken on how best to utilize the slim cash resources of the VFDC, estimated optimistically by the Interim Manager at around $200,000 by the end of 2014. A proportion will have to go to the resettlers as a delayed dividend. But there are also the costs associated with operating the sawmill, transporting and marketing the products, reforestation and so on. If no other agency steps up VFDC may itself have to pay for the ground inventory, perhaps contracting a reputable international firm for the purpose if the work is to be done effectively and with despatch. Hopefully the World Bank will provide substantial assistance for these tasks. The POE is of the view that while the long-suffering resettlers deserve a dividend payment now it should be a limited one, taking into account the resources - which can not easily be found elsewhere - which will be involved in truly getting the
VFDC back on its feet.

The POE recommends:

- 3/23 That GoL convene at an early date a high-level meeting with NTPC and the IFIs in order to underline the crisis which the Nakai forestry sector faces and to endeavor to re-engage these partners in the urgent task of resuscitating the forestry pillar, the objective being to decide collectively what needs to be done now to accomplish this and by whom.

- 4/23 That GoL instruct its responsible agencies and formally request its NT2 partners to take responsibility for supporting agreed aspects of the rescue effort, including the undertaking of an early inventory of the remaining forest resource and the provision of additional expertise and advice in the required areas to the VFDC.

- 5/23 That a logging plan for 2015, the selection and engagement of a reputable contractor and arrangements for monitoring of the VFDC be drafted by VFDC, preferably with international technical assistance, for submission to its Board by February/March 2015.

- 6/23 That steps be taken by the VFDC Board, in consultation with stakeholders and the village shareholders, to ensure that the CA’s call for “forest management by villagers, for villagers” becomes a reality.

- 7/23 That the GoL revisit the question of a reduction in the excessive levels of tax royalties and fees paid by VFDC. The POE supports the proposals in this regard advanced by the IFI Management Mission in November 2014.

While consistency would suggest that targets and timelines be set for the above actions this does not seem appropriate at this point. The reality is that the forest pillar requires immediate attention by all stakeholders if it is not to be one of the factors holding up indefinitely the closing of the RIP.

2.3 Agriculture

In spite of considerable investment of time and energy by DAFO and the NRO agriculture remains a disappointing sector. The POE’s view is that the low utilization of the 0.66 and 0.22 ha plots, the household garden areas and the irrigation systems and gully dams by the resettlers nowhere near justifies the work and resources put into them. The reasons are various: the soils are seldom fertile in the resettlement area, the plots cannot always be protected from human and animal raiders, the
pumped irrigation and intensive farming practices systems are a wholly new technology on the Plateau and many resettlers are preoccupied with more remunerative and usually less labor-intensive pursuits like fishing and timber poaching. As one report observed with refreshing honesty, the resettlers spend a lot of time on the water and in the forest.

Many of the statistics make for discouraging reading. In spite of a range of options being offered resettlers, the use of the largest allocation of land to them (an 0.66 ha plot per household) is declining, not growing. As the latest QSEM survey comments, this is a long term trend now. Agro-forestry, pasture development and industrial crop cultivation (e.g. cassava) were offered but only agro-forestry has been taken up with any enthusiasm or significant results. Progress on developing agro-pastoral-forestry is very limited - a consultant’s report has just come to hand. (See comments below).

To be frank, the POE feels that the time is well overdue for setting specific production targets and timelines for each element of the lagging resettlement agriculture program. The POE has been reluctant to take the lead in such an exercise - it is a role which should be undertaken by those on the spot - but is prepared to suggest some targets and timelines for consideration by the stakeholders in their periodic updating of the LOM and by the authors of the Road Map.

For example, agro-forestry is the bright spot on the agricultural front. The area devoted to it now totals 509 ha if planting on additional agricultural land is included. This is clearly a growth area and plans are afoot to expand the sector accordingly. At this point around one third of households are receiving seeds for planting, a proportion which should be expanded as rapidly as possible. In the POE’s view the target might be set at doubling the area under planting by the end of the 2015 wet season and recruiting another third of resettlers into the program in the process. A medium term target for agro-forestry planting might be set at half the total 0.66 ha area by the end of 2016.

Likewise, an intensified program aimed and designed largely for the natural growth generation of resettlers, with special emphasis on those who have formed new families, should be initiated to take up the opportunities offered by the idle irrigation systems set up by the NTPC. Only 31 are currently being used. At least another 50 systems are apparently repairable. To the extent feasible one or more of the systems should be made available in each hamlet (and certainly one in each village for demonstration purposes), they should be repaired, associated 0.22 ha plots reassigned to handpicked members of the new generation of resettler families to develop in the 2014/2015 dry season, VEWs mobilized by DAFO, along with the Water User Association program and NRO, to foster irrigation development and provide technical assistance and basic equipment to prepare the land and plant appropriate crops with seeds provided by NTPC. The objective would be to have a minimum of 16 (one for each hamlet) of these systems up and producing by the end of the coming dry season.

