

February 3, 2012

Robert Allen Jr.
General Manager
Theun-Hinboun Power Company Ltd.
P.O. Box 3382
Vientiane, Lao PDR

Dear Mr. Allen,

Findings from International Rivers' Field Visit to the Theun-Hinboun Expansion Project

As you are aware, International Rivers has been monitoring and advocating on behalf of communities affected by the Theun-Hinboun Hydropower Project for well over a decade. In September 2011, we visited seven villages in the Theun-Hinboun project area to ascertain the situation of people affected by the Theun-Hinboun Expansion Project (THXP). This was an informal survey which aimed to give us an understanding of the situation of people living in the project's relocation and resettlement sites. We also visited three villages along the Nam Hai that had not yet been relocated, but were expecting to be relocated this dry season.

In this letter and appendix, the actual words of people we interviewed have, where possible, been used to give a clear representation of the problems faced. Full interviews are not included in order to protect the identity of the interview participants, and to avoid negative repercussions for interviewees.

1. Downstream relocation sites

(a) Concerns about the scale of resettlement

Interviews were conducted in 34 households from six villages: Ban Gang, Ban Phousaat and Ban Phoumakneng are new relocation sites; Ban Kao was in the process of moving at the time of our visit; and Ban Hatsakhan and Ban Naphouak are due to move this dry season.

The THXP Project's Resettlement Action Plan (RAP), Part 3, Section 20.1, Page 8, states very clearly that for Zone 3a, "Some villages will require (backward) relocation or complete resettlement to an area outside the village while the majority will require livelihood restoration in the form of alternative livelihood production systems." However, from our meeting with you on September 28, 2011, and from discussions with villagers, it now appears that **all villages in Zones 3a are being moved in contradiction to the Resettlement Action Plan.**

In addition, during our meeting with you, you indicated **that all villages in Zones 3b and 3c will also be moved in the coming one to two years. Again, this contradicts the Resettlement Action Plan**, which states in Part 3, Section 20.1, Page 3 that no resettlement or relocation will

be required for villagers in Zones 3b and c. In other words, **it appears that the Theun-Hinboun Power Company is relocating all villages in Zones 3a-3c, despite having stated in the RAP that only some villages in Zone 3a would be moved and that no villages in Zones 3b or 3c would have to be moved.**

While THPC has consistently claimed that the relocation that it is carrying out will be “within village territories”, and therefore of less disruption to relocatees than resettlement, it is clear that this is not the case. The three relocation sites we visited are all consolidations of multiple villages, and some of these villages have moved up to 8 km away from their original locations. The relocation sites have minimal land around the houses for gardens, animals are apparently not allowed in them, and as of September villagers had not received replacement rice fields nearby. It is hard to see how this could be considered a “milder disruption” than resettlement, as THPC has claimed in the past. Furthermore, project relocation is being done in the absence of any public plan that articulates which villages will be moved, where they will be moved to, how the resettlement will be conducted and what entitlements these villagers will have.

In this respect, THPC is in direct violation of the International Finance Corporation (IFC) Performance Standard (PS) 5¹, and therefore of the Equator Principles. Clearly, there has been no attempt to avoid or minimize displacement (PS 5, Paragraph 7). Indeed, it is still not clear how many people will be moved in the downstream areas and where they will be moved to. This is also a violation of the Equator Principles (PS 5, Paragraph 12), which specifies that a Resettlement Action Plan needs to be prepared for all people that will be displaced by the project.

International Rivers has been asking for a number of years about how many villages downstream will be moved; which villages will be moved; where these villages will be moved to and what is the schedule for moving these villages. Could you please provide comprehensive information on this very important matter?

(b) Relocation vs Resettlement

As noted on numerous occasions in correspondence from International Rivers to the Theun-Hinboun Power Company (THPC), the distinction between relocation and resettlement remains problematic, and results in serious questions about compliance with the Equator Principles. International Rivers is very concerned about the situation in the relocation sites we visited. People were given uneven and unfair amounts of compensation for their houses, and were expected to construct their new houses themselves. Many have gone into debt and have still not completed their houses. The compensation for fruit trees also appeared to be inconsistent and unfair. Many villagers have not received replacement land and do not know where they will be able to cultivate rice, and there is mass confusion about the dry season rice program and what kind of support THPC will be providing. There have been very few livelihood programs implemented so far, and villagers are receiving very little relocation assistance. There are

¹ As the Theun-Hinboun Expansion Project’s financing was arranged in 2008, all references to the Equator

serious concerns both about compliance with the Equator Principles and with the Resettlement Action Plan developed by THPC, as outlined below.

