

NAM THEUN 2

Case Study

Project Preparation and Appraisal in Action

ADB

MAP OF LAO PDR WITH PROJECT LOCATION



Rationale

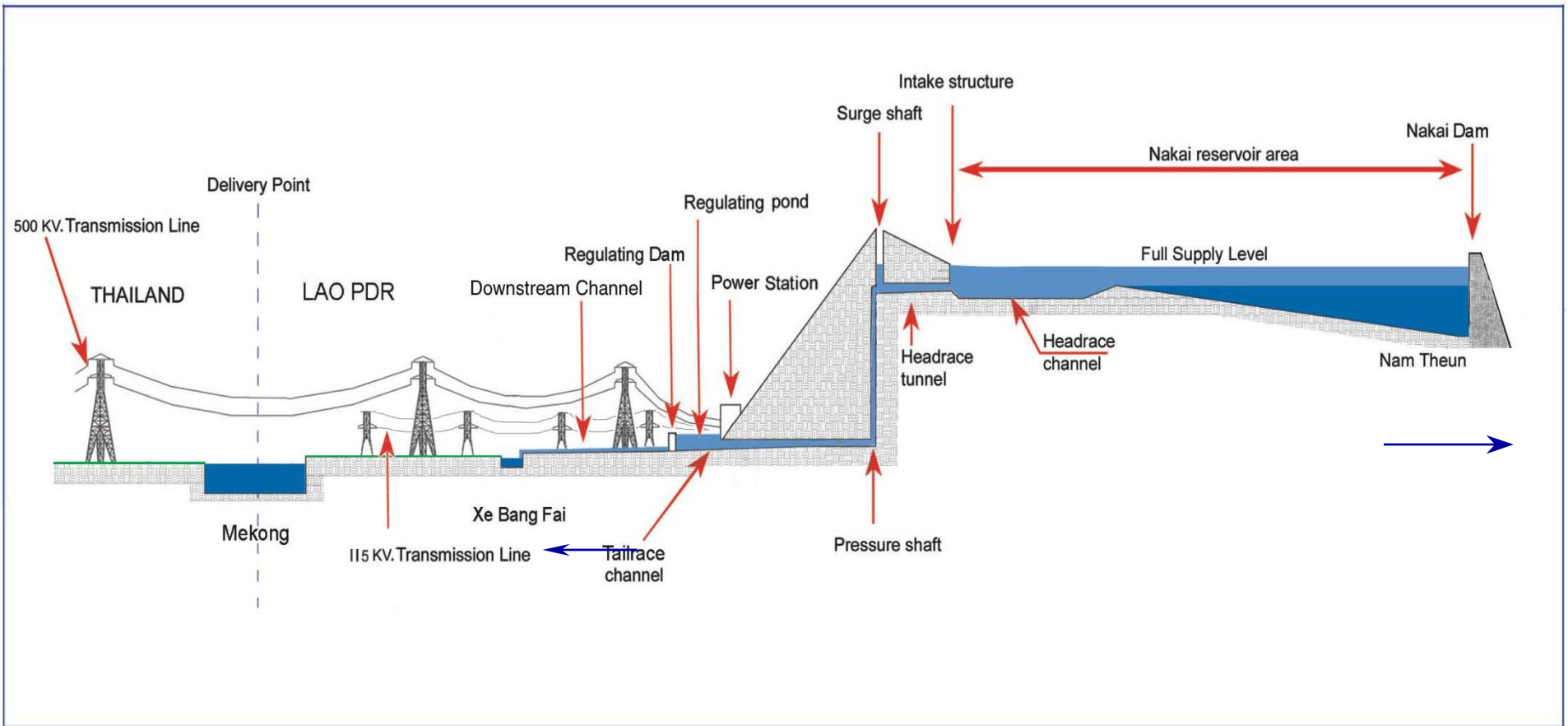
- **Sustainable Economic Growth**
- **Poverty Reduction**
- **Environment Protection**

The Project

- Development of a 1070 MW power plant on Nam Theun River, a tributary of Mekong
- Create a 450 km² reservoir
- Discharge diverted water into Xe Bang Fai river
- Export to Thailand (95%), domestic use (5%)



