



SUMITOMO MITSUI BANKING CORPORATION
as Intercreditor Agent
pursuant to the Common Terms Agreement

Nam Ngiep 1 Hydropower Project

Quarterly
Implementation Progress Report No. 2
Environmental & Social Aspects

NNP1/Ph.2/006

April 2015

AF-Consult
Hydropower Plants

Innovation by experience





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Foreword

The present Quarterly Implementation Progress Report No. 2 – Environmental & Social Aspects, is prepared following the site visit carried out by the LTA between January 26 and 30, 2015.

At the request of the Lenders, the Quarterly Implementation Progress Report has been split in two:

- A report dealing with General & Technical Aspects;
- A separate report dealing with Environmental & Social Aspects – the present report.

The environmental & social team of the LTA which took part in the January 2015 site visit included:

- Ettore Romagnoli, Senior Environmentalist
- Karen Jacob, International Social Expert

This report has been prepared under the Scope of Services included in the Annex 1, extracted from the LTA on-going contract for Lender’s Technical Advisor’s Services.

The present report is based on the information available at the time of the site visit, and takes into accounts the comments received from ADB until March 31, 2015. No comments on the draft of the present report were received from NNP1PC.



1 Executive Summary

1.1 E&S Organisations

1.1.1 EMO

The staffing of the EMO in place during the site visit is shown in Figure 4-1. The structure includes one Deputy Managing Director (assisted by the Senior Environmental Specialist) one EMO Manager, three Deputy Managers (one for the Catchment, one for the Inspection/Monitoring and one for the Documents), five Team Leaders (one for Biodiversity, one for Watershed Management, one for Survey, one for Compliance Inspection and one for Documents), ten Senior Officer and eighteen Officers.

The LTA's impression is that the Monitoring and Compliance team is over staffed. In similar projects around the world the organisation taking care of the environmental construction impacts is generally a group of few persons, which spends most of their time at site, moving around the construction area to verify that the environmental management measures are properly applied by the Contractors and their Subcontractors.

The EMO appears also somehow shy with the Civil Contractor, not really insisting in the application of the agreed environmental management measures.

Regarding the watershed and biodiversity teams there is not much to comment because very little has been done so far. However, a survey of the watershed area within the Houay Soup resettlement area, in coordination with the SMO, is scheduled in early April. Once district offices have been established by the project in Hom and Thathom districts, Xaysomboun province, the necessary surveys of the watershed areas and of the biodiversity offset will more easily be facilitated.

1.1.2 SMO

The latest organisation chart made available is shown in the Figure 4-2. By January 30, 2015, the total number of staff of SMO was seventy, not including drivers and cleaners. Local staff is about 90% of the total; Hmong Staff is presently 29%.

The most critical comment refers to the present lack of leadership in the team: on Dec 8th, 2014, the SMO Senior Social Manager's contract was not renewed by the Board of NNP1PC. The Deputy Manager for Resettlement Infrastructure was moved to the Technical Department and the Deputy Manager for Relocation and Livelihood ended his contract with the Project.

Action required: NNP1PC shall fill in critical key positions with qualified and suitable candidates as soon as possible.

1.1.3 EMO/SMO Collaboration

During the site visit it was noticed that there is limited collaboration between EMO and SMO.



Action required: NNP1PC shall improve communications and information sharing within the EMO and between the EMO and SMO, including development and implementation of joint planning and monitoring of issues of common concern, such as forestry and watershed management in the Houay Soup resettlement site, fisheries monitoring, and community issues arising from environmental impacts from construction. Good coordination at field level and with the Resettlement Management Unit (RMU) in Paksan will improve if the weekly meetings between RMU and NNP1PC officers can continue.

1.1.4 GOL's Agencies

NNP1PC is expected to contribute to capacity building of MONRE and to financially assist in establishing an Environmental Management Unit (EMU), which will be staffed by provincial and district officials from project affected areas. The role of the EMU is to monitor implementation of the EMP and to report on its adequacy and effectiveness to MONRE and to NNP1PC.

The LTA fully agrees with the comments already given by the IAP during their last visit at site, recommending that the company convenes a workshop combining the EMUs of both provinces and MONRE to review the duties of the EMU for the Nam Ngiep watershed. MONRE should be invited as workshop organizer to review “lessons learned” from Nam Theun 2 and the Theun-Hinboun projects, and include the expanded mandate of MONRE to oversee integrated environmental conservation interests of water, forest, and biodiversity protection at the regional and district levels.

1.1.5 Contractors' Organisations

The Organisation chart of the Civil Contractor Obayashi includes a Safety and Environmental Department with one “Chief Engineer”, two Safety and Environmental Officers and one Environmental Specialist. A Social Issues Department is not included in the organisation, and to our knowledge no social officers are included in the Safety and Environmental Department. Also, the LTA is not informed about the presence of environmental or social officers within the organisations of the subcontractors.

The LTA indicated in previous quarterly reports that the Safety and Environmental Department of Obayashi was understaffed; until very recently the low priority given by the Obayashi project management to environmental and social issues was also apparent.

Action Required: NNP1PC should stress the need for Obayashi to strengthen its E&S organisation on site, as necessary to regularly check the subcontractors performance on environmental aspects, particularly wastewater treatment and waste management, and to record construction related grievances and social problems of the population of the near-by villages. This will supplement the EMO and SMO teams' tasks to monitor the compliance with established SSESMMPs and manage social concerns.

1.2 Site Specific Environmental & Social Aspects

All wastewater disposal in workers' camps should follow standards outlined in the Project's Concession Agreement (CA) and in planning documents available on ADB's website. The open wastewater canals and ponds of Right Tunnelling (Thai camp) and TCM (Lao-Cambodian camp) should be covered and managed correctly. In all camps proper septic tanks should be installed and open air ponds covered to avoid risks of surface and underground water pollution and the spread of water borne diseases.



The Contractor currently has adequate toilet facilities for workers as well as adequate arrangements for temporary solid waste collection and storage facilities in camps. There are some locations which need improvement, such as work areas along the temporary road and across the river. Waste disposal is currently not according to requirements in the ESMMP. Solid wastes should be separately collected in all camps and in the construction areas by providing separate collection bins. The non-recyclable garbage can be disposed in the landfill designated area as far as such area is prepared according to international standards. Recyclable materials shall be periodically separately collected and temporarily stored in a common area (may be in the landfill area) where recycling companies can come to collect them for final recycling.

Considering the expected increase of the work force, the limited medical facilities available at Paksan and the time needed to reach Paksan or Vientiane, in the LTA's opinion it is essential to implement at site a proper clinic, adequately staffed and available to all workers, sufficient to treat injuries at least until the most serious cases can be transported to a suitable hospital. Medical facilities can be made available to local villagers also during the interim period before the Houay Soup health clinic is established.

Spread of STD and HIV AIDS: workers should undergo regular sex education and awareness on the potential transmission of these diseases among themselves and to the people of Ban Hat Gnium, Ban Hatsaykham and other nearby villages. Free condoms dispensers shall be provided and regularly refilled in all workers camps. Activities recommended here are linked into the project's Public Health Awareness Plan (PHAP) and Social Mitigation Action Plan (SMAP), which should be initiated as soon as possible.

The nearby communities such as Ban Hat Gnium and Ban Hatsaykham shall receive health and safety awareness raising and training as part of PHAP/SMAP activities. Sex workers staying in these villages and also camp followers shall be given awareness raising and education on how to protect themselves from the spread of STD.

The following camps were visited: Sino Hydro camp (the Chinese workers camp); Right Tunnelling (the Thai workers camp); MVDC Camp (Lao workers camp); Songda camp (Vietnamese workers camp) and the TCM Camp (Lao-Cambodian workers camp). No forced labor or child labor were observed or reported. The presence inside the camps of families with children was observed in the Thai Workers Camp. Families, particularly those with children, inside camps or within the periphery of the workers camps shall be discouraged, unless minimum living, privacy and especially safety and security standards are maintained.

There is an established Code of Conduct for sub-contractors and workers; the LTA recommends this to be regularly reviewed and workers reminded during weekly meetings.

A fatal accident occurred on January 2, 2015, when a truck carrying sand capsized on the access to the ferry crossing the river and the driver lost his life. The LTA was satisfied that proper action has been taken by the Civil Contractor to document and report the incident, and to financially compensate the family of the deceased in line with both Lao law and project procedures. Additional compensations are being considered, such as employment of the wife or a monthly allowance of 100 USD for 5 years. The SMO is following this up.

Action required: Finalize and initiate the implementation of the SMAP.



1.3 Environmental Plans

1.3.1 Present Status

The biodiversity team, made of 10 people (out of which only four are officers) started its activity in July 2014. The biodiversity framework was prepared by Environmental Resources Management (ERM), external consultants with offices in Vientiane, and approved by ADB in July 2014.

The formation of the Watershed Management and Biodiversity Offset Management teams of the EMO was essentially completed in September 2014. Through these teams, NNP1PC is supporting the GOL in establishing the Watershed Management Committee. The target is to build working partnerships with upstream catchment users including hydropower, forestry, agriculture, mining and conservation, and to develop a comprehensive Watershed Management Plan. This organisation work is presently ongoing.

1.3.2 Actions Required

By February 9, 2015 a New Biodiversity Framework will be prepared. The biodiversity survey is scheduled to commence by mid-February. By the end of March an updated framework is expected to be submitted. By July 2016 the survey is supposed to be completed, one year is considered necessary to confirm the existing species and to develop a management plan.

In terms of watershed management, it is important at this stage to keep monitoring the water quality upstream of the construction site, to obtain data about the water quality of the river in natural conditions, to estimate the impact of the project on the water quality. The LTA understands that the EMO is regularly monitoring the water quality, and recommends that this is synchronised with monitoring undertaken by the SMO for livelihood and health purposes.

1.3.3 Critical Issues

A portion of the Houay Soup resettlement area allocated by GoL in the CA lies within the NPF (National Protected Forest), even being mostly degraded or un-stocked forest. NNP1PC is undertaking Land Use Planning to identify the boundaries of designated areas, and will prepare a Forest Management Plan specifically for that part of the resettlement area, to define the absolutely prohibited zones and the zones that the PAPs can use under specific management rules. Drafts of these plans are due to be submitted to ADB and the Department of Land Management in MONRE for discussion by April and finalisation by May 2015.

Another matter of immediate concern is the definition of the boundaries of the PKK National Biological Conservation Area and the clarification about the status of the Na Ban elephant park boundary, to allow finalising the alignment of the 230 kV transmission line, taking also into account other restrictions to be considered and the need to minimise the impact of the line on nearby villages. The alignment, impact avoidance, mitigation and compensation are addressed in a separate Resettlement Action Plan (RAP) currently under preparation and due for submission to ADB in the first quarter of 2015.



