

IRN Report to the Global Transparency Initiative for the Nam Theun 2 Hydropower Project in Laos

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Summary

Over the past eight months, IRN has conducted two visits to the Nam Theun 2 project site, written several letters to World Bank and Asian Development Bank (ADB) staff and Executive Directors highlighting key outstanding issues and demanding increased transparency on the project, and met in person with several ADB Executive Directors and staff. As a result of these efforts, IRN has managed to keep NGOs and journalists regularly updated on progress with the project, has received commitments from both the World Bank and ADB to release key social and environmental documents, and has managed to convince both the World Bank and ADB Boards of Directors to request a Board briefing from Management on the project.

Progress on Nam Theun 2

As is common in large infrastructure projects, construction work for Nam Theun 2 is proceeding largely on schedule, while critical environmental and social activities are lagging significantly behind. Resettlement activities are already four to six months behind schedule, and as a result, resettlement is taking place this June-October, during the rainy season, a far from ideal time to move people. Many key documents have not yet been completed, including wildlife management plans for critically endangered species living on the Nakai Plateau, the Project Implementation Plan (originally scheduled for disclosure in January 2006, then March 2006, then April 2006), and detailed resettlement plans for villagers living in construction areas. Two of three key independent monitoring agencies supposed to be established to monitor project implementation have not yet been established, and the third was just established recently.

Problems with erosion control, dust, waste management, vegetation and forest clearance along new roads have been reported repeatedly during construction. The construction company has reportedly reached the highest level (Stage 3) of environmental non-compliance three times during the past year of construction activities. At the time of project approval, World Bank Management asserted that "the four subcontractors...are all well known firms with considerable relevant experience in their respective fields. NTPC [the power company] is adequately staffed to oversee the construction activity of the project..." Unfortunately, the reality seems to be that the subcontractors have sub-standard environmental capabilities. IRN has raised issues concerning substandard environmental management with project funders and NTPC themselves. Apparently the contractors now have employed qualified staff to manage the environmental impacts of the project, but the results remain to be seen.

IRN has continued to press for release of key social and environmental documents, and is continuing to receive assurances that many of these documents will be released. However, a host of other important documents are not being made public, including the Lenders' Engineer reports. The Lenders' Engineer makes quarterly visits to the project site to monitor progress on construction and social and environmental measures, and is the main advisor for the lenders financing the project. They have the power to recommend that lenders withhold disbursements if environmental and social conditions are not complied with.

IRN's Activities

After visiting the area in November 2005, IRN and Environmental Defense wrote a letter to ADB and World Bank Management outlining several concerns regarding delays in implementation of social and environmental measures. The letter contained requests for key documents, concerns surrounding resettlement, delays in appointing independent monitors and poor environmental management during construction. IRN has followed up this letter with discussions and meetings with representatives from the Banks. As a result, the Boards of Directors at the World Bank and the ADB will each hold a briefing with Management on Nam Theun 2 in the coming month. This is significant because continued Board engagement with the project is essential to ensuring Management compliance with key commitments.

In February, IRN hired Vinya Sysamouth as a China/Lao campaigner. Vinya is fluent in Lao and Thai and will conduct regular monitoring missions to the Nam Theun 2 area to interview affected communities and document project construction and implementation of the various social and environmental management plans. Vinya will visit the project area at least twice a year and will produce reports for widespread dissemination to the general public, project funders, the government of Laos, donors and other interested parties. In cases where construction is not being carried out in an environmentally sensitive manner, where affected communities are not getting just compensation for their losses, or where the government is failing to implement the watershed management plan, IRN will pressure funding agencies to withhold disbursements until the situation is rectified. Vinya will also conduct monitoring and field research on other projects in Laos. Vinya's first visit to the area took place in June 2006, together with Aviva Imhof, IRN's Campaigns Director, and Carl Middleton, IRN's Southeast Asia Campaigns Consultant. Vinya will next visit the area in early 2007, when resettlement activities have already been implemented.

