Early Warning System

ADB-49223-001

Georgia: Nenskra Hydropower Project

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Quick Facts

Countries	Georgia
Specific Location	Nenskra and Nakra valleys in the Mestia Muncipality, Samegrelo-Zemo Svaneti region,
Financial Institutions	Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB)
Status	Proposed
Bank Risk Rating	A
Borrower	JSC Nenskra Hydro
Sectors	Construction, Energy, Hydropower
Potential Rights Impacts	Healthy Environment, Housing & Property, Indigenous Peoples, Labor & Livelihood, Marginalized Groups, Right to Food, Right to Health
Investment Type(s)	Loan
Investment Amount (USD)	$ 314.00 million

Project Description

This project finances the development, construction and operation of a 280MW hydropower plant in the northwestern part of Georgia. Project components include:

The construction of a large 130 metres high asphalt face rock fill dam on the upper Nenskra River with a total volume of 12.5 million cubic meters. A low dam will be built to divert discharge created by the dam, into the Nenskra reservoir. On the right bank of the Nenskra River, immediately downstream of the dam site, a small weir (8 metres long, 2 metres high) will be built to divert the discharges of a small seasonal tributary (catchment area approx. 300 hectares) into the Nenskra reservoir. The water in the reservoir will be supplied by both the Nenskra and Nakra Rivers, involving the construction of an 8.7 metres high concrete weir on the Nakra to divert water flow.

The construction of a surface-type powerhouse located on the left bank of the Nenskra River, a 1,790m long steel-lined penstock, and a 220kV transmission line. The transmission line will connect the powerhouse to the Khudoni Substation, to be constructed. The 220 KV overhead transmission line is not part of the project, and implementation is planned by the state-owned Georgian State Electrosystem.

The upgrade of existing roads, including a drainage system, from the Zugdidi-Mestia national highway to the Nenskra dam site, and up to the Nakra water intake. 2 new bridges will also be constructed in Lakhami, and existing bridges will be reinforced including the Kaishi Bridge over the Enguri River, as well as 8 existing bridges in Lukhi, Chuberi, and Tita. Service electrical lines will also be erected. It should be noted that at time of writing, rehabilitation of the abovementioned infrastructure has already started with funding from the state budget.

Accommodation for the operations management team near Tita Village.

Early Warning System Project Analysis

The ADB has categorized the project's risk in the following way:

Category A for the Environment. Under the ADB's framework, projects are categorized A if the "proposed project is likely to have significant adverse environmental impacts that are irreversible, diverse, or unprecedented."

B for Involuntary Resettlement. Under the ADB's framework, projects are categorized B if the "proposed project includes involuntary resettlement impacts that are not deemed significant."

C for Indigenous Peoples. Under the ADB's framework, projects are categorized C if the "proposed project is not expected to have impacts on indigenous peoples."

Project documents indicate that in addition to the ADB's safeguards, the project must also comply with the EBRD, IFC, and EIB's policies. There are several social and environmental impacts identified by project documents:

Land Acquisition and Resettlement: According to the Social Impact Assessment (SIA), acquisition of the land required for the project will affect the land, non-residential structures, trees and annual crops of 80 households, including 28 vulnerable households. As this accounts for one fifth of the households living in the Nenskra and Nakra river valleys, the project is "considered to be high impact". However, the ESIA states that "there will be no permanent physical displacement". In the Chuberi village, 5% of the valley's arable land and 2% of pasture land will be acquired for the project, of which 0.8% and 0.16% respectively will be affected permanently. The pasture sites of Kvemo Memuli, Mashritchala, and Lagiri will be affected. ADB's available project documents state that customary ownership will be recognized by the Project even if there is no legally recognizable claim to the land.

Economic Displacement: The SIA states that 80 households will be affected by economic displacement, including 2 of the households affected by the land acquisition. The displacement arises from the impacts on the pasture lands, agriculture, and logging. According to ADB project documents, farming used to be the main activity in the valleys. However it was identified that only 25 families work in the agriculture sector.

Effects on Biodiversity: Project documents note impacts on the microclimate resulting from the Nenskra reservoir. However, while the 2015 ESIA recognized significant changes in the Nenskra and Nakra valleys from the microclimate point of view, it is absent from the supplementary documents disclosed in March 2017. According to the document "its [reservoir's] effects on the climate will be substantial in spring, when the ice starts melting and breaking, and in late autumn, before ice phenomena begin. Sharp difference between water and air temperatures and strong wind will intensify evaporation. Evaporated moisture will cover buildings and fruit trees in a form of hoar frost and damage them. The damage caused by early frosts is graver as it will damage buds and sprouts, and ultimately result in premature aging, fruitlessness and dying of plants. For the people, that experience from rheumatism and/or need treatment respiratory or cardiovascular diseases the health condition will further aggravate."

