

# Beyond Debt-Trap Narratives: How the Lao State Manoeuvres the Hybrid Governance of a Chinese Hydropower Project

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Over the past years, Chinese debt-financed investments under the Belt and Road Initiative (BRI) in Laos have increased considerably. This development has drawn the attention of many analysts, and consequently, narratives such as the Lao state losing its sovereignty or becoming the recent victim of China's "debt-trap diplomacy" have held sway over international press coverage. Drawing on the case of the Nam Nua 1 (NNuar) Project – the BRI flagship hydropower investment in Laos – this article aims to move beyond the dominant narratives of China's debt-trap diplomacy and sovereignty relinquishment by scrutinizing the Lao state's strength in manoeuvring the NNuar Project's hybrid governance arrangements. The NNuar project developer's great concentration on the economics of dam construction and operation, its hands-off approach to local political issues, and heavy dependence on the host state in dealing with relocation concerns have boosted the Lao state's strength in controlling the active engagement of the project's stakeholders in hydropower decision-making and planning. The article argues that the Lao state's strength in governing the NNuar Project hinges on its capacity to mobilize hydropower resources from the external environment by negotiating relations with powerful foreign entities of hydropower development while maintaining internal control over its remote populations through decentralization techniques. This article contributes to the critical discussion of the influence of multi-stakeholder governance engagement on the Lao state's statehood.

**Keywords:** Belt and Road Initiative; China; Debt-trap; Hydropower; Laos

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## INTRODUCTION

A major uptick in Chinese investments in the Mekong Region has been observed for the last decade. This is a corollary of the Belt and Road Initiative (BRI), a global strategy officially launched in 2013 by the Chinese state to bolster development projects in its partner countries. Recently, BRI project developers have concentrated on financing infrastructure investments in Laos, such as the Lao-China Railway, Vientiane-Vangvieng Highway, and Chinese hydroelectric dams. One of the latter is the Nam Nua 1 (NNuar1) Hydropower Project, the article's

main subject<sup>1</sup>. According to its developer, China Southern Power Grid (CSG), the NNual is the BRI flagship hydropower investment in the Lao People's Democratic Republic (Lao PDR).

Both Chinese and Lao state authorities recognize the NNual's and other Chinese infrastructure investments' vital role in fostering economic prosperity within Laos, whereas some critical observers articulate concerns over substantial debts that the Lao state has incurred with Chinese financial institutions to pursue such projects (Barney & Souksakoun, 2021; Chandran, 2023; Jacques, 2020; Lintner, 2020). The World Bank's recent report discloses that the external debt stocks of the Lao PDR are 127% higher than its Gross National Income, most of which has been owed to China (51%) (World Bank, 2023, p. 116). This might exhaust the Lao state's foreign exchange reserves and compel itself to cut public expenditure on essential sectors, such as health and education (Barney & Souksakoun, 2022). The Lao state has confronted this debt distress owing to its massive loans from Chinese banks associated with funding not only BRI infrastructure projects (Hurley et al., 2018), but also economic recovery programs during and after the pandemic. Recently, negative impressions about Chinese debt-financed investments in Laos – such as how the Lao state has become the recent victim of China's "debt-trap diplomacy" (Chandran, 2023; Jacques, 2020), or how it has lost its sovereignty by relinquishing a majority stake in *Électricité du Laos* Transmission Company Limited (EdLT) to China Southern Power Grid (CSG) (Lintner, 2020; cited in Barney & Souksakoun, 2021, p. 105) – have held sway over global media coverage (Tappe, 2024, p. 142).

Agreeing entirely with the assertion that the Chinese state ensnares its partner countries of relative indigence in their webs of expensive BRI projects is far from a straightforward endeavour, mainly because it is still a matter of ongoing debate. The debt-trap narratives' critics maintain that BRI investors engaging in the seizure of assets from debtor nations have not existed thus far (Brautigam & Rithmire, 2021). In fact, it has been observed that the Chinese state and financial institutions have undertaken measures to help BRI recipient countries experiencing debt distress renegotiate the terms of their existing Chinese loans (see Chen, 2020; Jones & Hameiri, 2020; Singh, 2020). To prove that since the BRI's inception, the Chinese state has harbored "malicious intentions" (Himmer & Rod, 2022, p. 265) in extending financial assistance for infrastructure projects also poses a formidable challenge. This stems mainly from difficulty gaining access to or interviewing diverse key actors involved in the BRI. Further, the burden of proof is not on China but rather on those making the claims about the Chinese state's malevolent motives for pursuing its debt-financed investments.

The dominant debt-trap narratives often portray the Lao state as an easy prey of Chinese investors or a "weak" actor (Himmer & Rod, 2022, p. 258) that inveigles itself into China's promises of progress. To succumb readily to dominant narratives is, at times, perilous, not because they are misleading or deceptive, but rather because they are deficient in telling and representing other facets of social reality. Although

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1 To protect confidentiality, the real names of the hydropower company, the resettlement village, and all research participants have been changed. I also anonymized the outsourced companies that carried out feasibility studies and assessment reports, distributed entitlements, and implemented livelihood programs.

the debt-trap narratives can lay bare the Lao state's weakness in managing its recent public debt (Himmer & Rod, 2022, pp. 258-259), they tend to sidestep the state's relative strength in governing other aspects of Chinese hydroelectric projects. Thus, this article aims to illuminate these areas of hydropower governance that often receive less attention in the dominant debt-trap narratives by scrutinizing how and why the Lao state manoeuvres the NNua1's hybrid governance arrangements. It focuses particularly on the Lao state's power to facilitate or restrict the participation of the NNua1's stakeholders and examines the ramifications of such power on the ground<sup>2</sup>. Investigating how the Lao state fosters power asymmetries among the NNua1's stakeholders can also identify those who face great risks and receive substantial benefits, including those included in and excluded from Chinese hydroelectric projects' development processes.

Not only can this article take up scholars' invitations to analyze BRI host states (Klinger & Muldavin, 2019) and their participation in debt-led development through Chinese investments (Suhardiman et al., 2021, p. 80), but it can also add to the discussion of the intricacies linked to multi-stakeholder engagement in Chinese hydropower projects, alongside the influence of hybrid governance on state's central authority. Critical scholars of international law from the Global South have long argued that once a host state enters an international investment agreement with foreign hydroelectric developers, the latter obtain more leverage in controlling processes and practices related to hydropower governance and "usurping" the host state's "policy-making power[s]" (Kangave, 2012, p. 84; Sornarajah, 2003). In Laos, the interference of a hydropower financier in policy affairs ensued when the World Bank – as the Nam Theun 2 (NT2) Project's country-risk guarantor – compelled the Lao state to enact and enforce national policies on sustainable hydropower development, and to forge partnerships with diverse stakeholders in orchestrating the administration of water resources, large hydropower dams, and resettlement sites. Consequently, the preponderance of hydropower functions is no longer concentrated in the central authority but rather distributed by the Lao state to different hydropower actors and resettlement bodies at multiple scales. Several Lao state and party officials regard the process as "an infringement on sovereignty" (Creak & Barney, 2022, p. 17; Souvannaseng, 2019). This accords with how political geographers and sociologists view the fragmentation of centralized political power (Jessop, 2002; Pierre & Peters, 2019) as "the hollowing out of the state" (Bulkeley, 2005, p. 883), the relinquishment of 'domestic sovereignty' (Krasner, 1999), or 'limited statehood' (Risse, 2011).

