



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

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Lao National Committee for Energy

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Dear Mr. Vinya Sisamouth

Many thanks for your letter of 11 September 2006 by which, we consider, you have been well informed of the development process for the power sector in Lao PDR. It has been noted that your views on our power sector you collected during your short visit to Lao PDR during May to June 2006 has been illustrated in your letter sent to us more than three months after the visit. As you have raised several issues regarding the development of our power sector, and particularly with regards to projects under development and construction, I have dispatched my personnel to visit such projects to investigate the issues as so questioned in your letter. The visits of our staff to the projects took months before we were able to respond to your letter. By this letter I would like to give you our clarification on the points you have raised as follows:

**1 National Policy on Environmental and Social Sustainability of the
Hydropower Sector in Lao PDR**

Development of hydropower resources has been recognized as an important source of economic growth and poverty reduction in Lao PDR. In order to enable us to develop future hydropower projects under a common principle acceptable to all stakeholders including international communities the Lao Government issued the National Policy on Environmental and Social Sustainability of the Hydropower Sector in Lao PDR. The Policy clearly stated that principles developed under the Nam Theun 2 Project need to be tailored and adapted for application to the hydropower sector as a whole. This will undoubtedly need a couple of years to institutionalize and implement such Policy as a common ground for the development of our power sector. The Policy clearly stated that several governmental agencies will be involved in the implementation. The Ministry of Energy and Mines, which has replaced the Lao National Committee for Energy, together with the Science, Technology and

Environment Agency (STEA) are the focal points according to power and duties delegated to them.

In order to implement the Policy, the Lao Government has carried out several works and written pertinent legal documents. The Decree on Resettlement was issued and applies to all future projects. Environment Strategy and Environment Action Plans have also been issued at the Provincial level of the Lao Government. An Environment Protection Fund was established to fund the protection of environment where the Government intends to develop a project on its own. A Water Resource Committee which oversees water usage in the country was also established. STEA is now developing the Lao Environment and Social Project (LENS) that aims at building capacity of our personnel in protecting and monitoring environment and biodiversity. This Project is meant to operationalize the Environment Protection Fund. Third party monitoring arrangements are under preparation and will be carried out by STEA.

2 Release of Environmental Impact Assessments and Social Development Plans and Consultation

All hydropower projects having installed capacity of 50MW or more and inundating more than 10,000 ha are required to carry out full environmental and social impact studies which include Environment Management Plans as well as Social Development Plans. After the successful financial close and ongoing implementation of the Nam Theun 2 Hydropower Project, the Government has signed Concession Agreements for other projects which have subsequently reached financial close. Examples are the Nam Ngum 2 project and the Xe Kaman 3 Hydropower project which are now under construction, the Environmental and Social impact studies and reports have become available at the STEA offices for inspection or review. The commercial and proprietary aspects of the projects legal documents are confidential and are not able to be disclosed to third parties. The projects such as Nam Ngum 3 and Nam Theun 1 and other projects in the plan to supply electricity to the Thai and Vietnamese grids under preparation are also carrying out Environmental and Social impact studies as required by applicable Lao PDR laws. Otherwise, the National Assembly, as the country's legislative body, cannot endorse the respective Concession Agreements with the projects.

3 Existing Projects

The National Policy on Environmental and Social Sustainability of the Hydropower Sector in Lao PDR clearly states that it shall be applied only to the projects having certain criteria such as those having installed capacity of higher than 50 megawatts or inundating more than 10,000 hectares and constructed after 1990. Projects constructed by private investors or *Electricité du Laos* since 1990 have met the above criteria. Those projects are Nam Theun-Hinboun having installed capacity of 210MW and Houay Ho having installed capacity of 150MW which have both been constructed by the private sector. About seventy per cent of the total costs of the two projects were funded by private banks and hence the lenders' engineers engaged in the projects were also acting as one of the third parties monitoring the implementation of the project. Nam Leuk Hydropower Power Project, which has an installed capacity of 60 MW was constructed by EDL, and the operation started from 2000. Once a third party monitoring body has been established by STEA, the Government shall have in place

an independent monitoring body to ensure compliance of the above project developers.

In your letter you concluded that people resettled under the Houay Ho and Nam Mang 3 projects have not had their livelihoods restored since the projects were constructed. It is the Lao Government policy to take in to account baseline studies of the resettled population prior to project commencement in order to determine whether or not livelihoods have been restored, which has been the case with the Houay Ho and Nam Mang 3 projects.

Under the resettlement program of the Houay Ho Project only 35 families were eligible. But, IRN has mentioned a figure of 450 families. The sources and number as stated by IRN need to be clarified. The eligible families were successfully resettled under the program of the project. The eligible families of the resettlement program received satisfactory compensation in accordance with their agreement and the Government and Project commitments. These compensation packages were reviewed by an independent agency which was engaged by the Lenders of the Project.

Regarding the Nam Mang 3 Hydropower Project, you referred to villagers' request for lowland fields to cultivate. The Government, in consultation with Asian Development Bank, has made several consultations with the affected villagers who have been relocated. The result of these consultations is that the affected people are happy with their compensation and resettlement packages provided by EdL. They are now enjoying their living as they were before at the old places.

Sincerely yours,



Xaypaseuth PHOMSOUHA
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