Of course fishing and forest products of varied provenance and legality have been the drivers of the livelihood incomes for the past few years but these two sectors are not without limits. As DPM Somsavat Lengsavad said to the POE, more effort
must be put into utilizing the 0.66 ha plots and the agriculture sector as a whole.

The POE suspects, particularly if irrigation use is stepped up through the involvement of the natural growth generation, that in the long term intensively cultivated land may prove to be as fruitful and sustainable a source of income for the resettlers as fishing or the products of the forest.

Enterprising rural entrepreneur making a good living from her irrigated 0.66ha. plot in Bouama. There are too few such resettlers using their plots productively.

Seedling and vegetable plantings on the same woman’s plot as in the photo above.

Is a substantial intensification and acceleration of the use of the big plots
realistic? We believe so if a majority of households follows the example set by a relatively small number of resettlers. We spent time with a hardworking woman, employing two or three others, on the outskirts of Bouama. Two thirds of her fully developed 0.66 ha plot, accessing irrigation water from a nearby system, was planted in vigorously growing pineapple plants. Under three long seedling and plant shelters she was also producing scores of vegetables and hundreds of plant seedlings for sale. Each cabbage or chilli plant was in its own carefully dug round hole, filled with ground up soil fertilized with homemade organic matter derived from rice husks, a vegetable oil additive and decayed vegetable materials and watered on a daily basis. She makes a good living from her labors and enterprise. Replicated fifty times over - with a variety of products to head off over-production for the limited local market - this operation would make the resettlement agricultural sector look much more healthy. There is the beginnings of a farmer-to-farmer exercise being set up and already this woman is showing others how she manages. More of such exercises must be undertaken, with the Village Extension Workers mobilized to foster them. Farmer-to-farmer programs are working well in the XBF Downstream area.

There is a requirement also for setting targets and timelines regarding the use of gully dams and the drawdown zones of the reservoir verges and inlets. A reasonable target would be 15-20% of resettlers using these areas by the end of 2015.

Good progress is being made in stepping up the percentage of resettlers growing products for their own use in home gardens. A target of 90% of resettlers having a producing garden by the end of 2015 is within reach.

The POE recommends:

- **8/23** That, along with recommendations 15/23 and 16/23 below, the targets and timelines for the resettler agriculture program highlighted in the text be considered by LOM stakeholders and drafters of the proposed Road Map for inclusion in their respective texts.

- **9/23** That the NTPC undertake to ensure that a minimum of one irrigation system per hamlet, preferably managed by suitably trained second generation resettlers, be in running order and productive by the end of the coming dry season.

- **10/23** That NRO and DAFO place more emphasis on assisting and training master farmers in each hamlet.

- **11/23** That DAFO take steps to upgrade as a matter of urgency the overall quality and experience of its Village Extension Worker system in all hamlets.
2.4 Livestock

Livestock is a livelihood pillar that is assuming greater importance for the resettlers. Livestock owned by the resettlers on the Nakai Plateau includes small stock such as pigs, goats, ducks, and chickens, which are primarily the responsibility of women, and large livestock including cattle and buffalo which are the responsibility of men. Because of their potential contribution to the livelihood of the resettlers and their importance as a source of cash for emergencies, the large livestock have been of primary concern both to the resettlers and in the Livestock Pillar. Currently their number has been increasing at close to ten percent p.a. which according to the LTA, is close to the carrying capacity of the Nakai Plateau.
The most knowledgeable document on resettler large animals is Bruce Cook’s 2014 report on Pasture and Livestock Development for NRO. In Cook’s opinion, “…currently only limited areas have been developed by individual households and villager groups, and then not very successfully… Current practice in relation to crop and stock management are seen as unsustainable and will continue to result in land degradation and weed invasion. Farmers will need to change their attitudes.” On the other hand, seeking “cut and carry forage” in a closed system “is unsustainable by virtue of the relatively large amounts of nutrient that are removed from the forage system, particularly when the soils are depauperate in the first instance. Even if farmers did return manure from the livestock shed, which in my experience they do not, it would amount to only partial replacement.”

A dramatic piece of advocacy for vaccination of all livestock.

So as Cook noted in his earlier report: “There needs to be a clear incentive for farmers to invest time, money and effort in moving from the currently unsustainable system that can only result in widespread land degradation and entrenched poverty among the people.” As for the likelihood of required changes necessary, Cook concluded during his 2014 visit: “I have not seen anything during this mission to alter this view.”

In addition to Cook’s views on large livestock being an unsustainable component of the livestock pillar, the POE has repeatedly emphasized the risk of epidemic disease being introduced from the watershed and from Khamkeut and Gnommalath Districts due to previous epidemics there and low vaccination rates. Already on three occasions the POE has been in locations where haemorrhagic septicemia or unidentified epidemic diseases have devastated buffalo herds. Early in the POE’s existence, Nakai Plateau villagers in Old Sop Hia lost most of their buffalo to haemorrhagic septicemia, while several years ago the POE travelled through villages in the catchment’s Nam Pheo river basin where large numbers of both buffalo and cattle had died. In February 2014, villagers told the POE that epidemic disease devastated buffalo herds in the PIZ village of Pakatan in Khamkeut District.
In spite of higher levels of vaccination than in surrounding areas resettlers’ large livestock may well be more at risk because the large majority continue to graze outside larger villages that are situated in what has become a semi-urban environment.