Effects on Cultural Heritage: Two private cemeteries fall inside the project area.

People Affected By This Project

There is great opposition to the Nenskra project, which affects the Svan communities' traditional lands. Some risks to human rights include:

Right to Property & Adequate Housing: As land acquisition affects one fifth of the households in the project area, this project poses a risk to the right to property and adequate housing.

Rights of Marginalized Groups and Indigenous Peoples: According to NGO Bankwatch, the majority of people living in the project area are Svan, an ethnic subgroup of Georgia's Caucasus mountains with their own language, laws and traditions. From the onset of the project, there has been poor communication and lack of participation of affected peoples. According to ADB project documents, although the Svan have traits that could characterize them as Indigenous, overall the Svan are not considered to meet the Lender's definition of Indigenous, and therefore the Indigenous Peoples safeguards policies are not triggered. This under-categorization of the Svan community would be further detrimental once the Project is approved, as the appropriate due diligence required to conduct meaningful consultation, and profile and mitigate any adverse and unintended harm to the Svan will not be adequately considered.

Right to Food: The ESIA identifies that access to several fishing sites will be blocked and that the project will have significant impacts on the area's fish population. As fishing was identified primarily as a subsistence practice, these impacts endanger the right to food of impacted peoples, in addition to the acquisition of arable and pasture land for the duration of project construction. Additionally, changes in the microclimate from the Nenskra reservoir will damage fruit trees and plants, endangering local communities' right to food.

Right to Labor: According to ADB's draft EIA, 3 work sites have been initially identified for construction activities. The disposal areas where the spoils from the excavation activities are said to be disposed permanently. In addition the identified quarry areas will also be located within the Nenskra reservoir area. Employment during construction is still under consideration but no further adequate labor and community health and safety plan or measures have been initially developed.

Right to Health: The CIA has stated that "there are also issues around noise and dust in terms of public health and safety." Additionally, project documents state that the changes in microclimate as a result of the reservoir will further aggravate select pre-existing medical conditions, including respiratory and cardiovascular diseases.

Right to Livelihood: According to CEE Bankwatch, many of the ethnic Svan people living in the area rely on agricultural subsistence practices. The acquisition of arable and pasture land puts their right to livelihood at risk.

Right to Freedom of Expression, Assembly and Association: The CIA notes that "concerns about the Project have been raised by stakeholders and some of the people from the Nenskra and Nakra valleys were not favourable towards the Project in the early stages." While the CIA goes onto note that efforts have been made to address these concerns, the SIA expressed concern about the risks people might encounter in protesting against the project in a repressive environment such as Georgia. According to ADB's draft EIA, the primary security risk that was identified pertains to the close proximity (located 7 km from the dam) of the administrative boundary line between Georgia and the breakaway region of Abkhazia, a Russian – occupied territory. The use of private security forces was also identified but no further safety nets were also provided.

Right to a Healthy Environment: On January 27th, 2017 two residents from the Nakra community filed a complaint to the EIB's complaints mechanism raised concerns over inadequate assessment of natural geological hazards in connection with the Nenskra project. Construction of the project will flood up to 300 hectares of lands situated in a planned candidate Emerald site – an area of special conservation interest under the Bern convention. This site included most of the Nenskra HPP area - Nenskra River, headrace tunnel, power house, Nakra intake, Nakra transfer tunnel and half of Nenskra Dam and reservoir, as well as most of the roads and transmission lines. However, the Georgian government disregarded procedures for evaluating

Investment Description

- Asian Development Bank (ADB)
- Asian Infrastructure Investment Bank (AIIB)
- European Bank for Reconstruction and Development (EBRD)
- European Investment Bank (EIB)

The ADB is proposing to provide a loan for US$ 214 million, and is the lender-of-record for a B-loan of US$100 million for this project.

Private Actors Description

JSC Nenskra Hydro is a special purpose vehicle that has been established by a consortium composed of Korean Water Resources Corporation (K-Water), the Partnership Fund (a Georgian investment fund), and the Georgian government. According to the EBRD and ADB, after the project has been constructed, Nenskra Hydro will have ownership of the project for 36 years, after which the scheme will be transferred to the Government of Georgia to continue its operation, while K-Water will be the majority owner of Nenskra Hydro, with the Partnership Fund holding a 10% stake. Nenskra Hydro's website states that their "strategy framework stipulates that all the projects are implemented in agreement with the local population, civil society, local governing bodies, and with their intensive involvement into project execution."