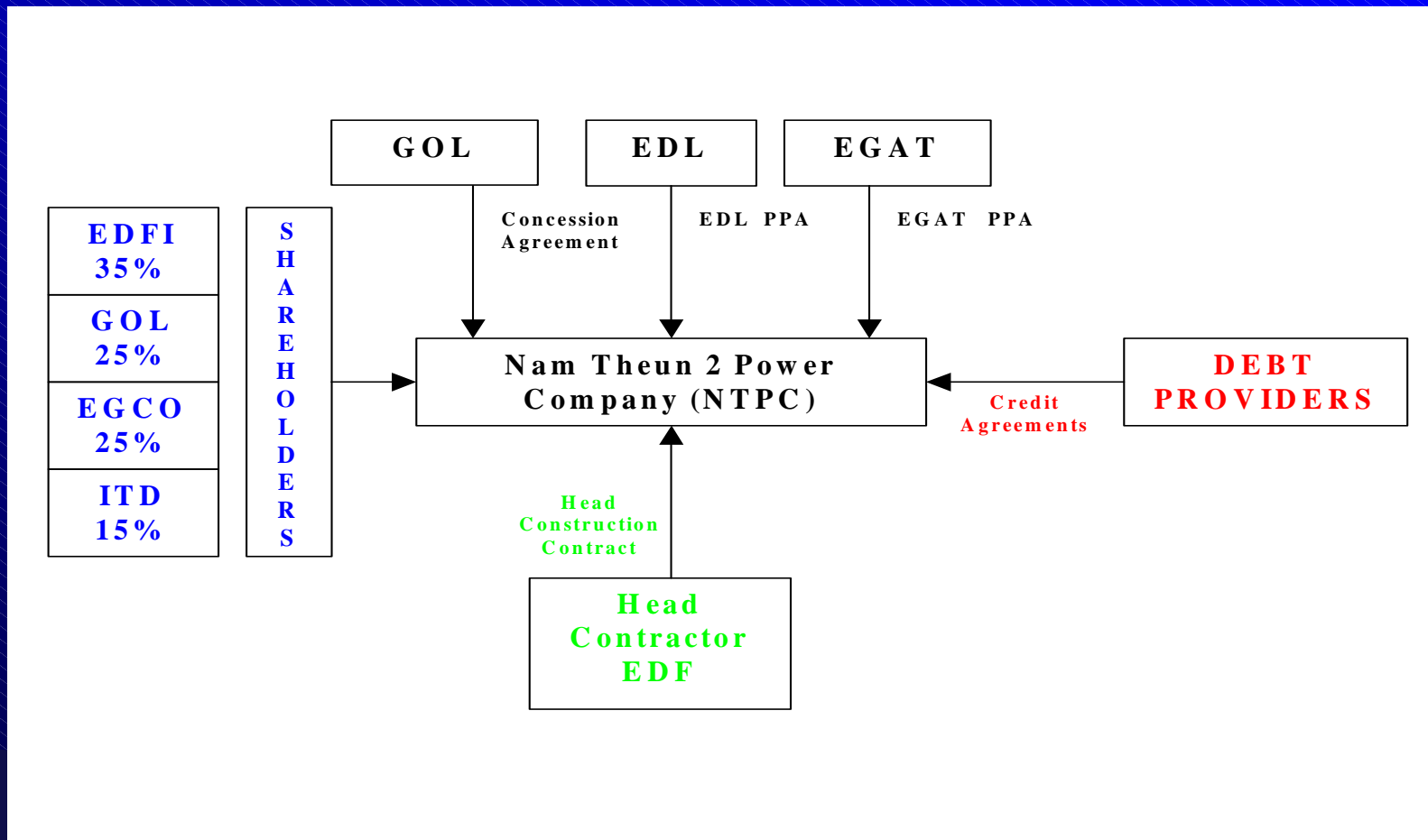
The Project



The Sponsors

- **Nam Theun Power Company (NTPC):**
 1. Electricite de France International (EdFI) - 35%
 2. Government of Lao PDR (GOL) - 25%
 3. Electricity Generating Company (EGCO) - 25%
 4. Italian-Thai Development Company (Ital-Thai) - 15%
- **Structured on BOOT - concession with 25 year operation period. All assets transferred to GOL free of costs after concession period**
- **Commercial operations expected in 2009**

Contractual Arrangements



The Project Cost

- **Base Project cost: \$1.25 billion**
 1. **72:28 base debt-equity ratio**
 2. **Debt \$900 million**
(50% Thai Baht, 50% US dollar)
 3. **Base Equity \$350 million**