The health status of large livestock appears nevertheless to be improving. In the past the POE has emphasized the need for vaccinations, especially to protect these animals from diseases such as foot and mouth disease and haemorrhagic septicemia, which might be introduced from the watershed and Khamkeut District where the diseases had been reported and rates of vaccination were low. An ongoing, comprehensive vaccination program now is being carried out on the Nakai Plateau by village veterinarians and village extension workers with support of NRO. The first of two rounds in 2014 was completed by the end of July and good progress has been reported, with 40 per cent of the cattle and 9 per cent of the buffalo vaccinated. Although these figures are low relative to international standards, the cattle vaccination rate is five per cent higher than the then national target. However, an order issued by the Minister of Agriculture and Forestry, to mark National Vaccination Day for Livestock on November 11, 2014, has now set a target to vaccinate more than 70 percent of all livestock raised by individual villagers outside farms.

Villagers are said to maintain large livestock, primarily buffalo, as “walking savings banks” but not as income producers. However, it appears that there are the significant beginnings of a shift to raise cattle for income. People in several villages reported that they were making this shift. For example, in Ban Done we were told that many villagers increasingly prefer cattle to buffalo. They felt that the cattle were more disease resistant, but significantly, they reported that their cows could expect a calf a year, which, after three years, could be sold for 2.5 to 2.8 million Kip. Buffalo are less prolific producers. Another example is Nakai village where people were shifting rapidly from buffalo to cattle and noting that the cattle provided “a stable income.” These are two of the largest villages on the Plateau so the livestock situation in them may be an indicator of trends in other villages also. Alone among the resettler villages, Nong Boua Kham has been setting up livestock raising as a near commercial operation since before NT2.

Most of the buffalo and cattle owned by the resettlers feed on rather sparse grasses and other vegetation, often in the degraded forest areas. They are adapted to this rather rough diet and they show moderate productivity on it. However, if the livestock are to be managed for maximum profit they require substantially more nutritious fodder. To achieve higher rates of productivity they would require well managed pasture development, improvement in livestock feeding practices and better animal husbandry. Better pasture development will require application of fertilizers, probable introduction of more nutritious feed species, and active management of the livestock. Above all, it will require understanding by the villagers of the importance of the livestock development activities. Throughout much of the world farmers are reluctant to spend resources on pasture development for beef (as opposed to dairy) cattle. Such expenditures are totally foreign to most resettlers, and achieving their active cooperation and participation would require a significant educational effort.

The consultant’s report on pasture and livestock development is now to hand. It is a useful and realistic guide to the further development of the industry. He sets out an ambitious four pillar program to attain sustainability based on provision of a
productive and stable feed base, control of livestock and development of a commercial approach to livestock production. As with a switch to intensive farming on the 0.66 plots this will require a whole new approach, new technology and new farming and husbandry practices. If the Nakai Plateau villagers are willing to embrace the new techniques livestock production could become a profitable contributor to village incomes. But the changes required will involve a shift in mind-set - perhaps the greatest challenge - will take time to achieve and will require continued expertise not least on the extension side. The POE suggests that the consultant’s recommendations be initiated without delay, with a coordinated program of training in achieving enhanced soil fertility and plant nutrition and well-supported field work and husbandry improvements undertaken as part of a sustained effort to lift livestock production to a higher income-earning level over the years ahead.

The POE recommends:

- 12/23 That the livestock vaccination program on the Plateau continue to be expanded.

- 13/23 That NRO, DAFO and the VDCs, draw on the consultant’s report to begin developing a program to achieve higher productivity from the livestock sector, including training in enhancing soil fertility and plant nutrition and vigorous expansion of pasture development, to achieve a greater, sustainable economic benefit to the resettlers from the livestock pillar.

- 14/23 That NRO, DAFO and the VDCs plan and initiate a complementary program for small livestock.

2.5 Off-farm pillar

In general there has been a limited increase in the number and relevance of training activities in the off-farm sector. It is difficult to assess what the outcome of the expansion of capacity building has been. Without income figures to hand it is not possible to work out whether the pillar has met expectations in terms of contributing to incomes by spawning new ventures and businesses, though we gather that a good proportion of those attending vocational training courses go on to set up their own businesses. There are simply not enough resettlers undertaking such courses.