1.4 Social Issues under NNP1PC Responsibility

1.4.1 Social Safeguard Plans

In the December IAP Mission program issues on resettlement and IPs were identified and deadlines were given to required actions. However, nothing was achieved as of the LTA mission on January 26-30, 2015. The critical social safeguards activities that should have been acted on are:

- Establishing and notifying the cut-off date;
- Issuance of compensation unit rates;
- Assessment of alternative resettlement sites; and
- Choice survey of the 2LR Project-Affected-Persons.

According to the SMO, nothing was accomplished for the following reasons:

- The last week of December is the Hmong New Year;
- Xaysomboun province is undergoing reorganization; and
- The SMO Senior Social Manager's contract was not renewed. Other key SMO staff have not renewed their contracts because they were offered short-term contracts only.

During the wrap-up meeting at the end of the visit the Deputy Manager for the Environment and Social Department promised to bring up coordination issues with GoL during the Project Board meeting on Feb 9, 2015. What is needed is a high level intervention from the Project Management and NNP1PC Board with Xaysomboun and Bolikhamxay officials, to stress the need of the official announcement of the cut-off date and the issuance of the compensation unit rates. It was recognized during that meeting that the SMO cannot do this alone at their level. Project management undertook to speak with the Provincial Governors of the two provinces and the District of Hom.

Action required: Nonetheless target dates need to be agreed with the PRLRC which will still help NNP1PC achieve the milestones outlined in the REDP.

1.4.2 PAPs Resettlement

The four affected villages of 2LR remain reluctant to relocate to Houay Soup for several reasons: they say that the land in Houay Soup is not fertile (it is acidic) and will need fertilisers (and thus extra expenses by the PAPs) to make it as productive as the land they presently farm. Also, because a portion of the area lies within the NPF they are afraid that the land available in Houay Soup will be much less than what they are presently using. A visit to the Houay Soup area was conducted by both LTA social and environmental experts: infrastructure development has not yet started as compensation rates for land users has not been finalized. The demonstration farm has been ongoing for a few years now and continues to act as a display and training facility for PAPs..

As an alternative to Houay Soup, 2LR PAPs have suggested to go back to their original villages from which there were moved by GoL national policies many years ago. Initially GoL was unwilling to consider this course of action, but has agreed to re-evaluate the sites. Inspection of



these sites was scheduled for January 2015, but was rescheduled for mid-February. The PRLRC plans to make a final choice by mid-March 2015. If the alternative sites are approved by the PRLRC, survey results will be presented to households in 2LR so that they can compare with Houay Soup to make an informed decision of their resettlement choices. If the sites are not endorsed by the PRLRC, an indicative choice survey will then be conducted by the Project to identify which households would prefer to take cash compensation and which will relocate to Houay Soup.

1.4.3 Critical Issues

The NNP1PC's Management must talk with the provincial governments of Xaysomboun and Bolikhamsay at the earliest opportunity to emphasise the importance of completing the four crucial activities listed above. These activities are necessary so that resettlement infrastructure development and other activities will be able to move forward and avoid any further delay in the advance of the compensation and resettlement processes.

1.5 Budget Monitoring

In January 2015 the LTA received the breakdown of the 2015 budget shown in the Table 1-1.

Table 1-1 2015 E&S Budget

	Items	Amount (\$)
1	Resettlement site development cost	6,625,014
2	Compensation cost	464,814
3	Livelihood restoration programs	308,327
4	ESD (Salary)	3,751,635
5	ESD (Others)	979,050
6	Environmental Management	785,340
7	Watershed Management Cost	82,079
8	Fund	489,170
9	IAP	186,427
10	OUTSIDE the CA/ANNEX C	768,110
	Total	14,439,966

At this point, the LTA is not sure if this will be the final budget for 2015, or a revision will be made.

If this budget is maintained and actually used, the total spent on environmental and social matters up to the end of 2015 would be about 37% of the total budget, which could be deemed reasonable.

It is noted that the amount budgeted in 2015 for ESD salaries, other costs and "Environmental Management" is about 38.2% of the total annual budget. This seems disproportionately high and would deserve some explanation by NNP1PC.

1.6 Concluding Remarks

For the Social Safeguard, there are many activities that shall be accomplished soon or this will eventually affect the overall schedule of the Project. There are many factors causing delays, including internal reorganization of the SMO and external political interests of the provincial and



district authorities. The SMO staff alone cannot deal with these issues: NNP1PC Management and the Board of Directors must intervene both to solve internal problems and to contact Provincial and District Authorities to expedite the process.

For the environmental monitoring activities at site, there are many things to do to improve the environmental performances of the project. At this stage it is very important to improve and fix the management of wastewater and of solid wastes in those locations where they are non-compliant, and to make suitable arrangements for long term management and disposal of wastes. The monitoring activity of the EMO should be more constant, proactive and reactive and must adapt monitoring timing and locations to the changing characteristics of the construction site.

The legal agreements signed by NNP1PC with the Lao Government and the Lenders require that all activities during construction and operations phases meet national and international environmental and social standards. Therefore, the EMO (and the NNP1PC officials dealing with contractual matters) should be firm in requiring the Civil Contractor and its subcontractors to comply with such commitments. Where there is a non-compliance by Obayashi or its subcontractors, notices shall be issued and further actions shall be taken by NNP1PC against the Civil Contractor and its subcontractors if not promptly following the EMO indications referring to Environmental issues identified and discussed, and to agreed actions. The LTA has the impression that each decision takes a very long time to be translated into action, thus compounding negative effects on the environment.



2 Environmental & Social Documents Received

2.1 ADB Documents

The following environmental and social documents were retrieved from ADB websites:

- Environmental Impact Assessment for Nam Ngiep 1 Hydropower Project - Updated Version - Revision 4 - July 2014: Main Report and appendices.
- Environmental and Social Monitoring and Management Plan for the Entire Construction Works (ESMMP-CP):
 - Volume I: Obligations, Plans and Programs - Revision 2, April 2014;
 - Volume II: Procedures - Revision 1, March 2014;
 - Volume III: Appendices - Revision 1, March 2014.
- Environmental and Social Monitoring and Management Plan for access road construction and other preliminary works (ESMMP-CP) - Version 6, March 2014.
- Resettlement and Ethnic Development Plan – Edition June 2014 - Main Report and appendices.
- IAP Reports:
 - Report Number 1 - First Site Visit, 8-19 January 2013 - 4 February 2013;
 - Report Number 2 - Second Site Visit, 17-24 November 2013 - 20 December 2013;
 - Report Number 3 on the Third Site Visit, 4-11 May 2014 - 5 June 2014: IAP report and responses provided by the Environment Management Office and the Social Management Office of NNP1PC.
- Houay Soup Resettlement Area Initial Environmental Examination - Lao Consulting Group - September 2014.
- Various Site Specific Environmental Social Monitoring & Management Plans for roads, temporary bridge, stock yards, workers camps, quarry, disposal area and 22 kV Power Supply System.

The following additional documents were received between mid-December 2014 and mid-January 2015:

- Health Impact Assessment & Public Health Action Plan for Nam Ngiep 1 Hydropower Project, dated July 2014
- Labour Management Plan for Nam Ngiep 1 Hydropower Project - Updated Detailed Version (LMP-UD), October 2014
- Nam Ngiep 1 Hydropower Project Resettlement, Indigenous Peoples, and Social Issues, dated 15 December 2014
- Aide Memoire - Asian Development Bank - Nam Ngiep 1 Hydropower Project Safeguards Review Mission (3 -13 December 2014), dated 12 January 2015 (includes clarifications from NNP1PCPC and ADB response)
- Report Number 4 of the Independent Advisory Panel on the Nam Ngiep 1 Hydropower Project, Lao PDR Fourth Site Visit, 7-14 December 2014, dated 19 January 2015



2.2 Documents and Information from the Project Company

Environmental and social matters are summarised in the monthly reports of NNP1PC. In addition, the following document was received:

- (LTA) Quarterly Implementation Progress Report No. 1 and Response of Nam Ngiep 1 Power Company Limited: the responses refer only to the Section 7 - Environmental and Social Aspects, of the LTA report.
- NNP1 Social Management Plan (December 2014)
- Nam Ngiep1 Biodiversity Offset Framework (UPDATE), Prepared by Ministry of Natural Resources and Environment, Department of Forest Resource Management In cooperation with Nam Ngiep1 Power Company (December 2014)
- Breakdown of the ESD Budget for 2015, received in January 2015.
- Quarterly Monitoring Report - Environmental and Social - 2014_Q4, reporting the status of environmental and social activities up to January 1, 2015, received in early February 2015.

2.3 Information from the Main Contractors

Information about environmental and social matters related to the activities of the Civil Works Contractor are included in its monthly reports. Nothing related to environmental and social aspects is included in the monthly reports from the other contractors who did not yet start any activity at site.



3 LTA Services on Environmental / Social Aspects in the Reporting Period

3.1 Home Office Work

The LTA Environmental and Social Experts reviewed the documents received from the Project Company and from ADB before the site visit.

After the site visits, further documents received during and after the site visit were reviewed, and the present report was prepared.

3.2 Site Visit

The site visit took place from January 25 to January 31, 2015 as per the following schedule:

Date	Activities
25 January (Sun)	Arrive at Vientiane
26 January (Mon)	7:00am Pick up at Mercure Hotel 9:30am Arrive at Paksan TD office 10:00-12.00am: Meeting- Technical / Health & Safety issues 1.00-5:00pm: Meeting- E&S issues, Site Visit Schedule
27 January (Tue)	8:30-10am: travel to Construction Site 10.00-12.00am: general visit 1. Re-regulating dam and powerhouse 2. Main Dam (left bank and right bank) 3. Diversion Tunnel (Inlet and Outlet) 1.00-6.00pm: detailed inspections 1. Quarry site 2. Possible landfill location 3. Chinese workers subcontractor's camp 4. Thai workers subcontractor's camp 5. Lao workers subcontractor's camp 6. Vietnamese workers subcontractor's camp 7. TCM workers subcontractor's camp 8. Present garbage dumping site 6.00-7.30pm: return to Paksan
28 January (Wed)	8:30-10.00 am: travel to Construction Site 10.00-4:30pm: Site visit to Houay Soup resettlement area 4:30-6:00pm: return to Paksan



Date	Activities
29 January (Thu)	9:00-10.00am: Meeting with the EMO officers 10:00-12.00am: Workshop on outstanding issues 1:00-5.00pm: Update on biodiversity/ fishery/watershed management programs
30 January (Fri)	8:30-10.30am: assisting to the Monthly Progress Meeting between NNP1PC and Obayashi 10:30-12.00am: Wrap-Up meeting 13:00am-3.30pm: Travel to VTE 3.30-6.00: office work in VTE Project office Leave for BKK

Persons met:

- NNP1PC Technical Division –
 - Mr. Yamane Yuichi– Planning Division Manager, Technical Dept.
 - Mr. John Cockcroft – Senior Advisor (Construction and Contract Management)
 - Mr. Hiko Seoka – Manager Engineering No.1 Division (Technical Department)
 - Mr. Masahiro Kato - Manager Engineering No.2 Division (Technical Department)
 - Mr. Tanathingth Choisaeng – QA/QC Manager (Technical Power Plant)
- NNP1PC Environmental Division –
 - Mr. Prapard Pan-Aram – Deputy Managing Director Environmental & Social Department (ESD)
 - Dr. Souane Thirakul – Deputy Manager, EMO
 - Dr. Kevin Leeson – Environmental Specialist, Compliance Monitoring
 - Mr. Khamkeng Yuena – Senior Environmental Officer

3.3 Planning for the Next Quarter

The next site visit by the LTA environmental and social team is scheduled from May 3 to 8, 2015, to coincide with the next planned visit by the IAP. The next Quarterly Report on Environmental and Social Aspects will be issued after this visit.