IFI Involvement

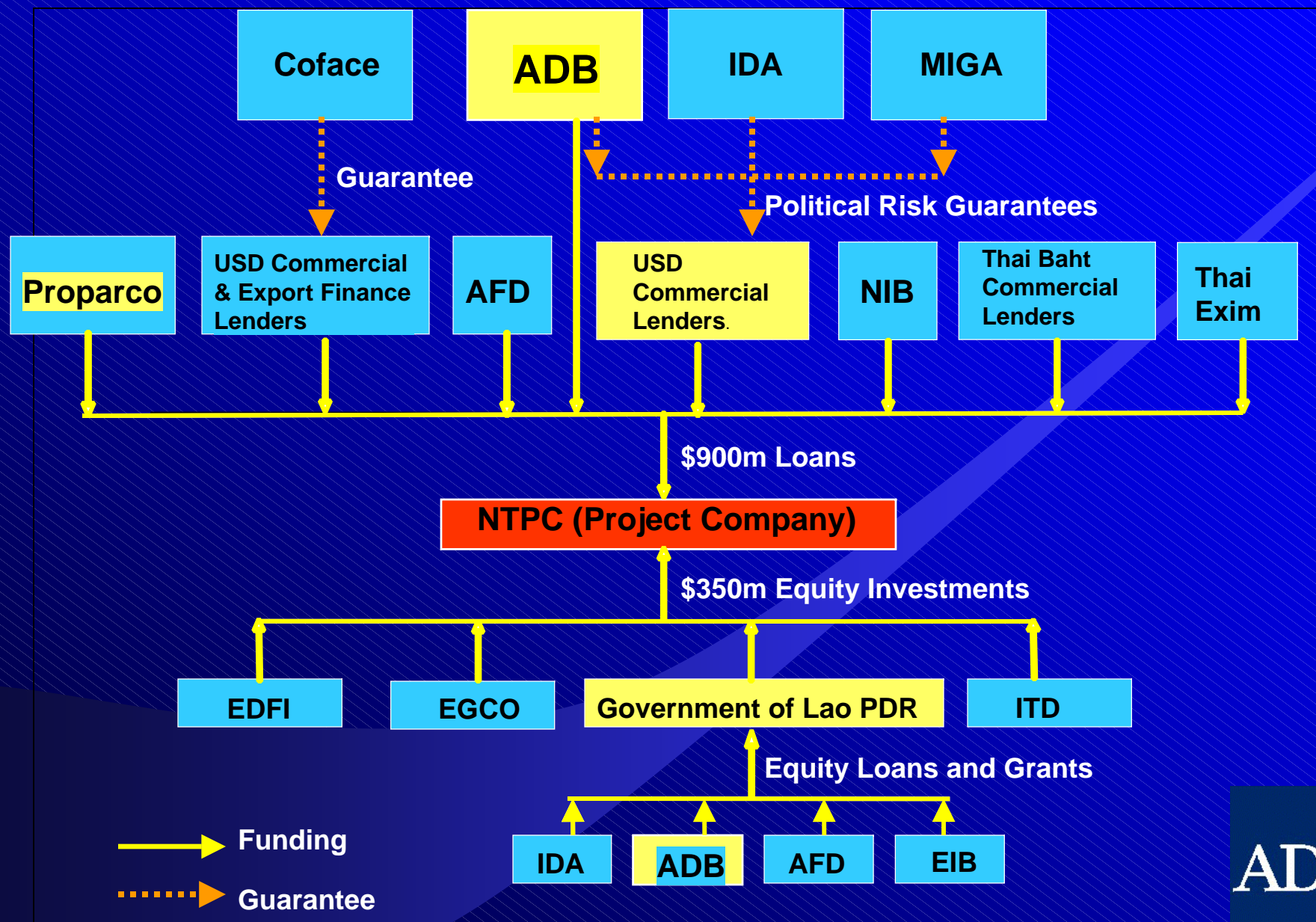
- **ADB Involvement**

1. Public sector loan of \$20 million to GOL for its equity payment (OCR/LBL terms)
2. Private sector direct loan of \$50 million to the developer (LBL terms)
3. PRG of up to \$50 million

- **WB Involvement**

1. IDA grant of \$20 million to GOL for its equity payment
2. Political Risk Guarantee (PRG) of up to \$50 million by IDA
3. PRG of up to \$50 million by MIGA

