

November 30<sup>th</sup>, 2012

Ingo Wiederhofer, Senior Operations Officer  
Sustainable Development Dept., East Asia & Pacific Region  
World Bank Lao PDR Country Office  
Vientiane, Lao PDR

**Re: Khammouane Development Project and the Nam Theun 2 Downstream Program**

Dear Mr. Wiederhofer,

I am writing to follow up on our earlier discussions regarding the World Bank's Khammouane Development Project (KDP) and support for the handover of responsibilities of the Nam Theun 2 Downstream Program. I appreciate that you and your colleagues took the time to meet on October 16<sup>th</sup>, 2012 to explain the KDP program components, and have the following questions outlined below.

**KDP Component 2: Support for Irrigation Development along the Nam Theun 2 Downstream Channel and Xe Bang Fai River**

During site visits to 18 communities along the Xe Bang Fai River (XBF) made by International Rivers in August 2012, one main concern voiced by village headmen and families alike was that dry season rice farming is necessary given that they can no longer rely upon productive rainy season rice paddy yields. However, using electric pumps was cited as a common cause for people to fall into a debt trap due to high input costs that outweigh profits made from the harvest. In each of the communities visited, International Rivers met villagers who stated that unless - and until - they are able to sustain productive yields, electricity costs should be subsidized.

*Can you please provide information on whether villagers will be expected to pay for electricity at full cost - and if not, how much and for long will electricity prices be subsidized? Will the situation of debt amongst these families be monitored?*

Furthermore, additional problems with the current state of the electric pumps was elaborated by the Panel of Experts (POE) in their Nineteenth Report, which stated that electric pumps in the downstream area "are not in service much of the time because maintenance and repair (and funds) are inadequate." (Section 3.2.5, p. 22) The POE recommended that "PAFO and the XBF Districts be assigned additional funds to help build a more effective private/public sector electric pump maintenance and repair system easily accessible to farmers." (Recommendation 11/19, p.22)

*Will there be funds made available to PAFO and DAFO for pump maintenance and repair as per the POE Recommendation 11/19?*

### **KDP Component 3: Support for Rural Livelihood and Agriculture Development**

#### **(a) Livestock breeding**

It is commendable that the KDP will offer ongoing support for livelihood programming and extension services. However, in more than five of the downstream communities visited by International Rivers in August 2012, people described the difficulties related to raising animals when water from wells remains insufficient or of poor quality. As a result, they had made decisions to withdraw or not participate in Nam Theun 2's livestock breeding program.

*Before instructing villagers to launch into potentially risky livelihood and entrepreneurship initiatives, does the World Bank have plans in place to ensure smallholder families are supported in accessing the appropriate water infrastructure? Or is such support expected to be included within the purview of the Asian Development Bank's programming along the XBF?*

#### **(b) Riverbank erosion**

In August, International Rivers found that significant numbers of downstream villages were reporting that riverbank erosion threatens properties used for entrepreneurial purposes (shops, restaurants and gardens for growing marketable produce). For example in Ban Phanang, Ban Thadorkham and Ban Pova, family-run shop and restaurant owners discussed their concerns of finding a way to finance the costs associated with moving further inland as the riverbank around them recedes. *Is there any support these entrepreneurial families can expect within the purview of the respective programs of the World Bank and ADB?*

#### **(c) Fish ponds**

As I mentioned in October, villagers in some communities along the XBF visited by International Rivers, including Ban Tohean, Ban Kengasi and Ban Khaengsavang, had fish ponds that had fallen into disuse. In some cases, this was due to flooding and in other instances, people lacked information on how to maintain the ponds. However, you suggested that there were several cases of success in the establishment of fish farming and other family-based livelihood ventures, such as mushroom farming.

*Is there documentation of these case studies in terms of outlining (i) the external resources provided for support, operation and maintenance, (ii) the length of establishment, (iii) the resulting profits and successes experienced by families/communities involved, and (iv) any follow up done since last year's floods? Are there funds allotted to pilot these successful models in other communities? Within the purview of the World Bank or Asian Development Bank program components, will there be any support offered in the form of technical know-how or appropriate materials for repairs to villagers whose current fish pond initiatives have failed?*

### **Unaddressed Needs of Hinterland Communities**

According to the Nineteenth Report of the POE, there are "43 of the 67 affected villages which will still not have had livelihood activities initiated when the switch to cash compensation starts." In October, Mr. Rex confirmed that the original DSP did not prioritize support for hinterland villages. Consequently, villages already made vulnerable by the downstream impacts of Nam Theun 2 currently face a future with questionable levels of meaningful support over the long term.

*Could you clarify whether there is any particular type of additional support, such as livelihood restoration programs or community infrastructure, for which these communities may be eligible under the KDP (or alternatively, under the purview of the ADB's program components)?*

We look forward to your forthcoming response and continued communication on these issues.

Sincerely,

A handwritten signature in purple ink, appearing to read 'T. Lee'.

Tania Lee  
Lao Program Coordinator  
International Rivers

*Email: tlee@internationalrivers.org*

**Cc:** Mr. William Rex, Lead Water Resources Specialist, World Bank  
Mr. Bui Duy Thanh, Senior Energy Economist, Asian Development Bank  
Mr. Ruedi Luthi, Director, Environment and Social Division, Nam Theun 2 Power Company Ltd.  
Mr. Pat Dye, Director, Government Affairs and Corporate Communications, Nam Theun 2 Power Company Ltd.