

# Doing Dams Wrong

## World Bank's "Model" Project Leaves Lao Villagers in the Lurch

by Shannon Lawrence



Photo: Shannon Lawrence

Selling fish caught in the Xe Bang Fai. The river is expected to see huge drops in fish catches due to the dam.

Under a mango tree along the banks of the Nam Theun River on a muggy March day, we sat with a Lao villager wearing a faded army uniform and talked about his new life. His village, Boua Ma, had been moved nine months earlier to make way for the massive reservoir of the Nam Theun 2 Dam, now under construction. The villagers were still living in temporary houses and surviving on rice and meat deliveries from the Nam Theun 2 Power Company (NTPC). He said he missed the fruit trees and the river and returned here daily with his 20 water buffalo. "Starting a new life in a new village is very difficult," he told us.

On the other side of the river, we spent a rainy morning in new Sop Hia village, one of 14 resettlement villages being built for the Nam Theun 2 project on the Nakai Plateau. A villager had given birth the night before and we were invited to join the morning celebration. When we asked how life was in the new village, one villager answered, "very good. Here we have drinking water." But he was quickly interrupted by another man who urged him to "tell the truth" as others nodded in agreement. In Laos – a one-party authoritarian state – criticism of government

policy is not tolerated. Although the Nam Theun 2 project area is open to visitors, we were asked to sign village headmen's visitor books. "District officials come here often and ask if foreigners have come to talk with us. The officials want the name of the Lao people who are with them," we were told by one headman.

Despite the oppressive atmosphere, villagers are becoming increasingly open in expressing their concerns and frustrations. An older man sitting with us admitted that there wasn't enough drinking water for everyone in the new village. Another villager added, "Before we depended on the land, now we depend on the company supporting us. We used to live next to the river and could get up in the morning and catch fish for breakfast." They do not know if they will be able to find fish "after the flood," when the Nam Theun River becomes a 450-square-kilometer (174-square-mile) reservoir.

Nam Theun 2, the biggest planned dam in Laos, is still more than two years from completion. But for the more than 6,200 indigenous people who are being forcibly displaced, the project has already brought dramatic changes. Most people are now living in temporary houses in their new villages waiting for the wooden permanent

homes they have been promised. While villagers are glad to have better roads, homes and drinking water supplies, they worry about whether or not they'll be able to grow rice, keep their buffalo, and find food when the reservoir starts to fill next year.

### "Best Practice" Promises

Project construction began in 2005, after the World Bank, the Asian Development Bank and other lenders committed to provide loans and guarantees for the project. The project backers promised that this dam would be a social and environmental model and that its revenues would be used to lift Laos out of poverty. As the nation's largest foreign investment ever, Nam Theun 2 was supposed to be a "best-practice" project, demonstrating to other investors that Laos is open for hydropower business. Nam Theun 2 was also the first major dam project approved by the World Bank in more than a decade and a test case for the Bank's future involvement in the sector. The World Bank has already written a book about the challenges of Nam Theun 2, optimistically entitled *Doing Dams Right*.

Yet Nam Theun 2 is unlikely to live up to these lofty claims and assurances. Given that the project will impact 1 in 50 Laotians, and the proven difficulty in restoring rural people's livelihoods on large dam projects in poor countries, Nam Theun 2's ambitious goals are already proving elusive. For the companies and consultants who made the promises, the project's social record may prove to be something of an embarrassment. For the affected people, it is likely to be the end of life as they knew it, and the beginning of a very rough road.

On the Nakai Plateau, Nam Theun 2's livelihood restoration programs are faltering. The company has determined its original plans, based on intensive inputs and small plots of land, are no longer feasible. The soils in the area are poor and available land will be reduced by nearly two-thirds once the reservoir is flooded. Villagers with large numbers of buffalo will have to sell some of these four-legged "savings accounts" – there will simply not be enough land and fodder for them all. Improved agrarian programs are now being trialled.

A community forestry project is threatened by undue government interference and

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illegal logging. And a reservoir fisheries program has yet to be developed. Nam Theun 2's official monitors, the Panel of Experts, have also warned that livelihood development programs are in such a fragile state that it seems unlikely villagers' incomes will reach the income targets to which the company had agreed.

### **Downstream: A Trickle of Assistance**

Progress on livelihood restoration schemes is even slower downstream. When water is diverted from the reservoir to the Xe Bang Fai River, via the power station and a 27-kilometer concrete channel, declines in fisheries of up to 85%, increased flooding, erosion, and water quality problems are anticipated. Tens of thousands of farmers and fishers living along or near the Xe Bang Fai will experience these impacts. The company is testing out various livestock and cash crop pilot projects in just 21 pilot villages, less than 10% of the villages that will be affected by Nam Theun 2 once power production begins in 2009. The budget for the program – amounting to less than \$200 per person – is inadequate to

account for the lifetime of livelihood losses that Nam Theun 2 will cause.

The situation for villagers downstream will be especially dire if vegetation is not cleared from the reservoir area before it is flooded. Neither the company nor the Lao government has committed to do so, despite the fact that the rotting vegetation will lower the reservoir's oxygen levels and increase emissions of greenhouse gases such as methane. Leaving biomass in place will likely lead to fish kills in the reservoir and downstream, and leave the reservoir's water unsuitable for irrigation or household use.

The failures of the Nam Theun 2 Power Company and the Lao government extend beyond livelihood programs for affected villagers. Environmental management during construction has been a major issue, with the project's owner-builder, Electricité de France, and its subcontractors repeatedly cited by project monitors for failure to control erosion, sedimentation, and excessive logging along roadways. Illegal logging and mining activities are threatening the Nakai-Nam Theun National Protected Area, the watershed

area and conservation jewel that the Nam Theun 2 dam was supposed to help protect.

Urgent action is required if Nam Theun 2 is to avoid the worst mistakes of past Lao dam disasters. The company and the Lao government should develop an interim compensation scheme for downstream villagers, ensure that biomass is cleared from all permanently flooded areas of the reservoir, and address threats to the Nakai community forestry program, as matters of priority. NTPC, the Lao government, the World Bank, the Asian Development Bank and other project lenders have a responsibility to see that these problems are resolved and project commitments are kept.

Villagers are expecting as much. An older man living along the Xe Bang Fai said he expects more flooding after Nam Theun 2 is built, "but the company told us not to worry. They promised bank protection and fishponds for us. Sometimes we are worried and sometimes we are not because the company told us not to be scared." ■

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*IRN's new Nam Theun 2 Trip Report and Project Update is available [www.irm.org](http://www.irm.org).*