The IFC's Performance Standards have two definitions of resettlement: "physical displacement" and "economic displacement" (PS 5). Under IFC's definition, both relocation and resettlement villagers affected by the Theun-Hinboun Expansion Project are considered to be physically displaced. Under these standards, THPC is obliged to follow PS 5's requirement for physical displacement for both relocation and resettlement people.

By continuing to offer fewer entitlements to relocated communities, we believe that THPC continues to be in violation of the IFC's PS 5, and therefore the Equator Principles, in the following ways:

- For the downstream relocation sites, we found that **adequate replacement housing has not been provided and cash compensation for housing is not at full replacement cost** in violation of PS 5, Paragraph 6. In addition, people stated that they were not given a choice of options for adequate housing in violation of PS 5, Paragraph 8. According to our interviews and as confirmed in our meeting with you, people have been given cash compensation for their old houses but have been required to build their new houses themselves. Many households, although not all, were provided with roofing, concrete posts, nails and some rice for work to complete fences around their properties. However, many people stated that they had spent all of their compensation money on their house and/or had gone into debt to construct their new houses, and many people have half-finished houses that they are unable to complete as they have run out of money. This is likely to greatly impact the ability of relocatees to meet THPC's income targets, not to mention the serious disruption in their lives.
- **There are serious problems with land allocation in the relocation sites. Villagers are uncertain about where they will be able to cultivate rice in the future.** We understand that some villages are expected to go back to their old village to cultivate dry season rice and others will be provided with new land. However, some villagers reported to us that their old land was six to seven kilometers away from their relocation sites, a distance that is too great for them to sustain. This should certainly be considered outside the bounds of village territory, as claimed by THPC. We are concerned that this failure to provide adequate replacement land is in violation of PS 5, Paragraph 8, and would like to urge THPC to take immediate steps to rectify the situation before a food security situation emerges. In our discussion, you mentioned that every village that had moved more than two kilometers away from the old village would be given land-for-land compensation. The wide and varying reports we heard indicates that this has not yet occurred, and needs to be rectified as soon as possible.
- **THPC is renegeing on its commitment to subsidize electricity for dry season irrigation pumps for the life of the Concession.** The Resettlement Action Plan Part 3, Section 24.4.2, Page 42, states that; "Where pump irrigation remains the only means to ensure PAPs have an opportunity to cultivate rice, the cost of pump irrigation (installation and energy) will be borne by THPC until end of Concession Period." As noted in the appendix, several villagers told us that they would have to pay 50% of the electricity costs for dry season irrigation. This was confirmed by you in our meeting.

- **Very little relocation assistance was provided to relocated communities** (IFC PS 5, Par 16), meaning that people got little assistance from the company to physically move their houses and other assets. In addition, **they have not been getting any transitional food or other support from the company** (PS 5, Paragraph 20).
- **Compensation for fruit trees has been poorly handled, inconsistent and often unfair** with wide variations in compensation. Many people stated that they did not receive cash compensation at full replacement value, as required by IFC PS 5, Paragraph 8. People are unclear on why they received what they did, as the methodology for determining compensation was poorly explained.

All of the above violations stand in contrast to the entitlements given to those resettled from the reservoir area, who received new houses that were built for them by the company, were able to choose from a range of housing options, and who were provided with transitional relocation assistance. Those resettled from the reservoir area also received replacement land, although there appears to be serious concerns about the quality of this land, as outlined below. But nevertheless, there is a clear distinction between how “resettlers” and “relocatees” are being treated, and there is no justification for this differentiation under the Equator Principles.

(c) Other concerns at the relocation site

Villagers also reported to us a range of other concerns that they were facing at the relocation sites. Some of these are as follows:

- Many people were ordered by THPC officials to complete their houses by the end of 2011. This is problematic since many people have run out of money to complete their houses.
- Some villagers had to pay 50% of the cost for electricity connections to their houses, despite the fact that this was supposed to be free.
- In Ban Phoumakneng, there is concern about the flooding of the road levees that often occur as a result of just one day of heavy rain, which has the effect of cutting off the village, leaving people stranded.
- Livelihood programs are behind schedule. The only program reported in our interviews was that of frog and fish ponds, and this program is of such a small scale that it is of limited livelihood benefit.
- The grievance mechanism does not appear to be functioning well. People were either unclear of the process for making grievances, or afraid to make a complaint.
- Villagers received mixed messages and unclear commitments about who would be responsible for paying the cost of electricity for their houses.