Cultural factors may be one determinant – and again there may be a role here for encouraging the new generation to set up businesses, an activity less foreign to them than to their parents. The POE encourages NRO, working with the District, to sustain and significantly expand its effort in the crucial period which lies ahead. More advice from the private sector on exploiting new opportunities may be called for - there are few resettlers who have entrepreneurial experience or skills, so considerably expanded vocational training opportunities for running small businesses, for example, would appear timely. It is important for NRO to be in a position to widen the scope of this work and to be able to stimulate and respond flexibly to emerging training needs by having the capacity and resources to set up both ad hoc and formal training courses as called for.
One sector activity which is gradually gearing up to expand is tourism on the Plateau and in the watershed. The Laksao/Thalang road sealing has been held up and will not be completed until next year. This provides a brief respite for advancing planning on tourism. In a positive development a private sector firm which is already involved in Khammouane Province (whose tourist numbers have doubled in two years to 427,00 in 2013) convened a workshop of potential stakeholders in November 2014 to discuss what needs to be done to be ready for the expected influx of visitors once the Laksao road is sealed. As elsewhere in Laos the main driver in tourism development may prove to be the private sector. This initiative is welcomed by the POE. **The NTPC should be prepared to support follow up activities where this is appropriate. WMPA should also be closely involved for this is a development with potential benefits but also potential negative impacts for the watershed and its flora and fauna, to say nothing of its human occupants.**

One need which was raised with the POE in talking to two VDCs was the apparently still unfulfilled ambition in some resettlement villages for further training in the art of weaving. Women VDC members see this as one way in which women can build up their own income-raising capacity. Since “tailoring and weaving” are specifically mentioned in the CA as an example of required skills training it would seem a useful activity to foster where there are enthusiastic learners. There were some initiatives taken early on in the project on this work as in Sop On and Nam Nian but they have lapsed apparently without fully satisfying the demand.
3. NATURAL GROWTH HOUSEHOLDS

As noted in the Introduction to the Five Pillars section above, it is increasingly important to single out for development purposes the several hundred resettlers who have formed new families in some of which the POE has found that one spouse is a better educated and more experienced outsider who could play a useful role in resettlement hamlet development.

The POE’s view is that new generation families, being better educated and more technologically advanced, should be seen as an asset to the project not a burden. Thus those who have formed new families should be more capable of developing dry season cultivation utilizing the idle pump and pipe systems already installed on the 0.66 ha and 0.22 ha irrigated areas.

The POE recommends:

- 15/23 That an intensified program aimed at and designed largely for the natural growth generation of resettlers, with special emphasis on those who have formed new families, be initiated to take up the opportunities offered by the idle irrigation systems set up by the NTPC.

Only 31 irrigation systems are currently being used. At least another 50 systems are apparently repairable. To the extent feasible one or more of the systems should be made available in each hamlet, they should be repaired and associated 0.22 ha plots reassigned to handpicked members of the new generation of resettler families to develop during the current dry season. VEWs should be mobilized by DAFO, along with the Water User Association program and NRO, to foster irrigation development and provide technical assistance and basic equipment to prepare the land and plant.
appropriate crops with seeds provided by NTPC no later than the fourth quarter of 2015. The objective would be to have a minimum of 16 (one for each hamlet) of these systems up and planted by the end of 2015.

The POE recommends:

- 16/23 That the NTPC Vocational Training Program initiated in 2013 under the Off-Farm Pillar accordingly be expanded across the board and include natural growth resettlers willing to be trained as irrigation farmers or the initiators of small business enterprises.
4. FUNDING, PLANNING AND SOCIAL ISSUES

4.1 Funding

Ministers in Vientiane told the POE that the Government coffers were largely empty and hence it was proving difficult to meet the requirements of the CA in regard to local funding of the handover from NTPC to GoL agencies. Across the country teachers and public servants were not able to be paid in full and low priority programs were being shelved. In response the POE suggested that there were significant risks in this shortfall on the funding side. A recent World Bank report had downgraded the project in terms of overall implementation progress and it was clear that this related partly to GoL shortcomings on the financial side including financial reporting. Noting that the deadline for providing funds to the GoL-approved RMU budget for completing the work on the Downstream Program had expired and that no provision had been made by GoL for the 2014/2015 RMU budget, the POE pointed out that the sums involved were small while the reputational risks of not fulfilling such CA requirements were high. It has also to be said that a failure to meet CA financial obligations would raise difficult questions about sustainability and the timing of RIP closure. Subsequent unconfirmed reports indicate that a contribution to the RMU budget for 2013/2014 surfaced just after the end of that financial year.

The flexibility shown by the NTPC in its RMU funding is appreciated by the POE.

There has been no public agreement to make NT2 revenues available to meet emergency and other critical situations that may arise during the RIP process and although some contributions from NT2 revenues had reportedly been made to items like teacher training, rural health services and rural electrification there was no formal report on this. While the POE was in Laos an audit by the State Audit Organization on the use of project revenues was taking place in the project area.

The POE recommends:

- 17/23 That the GoL reassess the risks involved in not meeting its funding responsibilities under the Concession Agreement, while continuing to pursue its discussions with the World Bank on accessing NT2 revenues to deal with especially critical NT2 issues and on benefit sharing under the Hydropower and Mining Technical Assistance Project.

4.2 Monitoring

The problems covered in POE Report 22 over reaching agreement on the entitlements under the CA of “natural growth” resettlers and especially those who have formed new families, remain unsolved. Further exchanges before and during the POE’s visit have clarified some aspects of the disagreements and the POE has suggested areas in which the new generation, who themselves suffered considerable disruption to their lives through relocation, should be entitled to benefits – most notably those, like land, equipment and training, which would foster sustainable incomes.
An inventive villager from Kuase generates methane for the cooker from cow manure.