Home office work for the next quarter is expected to include:

- review of the documentation received from ADB, NNP1PC and the Main Contractors;
- preparation for the next quarterly visit;
- preparing the Quarterly Report on Environmental and Social Aspects after the site visit.



4 NNP1PC E&S Organisations

4.1 EMO

4.1.1 General

The LTA fully agrees with the comments made by the IAP after their December 2014 visit. During the last IAP mission, Dr. Prapard proposed a new staff structure for the EMO with no biodiversity position. Given the importance of the Biodiversity Offset this is not acceptable; the watershed management team should be renamed as Watershed Management and Biodiversity, comprising a land use team (which includes forest management and reforestation) and a biodiversity team responsible for the offset activity and for biodiversity monitoring under the offset arrangements and within the watershed). It is also essential that senior staff make regular visits to the field, including with the LTA and the IAP.

4.1.2 Staffing

The staffing of the EMO in place during the site visit is shown in the Figure 4-1. The structure includes one Deputy Managing Director (assisted by the Senior Environmental Specialist), one EMO Manager, three Deputy Managers (one for the Catchment, one for the Inspection/Monitoring and one for the Documents), five Team Leaders (one for Biodiversity, one for Watershed Management, one for Survey, WQ, Dust, one for Inspection/Monitoring and one for the Documents), ten Senior Officer and eighteen Officers.

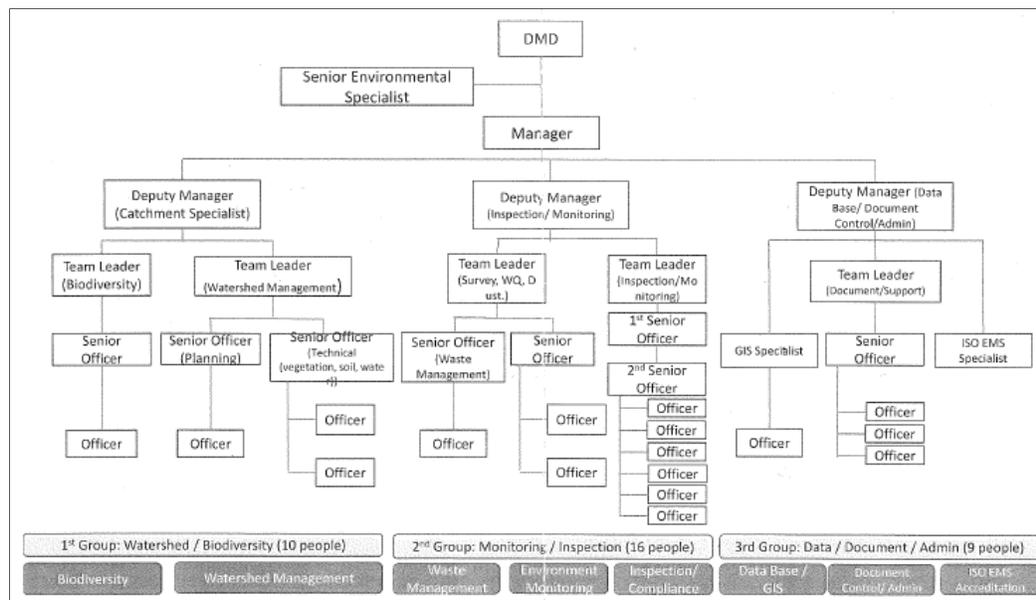


Figure 4-1 NNP1 Environmental Management Office Organisational Chart.



4.1.3 LTA’s Comments

The LTA’s impression is that the Monitoring and Compliance team is over staffed. In similar projects around the world the organisation taking care of the environmental construction impacts is generally a group of few persons, which spends most of their time at site, moving around the construction area to verify that the environmental management measures are properly applied by the Contractors and their Subcontractors. The EMO appears also somehow shy with the Civil Contractor, not really insisting in the application of the agreed environmental management measures.

Regarding the watershed and biodiversity teams there is not much to comment as very little has been done so far.

4.2 SMO

4.2.1 General

The latest organisation chart made available is shown in Figure 4-2 which reflects staffing prior to changes in December 2014. Yellow boxes indicate posts as yet unfilled.

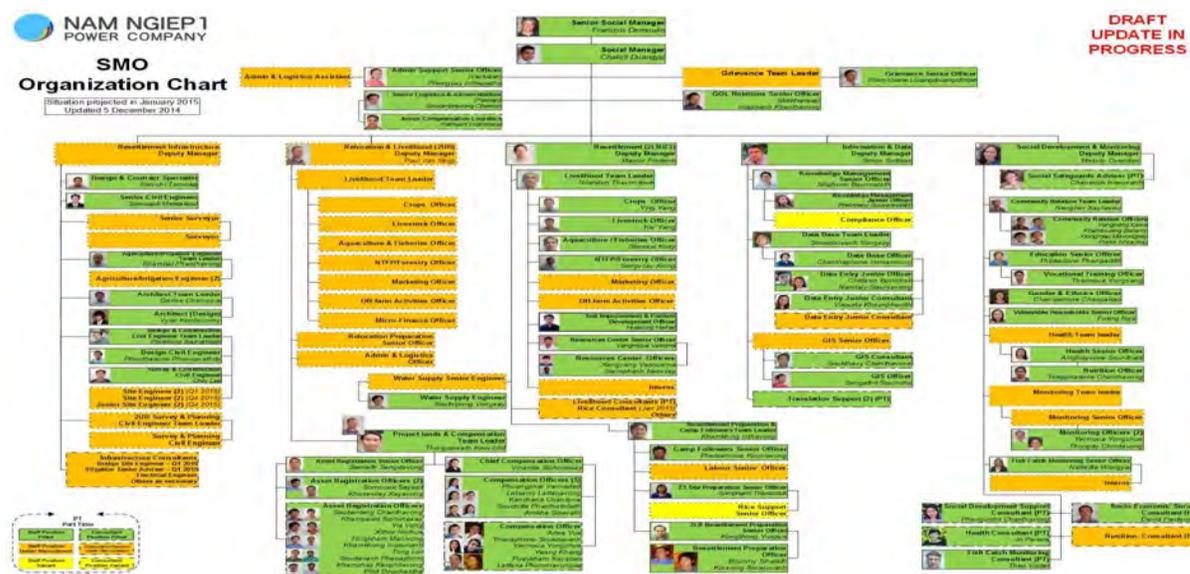


Figure 4-2 SMO Organisation Chart

4.2.2 Staffing

By January 30, 2015, the total number of staff of SMO was seventy, not including drivers and cleaners. Some statistical data on SMO Staff were as follows (as of Dec 15, 2014):

- Current Hmong Staff/Consultants: 29%
- Current Female Staff/Consultants: 35%
- Current Local Staff/Consultants: 89% (expected ratio: 91%)



The SMO, although currently employing seventy staff, claims that they still need to fill vacant positions in the organization. Most important of these vacant positions are the leader of SMO, the Senior Social Manager position and the two Deputy Managers positions. Leaders are needed to guide and supervise the activities of the staff. During the meeting with the other DMs, they were expressing that they are overworked and would really need that the other vacant positions be filled up. NNP1PC should fill in critical key positions with qualified and suitable candidates as soon as possible.

The LTA has not yet fully assessed the effective manpower required to undertake the social safeguards activities. It can be commented that much time is spent for commuting between Vientiane and Paksan, between Paksan and the project site and for travelling to 2LR: we believe that travel time is more than the actual work time in the field. Both SMO and EMO have to be located at the project site so that more can be accomplished. To date, the EMO/SMO Paksan office is now established and a higher proportion of staff are permanently established there which is enabling improved access to the construction site and affected people in this area, plus improved communication and consultation with the Bolikhamxay RMU. The EMO rented a house in Bat Hat Gniun but did not use it. The Project is undertaking discussions with project districts in Xaysomboun province to establish similar sub-offices in Hom and Thathom districts, which should result in closer proximity to PAPs in Zones 2UR and 2LR, and improved coordination with the Xaysomboun RMU.

4.3 EMO/SMO Collaboration

During the site visit it was noticed that there is limited collaboration between EMO and SMO. It is recommended to improve communications and information sharing within the EMO and between the EMO and SMO, including development and implementation of joint planning and monitoring of issues of common concern, such as:

- Resettlement: any resettlement activity obviously involves the SMO, but it should involve also the EMO, because whenever selecting a resettlement area and organizing the resettlement activities the relevant environmental impacts should be identified and properly managed.
- Fisheries: fishing involves the food supply of the people living in the area and affects the ichthyofauna of the river, therefore monitoring of this issue should involve both the EMO and SMO.
- Water quality monitoring: water quality has effects both on the environment and on people using such water: monitoring results shall be shared by both groups.
- Soil erosion: the erosion of the soil affects the people of the area by reducing the portion of arable and fertile soil and by polluting surface water used by local people; surface water pollution may also affect watercourses and the relevant ichthyofauna.
- Forest management: the management of differently categorised forested areas in and surrounding the project area is something that should be monitored by both EMO and SMO because the forests represent a significant and important source of nutrition and livelihoods for the local people, but also represent a biodiversity value.



5 GOL Agencies & Local Authorities

5.1 MONRE, EMU

NNP1PC is expected to contribute to capacity building of MONRE and to financially assist in establishing an Environmental Management Unit (EMU), which will be staffed by provincial and district officials from project affected areas.

As established in Annex C - Social and Environmental Commitments of the CA, the EMU is required to monitor all environmental aspects of project development and operation except resettlement. Monitoring of the environmental situation is to ensure that the company complies with the Lao laws. During the construction phase, key monitoring issues include impacts from construction, biomass clearance, and safety for local communities (primarily impacts from transport and traffic control); and during the operation phase impacts from power generation and other company activities.

The role of the EMU is to monitor implementation of the EMP and to report on its adequacy and effectiveness to MONRE and to NNP1PC. The EMU monitoring reports would include findings, deviations (if any) from the EMP and the CA commitments, and villager grievances.

The duties of MONRE have been expanded to include the departments of Land Planning, Forest Resource Management, and Water Resources Management. Thus, district staff assigned to these activities believe that they should be represented or involved in EMU monitoring and reporting activities as they have connecting or overlapping environmental issues.