The article, however, argues that despite the dispersion of hydropower functions and its central authority, the Lao state remains the domineering political force that controls the engagement of the NNua1's stakeholders. This domination, the article maintains, results mainly from one, the hands-off approach of Chinese investors to

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2 Here, the article does not view the Lao state as a monolithic actor; instead, a nexus of heterogeneous entities whose creation, maintenance, transformation, or "effect" (Mitchell, 1991) hinges on manifold economic processes, sociocultural practices, and political opportunities (Migdal & Schlichte, 2005). Meanwhile, stakeholders refer to diverse actors or network of actors across scales who gain benefits from, express concerns about, or play crucial roles in hydropower projects, which include but are not limited to hydropower developers and financiers, transboundary environmental publics (Yong, 2021), outsourced companies, national and local state officials, resettlement bodies, and the resettled.

the host state's domestic political affairs; two, the high level of dependence of Chinese hydropower developers on the Lao state in dealing with relocation issues. Both of which are salient features that distinguish Chinese investments from infrastructure projects funded by the World Bank and other non-Chinese financial institutions (Motta & Matthews, 2018, pp. 24-30; Siciliano & Urban, 2018).

In the data collection process, qualitative methods were utilized, encompassing interviews, analysis of secondary sources, and participant observation. The study involved conducting interviews with a range of key actors, including four national and district state officials, fifteen village leaders, along with three Lao staff and two Lao consultants of the NNua1. Additionally, informal discussions were held with the NNua1's two Chinese consultants. The study also conducted a secondary data analysis of documents from the Lao government and the NNua1. Further, ethnographic research was undertaken within Banmai Resettlement in Bokeo Province (see Figure 1) over 12 months between August 2018 and September 2019. This phase included the execution of 128 semi-structured interviews with households. Banmai represents the NNua1's largest resettlement site, accommodating more than 3,100 inhabitants or 560 households. According to my participants, the relocation process was carried out from July 2015 until the final quarter 2016.

In what follows, the article discusses why and how the Lao state has engaged in hybrid hydropower governance. Then, it juxtaposes the NNua1's governance arrangements with previous (non-Chinese) hydropower projects in Laos. Before outlining the article's arguments and key findings, it scrutinizes how the Lao state encourages or inhibits stakeholders' active participation in the NNua1's hybrid governance.



**Figure 1.** The location of the NNua1's dam site and its largest resettlement community.

## THE LAO PDR'S ENGAGEMENT IN HYBRID HYDROPOWER GOVERNANCE

Engaging various stakeholders in governing hydropower projects or hybrid hydropower governance in the Mekong River has gained currency owing to the greater recognition that hydroelectric dams' wide-ranging effects can ripple out through heterogeneous actors from different scales. To examine how these implications have crossed over to manifold spatial borders, recent scholarship has regarded the Mekong River and its natural resources as “transboundary commons” that “traverse jurisdictions and property regimes within as well as between nation-states” (Miller et al., 2020, p. 297). Within hybrid hydropower governance, stakeholders have had diverse positions on hydropower development, because large-scale dams can provide economic opportunities for some and limit access to “the Mekong transboundary commons” for others (Yong, 2023, pp. 2-3). Scholars have already revealed how several hydropower companies and Lower Mekong riparian states prioritize hydroelectricity generation owing to its macroeconomic benefits, while sidestepping the effects of building dams on water systems and food security (Dombrowsky & Hensengerth, 2018; Fullbrook, 2013; Lebel et al., 2020; Ponce, 2022a). The prevalence of hydropower initiatives has posed the risk of rupturing nature-society relations (Mahanty et al., 2023), for they have impeded the Mekong River's current, thereby impinging upon riparian populations (Baird & Shoemaker, 2008; Blake & Barney, 2018; Käkönen, 2023; Ponce, 2022b, 2023) whose lives are dependent on the Mekong's transboundary mobile commons (Miller et al., 2020). To safeguard their interest from this transboundary environmental harm, the affected communities must participate in hydropower-decision making, and “their roles and involvement” need to move beyond “discussions on resettlement and compensations” (Suhardiman & Geheb, 2021, p. 320). Rather than ensuring this participation, the Lao state has engaged in hybrid hydropower governance primarily because of macroeconomic reasons, i.e., overcoming financial and technical inadequacies and distributing risks in implementing hydropower projects.

If the Lao state did not collaborate with various hydropower stakeholders – especially the World Bank and hydropower developers – it would not be able to overcome its financial and technical inadequacies in pursuing and governing hydropower projects, as maintained by Mr. Kham and Mr. Pheng, national state officials from the Ministry of Energy and Mines (MEM) I interviewed. Mr. Kham repeatedly extolled the World Bank's contributions not only to the 1,080-Megawatt NT2's “successful implementation”, but importantly, to the proliferation of a new “hydropower business model” that helped Laos attract more hydropower investors in recent years: “the Public-Private Partnership (PPP) model” (Interview, August 2018). This model, Mr. Kham reiterated, has been promoted by the World Bank to “increase the participation of all hydropower stakeholders,” e.g., hydropower developers and financiers, independent power producers (IPP), and international NGOs and CSOs. For critical scholars, however, the World Bank impelled the Lao state to include all hydropower stakeholders and affected communities in hydropower decision-making, because it responded to a barrage of criticisms and pressure from social movements (Goldman, 2001), and it took a high-stakes role as a main financier and sovereign risk guarantor of NT2 (Creak & Barney, 2022). To secure its financial interest, the World

Bank likewise intruded into the Lao state’s different regimes associated with hydro-power development. While the World Bank transformed the Lao state’s hydropower regulatory regimes by bringing forward new social and environmental policies, the former also modified the latter’s hydropower financial regimes by introducing the PPP model.

The PPP model of hydroelectric business – as stated in Article 45 of the Revised Electricity Law of 2017 in Laos – means that the Lao PDR awards a concession to a private investor or developer, either from Laos or abroad, to finance, construct, operate, and maintain a hydroelectric dam for a certain period of time (Lao PDR, 2017). The concession period allows the private developer to recoup their investments in facilitating the hydroelectric project and its resettlement programs. When the concession contract ends, the Lao state starts to fully acquire the hydroelectric dam’s ownership and operation. To achieve the project’s smooth transfer, three years before the concession period ends, the hydropower company must ensure that the dam and other key electric facilities remain in good condition. It must also provide a series of training sessions to the civil servants who will operate and maintain the dam<sup>3</sup>. The concession period is dependent on the PPP model’s variants.

	Variants of the Public-Private Partnership Model in Laos	
	<i>Build-Own-Operate-Transfer (BOT)</i>	<i>Build-Own-Operate (BOO)</i>
A) Size of the dam by installed capacity	Greater than or equal to 5 Megawatts	Less than 5,000 Kilowatts
B) Concession should be approved by	National government	Provincial governments
C) Financed, constructed and operated by	Private investor/developer	Private investor/developer
D) Maximum years of concession	25 years	40 years
E) Ownership	Private investor/developer during the concession period, then the Lao PDR	Private investor/developer during the concession period, then dam decommissioning

**Figure 2.** Difference between the variants of the PPP model in Laos. Figure created by the author based on the statements of the MEM official and the 2017 Revised Electricity Law.