2. Ban Nongxong Resettlement Site

International Rivers visited Ban Nongxong (a resettled village and a host village). Due to the limited time, only six households were interviewed. Whilst this is a small sample of the people living in this village, we would like to draw your attention to the following issues of concern reported to us by these people. These include:

- Problems with the quality of land provided to resettled people. The soil quality is poor and the preparation of the land by THPC was inadequate. The terracing was done unsuitably and the canals for irrigation are poorly constructed and not sufficient for the needs of growing crops. It was reported to us that 55 of the 108 households had not accepted the land as part of their compensation due to its poor quality.
- Ban Nongxong was promised a market and temple, as well as tables and chairs for the village hall, as per the Resettlement Action Plan. These have still to be completed.
- Stoppage of rice support: the villagers from Ban Nongxong could not understand why rice support was stopped between January to March 2011 and then restarted again in April.

3. Recommendations

It is clear that THPC has failed in many aspects of compensation and adherence to commitments in the Resettlement Action Plan. THPC have given villagers mixed and inconsistent messages, and there is a real risk of villagers falling into a debt cycle in the relocation sites. We hope that these issues will be resolved as quickly as possible. International Rivers makes the following recommendations:

- 1) Relocated villages should be given the same rights, entitlements and compensation as that of the resettled villages.
- 2) Land compensation in relocation areas needs to be addressed immediately. For any person whose old land is more than two kilometers away, compensation should be paid in the form of 'land for land' of equivalent size and productivity. THPC needs to redress and rectify the issue of who has received land compensation and who has not. This should be done by an independent assessment of land in old villages in consultation with villagers, to be presented to THPC, village chiefs, funders and the relocated community.
- 3) THPC must commit to supply free electricity for dry season irrigation for the life of the concession, as outlined in the RAP. In addition, THPC needs to establish a consistent policy about what other subsidies it will give for dry season rice.
- 4) THPC has stated on a number of occasions that electricity connection to houses in the relocation areas was to be free. THPC should investigate the issues that we have raised on this matter and reimburse those who had to pay a connection fee.
- 5) THPC should review their education and information programs to all resettlement and relocation villages to ensure people are aware of what they are eligible for in terms of land, electricity and water costs, building materials and toilets. In addition, financial planning and education should be an integral part of the package.
- 6) THPC should redress the fruit tree compensation so that it is fair and equitable. An independent evaluation of fruit tree compensation should be conducted to ensure that people receive compensation in accordance with their entitlements under the RAP, and that THPC sets up systems to ensure that future compensation is handled equitably. We also recommend that as a matter of good faith THPC starts a small fruit tree nursery in each new village and makes these trees available to all at no cost.
- 7) For houses that are in the process of being completed, financial and labor support should be given to help villagers finish building their houses. We also urge THPC to resolve inconsistencies around who received building materials (poles and roofs); who had the

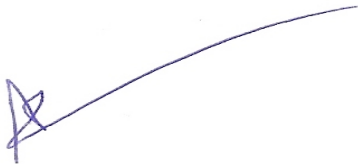
cost deducted from their compensation; and those who received nothing at all. People who have not yet begun the process of constructing their houses should be provided with new houses built by the company or provided with labor and financial support to ensure that they have the necessary resources to build their new houses.

- 8) THPC should resolve the issue of all-weather road access to the resettlement and relocation sites. In particular, the causeway at Ban Phoumakneng should be upgraded this dry season so that it can withstand at least normal wet season rain.
- 9) THPC should work with the people from Ban Nongxong to rectify the problem of poor quality land and poor quality terracing. THPC should conduct an independent review into agricultural land allocated to people who have been resettled. The review should incorporate soil quality, preparation of land by THPC, and irrigation systems (including sustainability and quality of canals).
- 10) THPC should fulfill its promises that are in the Resettlement Action Plan, including a market and temple and tables and chairs for the village hall in Ban Nongxong.
- 11) THPC should commit to rice support for all resettled and relocated people until they are able to grow sufficient rice to feed their families and reach income targets.

Finally, in our discussions with you in September, we were told that THPC is making a list of entitlements for the relocated villagers that you said you would provide us with. Could you please send us these entitlements?

We look forward to receiving a detailed response to the issues raised in this letter and outlined in more detail in the appendix below.

Yours sincerely,



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Southeast Asia Program Director

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APPENDIX – DETAILED FINDINGS FROM FIELD VISIT

Results of Interviews in Relocated Villages

Interviews were conducted in 34 households from six villages: Ban Gang, Ban Phousaat and Ban Phoumakneng are new relocation sites; Ban Kao was in the process of moving at the time of our visit; and Ban Hatsakhan and Ban Naphouak are due to be relocated this dry season.