People from MONRE, Provincial Department of Natural Resources and Environment, and district officials belonging to the EMU team conducted a site visit to the project site from 22 to 24 October 2014. The participants inspected several project site locations such as roads, camps, magazine storage, temporary bridge, dam sites and water quality monitoring locations. A wrap up meeting was held on 24th October to highlight key issues identified during the site visit.

The LTA is not informed of any plan for further site inspections by MONRE / EMU.

5.2 LTA's Comments

LTA fully agrees with the comments already given by the IAP during their last visit at site, recommending that the company convenes a workshop combining the EMUs of both provinces and MONRE to review the duties of the EMU for the Nam Ngiep watershed. MONRE should be invited as workshop organizer to review "lessons learned" from Nam Theun 2 and Theun-Hinboun projects. The agenda shall include the expanded mandate of MONRE to oversee integrated environmental conservation interests of water, forest, and biodiversity protection at the regional and district levels. The meeting would be an appropriate time to discuss how best to make use of NNP1PC funds to be contributed as per CA commitments (versus recent EMU and MONRE budget requests), how to monitor impacts on water and forest resources from other hydropower project developments, and how best to make use of future monitoring reports to inform project-affected-persons of monitoring results. These activities would be of interest to a future Nam Ngiep River Basin Committee comprising representatives of private and public sector development projects in the Nam Ngiep river basin.



6 Contractors' E/S Organisations

6.1 Civil Contractor

The Organisation chart of the civil contractor Obayashi includes a Safety and Environmental Department with one “Chief Engineer”, two Safety and Environmental Officers and one Environmental Specialist. A Social Issues Department is not included in the organisation, and to our knowledge no social officers are included in the Safety and Environmental Department. Also, the LTA is not informed about the presence of environmental or social officers within the organisations of the subcontractors.

The LTA indicated in previous quarterly reports that the Safety and Environmental Department of Obayashi was understaffed; until very recently the low priority given by the Obayashi project management to environmental and social issues was apparent.

NNP1PC should stress the need for Obayashi to strengthen its E&S organisation on site, as necessary to regularly check the subcontractors performance on environmental aspects, particularly wastewater treatment and waste management, and to record construction related grievances and social problems of the population of the near-by villages. This will supplement the EMO and SMO teams' tasks to monitor the compliance with established SSESMMPs and manage social concerns.

6.2 Other Contractors

An Environmental, Health and Safety Officer is shown in the organisation chart of the Transmission Line Works Contractor, without further details. NNP1PC shall request full details of the environmental, health and safety organisation as part of the ESMMP-CP for the transmission line, before the contractor starts field activities.

Nothing related to environment is shown in the organisation chart of the EMWC, while at the time of the visit an organisation chart was not yet provided by the HMWC. In both cases, NNP1PC shall request information about environmental organisation as part of the ESMMP-CP for their work, before these contractors start field activities.



7 Site Specific Environmental & Social Aspects

7.1 Reported Inspections / Non-Conformances

According to NNP1PC 2014 Q4 quarterly report a total of 29 non-compliance issues were considered open (requiring corrective action), and assessed as Level 1 non-compliance issues. There were no Level 2 and Level 3 non-compliance issues identified/assessed during the reporting period. A total of 56 non-compliance issues have been completed and closed with an appropriate reason provided. In addition, two issues (1) Right Tunnelling Industrial area – on schedule with ongoing remedial work, and (2) Songda workshop – are pending.

Table 7-1 Open Non-Compliances by End December 2014

Site	NON COMPLIANCES		
	Level 1	Level 2	Level 3
MVDC Camp	2	0	0
MVDC Parking Area	0	0	0
Lamsay Camp	0	0	0
PKC Camp	4	0	0
SEEC Camp	0	0	0
TCM Camp	2	0	0
Temporary Bridge and Stockyard	0	0	0
Q1	0	0	0
Road A1	0	0	0
Road P1	0	0	0
Road T4	0	0	0
Road T5	0	0	0
Road T8	0	0	0
Road T9	0	0	0
Road T11	1	0	0
Road T12	0	0	0
Road T13	0	0	0
Re-regulation Dam	2	0	0
Right Tunnelling Camp	12	0	0
Songda	1	0	0
V&K	5	0	0
TOTAL	29	0	0

7.2 Findings from the Site Visit

7.2.1 Workers' Camp

Around 1,400 persons are presently working in the different construction fronts of the project. This number is expected to reach and possibly exceed 2,000 persons at the peak of the construction activities. Because of this, the Project developed a Labour Management Plan based on the Lao Labour Law and international standards, including ADB's Social Protection Requirements and the IFC Performance Standard 2: Labour and Working Conditions; complementing the other programmes of the Project's SDP.

During the LTA mission, the following was observed:



- At the construction site, many construction workers were not wearing complete protective construction gear, especially proper work shoes and reflector vests; hard hats were not always used.
- It was also observed that the medical kit consisted only of alcohol, cotton and bandages. There is no doctor at site. No ambulance is available at site as well.

Five construction workers camps were visited during the Jan 26-30 LTA mission. These are the Sino Hydro camp (the Chinese workers camp); Right Tunnelling (the Thai workers camp); MVDC Camp (Lao workers camp); Song Da camp (Vietnamese workers camp) and the TCM Camp (Lao-Cambodian workers camp). The findings of the visit are summarised in the Table 7-2. Corrective actions needed and other comments are discussed in the following Paragraphs 7.2.2 and 7.2.3.

Table 7-2 Conditions of Construction Camps

Camp	Observations
Sino Hydro Chinese Camp	<ul style="list-style-type: none"> • Facilities including bedrooms are relatively clean. • It has its own untreated water supply system directly pumped from underground water. • Wastewater is collected through a pipe system into a septic tank and finally discharged into the ground. The septic is sufficient for the present number of Chinese workers; if their number increases the septic tank might not be able to manage the discharged wastewater and might require pumping-out of the sewage. • There is no medical staff. A first aid kit is available in the administration office for the staff and workers. The workers are trained to provide first aid. • No ambulance or a dedicated vehicle for medical emergencies.
Right Tunnelling Thai Camp	<ul style="list-style-type: none"> • Has a medical clinic with a nurse on duty. • A restaurant serving meals is available. A small store selling fresh vegetables and other needs is also available. • Beer is served beside the restaurant. "Happy hour" is observed from 4pm to 10pm. This may help solve the problem of workers needing entertainment going to Ban Hatsaykham and Ban Hat Gniun. • There is an open canal ditch that collects wastewater drained from the kitchen and bathrooms. This drains into an open dug pond at the back of the camp where the wastewater had turned green (algae). This is may become a breeding place for mosquitoes carrying malaria or other diseases. • Some workers have brought their families with them, living inside the workers camp. Two or three of these have children below 10 years old. They said that children are kept inside the workers' rooms and are not allowed to play around the camp. • During the interview with the nurse, it was found that two workers have gonorrhoea.
MDCV Lao Camp	<ul style="list-style-type: none"> • Rooms are made of plywood. The whole camp looks underdeveloped or still being improved. No proper kitchen, toilet and bathroom. The wastewater is directly drained in a canal at the back of the camp.
Song Da - Vietnamese Camp	<ul style="list-style-type: none"> • The camp is organized and looks nice. It has a flower garden in front and at the centre in between buildings. At the back is an herb and vegetable garden. • There are function rooms for meetings and a mess room where the staff eats. • It has a small clinic with some medicines. There is a nurse, which was out when we visited.



Camp	Observations
	<ul style="list-style-type: none"> • Sleeping rooms have four double deck beds. • Each room has a septic tank underneath the floor where wastewater from the toilet is deposited. • There is a recreational/sports facility at the back of the dormitory.
<p>Thai-Lao-Cambodian Camp</p>	<ul style="list-style-type: none"> • This is the oldest among the workers camp since this sub-contractor worked on the access road. The work on the access road has decreased and so the number of workers living in this camp. Because of this, the living conditions of the camp deteriorated (if ever they were better when the road construction started) • Sleeping dormitories are miserable: open spaces and no rooms for privacy. The women’s sleeping quarters are equally bad. • The wastewater from the kitchen is drained through a canal ditch passing through the mess hall, where workers eat, and the sewage smells. This is drained in a dug pond at the back of the camp. An experiment is being done on the treatment of sewage by using plants / reeds, but something is wrong with the design: water has remained stagnant in the pond and is turning green. This could be a breeding place for mosquitoes. • The camp has a small room that says medical clinic but there is nothing and no one inside. • In front of this camp is an area for solid waste/garbage dumping where cows and dogs were observed scavenging.

7.2.2 Wastewater Treatment and Waste Disposal

All waste water coming from toilets, kitchens and all other water using activities performed at the camps should be treated by proper water treatment systems.

The site inspection highlighted that treating systems are very different from one camp to the other: in some cases (the Sino-Hydro camp) the wastewater is properly collected through a piping system and directed to a properly built and sized septic tank. The relevant clarified water is dispersed underground as it should be. In some other cases the waste water is properly collected through an underground piping system (Right Tunnelling camp, Song Da camp), but then it is sent to an open air lagoon. This is not the proper way to manage wastewater particularly in areas located close to the river (with consequent risk of pollution of the river water) and close to places where people live (with consequent risk of spread of malaria and other diseases).

In some other case the wastewater is directed to an open air lagoon through open channels, thus exacerbating the sanitary risks for the people living in such camps (TCM Camp).

It is strongly recommended that all camps are provided with underground pipes sewerage systems and properly sized septic tanks (see Figure 7-1) and relevant clarified water dispersing systems.

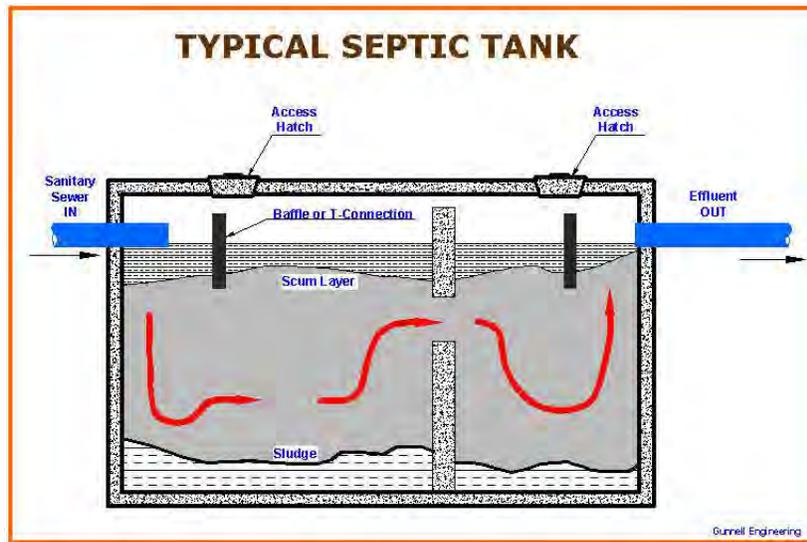


Figure 7-1 Typical septic tank

Referring to solid wastes management, the first thing is to reduce the amount of undifferentiated solid wastes by implementing a proper separate collection system that will allow to recycle most of the wastes: paper, aluminium cans, plastic, iron and other metals, used tires, etc.

