

# History Repeats Itself in Laos: ADB's Flagship Hydro Project Goes Awry

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When the Asian Development Bank approved financing for the controversial Nam Theun 2 Hydropower Project in Lao PDR in April 2005, President Kuroda confidently announced that the project “will improve the living standards of one of the poorest countries in the region” and that the risks will be “better managed by our involvement.”

Two years later, Kuroda's bold proclamations ring hollow. Nam Theun 2's environmental and social programs are behind schedule, and it seems increasingly unlikely that the project will deliver what was promised to the one in 50 Laotians who will be negatively affected. Downstream impacts are likely to be far more severe than predicted, and the Lao government is backtracking on commitments it has made prior to project approval.

Roughly 6,200 indigenous people living on the Nakai Plateau in central Laos are being displaced to make way for the dam. The voluminous social development plan, prepared prior to approval, promises the project will triple resettlers' income within seven years. The plan includes elaborate livelihood models comprised of agriculture and livestock, reservoir fisheries, community forestry and

handicrafts. However, many of the livelihood programs have proven unworkable, and the plans are being redrafted midstream. As a result, villagers are becoming guinea pigs in a vast and risky resettlement experiment.

Take the agriculture and livestock program. Villagers were promised 0.66 ha of irrigated land per family. The company now admits that this will not be sufficient because the land is of poor quality. Villagers will be able to cultivate only a small amount of rice on these plots, if any. Instead, they will focus on cash crops to sell at a market that has not yet been identified. The company has proposed allocating additional agricultural land in the parts of the reservoir that will be exposed during the dry season, but the viability of this area for agriculture is unknown. As for livestock, the shortage of land in the resettlement area

frequent flooding, massive drops in fisheries, and flooded riverbank gardens beginning in late 2009. Because there are no plans to clear the reservoir vegetation, the quality of the water being diverted into the Xe Bang Fai could be extremely poor, resulting in the decimation of fisheries and the destruction of the riverine ecology. Solid plans to compensate Xe Bang Fai villagers and replace these critical sources of food and income have yet to materialize.

The amount of funds available for downstream compensation may prove to be the largest stumbling block. The latest Panel of Experts report states that there is less than US\$8 million available for the Xe Bang Fai livelihood restoration work, and over US\$1 million of that will be devoted to consultants. Even if we were to assume that only 75,000 people will be affected downstream as the company claims, the compensation and mitigation allocation for each individual would be less than US\$100. This is hardly sufficient to replace lost livelihoods, yet alone to improve living standards as promised by the ADB.

Nam Theun 2's failures should come as no surprise to observers familiar with ADB-supported hydropower development in Laos. Indeed, Lao hydropower projects have left a legacy of destroyed livelihoods, decimated fisheries and environmental destruction. The ADB has been Laos' most loyal dam-project funder over the past decade, supporting three projects in addition to Nam Theun 2. These projects have negatively affected around

40,000 people, many of whom are still waiting for compensation years after the dams were built.

The ADB claims that by financing hydropower projects it can help ensure that the project's environmental and social impacts are adequately addressed. However, the ADB has failed to consistently monitor these projects post-construction, and promised mitigation and compensation measures have never arrived. The ADB's failure has left affected people worse off after the project than before it was built.

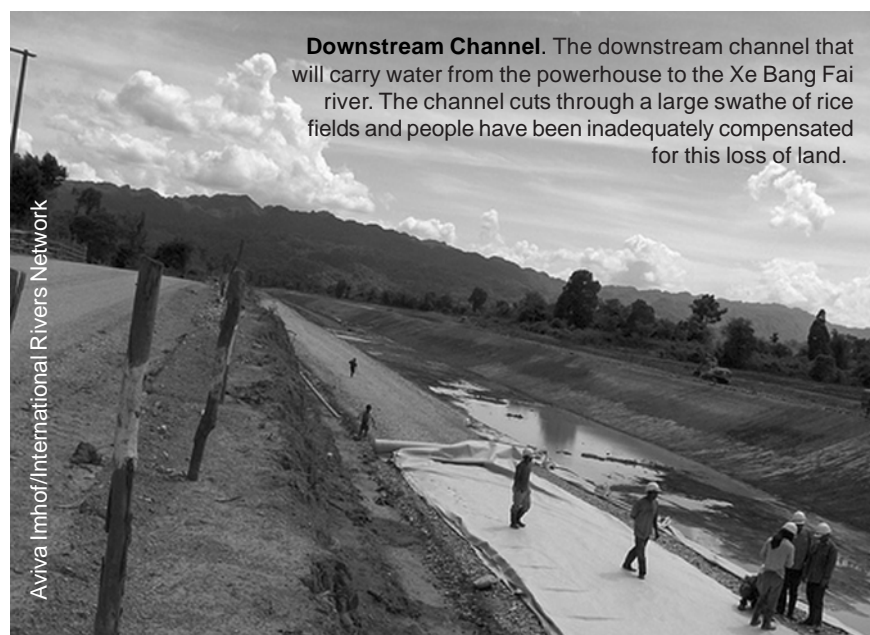
For example, when the Theun-Hinboun dam was completed in 1998, the ADB called it a "winner" with "little for the environment lobby to criticize." But IRN's field investigations soon uncovered a different story. Today, the Theun-Hinboun Power Company and the ADB admit that 25,000 people in 61 villages – mostly subsistence farmers – have lost fish, rice, vegetables and fresh drinking water as a result of the dam. Some assistance was provided, but villagers still have not been compensated for fish losses of up to 90 percent of their pre-project catch.