With the approach of the time when the POE is required to undertake a fundamental assessment of whether the objectives and provisions of the CA have been met by the project, the POE has requested that in order to carry out its function of assessing the attainment of Village Income Targets updated data analysis be provided by March 2015. This has been agreed. The study will focus largely on real income in cash and kind derived from the five pillars.

As a general observation on the NTPC’s surveys and reports the POE notes that there is a dearth of analyses of multi-year data included in these otherwise useful but incomplete documents. For many years the POE has been requesting data on natural growth households with NRO promises to provide such data unmet.

Monitoring of a project is supposed to be a process that follows resettlers through time. A major indicator of whether the NT2 project has met CA requirements will be if those requirements are sustainable among natural growth households. The data to assess that goal is not available. For example, what proportion of natural growth households are members of Village Development Committees who will be able to take over critical administrative and development planning duties when first generation members retire?

In assessing the sustainability of sectors and programs medium term trends (and long term trends more so, when available) are vital indicators. More in-depth and comprehensive analysis by the able NTPC monitoring team is called for, not least in the months and years immediately ahead.

The POE recommends:

- 18/23 That the NRO monitoring team provide data on the livelihoods and on the involvement in local government of natural
growth households in village and hamlet affairs no later than 1 April 2015.

It should be recorded that there is a view among the majority of stakeholders that both independent and self-monitoring of developments in all zones of the project is and will be an ongoing requirement for some time.

4.3 District, Hamlet and Village Organization and Planning

The critical phase of beginning to hand over management of the project programs to GoL agencies has begun well. The NTPC’s on-the-ground manager of change, the NRO, has lent a physical element to the handover by moving its entire staff across to the District offices in Oudomsouk. This cohabitation move is an inspired one in the view of the POE. Those who have been running the programs up to now are sitting within a few feet of their successors and are co-managing the programs and constantly communicating advice and encouragement as well as themselves learning from their DAFO colleagues.

Village Development Committee briefs POE on their plans.

At the village and hamlet level there has been, belatedly it must be said, a transfer of responsibilities to a number of newly created institutions. Chief among them are the Village Development Committees (VDCs). The POE talked with five representative VDCs – those of Ban Done, Nong Boua/PPP, Nam Nian/Sop Ma, Nakai Neua/Nakai Tai and Sophene/Thalang. All were conversant with the contents of their Village Plans and talked knowledgeably about their priorities within the Plans. At the activity selection and prioritizing level the participatory planning process is comprehensive, the guidelines requiring cancellation of meetings where there are less than 60% of villagers present. Some VDCs seem to be light on women and minorities representation. Others are well balanced. Most other village and hamlet level committees like the Village Fishery Groups appear to report to the VDC so it has assumed a broad coordination as well as planning role.
The timelines of the VDCs seem to be somewhat limited – their Village Plans are three year ones, though they have annual ones as well – so the POE raised livelihood sustainability issues with them. As noted in the Introduction to this section of the report there are concerns about what happens when the available land runs out. This is more marked of course in the northern villages which have more limited land available to them than the southern ones. But in summary the POE is pleased with the considerable progress made in a few short years in the organization of village-level planning and congratulates the District and NTPC agencies responsible for this – along with the villagers themselves.

4.4 Education

The LOM negotiators, encouraged by the POE, required in February 2014 that every student graduating from primary school who wishes to continue his/her education is able to find a place during 2014 and 2015 in a secondary school on the Nakai Plateau. The response has in large measure been heartening. Additional secondary class rooms have been built in three villages (Oudomsouk – with help from the World Bank’s KDP - Ban Done and Nong Boua Kham) over the past seven months and it is claimed that no secondary pupil has been denied a place.

There remain one or two problems. In Nam Nian VDC women complained that there were no teachers in the secondary school at present. It appears that there has been a change of policy over school hours and this has exacerbated the situation. The Lao Women’s Union representative said that this was an immediate crisis which called for District attention. We undertook to record it in our report and passed on the message to the District Governor. In Ban Done there is a need for another classroom (beyond that already built) for 60 secondary students were occupying one classroom and having to use primary class space.

A looming problem at the primary level is the continuing low level of enrolment of some ethnic groups. While the average primary age enrolment is 87% the enrolment of Bor is 77% and of Vietics is 53%. This has been consistent over the last three surveys. It can be expected that such figures will be reflected in due course in income and poverty figures, an outcome which should be disturbing District authorities at this point.

While NTPC has handed over responsibility for most education activities in resettlement villages to the GoL the Company but has taken a useful initiative in focussing, along with village institutions, on adult education. This work is addressing such relevant environmental issues as deforestation by slash-and-burn cultivation, enhancing soil quality, sustainably managing reservoir resources, use of the drawdown areas etc. NTPC has also been helping, when so requested, with carrying out projects identified as key ones in the village plans. This is commendable – and important in these early years of VDC operations, when planning has to be seen to be followed by productive action on the ground.
4.5 Health Services, the CLWP and the planned Safety Net

The POE has said in past reports that the project Health Program is a model of its kind, with sustainability assured by the comparatively low costs of maintaining the excellent services provided. The program is now a GoL program, run in association with an NGO from Luxembourg (Lao-Lux).