There are two variants of the PPP model in Laos: first, “Build-own-operate-transfer” (BOT); second, “Build-own-operate” (BOO) (see Figure 2). The 2017 Revised Electricity Law mentions that the concession period for hydroelectric projects under BOT and BOO should not exceed 25 years and forty years, respectively. The BOT variant, according to Mr. Pheng, applies to hydroelectric dams with installed capacities equal to or greater than 5 Megawatts. The BOO variant is for small hydroelectric projects (below 5,000 kW) that may operate only until the end of the concession period. It is only the national government that can approve BOT hydroelectric projects, whereas provincial governments have the autonomy to permit the operation of BOO hydroelectric projects. According to the 2012 Electricity

3 Usually from the EdL and MEM.



Law of Laos, however, the definitions of BOT and BOO hydroelectric projects are different (see Open Development Mekong, 2018). A dam that has an installed capacity of less than or equal to 15 MW falls under BOO; any dam greater than 15 MW is classified as BOT. Mr. Pheng explained that in 2018, the Lao government revised these definitions to broaden the scope of the dams that should be approved by the national government. This modification was made after the collapse of the 15 MW Nam Ao Dam in Phaxay District, Xiengkhouang Province, in September 2017.<sup>4</sup> The incident, Mr. Pheng emphasized, revealed that provincial governments still lacked the expertise and equipment to scrutinize the technical aspects of dam construction and operation.

Mr. Pheng explained to me that both BOT and BOO aim not only to ensure collaborative participation and transparency, but also to distribute benefits to all stakeholders involved in hydropower projects. Importantly, the PPP model enables the investors and financiers of hydropower dams to disperse their projects' inherent risks. The larger the hydropower project, Mr. Pheng added, the more complicated the potential risks involved. For hydropower developers and financiers, reducing manifold financial, environmental, socio-economic, and political risks posed by building large dams means ensuring a high return on investment (Cruz-del Rosario, 2011; Middleton et al., 2015). Due to this goal of the PPP to minimize risks, the World Bank has encouraged the Lao state to consider all stakeholders involved in making decisions during all phases of hydropower development, i.e., from planning, financing, constructing dams, to relocating and compensating affected villagers, etc. If other countries notice this collaborative or hybrid governance approach of the Lao government, Mr. Kham and Mr. Pheng pointed out, foreign investors will come to Laos to do hydropower business. This hydropower proliferation, they added, might increase the national income and realize the Lao government's goals to become "the battery of Southeast Asia" and be removed from the United Nations' (UN) list of Least Developed Countries (LDCs) in the 2020s (UNDP, 2017, p. XVIII).

The key hydropower project developers and financiers under the PPP model in Laos have changed over the years. Creak and Barney (2022) have divided this transformation into three phases, and called it "the triptych in [hydropower] practice" (p. 15). The first phase, between the 1990s and 2000s, was characterized by the substantial presence of hydropower investors from the Global North and the World Bank's intrusion into the Lao state's hydropower regulatory and financial regimes. After the full operation of the NT2 in 2010, the World Bank, however, has decided to take a break in financing hydropower projects in Laos. This marked the second phase of hydropower projects under the PPP model, where the Lao state deliberately distanced itself from Multilateral Development Banks and sought new hydropower investors and developers primarily from non-OECD countries, particularly "Thailand, China, Malaysia, and Vietnam" (Creak & Barney, 2022, p. 17). The third and present phase reveals the Lao state's relentless determination to hold sway over the proprietorship of hydroelectric dams in years to come with the aid of Chinese capital (Creak & Barney, 2022). Over the past decade, the number of hydroelectric projects pursued by

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<sup>4</sup> For more information about this dam collapse, see: <https://www.rfa.org/english/news/laos/nam-ao-laos-compensation-06272019153425.html>

EdL and its subsidiary company, EdL-Generation Public Company (EdL-GEN), and whose developers and/or financiers come from China have increased significantly. Apart from the NNua1, 14 Chinese-funded hydroelectric projects in Laos have also been operational since 2019 (see Figure 3, upper table). In 2023, the Lao PDR expects the completion of about seven other Chinese-funded hydroelectric projects (see Figure 3, lower table). All Chinese dams in Figure C adopt the PPP model, specifically the ‘Build-own-operate-transfer’ (BOT) scheme. How the NNua1’s (and other Chinese Project’s) governance arrangements differ from those from the first two phases will be discussed in the next section.

Project Name	Status	Year of completion	Installed capacity (Megawatt)
Nam Nua 1 ( <i>Pseudonym</i> )	Operational	2019	168
Nam Chien	Operational	2018	104
Expansion of Nam Ngum 1	Operational	2018	80
Nam Phay	Operational	2018	86
Nam Khan 3	Operational	2016	60
Xeset 3	Operational	2016	23
Nam Ou 2	Operational	2016	120
Nam Ou 5	Operational	2016	240
Nam Ou 6	Operational	2016	180
Nam Khan 2	Operational	2015	130
Houay Lamphan	Operational	2015	88
Nam Ngum 5	Operational	2012	120
Xeset 2	Operational	2009	76
Nam Mang 3	Operational	2005	40
Nam Lik 1-2	Operational	2005	100
<b>TOTAL MEGAWATTS</b>			<b>1615</b>

Project Name	Status	Expected Year of Completion	Installed capacity (Megawatt)
Nam Ngum 3	Under construction	2020	480
Nam Ou 1	Under construction	2020	180
Nam Ou 3	Under construction	2020	210
Nam Ou 4	Under construction	2020	132
Nam Ou 7	Under construction	2020	210
Nam Theun 1	Under construction	Not Specified	670
Xe Lanong 1	Planned	2020	60
Nam Ngum 4	Planned	2023	240
<b>TOTAL MEGAWATTS</b>			<b>2182</b>

**Figure 3.** *Upper table:* hydroelectric projects in Laos that are currently operational and whose funders and/ or developers are from China. *Lower table:* hydroelectric projects in Laos that are either under construction or planned and whose funders and/ or developers are from China. Figure created by the author based on the Ministry of Energy and Mines’ Vision 2030, Development Plan 2025; and Five-Year Development Report (2016-2020) (see MEM, 2017) and cross-checked with the data presented by Barney and Souksankoun (2021, pp. 111-113).



## THE NAM NUA 1 PROJECT'S GOVERNANCE ARRANGEMENTS

The NNua1 Project's formal commencement can be traced back to the signing of the Memorandum of Understanding between the Lao PDR and CSG on 28 August 2006, with the mutual objective of building the NNua1 dam in northern Laos. The NNua1 commissioned the Sino-Hydra Investigation Design and Research Institute (SHIDRP) to conduct feasibility studies and safeguard analysis between November 2006 and July 2007. Shortly after the SHIDRP produced the NNua1's impact assessment reports in June 2013, the construction phase began in November 2014. By the final quarter of 2018, the project had finished building its dam and advanced to the operational status of its three generators. In April 2019, the Lao PDR's MEM officially authorized the NNua1 for commercial operation. Similar to numerous hydroelectric initiatives in Laos, the NNua1 also employs the PPP model, specifically the BOT scheme. Under this agreement, the CSG was granted a 28-year concession period, during which it could recoup its investment costs.