The following are the commitments that Mr. Allen told International Rivers that THPC had made to relocated villagers in our meeting on September 28, 2011:

- Relocated households will get a house frame, roof, food for work, carpenter support to rebuild houses, and additional support for people to move from thatch to wooden houses, including materials and food for labor. If a family is short on labor, THPC will help them out.
- Each relocated village will receive water supply, a school and health clinic.
- While the relocated villagers will be expected to farm their existing land, every downstream site will be provided with electricity and electric pumps. Mr. Allen stated that THPC would provide an irrigation system but there were no clear commitments about how much subsidy would be provided for dry season rice, in contrast to the clear statement in the RAP that THPC would pay for electricity for the life of the concession. Mr. Allen stated that when the villages achieve sustainable livelihood targets, THPC will remove the subsidies.
- THPC will look into finding new land for cash crops but has given no firm commitment on this.
- If a household has to relocate more than two kilometers away from their old land, then they will get new land through a land-for-land replacement program.
- THPC will pay for electricity hookup and relocated people will pay for electricity use.
- THPC will have livelihood activities all year round. Relocated people will be given a package of different livelihood options to choose from, including wet season rice and commercial activities. An enhanced livestock program will start this year, which includes introducing breeding stock in each village.

Findings from interviewing both people who have been relocated as well as people who will soon be relocated present evidence in stark contrast to the above.

Land Compensation

Many people are unhappy with the compensation for lost land. Numerous commitments were made in varying forms, but most have not yet come to fruition. Most people have not received compensation for their rice fields as they are expected to go back to their old lands to cultivate rice or they are supposed to receive new land (land-for-land). In the case of Phoumakneng, we were told that new land was available to them but was about seven kilometers away and of poorer quality. Many people were told that they should continue to use their existing land but for some people this was too far due to the distances from their old villages. Some people were given no compensation at all, while others received land or financial compensation; again this was inconsistent or inadequate.

At best, this is the consequence of poor communication and education from THPC on what relocated people were to receive. The mixed messages the people received are confusing. For the people who have yet to be moved in Ban Kao, Ban Hatsakhan, and Ban Naphouak, they are still unclear of what they will receive. The people who have been and are about to be relocated have the right to know where they will be cultivating their land in the future.

In Ban Phoumakneng a family stated: *“The land compensation has been inadequate. There have been verbal agreements for more concessions from the company, but they haven’t materialized.”* Another family in Ban Phoumakneng stated: *“The company bought our old land for 12 million kip (\$1500)² per hectare. Some people were given compensation for their land, while there are many cases where the Company hasn’t compensated people for their rice fields.”* Another family from Ban Gang was given a commitment that hadn’t yet materialized and in any case was far smaller than what they had in the first place: *“We had two hectares of paddy land in Nasakorn. We have been promised one rai per person of land in the new village but haven’t received it yet.”* On a number of occasions International Rivers was informed that people were promised land or compensation which was not provided. One person from Ban Phoumakneng said to us: *“We haven’t received any compensation for our paddy fields. Before we moved here, the Company promised us that they would compensate for paddy fields, but nothing has happened yet.”* Another person from Ban Gang said that *“Recently we had a meeting with the Company and we were promised paddy fields about 40 kilometers away from here, but it is too far.”*

As stated in the Resettlement Action Plan Part 3, Table 21-1, Page 10, entitlements for Recipient River Villages for Loss of Agricultural Production Systems include the following:

- Replacement land of at least equal productive value to that impacted, at a location acceptable to the PAP, within village territory, if feasible. Land will be cleared and developed at THPC expense. Manufactured fencing materials will be provided for collective blocks of land. OR
- Where suitable replacement land cannot be provided, dry season irrigation will be provided (installation and running costs until end of BOT period) to allow dry season production to replace the lost wet season production, OR
- Cash compensation for value of land by GoL [Government of Lao] District standard or 7 years’ net income from affected land for households affected by <20% of livelihood income (cash and imputed), AND
- Inputs and technical support necessary for PAPs to engage in one or more of the offered range of feasible production and income generating livelihood improvement option.

It is clear in the Resettlement Action Plan that recipient villages should be receiving either replacement land of equal value or cash compensation. It is evident from our interviews that the RAP is not being followed.

² PLEASE NOTE - All \$ figures are in USD and are based on the exchange rate of 8,000 kip = US\$1.

