



Theun-Hinboun Power Company Limited

11 December 2012

Tania Lee
Lao Program Coordinator
International Rivers
2150 Allston Way, Suite 300
Berkeley, CA 94704-1378
USA

Subject: THPC Expansion Project

Dear Tania Lee:

We refer to your letter, dated 21 September 2012, and our subsequent meeting in October 2012, regarding the THPC Expansion Project. We have reviewed your letter as well as reviewed the actual situation within the Project area, and accordingly, please find below our responses, which are listed in the same order as the issue was raised in your letter.

1. Ongoing Relocation of Downstream Villages

Pursuant to the RAP, and THPC's consultation with the local villagers and local Government of Laos ("GOL") authorities, the Downstream Relocation program in Zone 3B started in 2010 and will end of 2012 with a total of 11 villages being relocated to four (4) new Relocation Villages.

With regard to Zone 3C, pursuant to the RAP, and THPC's consultation with the local villagers and local GOL authorities, the Downstream Relocation program will start in 2013 and end in 2017. A total of 13 villages will be relocated to four (4) new Relocation Villages. The program for each new Relocation Village and the details of entitlements are presented to all local villagers prior to the relocation program. A copy of such items will be posted on THPC's website.

2. Housing in Relocation Sites

Please be advised that are several possible reasons for the various stages of completion of new houses in the Relocation Villages. For example, in the Ban Tha Relocation Village, all the housing structures have roofs; however, a few households have not yet finished with the internal and external walls for the house. These families are families who were eligible to split the household into two (2) households and establish two (2) new houses, and accordingly, they have decided to live together as a large family as they did in the old village while they gradually finish the second house. In any case, THPC is working with these households to try to convince them to complete their basic housing structure as soon as possible. While in the Phousaat Relocation Village, there are several unfinished houses because these families only relocated this year and still working on finishing their new houses.

THPC has always provided special attention to those relocating households that have been identified as vulnerable. During the transitional period when their houses are being rebuilt, these vulnerable families are entitled to additional rice and protein support to try to ensure that their awarded compensation goes towards



Theun-Hinboun Power Company Limited

house reconstruction. For the next phase of the Relocation Program, THPC will undertake a more thorough assessment of each relocating vulnerable household. If it is determined that there is a high risk that the household will not be able to rebuild their house within a reasonable time frame, then THPC will take the lead regarding this matter for the household. For example, THPC in consultation with the vulnerable household may use the awarded compensation to hire craftsmen to reconstruct the house for the vulnerable household.

3. Food Security in Relocation Sites

In addition to the issue of food security that is continually reviewed by THPC with the local villagers, THPC is committed to achieve a sustainable livelihood income target for these villagers, and thus, the approach is an integrated livelihood program instead of a single issue program. As part of the integrated livelihood program is the capacity to undertake dry season rice cultivation if the conditions are warranted for such activity. For example, THPC has constructed an irrigation scheme for the Phoumakneng Relocation Village that can irrigate 150 hectares for dry season rice cultivation as a substitute for their wet season rice. If there is a request by the villagers, the area for dry season rice cultivation can be extended to 250 hectares. For this dry season (2012-13), 157 households out of 184 are taking part in the dry season rice cropping. The households that are not doing dry season rice have cultivated rice during the wet season and have chosen to do other alternative income activities for the dry season.

For the Phousaat Relocation Village, three villages (Hatsaikhong, Done and Vangdao) that were relocated did not have dry season irrigation system in their old village, and thus, THPC provided funds for each household to develop one hectare of flood safe flat land for wet season rice cultivation. Finally, for the two villages (Naphouak and Kongphat) that had irrigated land, THPC is providing input support (fuel for pumping, seeds and fertilizer) for dry season rice cultivation, and planning is underway to improve their irrigation systems.

For the Tha and Thamtem Relocation Villages, the villagers did not have dry season irrigation systems, and thus, THPC also provided funds for developing one hectare of flood safe flat land for wet season rice. The land for rain-fed rice cultivation in the Thamtem Relocation Village was developed in 2011, while in the Tha Relocation Village, the new land development started this year and will be completed in 2013.

In addition to the new land development, THPC has already undertaken improvements of roads and tracks to the agricultural land with further work to be undertaken in 2013.

4. Grievance Mechanism

Under the grievance process, the grievance is a matter between the villager and the relevant GOL authority with THPC only providing the necessary background information without being directly involved in the processing and assessing of the grievance. Once the grievance committee has reached its decision, THPC has the obligation to implement the decision as soon as possible. To date, it appears that all raised grievances have been handled properly and carefully by the grievance committee, and in most cases the decisions are in favour of those who raised the grievance.

With regard to the case of the households from Naphouak and Hatxaykhang villages, who were relocated to the Phousaat Relocation Village, these households were not satisfied with the decision regarding their grievances, and then, they sent letters directly to different GOL authorities including the National Assembly of Laos. Based upon these letters, the National Assembly representatives from Khammouane Province along with Khammouane Provincial GOL authorities investigated the grievances and had several meetings with the villagers. Their grievance was that they wanted higher compensation rates than those defined in the THPC downstream entitlement policy and approved by the District GOL authorities. As the majority of the relocating



Theun-Hinboun Power Company Limited

households from Naphouak and Hatxaykhang had accepted these compensation rates, the National Assembly Representatives and Provincial GOL officials decided that the grievance was not valid as the compensation rates are pursuant to Lao regulations and it would not be appropriate to grant these households with special treatment with higher compensation rates.