The POE had an open discussion with a well-informed medical manager about how sustainable the program would be now that the resources of the NTPC had largely been withdrawn. He said, very honestly, that it depended on the inputs and that there is likely to be a small drop in the level of services since an NGO seldom had the resources that a large company had. The POE accepts that this is so and that a minor drop in health standards would still place Nakai villages ahead of most other rural villages in Laos. Nevertheless, the final goal is for GoL to maintain the necessary standards once Lao-Lux assistance is no longer available. Meanwhile, the level of inputs into the program should be monitored in the years ahead.

Achieving, and where possible surpassing and then maintaining, the Millennium Development Goals for rural village health and health services should be a GoL objective. In the meantime the impressive indicators are still improving: for example, stunting among under-fives has again been reduced (from 43% in 2008 to 34% in 2013), the under-fives mortality rate per thousand births has fallen from 120.5 to 37.4 over the same period - an outstanding achievement - and the use of contraceptives has climbed to 57.2% which is already over the MDG target.

The innovative Community Living Well Program has now been extended to all 16 villages and hamlets and its activities expanded on a substantial scale. That is most encouraging. While it is not possible in a short visit to measure the effectiveness of such an extensive new program the POE is favorably impressed by the enthusiasm of its leadership and the depth of participation in its activities. When asked for a naming of the most worthwhile activity in recent months one leader observed that preparing the villagers for the changes which will occur once the RIP is ended had been valuable.

A Social Safety Net Program is under preparation designed to look after the welfare of the vulnerable households which are unlikely to be able to cope after the RIP is closed. While the POE awaits the publication of the final form of this Net it is of the view that relying essentially on the community and kinship system to underpin the vulnerable program is unrealistic. Were the community and kinship systems shouldering the burden already in these cases there would surely be no need for a Safety Net. A more substantial input from District or Province is called for, including in relation to newly formed families.

4.6 Gender issues

Noting that there has been only limited professional assessment of the implementation on the ground of the CA’s comprehensive gender policy provisions during the RIP, the POE through the LOM process called earlier this year for a NTPC appointed gender specialist to assess how well the gender strategy originally drawn up
and specific gender plans had been adhered to. The person who drew up the original gender strategy returned and undertook the assessment.

Her report, which was chiefly oriented towards assessing CA compliance, concludes that: “The GoL and NRO have met the gender obligations under the CA. Most of the commitments have been fully met; some have been partially met.” She gives credit to the project for fostering joint ownership of assets and joint participation of women and men in all activities including as members and leaders in key village-led institutions that govern access to natural resources such as fishing, forestry, agriculture and livestock associations and says that there is a “palpable shift in thinking at the village level” toward a more gender equal model in these areas. The specialist also hails, quite rightly, the substantial advances achieved in the education of girls and across the breadth of the health field in the case of both girls and women. Adult literacy is lagging but the project and District are endeavoring to accelerate activity in this sector.

On the other hand the specialist observes that rote gathering of data in the absence of analysis does not help address gender inequalities and, while giving credit for the recognition of rights regardless of sex to land and other assets, notes that resettler families commonly revert to customs of male land ownership (and, in the POE’s experience, of house ownership) in the event of divorce or death.

While not wishing to question the specialist’s view on the overall shift in attitudes at the village level the POE draws attention to the opinion expressed in its report # 22 that while there is undoubtedly a good level of participation by women at the consultative level in VDP planning meetings, such representation is less apparent as the process moves to the resource allocation and action phases. This remains true. Among the five hamlet/village VDCs interviewed by the POE the highest level of female members in the VDC was a third – but with no women at all from the Sop Phene hamlet (consolidated with Thalang). The other VDCs averaged around 20% of women members. Nam Nian had only three women in a total of 24. Furthermore, there are no female naibans (“headmen”) in the resettlement villages. The specialist suggests that women’s access to and control over productive resources such as fishing and logging may have declined to a degree as such male-driven resources have increased in value in recent years.

The specialist’s recommendations are practical and make sense. They cover inter alia:

- deepening law dissemination on property and inheritance rights
- deepening support for women who have been trained in off-farm skills to facilitate business starts
- ensuring before project close that poor women are adequately supported in small livestock development as a buffer against poverty
- analyzing further school enrolment data and especially the low rate of girl enrolment in some villages and the high rates of boys’ dropouts
- working with the CLWP and GoL agencies to address the “silent” issue of family violence, related as it may be to year-round availability of alcohol and perhaps drugs
- since the number of the vulnerable may rise as available resources decline, the project recognizing the gender-specific dimensions of vulnerability and
work with GoL agencies to design appropriate mechanisms to buffer vulnerable households in the post-project era.