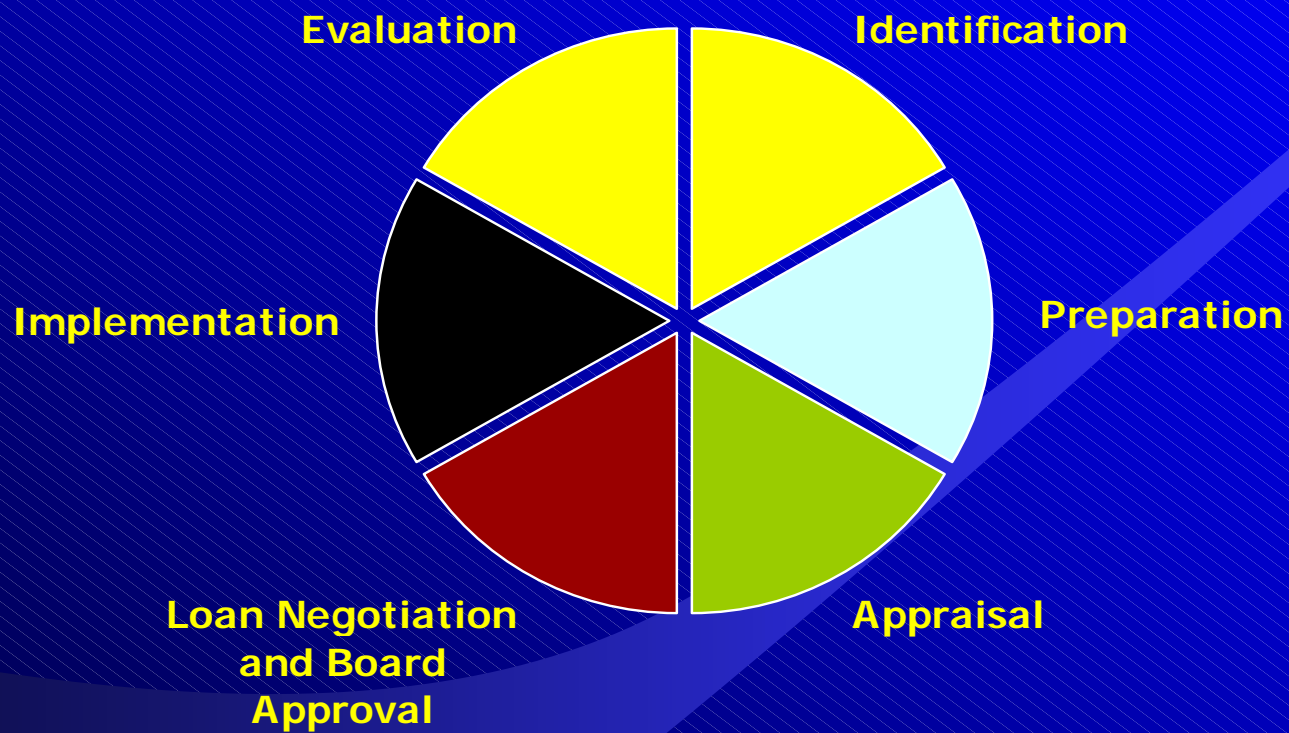
Financing Structure

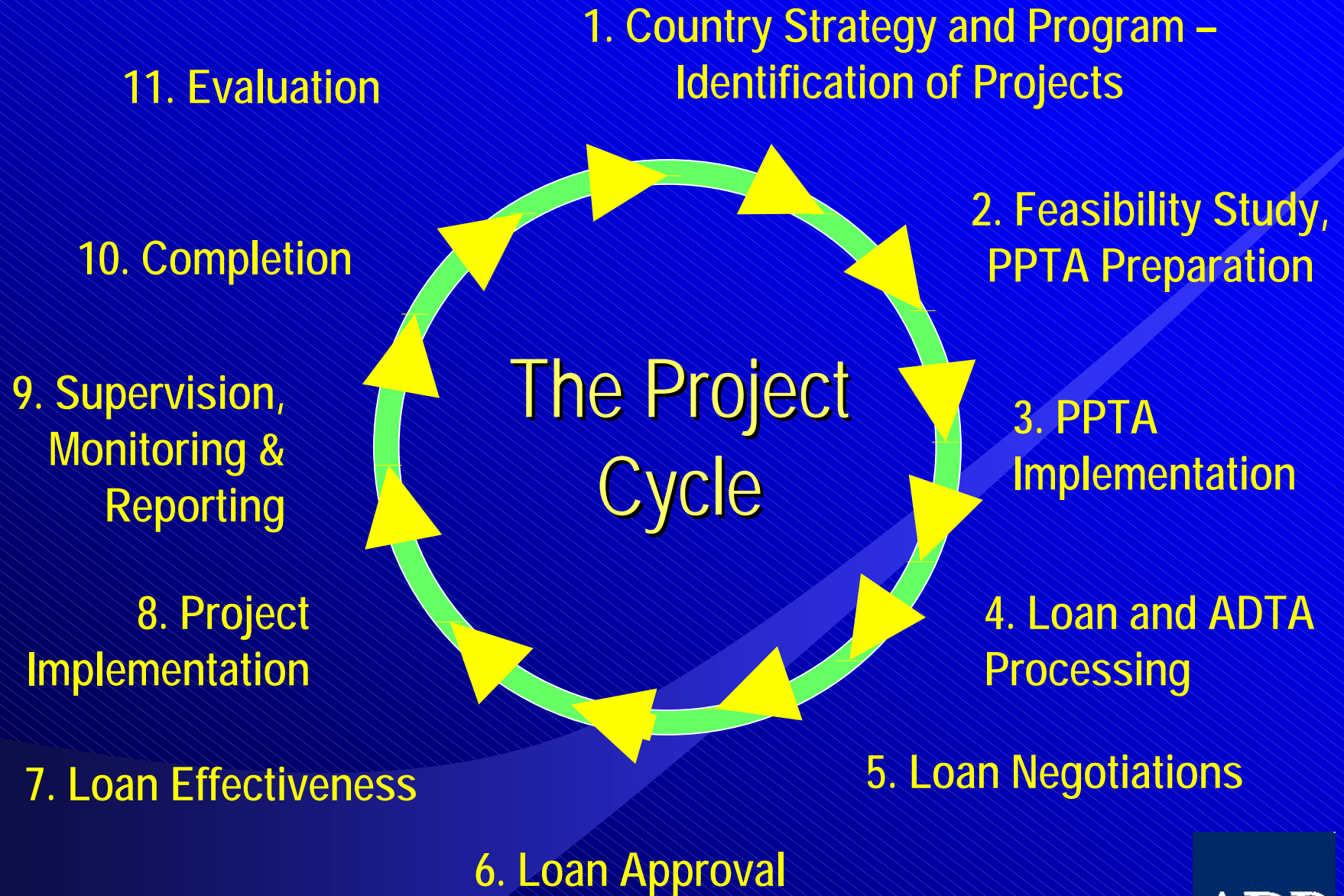


a short movie (12 minutes)