The NNua1 claims to be the inaugural venture under the auspices of China's BRI in the Lao hydroelectric sector, as proclaimed by the CSG in various press statements. This declaration also echoes the testimonials of the NNua1's Lao and Chinese staff and consultants I spoke with. A crucial aspect of the project's financial arrangement stems from its affiliation with the BRI, leading to its capital inflow being secured through loans from China's major state-operated banks. Unlike hydropower projects funded by the World Bank and other non-Chinese financial institutions, the names of the Chinese banks that granted loans to the NNua1 were not publicly disclosed.

Financially underpinned by a substantial investment amounting to USD 450 million, the NNua1's equity distribution is marked by a partnership between EdL, which owns a 20% stake, and CSG, which commands the majority shareholding of 80%. The CSG's role in the NNua1 as a project developer has been viewed by critical scholars of Chinese investments as "unusual", for it has been prominent in building grid and transmission infrastructure projects, not in developing nor operating hydroelectric dams (Motta & Matthews, 2018, p. 28). When the Lao government sold a majority share in its newly founded electric distribution company – *Électricité du Laos-Transmission* (EdLT; another EdL subsidiary company founded in 2020) – to the CSG, the latter has also attracted wide press coverage and attention from academic scholars (Barney & Souksakoun, 2021; Hiebert, 2021; Strangio, 2021; Xinhua, 2021; Zhai & Johnson, 2020).

For several analysts, the creation of EdLT served as a means for the Lao state to service its debts to China (Chandran, 2023; Jacques, 2020). The hefty investment in Chinese hydroelectric projects via "Engineering Procurement Construction" (EPC) contracts – which "recycled much of the loan financing into Chinese engineering and construction companies" and are known for their high-cost structures – is associated with EdL's excessively high-debt levels, entailing a risk of precipitating a financial crisis in Laos in 2021 (Barney & Souksakoun, 2021, p. 100; cited in Creak & Barney, 2022, p. 17). As a result, the Lao state has been subject to dominant narratives regarding its engagements in Chinese debt-financed investments. To illustrate, it has been portrayed as the latest victim of China's "debt-trap diplomacy" (Chandran, 2023; Jacques, 2020), a strategy that exploits economic vulnerabilities to exert influence

over poor partner countries (Chellaney, 2017). The Lao state's decision to cede a majority stake in EdLT to the CSG has also been interpreted as a loss of sovereignty (Lintner, 2020; cited in Barney & Souksakoun, 2021, p. 105).

To understand the dynamics of the NNua1's hybrid governance arrangements, this article does not want to concentrate too much on the dominant debt-trap narratives for two main reasons. First, characterizing Chinese debt-financed investments or BRI projects as debt traps remains disputed within global economic discourse and warrants further empirical scrutiny. Contrary to the notion of "debt-trap diplomacy," several scholars argue that there is no historical precedent for Chinese banks or project developers appropriating assets from indebted nations (Brautigam & Rithmire, 2021). Chinese entities involved in BRI project development and finance tend to renegotiate loan terms, enabling debtor countries to restructure their debt (Jones & Hameiri, 2020; Singh, 2020). Between 2020 and 2022, the Lao state also received substantial debt service deferrals from China, giving the former temporary debt relief (World Bank, 2022, p. 15). Further, the World Bank's 2021 and 2022 International Debt Reports disclose that the ratio of Laos' external debt stocks to exports in recent years has been better relative to 2009. The external debt stocks to exports were 428% in 2009 (World Bank, 2021, p. 93); however, more than a decade later, the ratio of external debt stocks to exports was only 237% in 2021 and 215% in 2022 (World Bank, 2023, p. 116). This indicates that the Lao state had been saddled with heavy debts even before it started to obtain Chinese loans to finance BRI infrastructure projects in 2013.

Second and last, while the debt-trap narratives may highlight the Lao state's vulnerabilities in managing its recent financial obligations (Himmer & Rod, 2022, pp. 258-259), they often overlook how the Lao state retains a dominant position in controlling the level of engagement of the NNua1's stakeholders. This dominance stems mainly from two interconnected factors.

One, the hands-off approach adopted by Chinese investors and financiers towards the host state's domestic political affairs has created a power vacuum that the Lao state has been able to exploit. The national state officials I interviewed appreciated how the World Bank guided the Lao PDR in creating and implementing national laws on sustainable hydropower development. However, the NNua1's Lao consultant I worked with, who also acted as a consultant of the NT2 and other Chinese hydropower projects in Laos, viewed the World Bank's interference in the Lao PDR's policymaking negatively. When he worked as a consultant of the NT2, he observed that the World Bank required the project to comply with "many bureaucratic requirements" and to produce "many unnecessary reports" that were "too costly" (personal communication, July 2018). The World Bank supported the production of "many unnecessary reports", the Lao consultant thought conspiratorially, because it was an income-generating activity of "some technical experts and consultants of the World Bank from Western countries" (personal communication, July 2018). The Lao consultant told me that the CSG and other developers of Chinese hydropower projects in Laos with whom he worked were "better", for they "trusted more local consultants from Laos" over "consultants from the United States or Europe" (personal communication, July 2018). Importantly, Chinese investors and financiers took a different approach than the World Bank: the former were "focusing only on completing feasibility studies and credible environmental and social impact assessments" rather

than “producing unnecessary reports that could cause delays” (personal communication, July 2018). This view accords closely with the perspective of the Lao state and party officials interviewed by Souvannaseng (2019, pp. 174-177; 185-176) on how Multilateral Development Bank (MDB) financing “slowed the country’s development planning” (cited in Creak & Barney, 2022, p. 17). This hands-off approach of Chinese hydropower developers and financiers to host the state’s domestic political affairs was neither a novel strategy nor exclusive to Laos only. The Chinese state has encouraged BRI investors of the world to “oppose acts that impose one’s will on others or interfere in the internal affairs of others as well as the practice of the strong bullying the weak” (Xi, 2017, p. 53). Although BRI investors’ hands-off approach – based on the principle of “mutual noninterference” – demonstrates its commitment to respecting the right of countries “to choose their own development path” (Xi, 2017, pp. 52-53), it potentially gives the Lao state more flexibility in deciding who can be included in and excluded from Chinese projects’ development plans and processes.