The POE recommends:

- **19/23** That the recommendations of the gender specialist be further actioned as a matter of importance in the period before the RIP concludes and that follow-up measures be extended well into the post-RIP era with funding from a dedicated budget line.

- **20/23** That further endeavors be undertaken by the District authorities to ensure that the representation of women on resettler village institutions especially the VDCs and, where appropriate, on District-level bodies be further raised within the next year or two and the level of training of women taking part in such institutions be extended as required.

- **21/23** That Lao women be recruited, or trained where necessary, to take over the role of monitoring and supervising the gender strategy’s implementation as soon as possible and certainly once the RIP is terminated. An agreement on a relevant reporting line will be called for. One solution would be to fund the CLWP to carry out this function.
5. XAI BANG FAI DOWNSTREAM

5.1 Introduction

The POE congratulates GOL, NTPC and the IFIs for being the first large dam stakeholders to attempt to ensure that, in the XBF case, livelihoods have been restored in project affected downstream villages and households.

The POE agrees, however, with the International Financial Institutions that the Downstream LSMS survey does not confirm that livelihoods have been restored in all of the Downstream Area villages. Moreover, in previous reports the POE has been particularly concerned that livelihoods have not been restored in all of the 67 villages that received only cash compensation, somewhat less than $100, for each household. Certainly many households in those 67 villages have benefited from electricity and all from improved roads. But to benefit from access to new markets including Thakhet, households need produce and goods to sell which is why cash compensation alone may not be sufficient for recovery purposes. Moreover in at least two, and possibly three, of the six villages that the POE visited over a several year period, the village economy has been adversely affected. For example, in Nakoknai, we were told on this visit that the cash compensation was spent largely on the purchase of rice and that tributary fishing only provided for household consumption, while in an upriver village previously visited the backwater effect of the project had adversely affected the village’s fishery.

POE talking with villagers of one of the 67 “cash compensation” villages (Nakoknai)

On the other hand, as the IFIs have also observed for the 67 villages, the evidence provided so far does not suggest that the apparent decline in income can be attributed to the cash compensation approach. Clearly further data analysis and quite possibly further monitoring is needed.
The POE recommends:

- **22/23** That NTPC make available to the POE the data on the 25 cash compensated villages covered in the 2014 Socio-Economic Survey.

### 5.2 XBF Downstream: Gnommalath and two other irrigation projects

The POE’s mandate requires it to monitor any activity within the project area which may be impacted by, or have an impact on, NT2. As Governor Khambay reminded us, it was the POE which shifted the project designers’ interest towards the use of NT2’s turbined waters for irrigation purposes and insisted that outlets from the Downstream Channel be built in by NTPC to enable gravity fed irrigation systems to be set in place. We have been involved in this evolution of the project’s mandate from the beginning.

Use of the turbined waters is now about to begin. We accordingly visited the Gnommalath Irrigation Project under construction by a Chinese company, Norinco International Cooperation Ltd. We were briefed by a project advisor from the Department of Irrigation of MAF. The project involves developing an ambitious gravity fed irrigation system downstream from the NT2 regulating pond, utilizing the third of five gates on the Downstream Channel. The GoL’s objective is to ensure food security in Gnommalath and Mahaxai Districts and beyond and expand commercial production.

On completion the project is intended to supply water to 2,700 ha of rice fields in ten villages plus providing irrigation facilities for cash crop plantations and livestock operations. A pilot project using 1,300 of the above hectares of newly irrigated fields – currently under forest and shrub cover - is to be developed for intensive rice production using advanced technology. The total design flow was 6.1 cubic metres per second but the DOI says it will be more like 7.3m³. The contract price for the construction is US$31m. It was claimed that rice production will reach 5-6 tonnes per ha (another informant said up to 10 tonnes but that figure may cover a two crops per year regime). The target date for construction completion is March 2015.

In addition, an area variously estimated at 700-900 ha is being developed by the Phonesack Group, apparently for undertaking agricultural and livestock activities but also for developing recreational facilities, possibly including a resort and/or a golf course. A further two projects, with water probably drawn from gates 1 and 2 in one case and gates 4 and 5 in the other, are planned for 2017 and 2018.

The POE asked about impacts on villagers. Our point was that while NT2 has brought increased dry season water, channels and outlets which add up to a major development opportunity for GoL, a large-scale project like this could adversely affect the living standards of NT2 villages through loss of access to arable land and NTFPs, for example. We were told that a total number of 917 families from nine of the ten villages will be impacted. In two villages a fifth of the farmers already have lost agricultural lands to construction activities. The total loss is 81 ha. There is reported to be no compensation paid for this land. The farmers do not have land.
ownership certificates, only land use ones. Villagers will pay Norinco in kind (rice) for maintenance and water use costs.

Secondary canal on new irrigation project near Gnommalath.

Making a comparison with how the NT2 Project Lands exercise nearby was handled we asked one senior official about the non-compensation for the 81 ha, whether livelihood assistance to restore incomes would be provided and why the construction costs (US$10,000 per ha or US$6,000 per household) were so high. He admitted that the costs were high and would be higher for the following two projects but said that the company involved would set up a laboratory for testing products and would establish a seed production centre to supply improved seeds to the farmers. He thought that there would be an endeavor to replicate on livelihoods what had been done in the case of NT2. Contract farming would also be undertaken.