From the evidence provided in interviews, several villages have had to move a considerable distance away from their old village. For example, in Ban Phoumakneng we were told by interviewees that their old villages were varying distances away, including: Sekkoung is about one kilometer away; Nasakorn is about three kilometers away; Ban Kengkhot about six kilometers away; and Ban Pa Gong Khor six to seven kilometers away. Two households we talked to in Ban Phoumakneng said: *“We can farm in the dry season but it is six kilometers away and difficult to get to”*; and *“We don’t have any transport, so it is hard to get to the old farm which is six kilometers away.”* Another person from Ban Phousaat said: *“We have 1.5 hectares of paddy field in our old village, but we don’t use it anymore as it is eight kilometers away.”*

We were told by Mr. Allen that a new irrigation scheme of 170 hectares is being developed by THPC for Ban Phoumakneng, but villagers did not have any information at all about this.

Fruit Trees

Fruit tree compensation has been inconsistent and poorly handled. IFC PS 5, Paragraph 8 states: “compensation for lost assets should be at full replacement cost.” The RAP Part 3 states that for loss of fruit trees and timber trees in Recipient Villages, cash compensation should be “based on a 5-year projection of production from the time of loss, AND replacement trees at new location as part of livelihood restoration packages.” Most people stated they had received compensation for their fruit trees, but many people are unhappy about the amount of compensation received and the majority do not believe it was either at full replacement cost or based on five years of production. Villagers consistently told us about unfair compensation, and that people were given significantly different amounts of compensation for fruit trees. In addition, while some families had been given seeds for new trees, there is clearly insufficient land in the relocation sites to allow for replacement trees for all lost fruit trees.

One family from Ban Phoumakneng said: *“We had 10-20 fruit trees and also had nine bamboo clumps and were given 100,000 kip (\$12) in compensation and some seedlings”*. A family from Ban Kao said: *“We only got compensation for some of our fruit trees, which was calculated by kilogram of fruit per tree. For one kilogram of fruit produced on a tree we would receive 3,500 kip (40 cents). We got 8,005,000 Kip (\$1,000) for 20 fruit trees. We estimate that the trees we had growing were worth at least 20 million kip (\$2,500), but the project staff and district officials told us to reduce the amount of kilograms per tree produced, so we received less compensation”*. Another family from Ban Kao said: *“For our mango, banana and coconut trees, we got 400,000 kip (\$50) for about 15 trees. We think we should have gotten 10 million kip (\$1,250) more for our trees.”* Another family from Ban Phoumakneng did not receive any compensation for their fruit trees.

Dry Season Rice Production

The issue of provision of electricity for dry season rice production again has many inconsistencies and flaws. The RAP Part 3, Section 24.4.2, Page 41, states that: “Where pump irrigation remains the only means to ensure PAPs have an opportunity to cultivate rice, the cost of pump irrigation (installation and energy) will be borne by THPC until end of Concession Period.”

The RAP contains a clear commitment from THPC to pay for the energy costs of pump irrigation for the entire Concession Period. Yet in our meeting with Mr. Allen, and in our discussions with relocated people, it is clear that THPC is not planning to honor these promises. In Ban Phoumakneng, differing reports were heard about what was promised in terms of electricity provision for irrigation and what was actually received. Many people were told that THPC would pay half the electricity costs for three years. However, they found that after a few months they had to pay the entire cost of electricity if they plant dry season rice. Other people said they were told that THPC would supply all agricultural inputs including electricity costs for irrigation. In Ban Phoumakneng we were told by several families that they had to pay 50% of the electricity costs for irrigation. One family said *“The Company will support fertilizer and rice seed this year, but we will have to pay for half of electricity costs... In my old fields I would get 100 bags of rice.... Now I can’t grow enough to eat from dry season rice.”* In Ban Gang, villagers told us that THPC promised that they will get full support for growing rice if they moved to the new village. Another villager from Ban Gang said *“we think the company will pay for diesel pumps for dry season irrigation, fertilizer and seeds but we will have to pay for the diesel ourselves.”*

This is another example of poor and unclear community education for the villagers. THPC needs to revisit all villages that have been relocated and will soon be relocated to outline the exact nature of the company’s commitments, and adhere to commitments made in the RAP to provide electricity for the life of the Concession for dry season irrigation.

Housing Compensation

In our discussion with Mr. Allen on September 28, we were told that THPC had committed to provide relocated villagers with a house frame, roofing materials, food for work, and carpenter support to rebuild the house, as well as support for people to move from thatch to wooden houses, including materials and food for work. Mr. Allen stated that if a family is short on labor, THPC would help them out. However, these commitments have not been met according to our interviews.