Two, how Chinese hydropower developers are heavily reliant on host states in addressing relocation issues has further reinforced the Lao state’s dominant position in the NNua1’s hybrid governance arrangements. This high level of dependence on Chinese hydropower developers is, I argue, a product (or perhaps another form) of their hands-off approach, or a symptom of the CSG’s preoccupation with the business aspects of the NNua1 dam construction and operation. Similar to other Chinese hydropower project developers within and outside Laos (see Motta & Matthews, 2018; Siciliano & Urban, 2018), the CSG is not as intrusive as the World Bank, for the former gives the Lao state more discretion as to how plan, execute, and monitor the NNua1’s resettlement programs. During my time in Banmai, a Chinese consultant of the NNua1 explained to me that the CSG trusted the Lao government in dealing with relocation concerns because it had “more experience in implementing hydropower development and resettlement projects than the CSG” (personal communication, October 2018). A Lao staff member of the NNua1 also told me that the CSG “followed the [Lao] government’s advice on relocation concerns” without hesitation, because the Lao state had “a deeper understanding of the local situation” of the affected communities (personal communication, November 2018). The CSG’s heavy reliance on the Lao state is further evident in its decision to take up the latter’s suggestion to broaden the scope of the resettlement area beyond the project’s reservoir, notwithstanding that this move made the project unprofitable. Consequently, the expansion brought about the relocation of 1,750 households, or 10,000 individuals, from 37 villages in Bokeo and Louangnamtha Province (Ponce, 2022b). Importantly, the CSG did not intervene in how the Lao state formed the NNua1’s resettlement bodies and redistributed hydropower functions. As a result, it opens more avenues for the Lao state to manoeuvre the NNua1’s hybrid governance arrangements.

### **MANOEUVRING STAKEHOLDERS’ ENGAGEMENT IN THE NNua1 PROJECT**

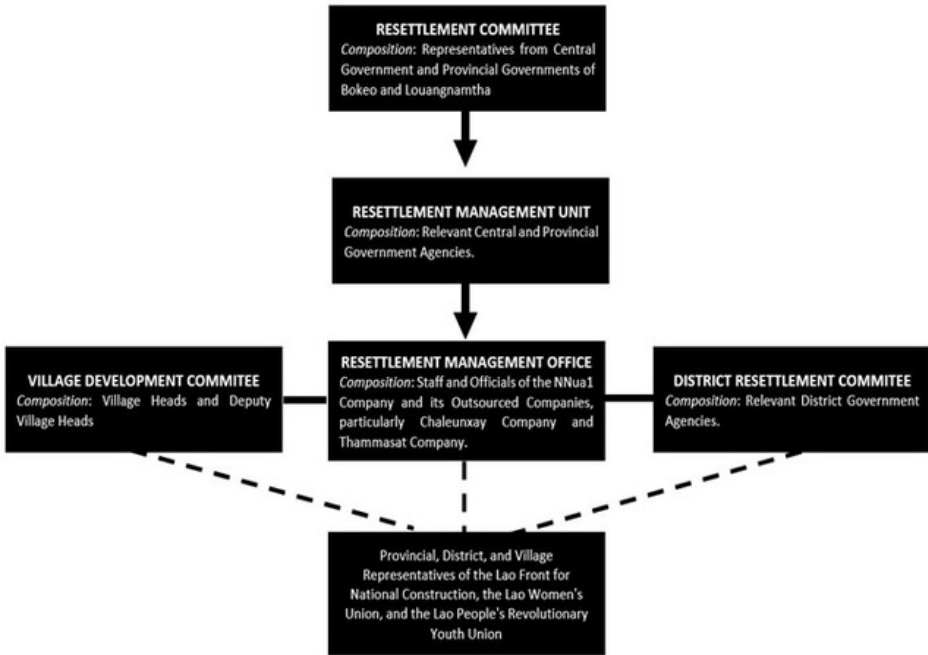
This section assesses multiple stakeholders’ level of engagement in the NNua1’s hybrid governance. I argue that the redistribution of hydropower functions/responsibilities to different entities is a way for the Lao state to negotiate its hydropower relationships, rather than a process of “hollowing out” (Bulkeley, 2005). The CSG’s

hands-off approach to domestic political affairs and high level of dependence on the Lao state concerning relocation issues also engender a paradoxical dynamic; that is, the Lao state's relative weakness in economic capacity to facilitate hydropower development is transformed into a strategic advantage. This advantage allows the Lao state to maintain its political strength by privileging some stakeholders, while limiting the participation of others. I divided this section into three parts. The first part unpacks how the Lao state formed governing bodies in Banmai. It also analyses other compelling reasons why the Lao state and NNua1 redistributed hydroelectric functions to the project stakeholders. The second part tackles the lack of engagement of NGOs/CSOs. The implication of this form of hybrid governance for the villagers' participation and resettlement experiences will be discussed in the third part.

### **Redistributing Hydropower Functions to Resettlement Bodies**

Since the NNua1 adopted the PPP model, the Lao state refrains from monopolizing the facilitation of relocation programs. Similarly, the Lao state is virtually deficient in financial capabilities it would need to dominate the project's governance. This lack compels the Lao state to adopt decentralization techniques in governing the NNua1's resettlement programs. Cistulli (2002) defines decentralization as the act of sharing some of the power of a central authority in making decisions with other actors. Decentralization can be either geographical (how the physical location of decision-making authority shifts from a central level to a regional or local level) or institutional (how the central authority gives its decision-making power to local governments, public organizations, or private entities) (Cistulli, 2002). Here, I define decentralization as the process through which the Lao state's central political authority and hydropower functions have been redistributed to the NNua1's stakeholders at multiple scales. This conceptualization differs from Cistulli's in at least two ways. One, the decentralization process in hybrid hydropower governance deals not only with the processes of making decisions but also with the stages of implementing and monitoring hydropower projects. Two, unlike in Cistulli's geographical decentralization, some stakeholders involved in the NNua1 transcend Lao administrative borders, e.g., the CSG, the project's Chinese consultants. To unpack the decentralization process in the NNua1's relocation process, I will analyze how the Lao state established various resettlement bodies in Banmai and handed over different functions to such bodies.

According to the NNua1's Lao consultant I interviewed, the project's Resettlement Committee, formed by the Lao state, was comprised mainly of representatives of the central government and the executive departments of the Bokeo and Louangnamtha Provincial Governments (see Figure 4). This committee primarily serves as an intermediate agent between the central and local government in two interrelated ways. First, while the Resettlement Committee collaborated with local government units in formulating a Resettlement Action Plan, it also informed the central government – i.e., the Prime Minister's and Deputy Prime Minister's offices – about how the NNua1 was implementing the plan. Second, the Resettlement Committee joined forces with provincial and district governments to set up the NNua1's Resettlement Management Units, as well as overseeing the performance of such units on behalf of the central government.



**Figure 4.** Institutional structure of the NNua1 Project’s resettlement bodies. Figure created by the author based on the project’s Resettlement Action Plan and the statements of some district government officials and village leaders, alongside consultants and staff of the NNua1 Company and its outsourced companies.

The NNua1 Project has two Resettlement Management Units: one in Phaoudom District, Bokeo (which is in Banmai Resettlement), and the other in Nalae District, Louangnamtha. Although these units have no direct communication with the central government, they consolidate the relationships among the provincial, district, and village authorities, and the NNua1’s Resettlement Management Office to facilitate the relocation’s administrative, financial, and technical aspects. For some staff and consultants of the NNua1’s Resettlement Management Units I spoke with, these units primarily administered the construction of houses and physical infrastructure in all resettlement communities, as well as the distribution of swidden land and livelihood and food support, and the execution of various community development programs. The Resettlement Management Units also supervised whether scheduled activities in the Resettlement Action Plan were carried out on time by responsible resettlement bodies. Likewise, these units played a huge part in guiding and giving a series of technical training sessions to staff and officials of the District Resettlement Committee and Village Development Committee to ensure the seamless implementation of resettlement programs. Importantly, the Resettlement Management Units were mainly responsible for the resettlement budgeting process – specifically for deciding how much funding should be allocated to all initiatives and activities before, during, and after the relocation; financial compensation for the affected villagers; physical infrastructures and houses; and salaries, allowances, and/or honoraria of consultants and

key members of the NNua1's Resettlement Management Office, District Resettlement Committee, and Village Development Committee (see Figure 4).