The POE’s preliminary view is that, seen through the lens of how the nearby NT2 Project Lands exercise was handled, the new irrigation project will sell the villagers short. Setting aside the high costs – which are offset to a degree but by no means entirely by soft loans provided by the EXIM Bank of China – the non-compensation for sequestered land sets an unfortunate precedent and may be in conflict with national legislation. The plans for livelihood assistance to the villagers appear rudimentary only at this point.

The POE suggests that the GoL have a look at how the new project measures up to the NT2 Project Lands exercise and, as a first step, reviews the plans for
livelihood assistance to impacted villagers before the POE’s next visit in 2015.

The POE recommends:

- 23/23 That GoL assess the new Gnommalath irrigation project’s impacts on compensation rights, livelihoods and incomes of the affected villages in the light of national legislation on investment projects. Relevant legislation may include PM’s Decree 192 on Compensation and Resettlement for Project Affected People and the more recent Ministerial Instructions on Project Impacts (No.8030/MONRE) and on Initial Environmental Examination of Investment Projects (No. 8029/MONRE). Arrangements made in the case of the NT2 Project Lands undertakings in respect of compensation and livelihood development would be a basis for comparison also.
6. WATERSHED MANAGEMENT AND PROTECTION AUTHORITY (WMPA)

From its first report in 1997 the POE has emphasized that effective conservation and management of the watershed area, the Nakai-Nam Theun National Protected Area (NNT-NPA), is crucial to the success of the Nam Theun 2 Project as a whole. This was both because of the globally significant biological diversity and cultural diversity of the area, and because its conservation was a key to the World Bank and others supporting the project. For the World Bank, the conservation of the watershed both served as an offset for the forests lost under the reservoir, as well as an important stand-alone conservation objective.

The Watershed Management and Protection Authority (WMPA) was created in 2001. To accomplish its mission the NTPC made the remarkable commitment of payments of US$ one million a year, adjusted to inflation, throughout the twenty five year concession period. This made the WMPA one of the most securely funded protected area organizations in the developing world.

Consequently the WMPA was launched with great enthusiasm. Unfortunately the enthusiasm was short-lived. As increasingly emphasized in POE reports, from near the start the WMPA did not succeed in its missions. The situation finally became so serious that late last year the World Bank funded two reviews, one of the WMPA’s fiduciary performance and the other of its management and organization. Because of the WMPA’s continued failures, one of the four options for future action presented by the management review was to dissolve the organization. In our extensive consultations in Vientiane, Thakhek, the Nakai Plateau and the watershed, we have found that there is a widespread lack of confidence and trust in the WMPA and its senior managers. So while the POE does not support dissolving the WMPA, we recognize and emphasized in our most recent report (#22, of February 2014) that what is needed is a complete restructuring of the organization. In other words, what is needed is a completely new WMPA with new senior managerial staff.

The GOL takes the situation very seriously and has accepted the recommendations of the POE and the WB-funded management review to establish a high level Task Force to review essentially everything about the WMPA, including its purpose, to complete its reviews and deliberations by early 2015 and the POE awaits the results with the greatest interest. In the interim the WMPA is to operate at a reduced level, except that the important law enforcement efforts must be continued.

The POE notes with concern that 38 per cent of the proposed WMPA budget for the current quarter is for administration, a significant portion of which is for salaries and expenses of the senior managers. We also have been informed that the law enforcement activities have been put on hold. This action exacerbates the problems of WMPA conservation performance. The POE emphasizes that in the face of reduced funding, priority must go to the law enforcement activities, not managers’ salaries and expenses.

Given the high percentage of the present budget assigned to administration and the need for a new WMPA with a new senior staff, it would be desirable without delay to replace the present senior managers (Secretariat Director and Deputy
Directors) with an interim director. The interim director could then oversee the implementation of the recommendations of the high level task force when they become available. The quarterly budget approach has proved very difficult to implement. It would appear to be better to develop an annual budget starting in the second quarter of 2015 but with the funds released on a quarterly basis.

The POE has emphasized to the GOL officials involved that restructuring the WMPA is urgent, and that results are needed as soon as possible. In our collective experience with restructuring organizations, the longer the process takes the more difficult it is to implement and the less sure is the outcome.

The POE recommends:

- 24/23 That the critically important work of the WMPA Task Force and its Secretariat be completed as soon as possible, and that its recommendations be put into effect urgently.

- 25/23 That in the interim, priority in the use of the reduced funds available to the WMPA be given to the law enforcement activities.

- 26/23 That since the necessary restructuring of WMPA will require new or redefined staff positions these should be advertised or announced and applications assessed and selections made by an independent group with international representation.

- 27/23 That without delay an Interim Director to replace the present three Directors be appointed to oversee the implementation of the recommendations of the high level task force when they become available.

- 28/23 That the present interim quarterly program/budget process be changed to an annual interim one, but with funds released on a quarterly basis.