Compensation amounts for old houses varied considerably. Some people received eight million kip (\$1000) in compensation, while others received up to fifty million kip (\$6250) as compensation for their old houses. Some people have gone into debt to finish their houses. Interviewees revealed some people received concrete poles and roofs while others had the costs of these materials deducted from their compensation package. People were promised help with moving to the new village – this sometimes happened, other times they had to find their own resources to build and move. The following details these issues:

- There are inconsistencies on who received compensation money for their old homes and who received roofs and poles only. It does not seem that THPC gave people a clear understanding of the methodology used to make the decision of how much and what compensation would be received from THPC nor how those decisions were made. Some interviewees told us they were given toilets, poles and roofs, whereas others told us that the cost was dedicated from their compensation payments.

- One family from Ban Gang told us that *“We had a big house and a small house but when the THPC staff came and took photos, they only photographed the small house and not the big house. We only got ten million kip (\$1,250) in compensation and we had expected to get at least twenty million kip. We were only given poles and concrete and roof for our new house. Our new house cost twenty million kip (\$2,500).”* Another person told us *“For compensation for the house, at first we were promised 15 million kip (\$1,875), but then my wife asked for a roof and concrete poles and then we only received ten million kip (\$1,250) as the Company deducted the costs of these items from our full compensation amount. We thought the construction materials would be free.”*

We did not talk to anyone who had received support from THPC for rebuilding their houses. The only food for work example that was consistently reported was for building a fence around the house: for each meter of fence built, one kilogram of rice was given. There were no other reports of people being given food for work to build their houses.

A problem which is emerging is that of over-spending for the rebuilding of houses. International Rivers is extremely concerned that THPC did little - if any - education on financial planning with the villagers who received housing compensation, and as a result many people have gone into debt to build bigger houses than they could actually afford. This debt will surely frustrate THPC attempts to reach the proposed income targets, and needs to be addressed immediately. Furthermore, this problem has arisen as people have had to build their houses themselves. We heard many stories where villagers were building new homes for more money than they received in their compensation and thus were entering into the debt cycle. One family in Ban Phousaat said: *“Our family received 31 million kip (\$3,875) in compensation for our old house and we have already spent 65 million kip (\$8,125) and it is not yet finished. This house is a lot bigger than the old house. We were given concrete poles and nails from the company but the cost of these was taken out of the compensation money.”*

Pressure to Complete Houses

Many people told us that they had been ordered by THPC officials to complete their houses by the end of 2011. In two cases in Ban Phoumakneng we were told that THPC officials had made threats of taking back roofing and poles if they were not completed: *“The project staff has been coming and asking when we will finish our house. They told us that we will have to finish our house by this month (September). The company staff came and took pictures of our house and it scares us. The company staff said they are afraid that foreigners will come and see that the house is not finished. But they haven’t offered us any help to finish the house.”*

Every villager interviewed stated they would finish their houses if they could, but that they did not have the resources available to do so. THPC should provide financial and labor assistance to villagers to help them finish their houses, and should stop intimidating villagers.

Electricity

We heard varying reports from people that they had been promised free electricity for their houses from three months to one year, before they had to start paying full price. In Ban

Phoumakneng, we were consistently told *“The company promised free electricity for three years but now we have to pay 50% of electricity bill!”* and *“The company said we would get free electricity and water for three years but we had to start paying for it after three months.”*

In Ban Kao and Ban Phousaat, several families reported that they had had to pay half of the costs of electricity connection to the house. We understand from our meeting with Mr. Allen in September that electricity connections were supposed to be provided free of charge to all relocated households. In Ban Kao, according to one family, *“We had to pay 900,000 kip (\$112) for electricity connection; the company also paid 900,000 kip for connection.”* In Ban Phousaat, a family told us that, *“We had to pay 900,000 kip (\$112) for electricity connection; company also paid 900,000 kip (\$112) for connection.”* In Ban Naphouak where the people have yet to be relocated, those who currently do not have electricity connections will be required to pay for the connection in the new village: *“for electricity installation, the company said they will pay 50-50, but after we protested, the company has now agreed to pay the connection fees for people who already have electricity in the old village, if they didn’t have electricity, they will have to pay 50% of connection fees.”*

We believe that the THPC needs to investigate this issue in these villages and rectify the problems.

Livelihood Programs

It is clear from our discussion with Mr. Allen as well as in the RAP Part 3, Table 21-1, Page 11 that THPC has agreed to a number of entitlements for villagers in recipient river villages in terms of training and support. Some of the promises include:

- Training and support for livelihood improvement;
- Savings and credit groups for men and women;
- Support and advice from THXP Downstream Unit, RMU and District Line Agencies.

