



April 10, 2006

Bruce Murray
Director-General
Operations Evaluation Department
Asian Development Bank
By Email and US Mail

Dear Mr. Murray

I am writing to follow-up on the OED's Project Performance Audit Report (PPAR) on the Nam Leuk Hydropower Project, completed in 2004. The PPAR recommended a series of follow-up actions to address the outstanding social and environmental problems at Nam Leuk. The PPAR recommended that these actions be taken by December 2004, but many of them have still not been implemented.

Attached is a letter sent by Shannon Lawrence from Environmental Defense and myself to Mr. Rajat Nag in January 2006 on this issue. Also attached is a response from Mr. Cooney to this letter, dated February 2006. Based on this correspondence, I wish to draw your attention to the following areas where OED/DEC recommendations have not followed by ADB, and where the ADB continues to lack detailed plans for resolution of the major outstanding issues:

(a) Action Plan

ADB Management in its response to the PPAR, and in subsequent communications with IRN, said that the Lao Government will "prepare an action plan, which will be reviewed and followed up by MKRD".¹ However, the Lao Government has still not produced an action plan for resolving the issues at Nam Leuk. Without a clear plan with time-bound actions and an indication of where financing will come from, it is difficult to see how these issues will ever be resolved, especially as IRN has been hearing the same assurances from the ADB for years, with many issues still unresolved.

(b) Fisheries

The PPAR recommended that "EdL (Electricité du Laos) monitor fishery resources, and that mitigation be carried out by December 2004 in the affected villages. A systematic, participatory, and equitable approach should be used to find sustainable activities to substitute for lost fishing opportunities. Implementation should be monitored for at least the first 5 years."

No measures have been taken to compensate for lost fisheries since the PPAR. Mr. Cooney's letter states that a Fisheries and Water Quality Monitoring Study was issued to EdL in February 2006. Despite requests, we have still not received a copy of this study. Mr. Cooney states that EdL will compensate fish losses through provision of fish ponds, water supply and assistance to

¹ Management Response on the Project Performance Audit Report (PPAR) on the Nam Leuk Hydropower Project in the Lao People's Democratic Republic (Loan 1456-Lao[Sf])

villagers. However, there are no concrete plans for providing any of this to villagers, instead there are the same weak assurances we have been hearing for years. Without a concrete plan, we have no confidence that any measures will be implemented. Furthermore, it is not clear how the ADB intends to monitor whether compensation programs have been implemented.

(c) Water Quality

The PPAR recommended a “technical assessment of the Nam Leuk water quality within the next 6 months, including assessment of the impacts present and future.” We have been informed by Mr Cooney that the water quality report was completed in February 2006 (more than a year late). In our letter, we recommended that the ADB work with the Lao government to communicate the results of the water quality report to the villagers in the next three months, and that the ADB ensure that the report is released to the international community. There was no clear response on this issue from Mr. Cooney, and as far as we are aware, the report has not been released.

(d) Water Supply

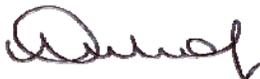
The PPAR recommended that “EdL should within the next 3 months evaluate the water supply conditions of the affected villages and ensure that adequate supply of potable water is available.” This has not occurred, and there was no clear response from Mr. Cooney to this issue.

(e) Phou Khao Khouay National Park

Nam Leuk is located within the Phou Khao Khouay (PKK) National Park and was built with the stipulation that one percent of dam revenues be used for PKK Park management. The PPAR recommended an investigation “to evaluate the impact of EdL funds and PKK activities on the Park in the last 4 years” and called on ADB to work with EdL and PKK authorities to establish a suitable mechanism for administering the 1% of Nam Leuk revenues. The PPAR also recommended that ADB “establish a multi-party committee to approve activities related to PKK Park improvement” in consultation with villagers. None of these recommendations have been followed.

I understand that the DEC is meeting next month to discuss the Lao Country Assessment Program Evaluation. What steps is the OED taking to follow up on Management’s failure to ensure that the OED and DEC recommendations were followed in the case of Nam Leuk and to take steps to ensure that villagers are adequately compensated for their losses? I look forward to your response.

Sincerely,



Aviva Imhof
Campaigns Director

cc Mr. Agus Haryanto, Chair of the Development Effectiveness Committee
Mr. Rajat Nag, Director General, Mekong Department
Mr. John Cooney, Director, Infrastructure Division, Mekong Department
Ms. Mala Hettige, Operations Evaluation Department