The NNua1's Resettlement Management Office consists virtually entirely of private-sector actors – particularly staff and consultants of companies commissioned by the NNua1 – that played key roles in facilitating the resettlement process between 2015 and 2016. The NNua1 commissioned the Lao company, Chaleunxay Company, to clear *unexploded ordnances* (UXOs) and construct houses, roads, market buildings, community meeting halls, schools, temples and spirit houses, public health centres, electricity and water infrastructure and other physical infrastructures in eleven relocation sites of the project. Chaleunxay likewise transported the resettled villagers' properties from the former villages to Banmai, distributing food and rice support. Concerning livelihood programs after the relocation, the NNua1 subcontracted Thammasat Company (another Lao company). A Lao staff of the NNua1 added that Thammasat provided “special support for poorer families, widowed mothers, and persons with mental [disorder]” (personal communication, May 2019)<sup>5</sup>.

The District Resettlement Committee in Banmai – occasionally called the District Resettlement Working Group by some staff of the NNua1 – is mainly composed of officials of the Phaoudom District Government alongside district and provincial representatives of MEM and Ministry of Natural Resources and Environment (MONRE). During my fieldwork, the District Resettlement Committee had three full-time staff based in Banmai. In governing the resettlement, the project's Resettlement Committee and Resettlement Management Unit delegated to the District Resettlement Committee and the NNua1's Resettlement Management Office the responsibilities for distributing agricultural lands and compensating the villagers' losses of annual crops and trees. Another district official told me that the District Resettlement Committee and Resettlement Management Unit had helped the villagers redress their grievances about inadequate or unpaid compensation. Upon investigating the demographic composition of individuals responsible for settling the villagers' grievances, I found no involvement of Chinese officials, consultants, or staff from the CSG and the NNua1. This is a manifestation of the NNua1's hands-off approach to domestic political issues and a high degree of reliance on the Lao state to address relocation concerns.

I managed to interview and establish good relationships with all fifteen village heads and deputy village heads in Banmai. These village leaders represent both the Lao state and the resettled. While they serve as representatives of the Lao state at the village level, they may directly express their (dis)satisfaction with relocation programs to the District Resettlement Committee and provincial officials on behalf of the resettled. As in the older settlements, the village heads and their deputies in Banmai also informed their constituents about the programs and propaganda of the national, provincial, and district governments. Carrying out this duty increases not only the local people's awareness about and participation in the projects and activities of the Lao state, but also the latter's presence and visibility.

The village leaders and their deputies are also responsible for appointing village representatives of the Lao Women's Union, the Lao Front for National Construction,

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5 A person with mental “disorder” is politically incorrect, however.



and the Lao People’s Revolutionary Youth Union in Banmai. According to the village leaders and district government officials I talked to, the Village Development Committee, the NNual’s Resettlement Management Office, and the District Resettlement Committee should coordinate all relocation programs and activities with the mass organizations mentioned above (see Figure 4). The NNual’s Resettlement Action Plan also stated that the village heads and their deputies should join forces with village representatives of all mass organizations in Banmai to initiate and institutionalize savings-led credit groups, revolving funds, medical expenses funds, and loan disbursements in agriculture and animal husbandry.

The resettlement bodies’ effective and efficient organization, according to the District Resettlement Committee’s officials I spoke with, aided the Lao state in successfully reaching (*theung*) formerly isolated villagers and making the latter modern (*thansamai*) and civilized (*sivilai*). As Xeng, a senior district official, stated in a conversation sometime in November 2018:

If the Lao PDR [*SoPoPo Lao*] did not promote cooperation between the NNual Company, the Chaleunxay Company, the Thammasat Company, the provincial government, district government, and the village headmen, perhaps the Lao PDR would fail in reaching and relocating the villagers formerly residing in impenetrable forest [*pa*] and hilltops [*doy*]. Even though the Lao PDR did not have much money, it could still facilitate relocation and development programs here in Banmai. The Lao PDR was still able to make the hilltop people [*khôn doy*] modern [*thansamai*] and civilized [*sivilai*]. This is thanks to our hardworking government and party leaders who have been successful in encouraging cooperation in the entire country.

This statement implies that local state officials, as represented by Xeng, do not view decentralization techniques in governing the NNual’s resettlement as the end of the Lao PDR’s political authority. Rather, these techniques allow the Lao state to govern once unreachable villagers. It contradicts the theoretical perspectives of political geographers and sociologists who argue that the fragmentation of centralized political power is a symptom of the relinquishment of “domestic sovereignty” (Krasner, 1999), the phenomenon of “limited statehood” (Risse, 2011), or the “hollowing out of the state” (Bulkeley, 2005). James Scott might interpret the decentralization techniques used in governing the resettlement as ways whereby the Lao state expands its “legible state space” (Scott, 2009, p. 77). How the Lao state posted its representatives (i.e., various resettlement bodies) in Banmai could likewise be viewed as the Lao state’s mechanism for making formerly Zomian villagers post-Zomian (Sprenger, 2021; see also Stolz & Tappe, 2021). While these representatives could make the Lao state more conspicuous and more available in the most far-flung corners of Laos, they might also increase its surveillance and control of villages. Unlike James Scott’s Zomians, who invariably escape this gaze of the state, the post-Zomian villagers I worked with – akin to the uplanders observed by Sprenger – are willing to establish their relations and negotiate with the Lao state and its local representatives (Sprenger, 2021).

When I asked the NNual’s two Lao consultants and three Lao staff about the importance of the participation of private-sector actors and district officials in

facilitating the NNua1, two consultants and a staff emphasized that it enabled the CSG to become more focused on its major tasks: a) the construction of the NNua1 dam and hydroelectric facilities; b) the building of electric transmission lines connecting Laos, Thailand, and China. The remaining two staff mentioned that this decentralization or redistribution of hydropower functions helped the NNua1 not only meet its deadline, but also increase efficiency and avoid additional input costs. As Mi, a Lao staff, explained in a conversation in October 2018:

The NNua1 has a strict deadline. It is impossible for us alone to facilitate all processes involved in the preparation stage, the dam construction and operation, and the relocation of villagers. We need the help of other companies to meet our deadlines, achieve our goals, and become more efficient. Remember, if we fall behind the schedule, it means additional input costs. Conversely, if the implementation is right on schedule, it is a good thing for the NNua1 in general.

Therefore, the NNua1's hybrid governance has been appreciated by private-sector actors I spoke with because of its economic importance only, rather than its capacity to govern the negative externalities of dam construction and displacement. The statement also implies how these market actors have failed to recognize the potential of the decentralization process to facilitate effective collaboration among all the stakeholders involved at multiple organizational scales. In the remaining subsections, I will discuss the limited participation of NGOs/CSOs and resettled villagers in the NNua1's hybrid hydropower governance.