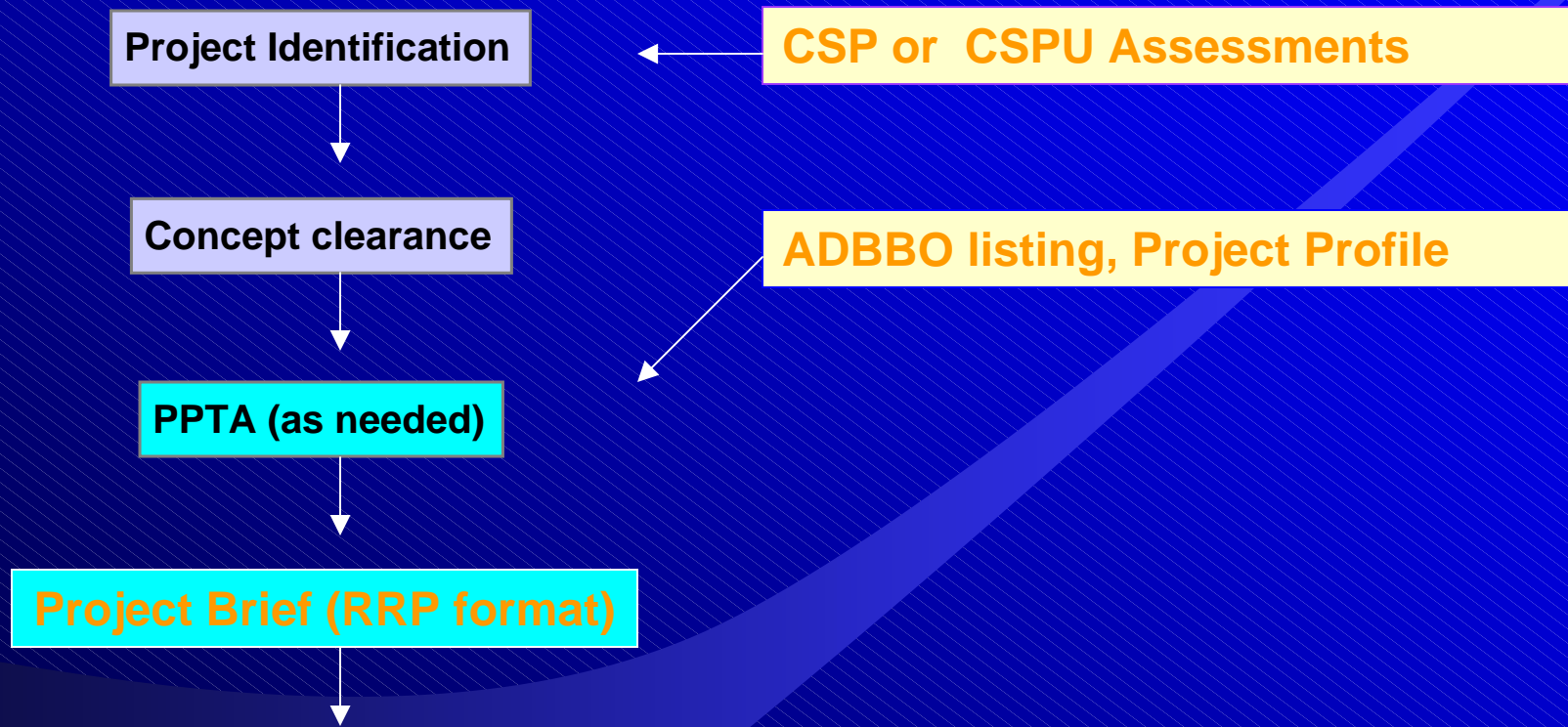
ADB

Project Cycle

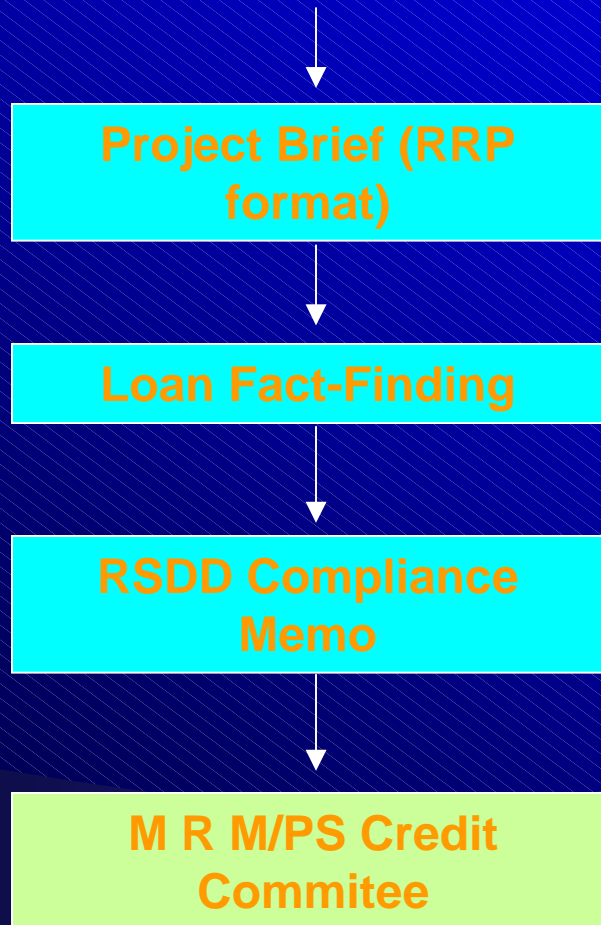




Processing Steps



Processing Steps



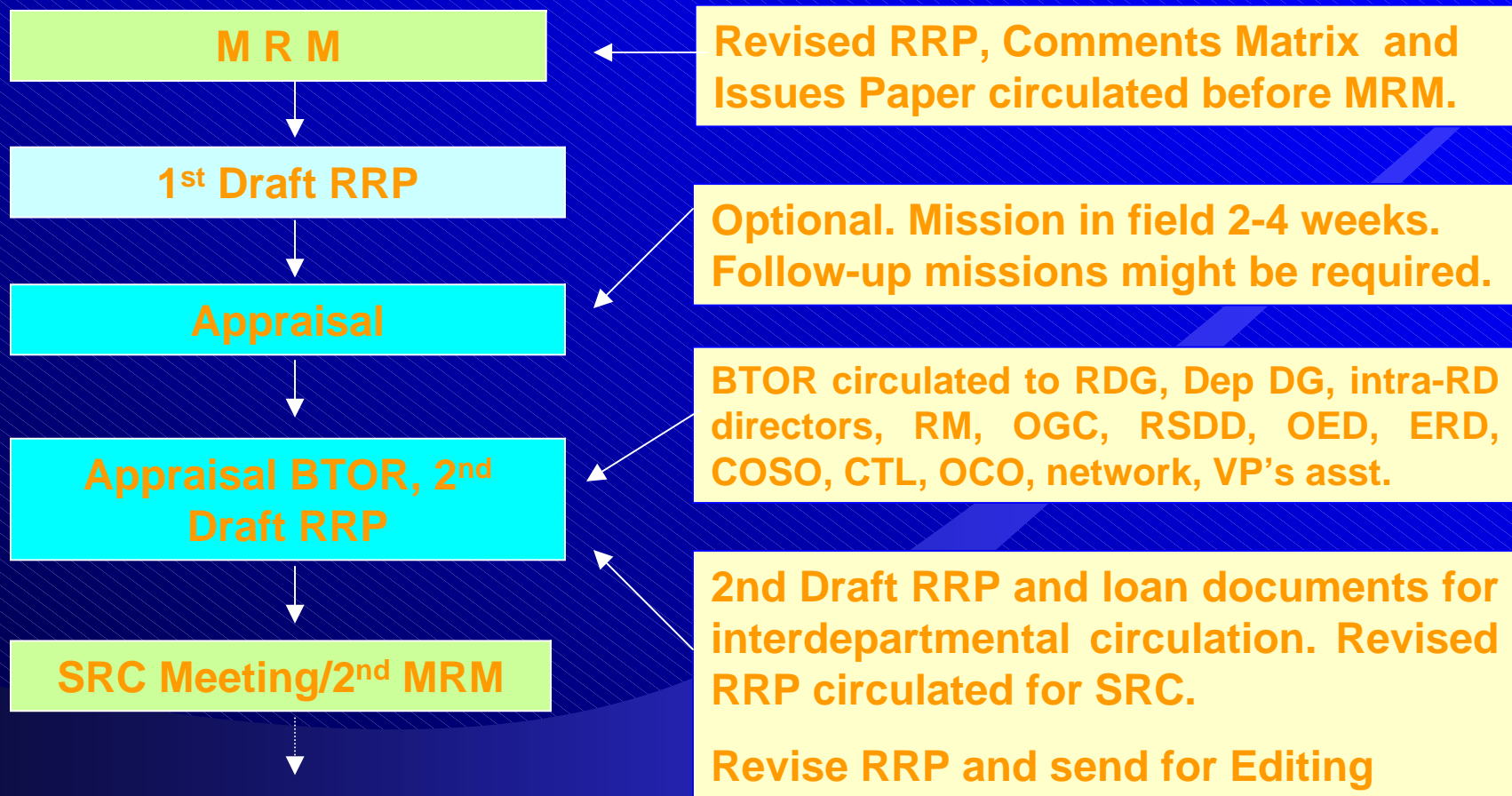
Optional. Not required if ADB and DMC agree during project design to permit preparation of draft RRP for MRM. Mission in field 2-3 weeks. BTOR submission within 7 days of return.

