Early Warning System

# AIIB-000032

## Georgia: 280 MW Nenskra Hydropower Plant

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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)** | $ 100.00 million |
| **Loan Amount (USD)** | $ 100.00 million |
| **Project Cost (USD)** | $ 1,083.00 million |

## Project Description

This project finances the development, construction and operation of a 280MW hydropower plant in the northwestern Svaneti region 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

As this project has several co-financiers, the Asian Infrastructure Investment Bank (AIIB) has chosen to apply the European Bank for Reconstruction and Development's (EBRD) Environmental and Social Policy framework. Under the EBRD's policy Category A is assigned to a project only if it is likely to have "significant adverse environmental and/or social impacts and therefore require an environmental and social impact assessment."

Although the AIIB is adhering to the EBRD's risk categorization, the assessments undertaken do not list any specific safeguards that have been triggered. Project documents indicate that in addition to the EBRD's safeguards, the project must also comply with the ADB, 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.

**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.

**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 and Discriminated Against Groups:** 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.
- **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 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.
- **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 the proposed Emerald site, when in February 2016, a month after a meeting with project promoter, they excluded all territories part of Nenskra HPP from the proposed Emerald Site GE0000012 "Svaneti 1".
    - It is also notable that 95% of the lands proposed to be flooded by the project are forested, destroying significant habitats and species protected by the Bern convention, and nine habitats of European importance. These include the Western Tur, Persian Leopard, Caucasian Grouse, Caucasian beech forests, alluvial forests (Alnus Barbata) and river and riparian habitats (Riverine scrub, Montane river gravel habitats etc.) In particular, the Nenskra reservoir is a core area of great importance for the brown bear with as many as 14 signs of the species found in 2015 and 2016. Conclusions made that the project's impacts are not significant are not justified with any scientific methodology. Moreover, no special surveys were made to search for bear, wolf and lynx dens, so there is no proof that reproduction areas for these species will not be affected by the project.
    - According to the project documentation over 17 km of the Nenskra River and 9 km of the Nakra River will be left with insufficient amount of water flow, completely changing the hydrological and sedimentation regime of the rivers. This will lead to the destruction of the river ecosystem, and complete extermination of the species and habitats

### Investment Description

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

The Project cost is estimated to be US$1,083 million and will be financed through 30% equity and 70% senior loans. The Bank is contemplating provision of a senior loan of US$100 million. The Project will be co- financed by ADB, EBRD, EIB and KDB for up to US$758 million, with the balance covered by equity.

## 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, after the project has been constructed, Nenskra Hydro will have ownership of the project for 36 years, 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 | Investor | - |
| - | - | - | - | 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 (NGO Forum). 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 who monitor the Asian Infrastructure Investment Bank and the Asian Development Bank.*

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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 AIIB***

In addition, the AIIB has a Bank Oversight Mechanism. According to AIIB's policies, "people who believe they have been or are likely to be adversely affected by a failure of the Bank to implement the ESP may also submit complaints to the Bank's oversight mechanism in accordance with the policies and procedures to be established by the Bank for such mechanism." However, at the time of writing, it is unclear what the exact scope and function of this Oversight Mechanism will be.

### Bank Documents

- Annexes to Vol. 2: Project Definition [Original Source]
- Annexes to Vol. 4: Biodiversity Impact Assessment [Original Source]
- Project Summary [Original Source]
- Project Summary Information (19 March 2019)
- Vol. 10: Cumulative Impact Assessment, March 2017 [Original Source]
- Vol. 1: Non-Technical Summary, March 2017 [Original Source]
- Vol. 2: Project Definition, March 2017 [Original Source]
- Vol. 3: Social Impact Assessment, March 2017 [Original Source]
- Vol. 4: Biodiversity Impact Assessment, March 2017 [Original Source]
- Vol. 5: Hydrology and Water Impact Assessment, March 2017 [Original Source]
- Vol. 6: Natural Hazards and Dam Safety, March 2017 [Original Source]
- Vol. 7: Stakeholder Engagement Plan, March 2017 [Original Source]
- Vol. 8: Environmental and Social Management Plan, March 2017 [Original Source]
- Vol. 9: Supplementary Environmental and Social Studies, March 2017 [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 Hydroelectric Pr

### Government Documents

- USAID Pre-Approval Field Report: Nenskra Hydropower Project [Original Source]

### Campaign Documents

- Business and Human Rights Resource Center: JSC Nenskra Hydro
- Business and Human Rights Resource Center: Salini Impregilo
- CEE Bankwatch: Nenskra hydropower plant, Georgia
- CEE Bankwatch: People's movements and civil society dismayed at AIIB Energy Sector Strategy
- European Investment Bank: Complaint
- Green Alternative: Nenskra Dam
- International Rivers: Sustainable Hydropower – Ethiopian Style
- Learn more: This project is tracked by AIIB Watch.
- Media Article: Concern over K-Water's ethics in water scheme
- Media Article: Romania’s highways company files complaint against Italian contractor
- OECD Watch: Survival International v. Salini Impregilo
- Survival International: Survival reports Italian corporation to OECD over dam disaster

### Other Related Projects

- EIB-20150670 NENSKRA HPP
- ADB-49223-001 Georgia: Nenskra Hydropower Project
- EBRD-46778 Nenskra HPP
- EBRD-47510 Nenskra HPP Portage