### **NGOs' and CSOs' Engagement in the NNua1 Project**

When I asked the Lao consultant – who helped me gain access going to Banmai – whether there was a collaboration between the NNua1 and international NGOs/CSOs in assessing cross-border environmental and social impacts of the NNua1 dam construction, he just mentioned that the people working in NGOs/CSOs had “good suggestions, but unfeasible” (personal communication, August 2018)<sup>6</sup>. During my time in Banmai, a Chinese consultant told me he hoped I was not part of any NGOs/CSOs. As he explained the reason: “I’ve already worked in many Chinese dams in Asia and Africa; I’ve already seen how they [NGOs/CSOs] attacked hydropower projects to push their agenda. They’ll never appreciate the good aspects!” (personal communication, October 2018). He added that NGOs/CSOs should not also worry about Chinese hydropower projects, within and/or outside Laos, because Chinese project developers had good access to the *world-class* expertise of international hydropower consultants and technical experts from China.

The statements above suggest that the adoption of the PPP model as a hydropower financial regime and decentralization techniques in governing relocation programs by the CSG and the Lao state may not be a guarantee of greater civil society engagement and that other factors might be at play in determining the NGOs’/

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<sup>6</sup> Before I went to the resettlement, he also warned that I should avoid asking these questions to the NNua1 staff and officials so that I could have smooth fieldwork.

CSOs' level of participation. In Laos, as in other one-party states, the regulatory framework for NGOs/CSOs has remained inflexible. Not only is the freedom of expression and assembly of NGOs/CSOs curtailed, their activities and initiatives are also monitored and scrutinized by the Lao state and its apparatuses to check whether they are politically charged, critical of government policies, or challenging the Lao People's Revolutionary Party's (LPRP) objectives (see Baird, 2018). Active participation in hydropower decision-making and planning by stakeholders at the grassroots and environmental publics (Yong, 2021) who voice concerns over hydropower development and resettlement will remain limited as long as the Lao state maintains an uncompromising attitude towards NGOs/CSOs.

Contrary to the above statement of the Chinese consultant, I argue that the quality of the NNua1's environmental and social management plans and assessment reports is not *world-class* for at least four reasons. First, the reports provided inaccurate information about the resettled. This mistake might reduce the quality of the compensation package for affected ethnic minorities. It is also worth pointing out that the Lao-Buddhist, Lamét, and Khmu villagers in Banmai have different socio-cultural needs (i.e., some ethnic minorities wish to have spirit houses; others need Buddhist temples). Moreover, some ethnic minorities are more vulnerable than others as they are at a higher risk of being marginalized due to the negative impacts of displacement and resettlement (see Blake & Barney, 2018).

Second, all the NNua1 reports were mainly produced by the SHIDRP with the help of some Lao consultants. There was a conflict of interest here. Ideally, the management plans and their assessments should be done by different entities to guarantee checks and balances. Third, the NNua1 did not include the Standard Environmental and Social Obligations (SESO) of their Concession Agreement (CA) in their assessment reports. The SESO's public disclosure – a mandate of the 2016 SHD Policy guidelines – is crucial because it serves as the basis for monitoring the NNua1's level of compliance in mitigating potential environmental and social impacts of the NNua1 dam.

Fourth and last, all NNua1 reports I accessed failed to tackle the transboundary and basin-wide socio-ecological effects of the NNua1 dam construction. When I asked another Lao consultant about this, he emphasized: "The NNua1 Project does not have transboundary issues, because its dam is located on a tributary of the Mekong, not on the mainstream" (personal communication, May 2019). Unlike the Xayaburi and Pak Beng whose dams are situated in the Mekong mainstream, the NNua1 did not hold PNPCA consultations with all transboundary stakeholders. It indicates that the engagement of the "transboundary environmental publics" formed through the PNPCA (Yong, 2021) in the NNua1 is notably absent. This stems mainly from a lack of recognition that dams within tributaries also have "cumulative impacts on seasonal hydrology, sediment flows and fish passage" at a transboundary and basin-wide level (Hirsch, 2016, p. 67; see also MRC, 2021). If the Lao state and the NNua1 had assessed the transboundary and basin-level impacts of the NNua1 dam and/or reached out or collaborated with NGOs/CSOs, probably the NNua1 dam's negative externalities would have been recognized and considered, and perhaps the quality of their reports would have been improved.

### Villagers' Involvement and Resettlement Experiences

Apart from NGOs/CSOs, displaced villagers also have minimal involvement in the NNua1's hybrid governance. This can be observed from the villagers' experiences of livelihood reconstruction programs and the distribution of food support and financial compensation. All households I interviewed in Banmai Resettlement (128 households) claimed that the NNua1, alongside the district government, organized consultative meetings in their former settlements. During those meetings, the NNua1's staff and district officials promised them they would get monthly rice and food support for three years after the relocation. Although all 128 households received sacks of rice two or three times, only 109 households got food support (a dozen eggs, two packets of noodles, and a can of sardines per family member). 103 households obtained food support one time only; six households received it two or three times (Ponce, 2022a, 2022b). When I asked the Chaleunxay Company's staff about this disparity between the promised and the actual food support, he mentioned that their company just followed the changes in the compensation ordered by the NNua1's staff and district officials. None of the villagers I spoke with were consulted about these changes, however. This makes some villagers think that the NNua1 Project is a "secret project" (*khôngkanlab*).

Regarding livelihood reconstruction programs, 46 out of 128 households revealed that the Thammasat Company conducted surveys about their desired agricultural activities and livestock they wanted to raise only after moving to Banmai. Prior to the relocation, the Thammasat did not properly assess the displaced villagers' level of economic dependence on the river and nature, which contributed to the failure to identify and provide effective livelihood alternatives. Such ex-post facto livelihood assessment, or what I call "relocate now, assess later", was also done by other recent large hydropower projects in Laos (Blake & Barney, 2018; Whittington, 2012). Further, the NNua1's social and environmental impact assessment reports failed to account for how the dam construction would adversely affect the river systems after the relocation. This contradicts the claims of Lao consultants and staff I spoke with that they studied carefully the dam construction's social and environmental risks and their impacts on livelihood and food sources. During my fieldwork, many villagers complained to me that they caught fewer fish and crustaceans in Banmai due to the river's low water level induced by the dam construction (Ponce, 2022a). During drought, the water level also precluded a few boat drivers from transporting passengers, leading to their loss of daily income after the relocation. Inauspiciously, numerous villagers I spoke with who relied on the river for food and livelihood, especially the affected fishermen and boat drivers, were not compensated.

Moreover, there were 38 households that felt unsatisfied with the financial compensation for the loss of gardens and tree crops they received. All 38 households thought that their gardens were under-assessed and underpaid. 18 households complained to the NNua1; only four received additional payments (Ponce, 2022a, 2022b). Those whose complaints were unresolved surmised that some parts of what they should have received were allegedly stolen by some Lao staff of the Chaleunxay and the district government. This purported maldistribution of compensation demonstrates how decentralization practices only become an opportunity for some

private-sector and local-state actors to pursue their rent-seeking activities. It just redistributes substantial risks to the displaced villagers, rather than benefits.