However, the only evidence of livelihood programs we could find were small fish ponds and tanks. Initially successful in the first year, this program has met with a less than enthusiastic response in subsequent years. In Ban Phoumakneng, some people received concrete tanks and others received plastic lining and netting to use in their own ponds, which they needed to dig themselves. The plastic provided was very flimsy and many villagers reported that they had to replace it themselves within a short period of time. On some occasions we heard that the plastic lining was replaced by THPC while in other cases it was not. One person explained: *“Some people got a cement fish pond, others were given only a plastic tarp and had to make their own fish pond, and those who are rich got the cement ones.”* People had to provide their own feed for the fish, an additional expense many said they could not afford. Furthermore, one person told us *“I was told that I could have a fish pond with a plastic tarp but would have to dig it myself. They said they would give me 200 baby fish but I will have to pay for the fish food myself. I decided not to accept it, as it will cost me more money, which I don’t have.”* While fingerlings were provided for the first year (and in some cases in the second year), the villagers do not know if they will be provided again or if they have to pay for them themselves.

In one interview in Ban Phoumakneng with ten households, four of the households reportedly didn't receive fish ponds or fish, while the other six households did. The four who didn't receive the ponds were told that they should get them, but they are still waiting.

This was the only evidence we could find of livelihood programs for relocated villagers, which are small and inconsequential additional sources of livelihood.

“Volunteering” to move to a new village

In the RAP Part 3, Section 23.1, Page 34, THPC states that “Relocation will be voluntary and presented as an option for improvement of the current situation and a way to pre-empt future problems.” This is one justification that THPC gives for the different entitlements given to relocated and resettled villages. As has been pointed out in previous correspondence with THPC and the project financiers, the RAP itself notes that those who did not choose to move would not get any assistance from the company for dealing with the project-induced flooding, already calling into question the “voluntary” nature of the relocation. We asked villagers about whether they wanted to move, and consistently villagers stated that they had to move because of the flooding. One villager from Ban Naphouak stated: *“I was born here and like living here, but when they tell us to move, what can I do but move? I would like to stay here but then I would be alone. It will be difficult for us to move as we can't bring our animals and we will have to sell them.”*

As THPC is now stating that it will be relocating every village along the upper and middle reaches of the Hinboun River, it is quite clear that this cannot be characterized as a voluntary relocation.

Fishing

As many of the villages we visited were moved away from the Hinboun and Hai rivers, people have been either forced to abandon their fishing or fish in the closer Hai River, which has created even more pressure on the river's fisheries. People are reporting declining fish catches as a result of the increased pressure and it's not clear how THPC intends to compensate for this loss.

Pressure on the fishery is exacerbated by the impacts from the first Theun-Hinboun Hydropower Dam, which led to significant declines in fish catch in the Hai and Hinboun. A fisherman from Ban Phoumakneng stated: *“in the old village we used to catch a lot of fish and always had enough fish to eat, but now we have to fish from a different river and we catch less fish.”* Another fisherman said: *“In the old village we used to fish a lot, but now we don't know where to fish, as the new river the village fishes from doesn't have enough fish to support the village. It is much smaller, especially in the dry season.”* The other issue the villagers are facing is the distance to the river. *“The old river where people used to fish is eight kilometers away, now it's too far to go.”*

We have raised the question of fisheries compensation many times with THPC before, since THPC has never compensated villagers for the fisheries losses sustained as a result of the original project. The expansion project and associated relocation will exacerbate the pressure on

fisheries and the losses sustained by villagers and it remains unclear as to how THPC plans to compensate villagers for these losses.

Grievances

While THPC has a complaint mechanism, people are afraid to make a complaint, or feel that they are not being heard. A consistent message from different villages was that they were afraid to complain for fear of repercussions. Villagers reported that they made complaints to THPC staff but were never sure if they were followed up as they did not receive a response. One person said: *“If we complain a lot, they bring their people from the district government to scare us.”* Another said: *“Approaching the company is difficult. The Coordinators [from THPC] have a higher education and they just frustrate me. I feel like giving up each time I try to get assistance for the village.”* Interviewees said that because they did not have written documentation, it was hard to prove when something was promised by THPC and then reneged on. For example: *“It’s hard to complain, as we don’t have documents, they change their words and claim they didn’t say it,”* and *“When we complain it’s difficult because we don’t have a written agreement and they change their word.”* These messages were repeated by many of the people interviewed.