The wastes that cannot be recycled must be collected and disposed in separate areas. Disposing solid wastes in a separate and fenced area is a proper way of managing solid wastes, provided that the preparation and the management of the disposal areas is done according to the following indications:

- Location restrictions — Ensure that landfills are built in suitable geological areas away from faults, wetlands, flood plains, or other unsuitable areas.
- Composite liners requirements — Include a flexible membrane (geomembrane) overlaying two feet of compacted clay soil lining the bottom and sides of the landfill, to protect groundwater and the underlying soil from leakage.
- Leachate collection and removal systems — Such collection systems, arranged on top of the composite liner, will removes leachate from the landfill for treatment and disposal.
- Operating practices — Compacting and covering waste frequently with several inches of soil help reducing odour; controlling litter, insects and rodents, protect public health.
- Groundwater monitoring requirements — Testing groundwater through wells, to determine whether waste materials have leaked from the landfill.
- Closure and post closure care requirements — Covering landfills and providing long-term care of closed landfills.
- Corrective action provisions — Controlling and cleaning up landfill releases and achieves groundwater protection standards.

The Contractor has already selected the future landfill area, which seems to be properly identified from location point of view, and designed the landfill. The latter doesn't seem appropriate, because:



- it doesn't consider the use of an impervious liner on the bottom of the landfill (pretending that the area has a very low permeability, but without producing permeability tests),
- it doesn't include a leachate collection and removal system;
- it doesn't describe the operating practices of the landfill,
- and it doesn't include an adequate groundwater monitoring system.

It is strongly recommended to realize the land fill in the selected area, but reviewing the design according to the recommendations above.

7.2.3 Other Comments to the Camps Conditions

7.2.3.1 Medical and First Aid facilities

The need to have proper medical / first aid facilities at site was already pointed out in the part of the 2nd Quarterly Report dealing with General and Technical aspects: considering also the expected increase of the work force, the limited medical facilities available at Paksan and the time needed to reach Paksan or Vientiane, in the LTA's opinion it is essential to implement at site a proper clinic, adequately staffed and available to all workers, sufficient to treat injuries at least until the most serious cases can be transported to a suitable hospital. It would be highly desirable if medical facilities can be made available to local villagers also.

In the opinion of the LTA, it is unrealistic to expect each subcontractor to provide medical facilities adequate for serious accidents. This shall be a task of NNP1PC or of the Civil Contractor Obayashi.

7.2.3.2 Minimum Living standard in the Camps

The EMO/SMO should monitor the subcontractors camps to check if they comply with the standards required according to Lao Law and with any other minimum standard established in the EPC Contract, in the Concession Agreement, in the ADB Facility Agreement or in any other Lenders' standard. The Project must make these standards clear to the main Contractor who is primarily responsible for ensuring compliance with subcontractors.

7.2.3.3 Workers' Families Issue

When visiting the Right Tunnelling Camp, we found that some workers have brought their families with them, living inside the workers camp. Two or three of these families have children below 10 years old.

In another camp visited, some families reportedly come to visit and stay for a few days; the Vietnamese subcontractor allows workers to go home every 4 months to visit their families.

The LTA was previously informed that Obayashi let families in the camps according to each subcontractor's own policy. The LTA is not against having families in the workers' camps, provided that minimum living, privacy and especially safety standards are maintained. However, having children in the camps should be discouraged: apart from privacy and safety, deficient medical facilities and lack of school shall be taken into account.



7.2.3.4 Child and Forced Labour

During the workers camp visits, a question to the sub-contractor management was asked if they were hiring children as labourers. The information gathered was that no child or forced labour are hired in the project. This was validated when the LTA went around the construction sites: no children or youth below legal working age were observed. This was also confirmed during the wrap-up meeting with the Contractor and NNP1PC.

Therefore, the LTA can confirm that so far the Project has observed compliance with the Labour policy of non-employment of forced labour or child labour.

7.2.3.5 Workers' Health Monitoring, Control of Sexually Transmitted Diseases

So far, no workers' health data or statistics are available. However, when visiting the Right Tunnelling Camp we were informed that two workers have gonorrhoea. To control the health conditions of the workers and of the local villagers of Ban Hatsaykham and Ban Hat Gniun, the LTA recommends:

- Obayashi should instruct the subcontractors to undertake medical test of its workers. Not to discriminate but to know who is already sick so that extra precaution in dealing with workers with diseases is applied. Also, before being hired all workers shall be tested for STD & HIV AIDS.
- Education on the prevention of sexual diseases shall be conducted by SMO or by some NGO. Condoms should be made available for free in all workers camps. Dispensers must be discreetly accessible to all.
- The Public Health Action Plan should be undertaken as soon as possible for the villages of Ban Hat Gniun, Ban Hatsaykham, Ban Tha Heua, and for camp followers, construction workers and sex workers. This shall include an education and awareness raising campaign on the prevention of transmission of diseases particularly STD and HIV AIDS. In relation to this, a health baseline survey of the three villages above and of the patients of the District Clinic/Hospital and Provincial Hospital has been conducted to establish the health situation of the project area and of the local people prior to the influx of workers coming from different places and countries. Subsequently health monitoring should be periodically conducted, to know if workers are bringing diseases to the local communities.

7.2.4 Impacts on Hatsaykham and Hat Gniun Villages

Many restaurants and bars are presently open in the villages, sex workers are also present. In past months there were accidents like a sexual assault to a woman, fighting between villagers and construction workers, and a presumed robbery of a motorbike by a construction worker.

Some improvement can be recorded in the effort by NNP1PC to minimise the impact of the construction activities on the villages:

- Efforts are being made to restrict entrance to the villages by construction workers.
- The stretches of the access roads close to the villages are being paved, to minimise dust. Speed limits have been established to minimise dust, noise and the risk of road accidents involving villagers. The speed limits are being carefully observed by NNP1PC personnel;



we are not sure about the behaviour of Obayashi and subcontractors' personnel in this respect. It was also commented by NNP1PC that often speed limits are not respected by the villagers themselves.

However, the root problems remain:

- The camp followers issue is not yet solved: a dedicated area is not yet defined and a corresponding plan is still being developed, with no firm schedule about its implementation.
- Some progress has been apparently made, but a police post in the Project area is not yet established.
- Above all, the schedule for the resettlement of the Hatsaykham village has been postponed to the first quarter of 2016.

7.3 Accident Follow-up

A fatal accident occurred on January 2, 2015, when a truck carrying sand capsized on the access to the ferry crossing the river and the driver lost his life. The LTA was satisfied that proper action has been taken by the Civil Contractor to document and report the incident, and to financially compensate the family of the deceased in line with both Lao law and project procedures. Additional compensations are being considered, such as employment of the wife or a monthly allowance of 100 USD for 5 years. The SMO is following this up.



8 Environmental Plans

8.1 Biodiversity Offset Planning and Implementation

Activities related to biodiversity offset have been reported as follows in the presentation made by the EMO team during the previous visit:

- 1st instalment (pre-COD) of 180,000 USD toward the Environmental Protection Fund (EPF) to GOL has been triggered. A request has been submitted to GOL for involvement in a handover process which includes conditions around NNP1PC ongoing participation in project selection (capacity building district and provincial staff in watersheds management), and sub-project vetting.
- Term of Reference to recruit a consultant for Biodiversity Offset Baseline preparation has been drafted and is under internal NNP1PC review. Field work is planned to commence this dry season.
- Revision of the Biodiversity Offset Framework is currently underway. The draft introduces the establishment of GOL institutional arrangement and activities.
- EMU's monitoring under the CA Annex C: currently negotiations are in place around budget. GOL has requested more budget than agreed in the CA. EMU to develop a proposal for review.

During a meeting held in the EMO office with Mr. Viengkeo (the Team Leader of the Biodiversity Team) it was clarified to the LTA that:

- The biodiversity team started its activity in July 2014;
- The biodiversity framework was prepared by ERM and approved by ADB in July 2014
- By February 9, 2015 a New Biodiversity Framework will be prepared;
- The biodiversity survey is supposed to commence by mid-February. By the end of March an updated framework is expected to be submitted;
- By July 2016 the survey is supposed to be completed, one year is considered necessary to confirm the existing species and to develop a management plan.

8.2 Watershed Management Planning

8.2.1 Scope and Progress

According to information received during the visit, the formation of the Watershed Management and Biodiversity Offset Management teams of the EMO was essentially completed in September 2014. Through these teams, NNP1PC is supporting the GOL in establishing the Watershed Management Committee. The target is to build working partnerships with upstream catchment users including hydropower, forestry, agriculture, mining and conservation, and to develop a comprehensive Watershed Management Plan. This organisation work is presently ongoing.



8.2.2 Critical Aspects

In terms of watershed management, it is important at this stage to keep monitoring the water quality upstream of the construction site for at least one full hydrological year, to obtain data about the water quality of the river in natural conditions: without this it will be impossible to accurately estimate the impact of the project on the water quality of the river. We understand that the EMO is regularly monitoring the water quality.

8.3 Houay Soup Resettlement Area – Environmental Issues

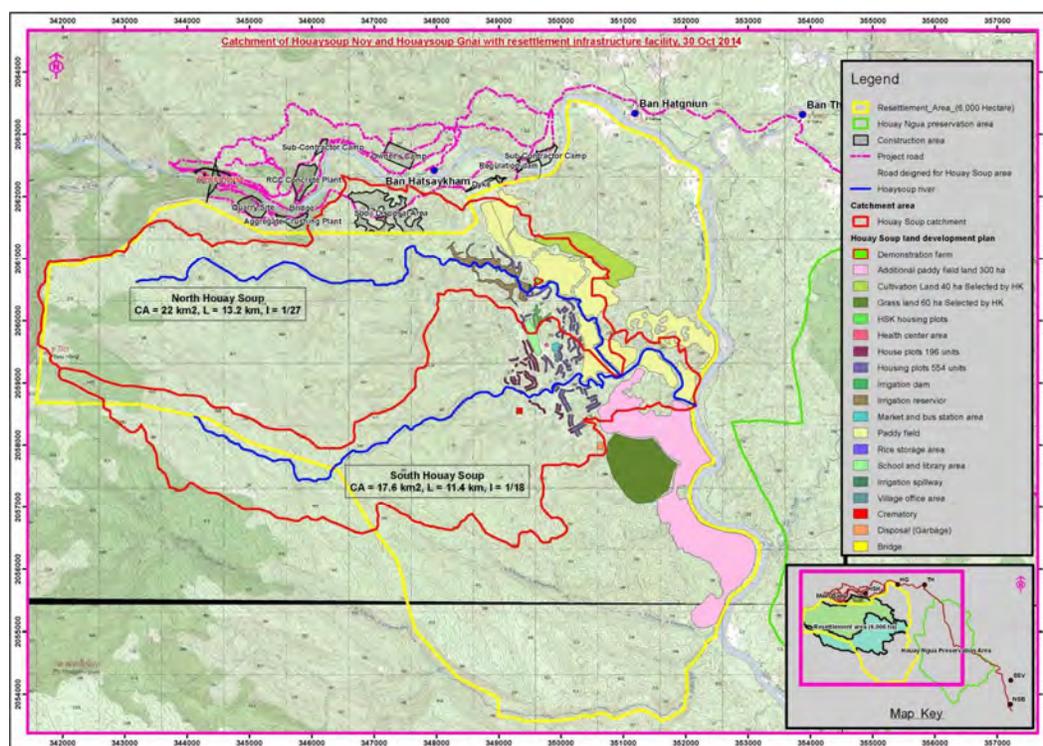


Figure 8-1 Houay Soup Area

As stated by the IAP, within the 6,000 ha originally assigned for resettlement, 4,250 ha are designated as protected forest, even though some areas are completely cleared and other areas have extensive cultivation. Before allowing all or part of the protected forest area to be used for resettlement, the Department of Land Management requires plans for land use, watershed management, and forest management. The EMO and SMO should work together to define how much of this land is required for resettled families and to identify appropriate activities within the area made available for resettlement, including sustainable forest management, NTFP collection and agroforestry.