Even more devastating has been the additional flooding caused by the project's diversion of water to the Hinboun River. Last June, villagers living along the Hinboun River told IRN that they would prefer to move away rather than endure the severe flooding and erosion caused by Theun-Hinboun. Many villagers have abandoned wet season rice fields because the floods have made rice

cultivation untenable. For example, prior to 1998, villagers at Ban Pak Veng along the Hinboun River had rice surpluses that they would trade for roofing, clothing, household goods and fuel. Today, not a single family produces a surplus of rice in the village.

The ADB, under pressure from NGOs, persuaded the power company to adopt a mitigation and compensation program in 2000, but as the project's impacts have escalated and the company's efforts diminished, the ADB has essentially washed its hands of the project.

At Nam Leuk and Nam Song, two smaller projects that have affected





approximately 15,000 people living downstream of the dams, the ADB has promised for years to work with the Lao electricity utility, Electricité du Laos, to resolve the problems for villagers. Nam Leuk and Nam Song villagers have experienced fisheries declines and losses of agricultural land through erosion and still suffer from a lack of clean water for drinking, bathing and cooking. Finally last year, after pressure from NGOs, the ADB announced it was allocating \$250,000 to fund an Environmental Implementation Mitigation Plan. While welcoming the ADB's belated initiative, NGOs soon discovered that the plan itself was flawed and the allocated funding was inadequate. NGOs are now working to convince the ADB to reevaluate the plan and find additional sources of funding for its implementation.

If the ADB is really concerned about improving the livelihoods of some of Asia's poorest people, it needs to re-evaluate its support for big hydropower projects in Laos and consider alternative approaches that do not undermine rural livelihoods. In the meantime, the ADB must also strengthen its monitoring and enforcement capabilities. Post-project monitoring is one of the weakest links in the ADB project cycle, and regular missions must be made to project sites to ensure that promised mitigation and compensation measures are implemented. The ADB must also be prepared to put its money where its mouth is. If a borrowing country or dam company refuses to comply with commitments made at the time of project approval, or refuses to ensure that affected people are adequately compensated for their losses, the ADB must be prepared to halt funding to that government or company until the problems are rectified. Only with these measures can the ADB start to call itself a poverty reduction institution.



## ADB Orchestrates Hydropower Development in the Mekong Region

By Carl Middleton

The ADB's support for hydropower development in Laos has been a central component of its vision for economic integration in the Mekong region since the early 1990s. The ADB is promoting a regional power grid and electricity trading system through which power from some of the most controversial hydropower projects planned for Laos, China, and Burma would be transmitted to the increasingly energy-hungry cities of Thailand and Vietnam. Whilst much of the finance for Laos' future hydropower schemes will come from the private sector, behind-the-scenes the ADB continues to busily promote the Mekong Power Grid concept. It organizes regular meetings of the regional governments - to which civil society has not been invited - and offers grants and technical advice that support the plan. Furthermore, the ADB is also planning to support a key transmission line project linking Thailand to Vietnam through Southern Laos that, although economically unattractive to the private sector, constitutes an essential link in the grid and will make viable numerous hydropower schemes in Southern Laos.

The Mekong Power Grid plan will result in serious and wide-ranging environmental impacts in the Mekong basin and on the 60 million people dependent on its rich natural resources. Better solutions that are environmentally sustainable and socially responsible do exist to meet the region's energy needs. Demand side management and energy efficiency measures could be introduced to significantly reduce the need for energy in Thailand and Vietnam. Economically feasible, sustainable options to meet new demand include renewable decentralized energy, co-generation, and repowering existing power plants. Civil society groups have called on the ADB to promote sustainable energy plans for the Mekong Region rather than continue to support the flawed and outdated Mekong Power Grid plan. A first step should be to conduct a Comprehensive Energy Options Assessment for the region in-line with the recommendations of the World Commission on Dams.