While this case demonstrates that the villagers have the ability to raise grievance beyond the grievance process and have an opportunity to be heard by higher authorities, THPC does take the grievance process as an important part of the relocation program, and accordingly, we routinely monitor issues in the local villages to try to ensure that the villagers have an opportunity to raise their issues and grievances.

5. Infrastructural Needs in Ban Phoumakneng

While there will arise occasions when the Phoumakneng Village may be cut off from the main road for a short period of time during flooding (maximum so far as been approximately 36 hours), THPC does not consider this possible situation as a threat to the health and well being of the Phoumakneng villagers, and accordingly, there are no plans to upgrade the crossing to a bridge. THPC has already communicated this to the villagers in two separate letters directly delivered to the village authorities in response to their letters of request received by THPC in 2011 and 2012. THPC has also communicated this decision in meetings with the village authorities and with the Relocation Management Unit for the Khammouane Province.

In order to handle possible medical emergencies, THPC has developed evacuation plans for the Phoumakneng village in case of medical emergencies that coincides with a flooding event (it is impossible to cross the crossing by car). The emergency evacuation preparedness system includes drivers on call for car transport and availability of boats for crossing the river. In the two years since the relocation to Phoumakneng, these medical evacuation procedures have not been necessary; however, they remain standing procedures for the future.

Concerning the unfinished school in Phoumakneng, please be advised that this was an initiative by the GOL District authorities as they wanted to build a secondary school in addition to the primary school that THPC had built for the Phoumakneng Village. The GOL District authorities had requested THPC to provide some support for building the secondary school and undertook to mobilize villagers to build the school and to provide materials to fully complete the school. THPC duly provided building materials, including concrete columns and roofing sheets as agreed, however, the villagers and GOL District officials have been unable to finish the school building. While it is not an obligation for THPC, THPC has agreed with the villagers and GOL District officials that THPC will provide technical advice and some additional material support while the villagers themselves will contribute the necessary labour with the goal of finishing the construction in early 2013.

6. Infrastructural Needs in Ban Nongxong

First, THPC has fulfilled its obligations in providing agricultural land to the resettlers in Nongxong. THPC is currently working with the villagers to improve the capacity of the land in order to achieve sustainable livelihood income targets as this is the overall obligation of THPC to the resettled villagers.

Prior to the 2011 wet season, 53 households in Nongxong had refused to plant any rice on the land provided by THPC, however, prior to the 2012 wet season, the number of households still refusing to plant rice was reduced to 25 households. THPC will continue to meet with these households to explain the livelihood program, and given the good results from the 2012 wet season rice harvest, it is anticipated that many, if not all, of them will plant rice for the 2013 wet season. THPC also monitors these households with regard to health and nutrition to ensure that there are no negative health impacts due to the villagers' refusal to plant rice.



Theun-Hinboun Power Company Limited

THPC is confident that its ongoing consultative process will result in these households joining the livelihood program, and thus, there is no need for commissioning an independent review on this matter.


Concerning the request for a market in Nongxong, THPC acknowledges the desire expressed by a few villagers to establish a market in the village, however, THPC does agree that a market is necessary, or will be productive, in promoting commercial activities in the village. In particular, commercial activities are already developing with several households having established their own small shops on their own plot of land. Commercial traders are also visiting the village to offer different kinds of goods and to buy items and crops produced by the villagers. Market links and possibilities to integrate into a wider economy are already being developed in Nongxong as part of the normal commercial development of the private sector. As for a formal market place in Nongxong, THPC has concluded that such a facility would not be cost-effective because viable market places in Laos are normally located in large villages and towns located strategically along main roads and/or at major road junctions, and this is not the case with Nongxong.

7. Lack of Clarity on Downstream Entitlements

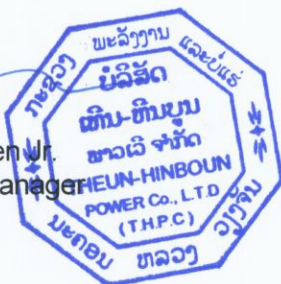
For the Relocation Program for 2013 to 2017 for Zone 3C, THPC's consultation process with the local villages has already commenced and will be undertaken before the date of relocation for each village. A program for relocation and a detailed list of entitlements (both in the Lao language) will be included in such consultations with the villagers. We have made some minor adjustments to our consultation process based upon our experience for the relocation for Zone 3B, however, the overall relocation consultation process has been every effective to date with very few misunderstandings and issues raised by the villagers.

We have taken the time to carefully review the issues raised in your letter and to investigate the matters in the field, and we have concluded that all issues have been addressed, or are being addressed, pursuant to the obligations that THPC has made with the villagers as part of the Expansion Project. We firmly believe that the THPC Expansion Project is undertaking international best practice in terms of environmental and social sustainability.

Sincerely,



Robert Allen Jr.
General Manager



The official seal of Theun-Hinboun Power Co., Ltd. (THPC) is an octagonal stamp. It contains the company name in Lao and English, along with the text 'ພະລັງງານ ແລະ ພັດທະນາ' (Energy and Development) at the top and 'ນະຄອນ ຫລວງ' (Vientiane) at the bottom.