8.4 Other Environmental Issues

8.4.1 230 kV Transmission Line

Environmental tasks under NNPIPC direct responsibility include as a matter of immediate concern the definition of the boundaries of the PKK National Biological Conservation Area and



the clarification about the status of the Na Ban elephant park boundary, to allow finalising the alignment of the 230 kV transmission line, taking also into account other restrictions to be considered (the 230 kV line being planned by EDL for future development; the China – Lao High Speed Rail Link) and the need to minimise the impact of the line on nearby villages.

The problem of the boundaries of the PKK National Biological Conservation Area is mainly due to uncertainties about its actual borders: the limits

- shown in the map supplied from MONRE, EdL;
- defined along the 200 m elevation contour line;
- according to physical boundary markers, believed to have been installed incorrectly;

do not coincide. NNP1 indicated during the visit that they expect the matter to be clarified shortly, after which the IEE shall be updated accordingly.

Along the 230kV line, village consultations took place in 31 villages and asset registration commenced to assess the effective impacts of the establishment of the transmission line following the finalization of the transmission line alignment.

8.4.2 Reservoirs Clearing

There are no reported activities on this issue so far.



9 Social Issues under NNP1PC Responsibility

9.1 Status of Activities

After the December IAP Mission, where program issues on resettlement and IPs were identified and actions required were given deadlines, nothing was achieved as of the LTA Mission on January 26-30, 2015. The critical social safeguards activities that should have been acted on are:

- Establishing and notifying the cut-off date;
- Issuance of compensation unit rates;
- Assessment of alternative resettlement sites; and
- Choice survey of the 2LR Project-Affected-Persons.

According to the SMO, nothing was accomplished for the following reasons:

- The last week of December is the Hmong New Year;
- Xaysomboun province is undergoing reorganization; and
- The SMO Senior Social Manager's contract was not renewed. Other key SMO staff have not renewed their contract because they were offered short-term contracts only.

Choice survey is dependent on the issuance of the compensation unit rates and on the assessment of alternative resettlement sites. The PAPs are very wise on waiting for this. If the compensation rates are high, they might decide to do self-relocation. There will be 2 choices as outlined in the CA: cash compensation for self-relocation; or the resettlement to Houay Soup. The option to select other relocation areas remains to be decided..

The LTA had a meeting with the SMO staff on January 29 to re-plan the targets that were not accomplished. SMO stated that they cannot commit to firm dates / schedule of their activities because of factors outside of their control, such as the reorganization of Xaysomboun Province.

During the wrap-up meeting at the end of the visit the Deputy Manager for the Environment and Social Department promised to bring up coordination issues with GoL during the Project Board meeting on Feb 9, 2015. What is needed is a high level intervention from the Project Management and NNP1PC Board with Xaysomboun and Bolikhamxay officials, to stress the need of the official announcement of the cut-off date and the issuance of the compensation unit rates. It was recognized during that meeting that the SMO cannot do this alone at their level. Project management undertook to speak with the Provincial Governors of the two provinces and the District of Hom. Target dates need to be agreed with the PRLRC which will help NNP1PC achieve the milestones outlined in the REDP.

9.2 PAP Resettlement

The four affected villages of 2LR remain reluctant to relocate to Houay Soup for several reasons: they say that the land in Houay Soup is not fertile (it is acidic) and will not yield the same harvest



they are enjoying in their present location. It will need fertilisers (and thus extra expenses by the PAPs) to make it as productive as the land they presently farm. This would mean additional expenses by the PAPs which would make their cash income from farming lower. At present, they are not using fertilizers.

Also, because a portion of the area lies within the NPF they are afraid that the land available in Houay Soup will be much less than what they are presently using. Many are using the forest and upland area for their farming which gives them the impression that the total land they are currently using for production is bigger.

A visit to the Houay Soup area was conducted by both LTA social and environmental experts: infrastructure development has not yet started as compensation for land users is under way. The demonstration farm has been ongoing for a few years now and continues to act as a display and training facility for PAPs. The SMO has been bringing people from affected villages to show how rice is being grown in the new site, and how some cash crops such as cassava, vegetables, poultry raising and catfish roe in ponds are being tested.

As an alternative to Houay Soup, 2LR PAPs have suggested to go back to their original villages of Saan Phou Toey or Saam Liam or Phou Sam Sao or Gnot Houay Nam Thong, from which there were moved by GoL national policies many years ago. Initially GoL was unwilling to consider this course of action, but has agreed to re-evaluate the sites. Inspection of these sites was scheduled for January 2015, but was rescheduled for mid-February. The PRLRC plans to make a final choice by mid-March 2015. If the alternative sites are approved by the PRLRC, survey results will be presented to households in 2LR so that they can compare with Houay Soup to make an informed decision of their resettlement choices. If the sites are not endorsed by the PRLRC, an indicative choice survey will then be conducted by the Project to identify which households would prefer to take cash compensation and which will relocate to Houay Soup.

9.3 Other Social Programs

- A Labour Management Plan, a Public Health Action Plan and a Community Development Plan have been prepared and incorporated as constituents of the Project's Social Development Plan.
- The Project has an approved Resettlement and Ethnic Development Plan which is publicly available on the ADB website. REDP zonal sub-plans are being updated to include revised data and in response to any special concerns of ethnic groups/indigenous peoples such as specific compensation issues and agreements and using traditional agricultural practices, promoting ethnic handicrafts for livelihood programs, etc. while quarterly monitoring reports provide updates on employment of ethnic minorities/IPs in the project construction activities and the presence of vulnerable households.

9.4 Critical Issues

- The NNP1PC's Management must talk with the provincial governments of Xaysomboun and Bolikhamsay at the earliest opportunity to emphasise the importance of completing the four crucial activities listed earlier: notifying the cut-off date, issuance of compensation unit rates, assessment of alternative resettlement sites and choice survey of the 2LR PAPs be undertaken immediately. These activities are necessary so that resettlement infrastructure development and other activities will be able to move forward and avoid any further delay in the advance of the compensation and resettlement processes.



- As early as possible, assessment of the proposed alternative sites must be undertaken. The results of the survey shall be presented in comparison with Houay Soup so that the affected households of 2LR can make an informed decision of where they are going to resettle.



10 Environmental & Social Budget Monitoring

10.1 Total Budget, 2014 Expenditures

To the LTA’s knowledge, the total Environmental & Social Budget for the Project implementation stage is 56’647’047 USD.

The expenditures in 2014 were 6.54 million USD, versus a 2014 budget of 15.67 million USD, as indicated in the Figure 10-1. The huge gap reflects the delays occurred so far.

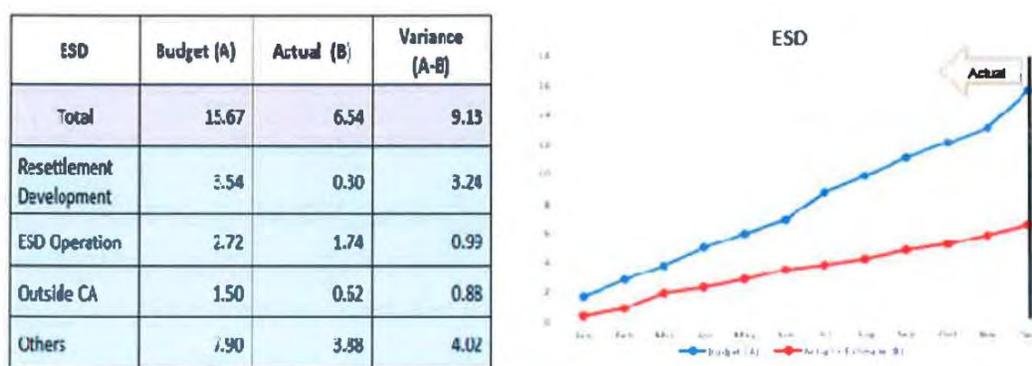


Figure 10-1 2014 E&S Expenditures versus Budget

10.2 2015 Annual Budget

In January 2015 the LTA received the breakdown of the 2015 E&S budget shown in the Table 10-1.

Table 10-1 2015 E&S Budget

Items	Amount (\$)
1 Resettlement site development cost	6,625,014
2 Compensation cost	464,814
3 Livelihood restoration programs	308,327
4 ESD (Salary)	3,751,635
5 ESD (Others)	979,050
6 Environmental Management	785,340
7 Watershed Management Cost	82,079
8 Fund	489,170
9 IAP	186,427
10 OUTSIDE the CA/ANNEX C	768,110
Total	14,439,966

At this point, the LTA is not sure if this will be the final budget for 2015, or a revision will be made, together with the revision of the overall budget of the year.



If this budget is maintained and actually used, the total spent on environmental and social matters up to the end of 2015 would be about 37% of the total budget, which could be deemed reasonable.

It is noted that the amount budgeted in 2015 for ESD salaries and other costs, + the “Environmental Management” (?) is about 38.2% of the total annual budget. This seems disproportionately high and would deserve some explanation by NNP1PC.



Annex 1

Scope of LTA's Services – Phase 2 – Environmental & Social Aspects



Phase 2: Until Project Completion: Construction and Performance Test Monitoring and Certification

Tasks related to general and technical aspects are stricken out, as this annex refers to tasks related to environmental & social aspects only.