Guidance from knowledge departments (RSDD, ERD, OED) and networks.

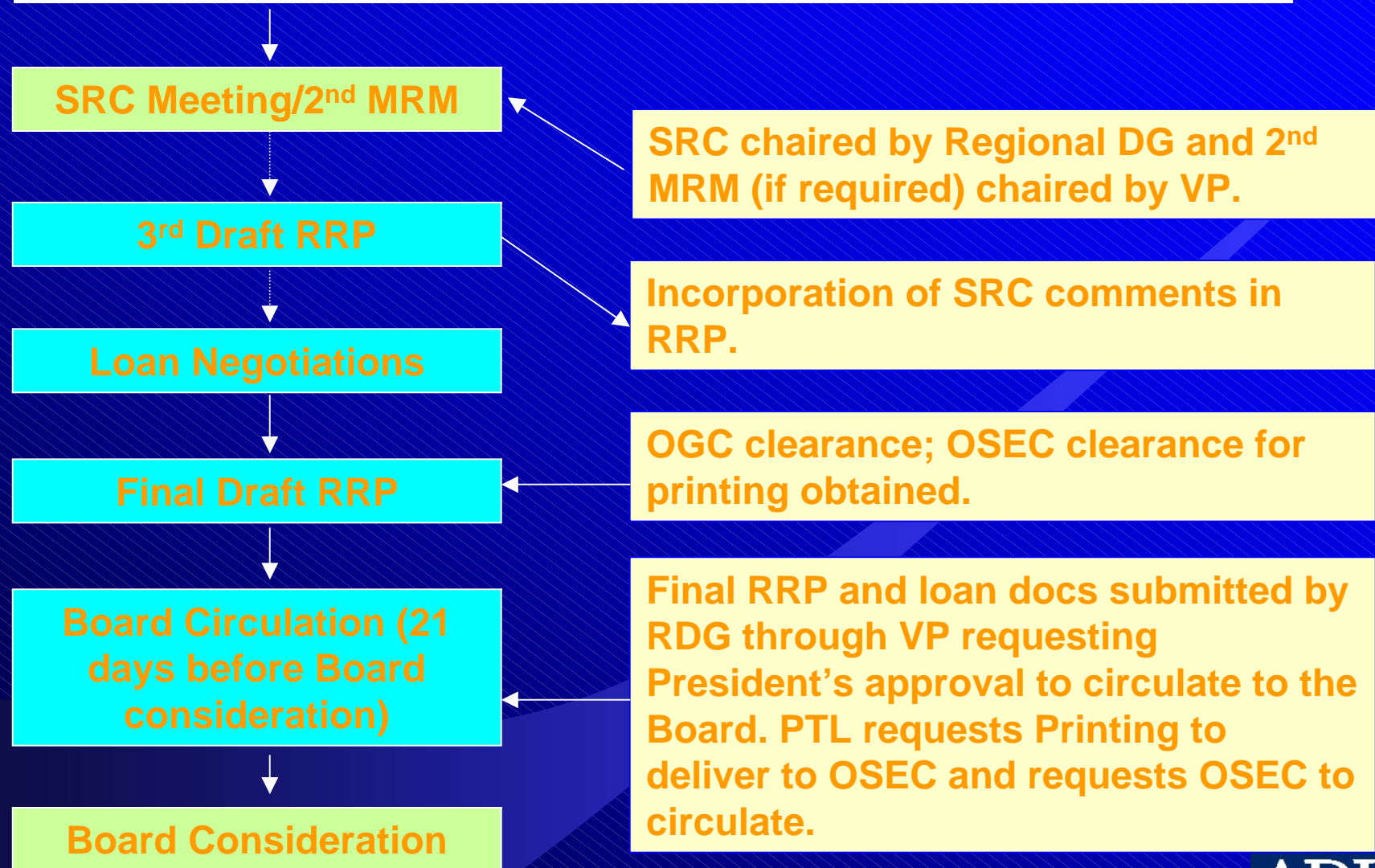
If not in full compliance, or quality suboptimal, RSDD memo will specify what needs to be done.