All-weather road access, Ban Phoumakneng

Many villagers in Ban Phoumakneng expressed concern about the flooding of the road levees that occur as a result of just one day of heavy rain, which has the effect of cutting off the village, leaving people stranded. People were concerned that if there was a medical emergency they would not be able to get to a hospital. While there is a small health clinic in the village, it cannot handle medical emergencies. When we discussed this issue with you, we were told that the flooding did not last more than a few hours. Villagers consistently reported that the flooding often lasts more than a day, and in some cases up to a week. We have on good authority that a THPC team was stranded overnight in Ban Phoumakneng due to the road being cut off by flooding. This villager summed up the situation: *“In the wet season it is like being on an island as there is a river on one side and the road out has a causeway, which is often flooded.”* When asked how often it flooded, he said, *“I couldn’t count the times it happened. It only takes one day of rain and it will flood.”*

Water Supply Ban Phoumakneng

In Ban Phoumakneng, people reported that there were problems with the water supply. Often water was not available (up to ten times a month), and the water quality was poor. As per the Resettlement Action Plan, the water supply is to be maintained. It appears that the water supply is not enough to meet the needs of this large village. We urge THPC to investigate the matter and rectify the problem.

Ban Nongxong Resettlement Site

International Rivers visited Ban Nongxong (a resettled village and a host village). Due to the limited time, only six households were interviewed. Whilst this is a small sample of resettled

people, we would like to draw your attention to the following issues of concern reported to us by them.

Land Problems

There were complaints about the quality of the land as well as the amount of land that was given to resettled families. The Lao Resettlement Decree requires “provision of ‘land for land’ or arrangement of land of equivalent size and productivity (*GoL 2005: Article 6, paragraph 2*).” The RAP (Part 2, Section 11.5.1, Page 8) states that the entitlements for the permanent loss of agricultural land are:

- Replacement land of at least the same size and equal productive value at a location acceptable to the PAP.
- Replacement land will be cleared, fenced and prepared by the resettlers (food for work program) or mechanically cleared if the PAP cannot provide sufficient labor.
- In cases where replacement land is not available in sufficient area, the PAP may accept cash payment for the difference between land registered and land provided in the resettlement site.

International Rivers inspected the paddy fields given to resettled villagers in Ban Nongxong, and observed that the terracing was poorly done: topsoil has been replaced by subsoil and the soil is of poor quality to begin with, as observed by the vegetation growing there. No drainage has been provided, so water runs over and inundates the rice plants. Mr. Allen stated to us in our meeting that THPC would assess it soon and make improvements. One farmer told us: *“We were given one hectare of land and money for the other three hectares (25 million kip (\$3,125) per hectare = total \$9,375). The one hectare my family was given was too hilly for rice, so the Company terraced it, but the soil is poor and rocky and so the seed died. We were also given fertilizer but it was of poor quality too, and didn’t help. The terracing was done very badly and when it rains the water and soil runs directly into our crops and damages them.”*

Observing the land provided, International Rivers believes the quality of the land is unacceptable, as is the way it was worked before being allocated to the villages. The terraces were roughly bulldozed into a heap, creating a dam effect for where the paddy was to be grown. These heaps were too high and not finished off, and used what top-soil there was, leaving a very poor quality layer of sub-soil. The canals that were put in to help irrigate the paddy fields were of extremely poor quality, with thin walls, wrong slopes, some distance from the paddy fields, and were poorly finished. The whole system looked like a rush-job done by someone with no skills or knowledge on how to grow rice. This needs to be rectified immediately. We were told that 55 of the 108 households had not accepted the land as part of their compensation due to these problems.



*“Terracing” done by THPC for Ban Nongxong
canals for Ban Nongxong*



Poorly built and planned

Unfulfilled Promises

In the Resettlement Action Plan a number of promises were made which have yet to be fulfilled (RAP, Part 2, Section 11.5.1, Page 9). Ban Nongxong is still waiting for a market and temple which was promised to them, as well as the tables and chairs for the village hall. We understand that the company actually cleared the land for the market some time ago but has still not built it. People are concerned that they will never materialize: *“We have a junior school and health center, but not a temple or market yet as promised. The Company promised to build the market and temple, but we have been waiting three or four years now and we still haven’t got them. I’m afraid the project won’t build it as the project has nearly ended.”*

Rice Support

THPC committed to providing rice support of 440 kilograms of milled rice per person per year during the transition period until livelihood activities provide subsistence requirements, (RAP Part 2, Section 11.5.1, Page 11). However, we were told by the resettled people that from January until March 2011, this rice supply was suddenly stopped with little or no explanation. People were bewildered and made more vulnerable by not having the staple of rice. We understand that rice support was reinstated in April. One villager said *“During that time of no rice, some families had to go out and find work so they could eat. Others borrowed rice/money from their friends. The company was only going to give rice until 2010, but they had to extend it because the land wasn’t producing well enough [because it wasn’t viable].”*

What is the explanation for this stoppage and then reinstatement? Will THPC guarantee the rice support for 2012 and subsequent years until the villagers are able to produce enough rice for themselves?