1. **Project Implementation Status and Site Visits:** Visit the site every 3 months during the construction period and early operation for the following monitoring duties:
 - ~~(a) to follow the construction progress, assess progress in engineering, procurement, construction activities, review progress reports prepared by the Project Company/Contractor's engineer;~~
 - ~~(b) to evaluate the quality of the completed work and review quality control reports;~~
 - ~~(c) to monitor the actual expenditures against budgeted expenditures;~~
 - ~~(d) to attend site construction progress meetings;~~
 - ~~(e) to ensure the work is performed in accordance with the approved design;~~
 - ~~(f) to review and verify all major variation orders;~~
 - (g) to check Project compliance with the local laws, ADB Environmental and Social Safeguard Policies and Guidelines as well as any additional environmental and social standards required by other Lenders; and
 - (h) to prepare a written report with photographs after each site visit and distribute the completed report within ten (10) days of such visit.

- ~~2. **Change Orders:**~~
 - ~~(a) Review and consider for approval any construction variation or change order in excess of such threshold as may be specified in the financing documents and report these on a cumulative basis in the monthly reports and quarterly site visit reports.~~
 - ~~(b) Assess the impact of proposed change on operational and maintenance costs, whether change in cost is reasonable, and the impact on project completion.~~

- ~~3. **Procurement:** Review the implementation of the overall procurement procedures, preparation of procurement documents, procurement contracts and packages in accordance with the Contracts and the overall project implementation schedule.~~

- ~~4. **Schedule and Cost Deviations:** Identify and report to the Lenders any changes or events that could lead to deviations of the Project schedule and costs from the agreed targets, due to unforeseen events such as: foundation conditions, accidents, disputes between contracting parties, design flaws, political events, unusual weather, equipment failures, factory strikes, construction labour disputes, and other similar events that might impact the Project.~~

- ~~5. **Monitoring and Certification of Disbursements:**~~
 - ~~(a) Review the contractor's milestone or drawdown requests and supporting documentation.~~
 - ~~(b) Certify progress claimed through the achievement of milestones on each cash drawdown request. The LTA's Certificate will be required for each drawdown.~~



- ~~(c) Monitor and report in the monthly reports on the disbursement of Project funds disbursement program, Project implementation schedule, and contractors drawdown schedule.~~

~~**6. Preparation of Punch Lists:**~~

- ~~(a) Towards the end of the Project construction period, participate in the final "punch" lists and facility review to record all work requiring completion and defects needing correction, and monitor the completion of all outstanding work to ensure the achievement of a fully completed project of high quality.~~
- ~~(b) Agree on the work items transferred from the Punch Lists to the Completion List.~~

~~**7. Performance Tests:**~~

- ~~(a) Review testing methodology and schedule based on the performance testing procedures specified in the Contracts, PPA and other documents.~~
- ~~(b) Working as the LTA, participate, as reasonably required, in such performance tests that relate directly to plant performance and reliability, including: (i) the site performance tests of the major equipment components; and (ii) testing of the complete plant upon completion.~~
- ~~(c) The results of all performance tests will be reviewed by the LTA and reported in a special independent overall performance test report, separate from the other reports within the time period requirements of the Contracts. The LTA will advise the Lenders when the plant is ready to commence performance testing.~~

~~**8. LTA Certificates and Construction Completion:**~~

- ~~(a) Provide written certificates to the Lenders confirming when the Project has achieved Mechanical Completion, Provisional Acceptance, Substantial Completion, and Final Acceptance (as such terms are defined in the Contracts).~~
- ~~(b) Confirm the acceptability of the Punch list and the Completion List created under the Contracts and provide any other written certificates contemplated by the Contracts and the Loan Agreements of the Lenders.~~
- ~~(c) Certify that the plant has been fully accepted and has entered commercial operation.~~

- 9. Reports:** The written reports to be prepared by the LTA include (a) monthly implementation progress reports during the targeted construction period based upon data supplied by the Project Company, (b) quarterly site visit reports and (c) special visit reports related with the Performance Test Report encompassing the site component and unit testing activities that will serve as a permanent plant reference document. All reports would include an Executive Summary. The Performance Test report will be submitted in draft form to the Lenders for their review and comments before issuing in final form. All other reports will be prepared and issued in final form, with incorporation of all relevant feedback in subsequent progress reports. Sufficient copies of all reports will be sent to the Lenders.



Annex 2
Photographs



Sanitary kit at the construction site

Waste water treatment plant of the water coming out from the tunnel excavation



Quarry



Septic tank of the Sino Hydro Camp

Waste water pond of the Right Tunnelling Camp



Waste water collection system of the Right Tunnelling camp



De-oiling pond in the workshop of the Right Tunnelling camp



The fuel tank in the Lao camp



Waste water pond of the Songda Camp



Dormitories in the TCM camp



Dormitories in the TCM camp



Waste water pond of the TCM camp



Garbage collection point close to TCM camp



Houay Soup area: rice testing area



Houay Soup resettlement area

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Section	Section of the LTA Report	Reply
4.1.1	DMD ESD proposed a new staff structure for the EMO with no biodiversity position. Given the importance of the Biodiversity Offset this is not acceptable; the watershed management team should be renamed as Watershed Management and Biodiversity, comprising a land use team (which includes forest management and reforestation) and a biodiversity team responsible for the offset activity and for biodiversity monitoring under the offset arrangements and within the watershed).	The current structure was recently approved by BOD, maintaining the Biodiversity Team. Thus, Watershed and Biodiversity is managed by a separate EMO Deputy Manager.
1.1.1 4.1.3	Concerning the Monitoring and Compliance section of the EMO, the LTA's impression is that the Monitoring and Compliance team is over-staffed.	<p>The Project is of different opinion. The Compliance Inspection and Environmental Monitoring Teams are carrying out inspections for all project construction areas, including the transmission lines and later on resettlement site construction with manifold contractors and locations. The EMO will consider the ATL comment and adjust it if seen necessary.</p> <p>The Compliance Inspection and Environmental Monitoring Team is balanced with the Watershed and Biodiversity Management team in the new EMO structure.</p>
4.1.3	The EMO appears also somehow shy with the Civil Contractor, not really insisting in the application of the agreed environmental management Measures.	<p>The Project is working hard on constantly improving internal working systems. Given the stage of the Project, planned processes now translate into daily actions and constant fine tuning is being made by all involved parties.</p> <p>Currently, the EMO and TD are working together to ensure all comments from EMO are properly passed on to contractors via TD and fully addressed by the constructors.</p>

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<p>4.1.3</p>	<p>Regarding the watershed and biodiversity teams there is not much to comment as very little has been done so far.</p>	<p>The Biodiversity Team have been progressing toward the finalisation of the Biodiversity Offsets Framework for ADB approval in mid-March. For this, lots of consultation work with GOL were carried out since August 2014.</p> <p>The team was working hard with the government of Lao since August 2014 for the establishment of NNP1 Watershed Management Committee and its Secretariat in two provinces. Completed a general consultation on watershed and biodiversity management with GOL from Central to district levels and 48 villages located in and near NNP1 Watershed Area during October to December 2014.</p> <p>Regarding the watershed and biodiversity field work, planning is underway for field surveys is to begin in March 2015. Focus to date by the teams has been on field data collection for Watershed Management Planning.</p> <p>The Biodiversity Offset Framework update was completed and submitted to ADB on 13 March. The development of watershed and biodiversity management (including offset) plan is in progress.</p>
<p>4.3</p>	<p>It is recommended to improve communications and information sharing within the EMO and between the EMO and SMO, including development and implementation of joint planning and monitoring of issues of common concern, such as:</p> <ul style="list-style-type: none"> • Resettlement: any resettlement activity obviously involves the SMO, but it should involve also the EMO, because whenever selecting a resettlement area and organizing the resettlement activities the relevant environmental impacts should be identified and properly managed. • Fisheries: fishing involves the food supply of the people living in the area and affects the ichthyofauna of the river, therefore monitoring of this issue should involve both the EMO and SMO. 	<p>Noted. SMO and EMO are currently working closely together on establishing an Integrated Natural Resource Management Plan for the Houaysoup resettlement site, Integrated Fish Management Program, Erosion and Sediment Control. In case, alternative self-resettlement locations get established, close coordination of EMO and SMO will take place to address issues like watershed management and land use as well as biodiversity impacts.</p> <p>Noted. SMO and EMO have already established a joined Fisheries Working Group, led by the SMO DM Social Development and Monitoring to integrate the different fisheries components related to the Project.</p>

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	<ul style="list-style-type: none"> • Water quality monitoring: water quality has effects both on the environment and on people using such water: monitoring results shall be shared by both groups. 	<p>Noted. EMO is providing regular monitoring reports and would provide warning to SMO in case of water pollution in critical areas for local communities. SMO will regularly request from EMO water quality testing where SMO needs respective data, for example in the resettlement site.</p>
	<ul style="list-style-type: none"> • Soil erosion: the erosion of the soil affects the people of the area by reducing the portion of arable and fertile soil and by polluting surface water used by local people; surface water pollution may also affect watercourses and the relevant ichthyofauna. 	<ul style="list-style-type: none"> - Erosion Control Measures have been recommended for all sensitive construction areas. The contractors will prepare and implement the action plan before and during upcoming rainy season to control the soil erosion. - Implementation of the erosion control action plan will be closely monitored by the compliance team. - The action plan is expected to be prepared and implemented by the Contractors starting from May 2015. The Project's community relations program as well as the grievance redress mechanism will ensure, that impacts on PAPs are identified and mitigated by the respective Project teams.
	<ul style="list-style-type: none"> • Forest management: the management of the affected forest and of the forested areas surrounding the project area is something that should be monitored by both EMO and SMO because the forests represent a significant and important source for the local people, but also represent a biodiversity value. 	<p>SMO will support EMO with necessary information on community developments and vice versa use information provided by EMO for community development activities. Several teams will work together, above all the watershed management team and the livelihood teams with respective forestry/NTFP officers.</p>
5.2	<p>LTA fully agrees with the comments already given by the IAP during their last visit at site, recommending that the company convenes a workshop combining the EMUs of both provinces and MONRE to review the duties of the EMU for the Nam Ngiep watershed. MONRE should be invited as workshop organizer to review "lessons learned" from Nam Theun 2 and Theun-Hinboun projects.</p>	<p>Noted. The EMO will discuss with EMU of the two provinces and MoNRE to support their future involvement in the NNP1 Watershed Management Program.</p>
6.1	<p>NNP1PC should stress the need for Obayashi to</p>	<p>As stated in the attached Monthly Progress Report of CWC, OC regularly monitors the</p>