Revised RRP, Comments Matrix and Issues Paper circulated before MRM.

Processing Steps



Processing Steps



Significance of NT2

- Large infrastructure project in a small country
- Private Public Partnership
- Mobilizing private sector financing
- First large water project since WCD
- Weak capacity
- Significant Impact (Env/Social)
- Revenue Management
- Seeking public acceptance

Areas of Due Diligence

- **Macroeconomic**
- **Economic and financial**
- **Safeguards review**
- **Procurement**
- **Cumulative impact assessment**
- **Commercial due diligence**
- **Consultation**

Safeguards Harmonization

The WB

Environment Assessment
Involuntary Resettlement
Indigenous Peoples
Natural Habitats
Forests
Pest Management
Cultural Property
Safety of Dams
Disputed Areas
International Waterways

ADB

Environment
Involuntary Resettlement
Indigenous Peoples
Environment/Forestry
Forestry
Agriculture
Indigenous Peoples
Water/Energy/etc
Consultation/Participation
Consultation/Participation/Water

Chronology of Events: 2001-2005

- Mid-2001: Government request to ADB for assistance
- Nov-2002: NT2 Team re-constituted to review
- 4 Feb 2003: PPTA first appeared in ADBBO
- 3 Mar 2003: Management authorize the team to undertake the due diligence process
- 15 May 2003: VP approved the PPTA concept paper
- 19 May 2003: DG, PSOD cleared concept for PS component

Chronology of Events: 2001-2005

- 23 Jun 2003: First informal Board seminar
- End Jun 2003: ADB/WB NT2 safeguard teams meet
- July 2003: Fact-finding mission for the PPTA (\$1.7 million)
- 17 Jul 2003: Main sponsor drop out of the Project
- 28 Aug 2003: Board discussion on Lao CSPU
- Sep 2003: Water policy issue raised

Chronology of Events: 2001-2005

- 16 Oct 2003: SRC for 1st Phase PPTA
- 8 Nov 2003: Main sponsor return to the Project
- 8 Nov 2003: PPA signed: EGAT/NTPC and EDL/NTPC
- 9 Nov 2003: Management approve 1st Phase PPTA
- 20 Dec 2003: WB/ADB/GOL agree to set up a special purpose company to hold NT2 Project shares
- Jan 2004: Field work begins - 1st Phase PPTA consultants

Chronology of Events: 2001-2005

- Feb 2004: IFI Joint Safeguard Mission
- 3 Mar 2004: SRC for the 2nd Phase PPTA
- 29 Mar 2004: 2nd Phase PPTA approved
- May 2004: Field work begins – 2nd Phase PPTA consultants
- 6 Aug 2004: Workshop for Cumulative Impact Assessment
- End Aug – End Sep 2004: International consultation in Bangkok, Tokyo, Paris, Washington DC, and Vientiane

Chronology of Events: 2001-2005

- 8 Oct 2004: Second informal Board seminar
- 14 Nov 2004: Revised safeguard documents prepared
- 19 Nov 2004: Cambodia visit to discuss Tonle Sap issues
- 25 Nov 2004: First MRM was held
- 29 Nov 2004: Circulated SESIA to the Board
- 6–17 Dec 2004: Pre-Appraisal Mission held jointly w/ IFIs

Chronology of Events: 2001-2005

- 10-28 Jan 2005: Follow-up pre-appraisal held
- 28 Jan 2005: ADB/WB MGMT authorize Appraisal Mission
- 28 Jan 2005: ADB Board approve Water Policy revision
- 28 Jan–12 Feb: ADB/WB joint Appraisal Mission
- 11 Feb 2005: Third informal Board seminar
- 18 Feb 2005: Second MRM
- 25 Feb 2005: Seek IMF Assessment Letter

Chronology of Events: 2001-2005

- 28 Feb 2005: Private sector credit committee meeting
- 28 Feb–8 Mar 2005: Loan Negotiation - Vientiane
- 9 Mar 2005: Receive IMF Assessment Letter
- 8–15 Mar 2005: Finalize the RRP and circulate on 15 Mar
- 30 Mar 2005: WB Board Approve the Project
- 4 Apr 2005: ADB Board Approve the Project

Chronology of Events: 2001-2005

- 3 May 2005: Private sector loan signing date
- 15 Jun 2005: Private sector first drawdown date
- 26 Jun 2005: ADB loan effective – 400+ CPs
- July 2005: Joint IFI Project Launch Workshop