K-Water is a Korean company that is 91.5% owned by the South Korean government, and 8.5% owned by the Korea Development Bank. A member of the UN Global Compact, K-Water has previously received financing from the IFC and the World Bank. However, media articles report that the South Korean National Audit and Prosecution agency scrutinized K-Water "after it was discovered that the dams it built in four rivers had been done without any assessment of the local communities and had also damaged natural resources" in Thailand. K-Water has reportedly caused environmental damage and social conflict, and have experienced resistance from local people in implementing their projects.

Salini Impregilo is an Italian firm that has been contracted to design and construct the project. Also a member of the UN Global Compact, Salini Impregilo is listed on the Milan stock exchange and is a diversified corporation with activities cutting across sectors. In 2016, NGO Survival International filed a complaint to the OECD's Italian National Contact Point against Salini Impregilo over the construction of the Gibe III dam in Ethiopia on Lake Turkana, the effects of which impacted 300,000 tribespeople along the lake. They have been accused of failing to seek free, prior and informed consent, and leaving thousands of people to face starvation. Salini Impregilo has also come under fire for abuses linked with the Grand Ethiopian Renaissance Dam, also known as the Grand Millennium Dam. These abuses included death threats against NGO International Rivers, repression of civil dissent, and lack of consultation. Additionally, questions have been raised about the structural integrity of the firm's work, with media outlets reporting concerns about the construction of the viaduct of the Sydney Metro Project in Australia citing "cracking". Romania's highway company has also filed a criminal complaint against Salini Impregilo for its work on the Sibiu-Orasie highway.

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	JSC Nenskra Hydro	Client	-
-	-	-	-	JSC Partnership Fund	Parent Company	-
-	-	-	-	Korean Water Resources Corporation (K-Water)	Parent Company	-
-	-	-	-	Salini Impregilo	Contractor	-

Contact Information

This analysis has been prepared in partnership with CEE Bankwatch and the NGO Forum on ADB. CEE Bankwatch is the largest network of grassroots, environmental and human rights groups in central and eastern Europe monitoring public finance institutions such as the European Bank for Reconstruction and Development, European Investment Bank, Asian Development Bank, and others that are responsible for hundreds of billions of investments across the globe. The NGO Forum on ADB is an Asian-led network of civil society organizations, based in Asia and the Pacific region that monitors the Asian Infrastructure Investment Bank (AIIB) and the Asian Development Bank (ADB).

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PROJECT-LEVEL GRIEVANCE MECHANISMS
Project documents state that JSC Nenskra Hydro is mandated to implement a project-level grievance mechanism which can be accessed on their website, http://nenskra.ge/.

ACCOUNTABILITY MECHANISM OF ADB

The Accountability Mechanism is an independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an Asian Development Bank-financed project. If you submit a complaint to the Accountability Mechanism, they may investigate to assess whether the Asian Development Bank is following its own policies and procedures for preventing harm to people or the environment. You can learn more about the Accountability Mechanism and how to file a complaint at: http://www.adb.org/site/accountability-mechanism/main

Bank Documents

- Draft Resettlement Plan [Original Source]
- Initial Environmental and Social Compliance Audit [Original Source]
- Vol 2: Project Definition [Original Source]
- Vol. 10: Cumulative Impact Assessment [Original Source]
- Vol. 1: Draft Environmental and Social Impact Assessment [Original Source]
- Vol. 2 Annexes: Project Definition [Original Source]
- Vol. 3: Social Impact Assessment [Original Source]
- Vol. 4 Annexes: Biodiversity Impact Assessment [Original Source]
- Vol. 4: Biodiversity Impact Assessment [Original Source]
- Vol. 5: Hydrology & Water Quality Impact Assessment [Original Source]
- Vol. 6: Natural Hazards & Dam Safety [Original Source]
- Vol. 7: Stakeholder Engagement Plan [Original Source]
- Vol. 8: Environmental & Social Management Plan [Original Source]
- Vol. 9: Land Acquisition & Livelihood Restoration Plan [Original Source]

Community Documents

- Green Alternative: Mestia Municipality Chuberi and Nakra Community Collective Statement

Corporate Documents

- Press Release: Salini Impregilo Signs a Contract for the Realization of the Nenskra Hydro

Government Documents

- USAID - Pre-Approval Field Review Report [Original Source]

Campaign Documents

- Business & Human Rights Resource Centre - JSC Nenskra Hydro
- Business & Human Rights Resource Centre - Salini Impregilo
- CEE Bankwatch - Stop Nenskra
- CEE Bankwatch: Nenskra hydropower plant, Georgia
- CEE Bankwatch: People's movements and civil society dismayed at AIIB Energy Sector Strategy
- CEE Bankwatch: Svaneti Is My Homeland

Other Related Projects

- EIB-20150670 NENSKRA HPP
- AIIB-000032 Georgia: 280 MW Nenskra Hydropower Plant
- EBRD-46778 Nenskra HPP
- EBRD-47510 Nenskra HPP Portage