The unprovided livelihood assistance and the maldistributed food support and financial compensation left many villagers I spoke with very disappointed. Some of them also mentioned that the local Lao state officials just told lies about the promises of “better life” (*xivitdikouaa*) to compel them to move. Only a few villagers openly criticized the government, however. Most of the disappointed villagers explained that they had “no choice” (*bomithangluak*) not just about receiving insufficient compensation, but importantly about moving to the new settlement. The “no choice” response was usually followed by phrases: “We are just ordinary people, they are big people” (*Haomènpaxaxôn, khaomènhôngnai*), or “The elephant’s feet trample the bird’s mouth!” (*Tinxangyiappknok!*) (Ponce, 2022a). These two phrases imply the villagers’ feeling of powerlessness in directly resisting the Lao state’s decisions on resettlement. In other words, these villagers perceive that ordinary Lao citizens cannot afford to disobey the Lao state’s command, so they just decided to be resettled and/or to accept their negative relocation experiences. These villagers’ unspoken fear and perceived lack of agency reflect the Lao state’s strength in controlling the resettled villagers and manoeuvring the NNua1’s hybrid governance on the ground.

## CONCLUSION

Investigating the Lao state’s strength in maneuvering the NNua1’s hybrid governance transcends the dominant narratives of a) China’s debt-trap diplomacy; and b) the infringement of sovereign rights linked to foreign hydropower investments. The debt-trap narratives, on one hand, suggest that the recent proliferation of Chinese debt-financed investments in Laos can potentially bring the Lao state to the verge of sovereign default, but if worse comes to worst, it causes “a loss of sovereignty” (Lintner, 2020 cited in Barney & Souksakoun, 2021, p. 105). The account of the relinquishment of sovereignty associated with large dam construction, on the other hand, can be traced back to the intrusion of multilateral development banks, especially the World Bank, into the Lao state’s financial and regulatory regimes to govern the first phase of hydroelectric dams under the PPP model (Creak & Barney, 2022). Both dominant narratives overlap and tend to depict the Lao state as an obedient, delicate entity, swiftly giving in to various pressures exerted by external forces. By transcending these dominant narratives, the article does not aim to disprove them, nor to dismiss the Lao state’s technical and financial shortcomings in pursuing hydropower projects and its relative weakness in managing its recent massive debts. Instead, it turns the attention to aspects of hydropower governance where the Lao state maintains its dominance, i.e., hydropower engagements.

This article has scrutinized two types of hydropower engagements: a) the Lao state’s engagement with multiple hydropower stakeholders and b) the engagement of stakeholders in governing the NNua1 Project. The Lao state negotiates the first type of engagement, whereas it manipulates the second type. Ideally, a state’s active engagement in multi-stakeholder governance of hydropower initiatives is paramount in navigating the intricate interplay of economic growth, water resource management, and social equity that reaches diverse jurisdictions and populations. From a

transboundary point of view, this multi-stakeholder engagement can effectively govern the basin-wide harm of large-scale dams and equitably distribute the benefits of hydropower development to all stakeholders, thereby achieving “environmental justice” (Yong, 2023). The Lao state, however, overlooks this importance, for it is too preoccupied with the macroeconomic benefits of its engagement in multi-stakeholder hydropower governance.

To illustrate, it transforms its hydropower financial regime by adopting the PPP model to facilitate hydropower projects and dispense the inherent risks of building massive dams. By and large, the Lao state strengthens its engagements with key external entities of hydropower development to construct more dams, boosting the national economy and attaining its goals of graduating from LDC status and becoming “the battery of Southeast Asia”. This strategic action of the Laos state is strongly reminiscent of Bayart’s notion of extraversion, or a technique used by a state to mobilize resources by negotiating its (potentially asymmetrical) relations and interactions “with the external environment” (Bayart, 1993, pp. 21-22). How the Lao state depends on “its external environment, especially China”, notes Danielle Tan, is a “deliberate strategy” to incite competition among external forces (e.g., multilateral development banks, China, Vietnam, Thailand, etc.) so as “to avoid being drawn into the orbit of just one of them”, as well as to improve economic competitiveness, “its control over its territory”, and “its bargaining power” with hydropower developers and financiers (Tan, 2015, p. 14).

The article has also examined how the Lao state takes advantage of various economic opportunities and political features of the NNual Project to dominate the latter’s hybrid governance arrangements. The NNual’s and CSG’s great concentration on the economics of dam construction and operation, as well as their hands-off approach to local political issues and overreliance on the host state in dealing with relocation concerns, have boosted the Lao state’s strength in controlling the active engagement of the NNual Project’s stakeholders in hydropower decision-making and planning. The Lao state has exerted significant influence over the establishment of the project’s resettlement bodies and the redistribution of hydropower functions to various organs of such bodies. Although the Lao state has decentralized its central authority by sharing hydropower functions with various stakeholders of the NNual Project, its statehood has remained integrated, rather than been limited (Risse, 2011) or hollowed-out (Bulkeley, 2005). In fact, the decentralization techniques associated with implementing relocation programs have aided the Lao state in successfully reaching and governing villagers formerly living in isolated forest and riparian communities. In this sense, how the Lao state strengthens its statehood by mobilizing hydropower resources from the external environment, while maintaining internal control over its remote populations through decentralization techniques resonates with how the galactic polity of the Tai Kingdom during the Bangkok period consolidates its position as “the radial center of the network” (Tambiah, 1973/2013, p. 515).

While reaching the peripheries through hydropower development and resettlement may be a feasible means of extending the Lao state’s internal control, it does not necessarily translate to safeguarding the interests of marginalized hydropower stakeholders. Rather than to promote the active participation of all stakeholders, especially the displaced populations, the redistribution of hydropower functions



has been primarily driven by the need to optimize efficiency and reduce input costs in the project. This only helps the CSG secure its return on invested capital, even though the project was considered unprofitable due to its extended resettlement area. NGOs/CSOs and other environmental publics – stakeholders that have historically expressed concerns over the basin-wide harm of massive dams on and in behalf of affected communities – had no engagement in the project owing to the ambivalence of the NNua1’s private sector actors and state officials towards them in particular; the Lao state’s inflexible regulatory framework for civil society groups in general. Consequently, the NNua1 dam’s manifold negative social and environmental externalities were largely ignored, and the project’s assessment and monitoring reports were of poor quality. Despite consulting with the resettled before the relocation, the NNua1 and district government have maintained a relatively low level of commitment to transparency. The opacity of the resettlement process was evident in the experiences of many villagers, who were not given access to consultation and information about the changes in their entitlements. Furthermore, several villagers received inadequate livelihood assistance, while others were denied food support and financial compensation, highlighting the maldistribution of benefits.

The displaced villagers’ negative resettlement experiences – a corollary of their limited participation in hybrid hydropower governance, particularly in making resettlement decisions – imply that the BRI’s “green” and “win-win” development has not yet been achieved from below. To fully realize this, the Chinese state, as the BRI’s main architect, should enjoin the Lao state and the CSG to facilitate a hybrid governance that secures transparency, accountability, and inclusivity. Without these ideals, the participation of many stakeholders will just serve as a *fig leaf* for continued irresponsible dam construction and relocation. Through *meaningful collaboration* of all affected stakeholders at multiple scales in governing hydropower projects, general welfare might prevail over competitive private interests, and social and environmental sustainability standards improve.



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## **DISCLOSURE**

The author declares no conflict of interest.

