



Asian Development Bank

Mekong Department

16 February 2006

Ms. Shannon Lawrence
International Policy Analyst
Environmental Defense
1875 Connecticut Avenue, NW, Suite 600
Washington, DC 20009

Ms. Aviva Imhof
Campaigns Director
International Rivers Network
1847 Berkeley Way
Berkeley, CA 94703

Dear Ms. Lawrence and Dear Ms. Imhof:

Subject: Compensation Measures for Nam Leuk, Nam Song, and Theun-Hinboun Hydropower Projects

We are writing in response to your letter to Mr. Rajat Nag of 24 January 2006 regarding outstanding issues surrounding three ADB-supported hydropower projects in Lao PDR—Nam Leuk, Nam Song and Theun-Hinboun.

We are continuing our dialogue with Electricité du Laos (EdL) on the outstanding issues, including those to which you refer in your letter. As ADB's procedures do not permit civil works to be financed from technical assistance grants, we are pursuing with EdL other possible sources of financing to resolve the outstanding issues. We will also continue to conduct bi-annual monitoring progress missions to these three projects.

On a further point of clarification, kindly note that EdL is not implementing the Nam Theun 2 Project.

Our responses to your specific concerns are below.

Nam Leuk Hydropower Project

A. Fisheries, Water Quality and Water Supply

Baselines for the fisheries were established from late 1996 to August 1999, when the diversion took place. Monitoring then continued from August 1999 to the end of 2001. The results of the pre-project and post-project monitoring have been analyzed by consultants. The evidence from the monitoring was not conclusive, and it was recommended that monitoring should be continued for 5 more years.

EdL commissioned a Fisheries and Water Quality Monitoring Study for Nam Leuk and Nam Mang 3 from late 2003 to the end of 2005. The report on the study was issued last week and it is our understanding that EdL intends to disclose the report to affected villages and to the public.

Infrastructure Division

6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
www.adb.org

Tel (632) 632 4444
Fax (632) 636 2336

We also understand that EdL will compensate fish losses through provision of fish ponds, and through provision of sustainable year-round water supply sufficient for domestic and dry season gardening; and that assistance will also be given to the villages to strengthen their abilities to manage, operate and maintain their systems.

B. Buffalo and cattle losses

It is our understanding that following the death of livestock downstream of the dam along the Nam Xan River in 1999, EdL initiated an investigation by a specialist. The investigation failed to find any link with water quality and water quality was eliminated as the cause of the deaths. We understand that there was a veterinary report, and that EdL paid for a vaccination campaign as a goodwill gesture.

C. Phou Khao Phouay National Park

EdL is considering allocating a percentage of revenue from all hydropower projects to: (i) protect their catchments, (ii) for third party monitoring, and (iii) to cover social and environmental mitigation costs of the projects. One option would be for the revenue to go into a special financing window under the umbrella of the ADB-supported Environmental Protection Fund (EPF). We have been informed that when the EPF becomes established, within the next two months, the Executive Office of the EPF intends to commence a review of all environment-related funds in the Lao PDR to assess the best mechanism for each fund to enable it to meet its objective. Following this review, the Executive Office will propose appropriate measures, including sustainable sources of financing for watershed protection, and third party monitoring, and mitigation of social and environmental impacts of hydropower projects. ADB will discuss such proposals with the Government.

Nam Song Diversion Dam

We are not aware of water supply systems having been promised for downstream villages, only of a study undertaken in 2001 that recommended irrigation of vegetable gardens. It is our understanding that EdL intends to provide the downstream villages with sustainable year-round water supplies sufficient for domestic use and dry season gardens; and to provide new or repaired fish ponds to any downstream village that wants them.

Theun-Hinboun Hydropower Project

We have consulted the Theun Hinboun Power Company (THPC) and have been advised that they are responding directly to your letter. We will discuss each issue with THPC and continue to monitor their implementation.

A. Fisheries

THPC advise that they are currently evaluating the one-off compensation scheme as proposed in the Third Party Review, and anticipate making a decision within the mid-term regarding this matter. THPC also advise that they are working on an overall aquatic resources management program, which when finalized, would be available to interested stakeholders. They also report that the trial fish cage program has progressed well, and by this rainy season, they expect to have final results as well as feedback from the villagers regarding the program and whether to proceed with its program.

B. Dry season agricultural program

We understand that the 2004 crop was not a failure, but rather that in several villages there were much lower yields than expected due to conditions outside of the control of the program. In addition, the project corrected several conflicts between best practice for this program and the Village Savings & Credit Funds Program to ensure that the villagers who participate in the dry season agriculture program do not incur any undue hardships. THPC are continuing to monitor and support this program to ensure that it will be profitable and sustainable for the villagers.

C. Bridge at Ban Vang Dao

We understand that after the project was implemented, THPC provided a special floating platform with guide wires upstream on the Nam Hai so that children from various villages, including Ban Vang Dao, could cross the river to attend a secondary school; and that this platform has worked well without any incident or safety problems since it was installed. THPC is currently investigating the most appropriate site for a future bridge while considering the following issues: (i) suitable river bank conditions for engineering safety factors; (ii) high flows along the river during the rainy season; and (iii) central location for the villages in that area.

D. Third party review

We will discuss with THPC their plans for further third party review.

Sincerely,



John R Cooney
Director
Infrastructure Division
Mekong Department