In March, IRN put out a press release marking the first anniversary of the World Bank decision on support for Nam Theun 2, highlighting several delays in implementation that may ultimately affect the sustainability of the project. As a result, the *New York Times* contacted IRN for background and comment for a story that was ultimately published in June 2006.

IRN's visit to the project area in June 2006 was more extensive than our November 2005 visit. We spent about five days in the area and visited all major affected areas: the Nakai Plateau, where 6,200 people are being displaced by the project; villages along the downstream channel, where almost 2,200 families have had their rice paddies and other resources taken away from them due to project construction activities; and villages living along the Xe Bang Fai River, where over 100,000 people will be affected by higher water levels as a result of releases from Nam Theun 2.

At the new resettlement sites, people were in the process of moving. Because of the delays in implementation, people are moving to land without any services. They are constructing temporary housing for themselves while they wait for their new houses to be built. They will need to spend the next few months clearing the land for their houses and fields and will not have time to cultivate rice this wet season. As a result, the company is giving people food supplements for the next six months and supplying people with household water while boreholes are dug for wells. One village we visited had not had water deliveries in several days and complained that their promised rice supplies had not been delivered. We immediately raised this issue with the company, which the next day assured us that water and food had been delivered to the area. While the situation seems to be stable at present in the other villages we visited, and there were no major complaints from villagers, the vulnerable situation of villagers

means that resettlement will need to be closely monitored in the coming months. The company estimates that around half of all the resettled communities will be resettled by the end of this wet season in October, and the remainder will be resettled during the forthcoming dry season.

IRN visited three villages living along the downstream channel. NTPC are constructing a 27-km long channel to hold the water once it has been released from the powerhouse and before it goes into the Xe Bang Fai River. The channel is about 100 meters wide, and cuts through a large number of rice fields. IRN knew that the company did not have a clear plan for how to compensate people for lost rice paddies, and that they were giving people “temporary compensation” in cash to compensate for lost production on the land. A permanent livelihood restoration program is supposedly under preparation, although this is one of the documents that has continued to be delayed.

Our interviews with villagers revealed that many families living along the downstream channel had lost all of their rice paddies, plus fisheries and vegetable gardens and other resources. Many of the people we visited had been compensated a meager amount for their losses: several families had been given only US\$60 for the year in spite of having lost all their rice fields. Others had been given \$100 or \$200, which was still not enough to compensate for the lost resources. Many practice double cropping on the land, and yet they were compensated for only one crop. Many were not compensated for lost fisheries, vegetable gardens, fruit trees and bamboo forests. The reason we suspect this has happened, besides the company undervaluing lost resources, is because the company distributed the compensation to the district government, which probably pocketed a large amount for themselves.

After our visit to the project area, IRN visited the ADB headquarters in Manila and communicated our trip findings to staff and Executive Directors, who have vowed to follow up with NTPC. In addition, IRN intends to write to NTPC highlighting our findings on the downstream channel compensation issue, copied to relevant financial institutions, to ensure that the issue is dealt with promptly. We are advocating that no more construction take place on the downstream channel until the compensation issues have been rectified. Our letter will also include another call for release of the livelihood restoration program for these villages (known as “project lands”), which was supposed to be completed months ago. In addition, IRN will be writing up the findings from our trip to the area into a trip report for circulation to financial institutions, NGOs, journalists and the general public.

Conclusion

IRN believes that the first eight months of our Nam Theun 2 monitoring project have been successful in keeping updated information in the public domain, holding the World Bank and ADB accountable for the impacts of the project, and accessing information from villagers that will be used to ensure that people are adequately compensated for their losses. Our next visit to the project area will be in February 2007. In the meantime we will continue to lobby for the release of key project information, keep updated on all relevant information released to the public, and ensure that affected communities receive the compensation they deserve for their losses.