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<p>strengthen its E&S organisation on site, as necessary to regularly check the subcontractors performance on environmental aspects, particularly wastewater treatment and waste management, and to record construction related grievances and social problems of the population of the near-by villages. This will supplement the EMO and SMO teams' tasks to monitor the compliance with established SSESMMPs and manage social concerns.</p>	<p>construction site including camps and improves matters of non- conformance. Regarding social matters, OC for example prohibited all workers from entering Ban Hatsaykham and other villages unless OC authorise them to do so.</p>
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6.2	An Environmental, Health and Safety Officer is shown in the organisation chart of the Transmission Line Works Contractor, without further details. NNP1PC shall request full details of the environmental, health and safety organisation as part of the ESMMP-CP for the transmission line, before the contractor starts field activities.	The TL Contractor has already submitted an ESMMP-CP for TL construction works and its Health and Safety Program, including respective details.
6.2	Nothing related to environment is shown in the organisation chart of the EMWC, while an organisation chart was not yet provided by the HMWC. In both cases, NNP1PC shall request information about environmental organisation as part of the ESMMP-CP for the transmission line, before the contractor starts field activities.	Recognised. This will be done in due course and results provided to the LTA.
7.2.1	At the construction site, many construction workers were not wearing complete protective construction gear, especially proper work shoes and reflector vests; hard hats were not always used.	The Project does not allow any worker to work without appropriate PPE. We are confident that the vast majority of workers were and are wearing safety helmets and vests. For a worker not to do so risks dismissal. Safety shoes are much more of a problem because subcontractors do not supply them to workers. However, both OC and Owner continue to make efforts to outlaw thin-soled shoes. OC and NNP1PC continually check that workers wear appropriate PPE at the site, and the implementation of Project standards continues to improve.
7.2.1	It was also observed that the medical kit consisted only of alcohol, cotton and bandages. There is no doctor at site. No ambulance is available at site as well.	Please see below with a response provided in 7.2.3.1
7.2.2	All waste water coming from toilets, kitchens and all other water using activities performed at the camps should be treated by proper water treatment systems..... It is strongly recommended that all camps are provided with underground pipes sewerage systems and properly sized septic tanks and relevant clarified water dispersing systems.	Waste water treatment system at TCM camp was fully reformed and it is under operation. The improvement is ongoing for other campts.

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7.2.2	<p>The Contractor has already selected the future landfill area, which seems to be properly identified from location point of view, and designed the landfill. The latter doesn't seem appropriate, because:</p> <ul style="list-style-type: none"> • it doesn't consider the use of an impervious liner on the bottom of the landfill (pretending that the area has a very low permeability, but without producing permeability tests), • it doesn't include a leachate collection and removal system; • it doesn't describe the operating practices of the landfill, • and it doesn't include an adequate groundwater monitoring system. 	<p>EMO/TD of NNP1PC and OC are developing the design and operation of the landfill taking into account the IFC guidelines including lining, drainage and leachate ponds. The excavated pits that were seen by LTA are for use as temporary storage of waste. There is no groundwater to monitor under it rains.</p>
7.2.3.1	<p>In the opinion of the LTA, it is unrealistic to expect each subcontractor to provide medical facilities adequate for serious accidents. This shall be a task of NNP1PC or of the Civil Contractor Obayashi.</p>	<p>That has never been the expectation. When OC have their own camp on site it will have a clinic with medical staff and facilities, as will the Owner's base camp, which will employ one doctor and nurse with appropriate medical facilities from August 2015.</p>
7.2.3.2	<p>The EMO/SMO should monitor the subcontractors camps to check if they comply with the standards required according to Lao Law and with any other minimum standard established in the EPC Contract, in the Concession Agreement, in the ADB Facility Agreement or in any other Lenders' standard.</p>	<p>Noted. SMO will support EMO in its compliance work regarding subcontractor' camps via its camp follower and labour team. In addition, the Project is supporting two officers of the Lao Trade Union and the Department of Social Welfare (one each) to be based at site and regularly monitor and support labor standards (Lao Labour Law is, according to the Project's analysis, in compliance with international labour standards, so these two officers shall be aware of Project standards).</p>
7.2.3.3	<p>The LTA is not against having families in the workers' camps, provided that minimum living, privacy and especially safety standards are maintained. However, having children in the camps should be discouraged: apart from privacy and safety, deficient medical facilities and lack of school shall be taken into account.</p>	<p>Noted. The Project will not be able to deter families in workers' camps which for some families may be the only viable solution. However, the Project's camp follower team together with the GoL social welfare officer will regular monitor families in the camps and provide assistance in case families need support, for example on finding options for schooling.</p>

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7.2.3.5	Obayashi should instruct the subcontractors to undertake medical test of its workers. Not to discriminate but to know who is already sick so that extra precaution in dealing with workers with diseases be applied. Also, before being hired all workers shall be tested for STD & HIV AIDS.	As discussed during the LTA mission in January, this will be implemented based on feasible procedures and based on the Lao Labour Law which also requires regular health checkups.
7.2.3.5	Education on the prevention of sexual diseases shall be conducted by SMO or by some NGO. Condoms should be made available for free in all workers camps. Dispensers must be discreetly accessible to all.	Noted. The Project already implemented an STD awareness campaign and supports beer shops through the provision of free condoms. Furthermore, tool box meetings of the contractor will address issues of STD and HIV/Aids.
7.2.3.5	A Public Health Action Plan should be undertaken as soon as possible for the villages of Ban Hat Gniun, Ban Hatsaykham, Ban Thahuea, and for camp followers, construction workers and sex workers.	Noted. The Project has prepared a Public Health Action Plan as part of the Community Development Plan. In addition, the Project has established a Social Mitigation Action Plan (SMAP) to address camp follower issues in specific. Through adaptive management, the Project's social health team continues to implement programs described in the PHAP with adaptations, if necessary, to the situation in the individual villages.
7.2.3.5	This Public Health Action Plan shall include an education and awareness raising campaign on the prevention of transmission of diseases particularly STD and HIV AIDS.	Such awareness campaigns are included in the PHAP and are currently been implemented.
7.2.3.5	In relation to this, a health baseline survey of the three villages above and of the patients of the District Clinic/Hospital and Provincial Hospital shall be conducted to establish the health situation of the project area and of the local people prior to the influx of workers coming from different places and countries.	Noted. A health baseline survey has been conducted among the three villages and data digitalized. The respective report will be available by April 2015.
7.2.3.5	Health monitoring shall then be periodically conducted, to know if workers are bringing diseases into the local communities.	NNP1PC are discussing with OC to implement Project standards as outlined above under 7.2.3.4.
7.2.4	The speed limits are being carefully observed by NNP1PC personnel; we are not sure about the behaviour of Obayashi and subcontractors' personnel in this respect.	OC strictly enforces speed restrictors by its own and subcontractor staff and NNP1PC does likewise. OC has imposed a penalty system for those of its staff not complying as well as for not wearing PPE.

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7.2.4	The camp followers issue is not yet solved: a dedicated area is not yet defined and a corresponding plan is still being developed, with no firm schedule about its implementation.	The SMAP with budget and timeframe has been provided to the ADB. Following discussions with GoL and villagers and review of the current development, an alternative site is proposed, combining the requirements to be sufficiently away, both, from the community and the workers' camps as well as being economically viable.
7.2.4	Some progress has been apparently made, but a police post in the Project area is not yet established.	By February 2015 a police post has been established and is functioning with 6 police officers incl. 2 female working there. The office is also housing 2 additional officers from the Lao Trade Union and the Department of Social Welfare.
7.2.4	Above all, the schedule for the resettlement of the Hatsaykham village has been postponed to the first quarter of 2016.	Resettlement for Hatsaykham is continuingly be scheduled for early 2016, with the exact date depending on the finalization of house construction.
7.3	A fatal accident occurred on January 2, 2015, when a truck carrying sand capsized on the access to the ferry crossing the river and the driver lost his life..... The SMO is checking the Lao Law for this type of case and following this up.	A Corrective Action Plan (CAP #03) has been established and provided to the lenders. Currently the CAP is being implemented and conclusion of the medium-term actions necessary is expected by April 2015.
8.3	Regarding Houay Soup, the EMO and SMO should work together to define how much of this land is required for resettled families and to identify appropriate activities within the area made available for resettlement, including sustainable forest management, NTFP collection and agroforestry.	Noted. As outlined above, SMO and EMO are currently working closely together to establish an Integrated Natural Resources Management Plan, including forestry and land use planning, for the area and harmonize it with the overall Watershed Management Plan as well as the Resettlement and Ethnic Development Plan.
8.4.1	Environmental tasks under NNP1PC direct responsibility include as a matter of immediate concern the definition of the boundaries of the PKK National Biological Conservation Area and the clarification about the status of the Na Ban elephant park boundary	EMO worked closely with GOL on the PKK boundary and the elephant view point. GOL has issued a letter to authorize the construction of the transmission line, considering the necessary clarifications on these two areas.
9.1	During that meeting, the Deputy Department Manager for Environment and Social promised to bring this up during the Project Board meeting on Feb 9, 2015. What is needed is a higher level intervention from the Project Management and NNP1PC Board with Xaysomboun and Bolikhamxay officials, to stress the need of the official announcement of the cut-off date and the issuance of the compensation unit rates.	The Deputy Managing Director (DMD) is currently working closely with the PRLRC and RMU to overcome the issue and also addressed the issue at the Project's Joint Steering Committee Meeting to receive support from GoL central level.

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9.2	The four affected villages of 2 LR are reluctant to relocate to Houay Soup for several reasons. They say that the land in Houay Soup is not fertile... Also, because a portion of the area lies within the NPF they are afraid that the land available in Houay Soup will be much less than what they are presently using:	From Project perspective, the main issue raised is the fertility of soil as well as the village leaders' desire to stay close to the current areas of settlement. Also, for comprehensive information, PAPs are expecting a finalization of unit rates first, before they are willing to discuss options of resettlement again. Issues along the NPF are raised internally, but the Project is stressing the point that what is for discussion regarding the 6,000ha is the different kinds of land use allowed in each area as well as which form of tenure security to establish, but not that land availability will be less than the 6,000ha promised.
9.4	As early as possible, assessment of the proposed alternative sites must be undertaken. The results of the survey shall be presented in comparison with Houay Soup so that the affected households of 2LR can make an informed decision of where they are going to resettle.	Field surveys on alternative sites have been conducted and reports currently being prepared. GoL has established a working group which will provide conclusions to be disseminated to the villagers, so that an informed decision can be made. Meanwhile, the Project will provide its own opinion, which support for alternative self-resettlement sites is viable from a Project's logistical and financial perspective.
10.2	At this point, the LTA is not sure if this will be the final budget for 2015, or a revision will be made, together with the revision of the overall budget of the year.	ESD budgets for 2015 will be revised by the end of April 2015.
10.2	It is noted that the amount budgeted in 2015 for ESD salaries and other costs, + the "Environmental Management" (?) is about 38.2% of the total annual budget. This seems disproportionately high and would deserve some explanation by NNP1PC.	The Project decided for strong in-house implementation of ESD activities as advised by the ADB and IAP based on difficulties by other hydropower projects in the country to comply with national and international standards when outsourcing it to consultancy companies. Also the Project's own experience prior to FC with local and regional consultancy companies proved difficult. Thus, the budget includes a range of activities in its administrative budget codes, which other projects would budget under program budget codes, as they would outsource it to consultancy companies via the respective programs.