



## Laos Nam Theun 2 Hydropower Project Field Report (5–7 January 2017)

February 2017

From 5-7 January 2017, Mekong Watch visited villages affected by the Nam Theun 2 Hydropower Project<sup>1</sup>. We visited and conducted interviews with 16 households in 6 villages relocated from the reservoir area on the Nakai Plateau (Thalang, Nakai Tai, Nakai Neua<sup>2</sup>, Done, Sop On, Nong Boua villages), as well as 11 households of the 2 villages downstream on the Xe Bang Fai River (Pha Nang and Mahaxai villages).

It became clear that not all affected residents at the resettled villages had sufficient access to irrigation facilities, supplementary land compensation and job training. We also saw growing disparity between rich and poor within the villages. Although the closing period for the Resettlement Implementation Period (RIP) was extended for two years until the end of 2017, we see no clear evidence of its effectiveness, and the path to long-term livelihood restoration is still uncertain.

On the Xe Bang Fai River's downstream, the disastrous impacts to the fishing industry continue, and we learned that villagers were being detained by authorities due to debt incurred using the village restoration funds that were set up as compensation programs.

### **Nakai Plateau Resettled Villages**

#### ○ Agriculture

- Risks of expanding cassava cultivation: Chinese company-contracted cassava cultivation is expanding, but we learned that there are some farmers now in debt because the sales price does not enable them to regain the 2 million kip (approx. 240 USD) of required investments, including the cost to prepare land for cultivation. There were no cases of cassava cultivation contributing to increased income among the five households who said they were cultivating cassava. Also, as written in the 25<sup>th</sup> Report of the International Environmental and Social Panel of Experts (POE) [McDowell et al. 2016: p. v] cassava runs the risk of severe land degradation after three to four years, so it may not lead to sustainable livelihood restoration.

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<sup>1</sup> The Nam Theun 2 Hydropower Project (NT2) is a dam that was constructed in central Laos' Khammouane Province to acquire foreign currency by exporting electricity to Thailand. The World Bank and Asian Development Bank (ADB) decided to support the NT2 project in 2005, and operations began in 2010. Approximately 6,200 people, most of them ethnic minorities, were forced to relocate. Many other environmental and social impacts are occurring, including negative impacts on livelihoods due to increasing floods and unnatural changes in water levels downstream of the dam that affect riverbank farming and fishing, and destruction of habitats that support endangered species such as the Asian elephant.

<sup>2</sup> Nakai Tai Village and Nakai Neua Village have been merged, so administratively they have become one village. Prior to resettlement, they were separate villages and residents have also been divided, so this report counts them as two villages.

- Unequal land distribution around the reservoir and irrigation facilities : The 25<sup>th</sup> POE report [Ibid.:p.v] notes the expansion of irrigated farm land and progress in irrigation system repairs. In our field visit as well, we heard of cases of irrigation facilities being repaired. For example, one 45-year old woman from Nong Boua Village said, “the irrigation facilities had been broken these past five or six years, but now a company is repairing them.” On the other hand, we also heard comments such as, “the land we got as compensation is far from the water tank, and the water doesn’t reach us because the pipe is broken” (woman in her forties, Nakai Tai Village). Another man in his seventies from Done Village said, “the water tank doesn’t hold much water, so it is useless.” A woman in her forties from Sop On Village said, “(due to geographic conditions, land at the edge of the reservoir) does not draw water in the dry season, so we cannot use the additional land.” From these testimonies, it became evident that irrigation facility maintenance and additional land allocation is not necessarily reaching all the relocated villagers in need.
  - Arrests of resettled villagers for illegal swidden farming : Among the resettled villages we surveyed on this trip, in at least the two villages of Nakai Tai and Sop On, many people were arrested between 2014 and 2015 for illegal swidden farming. The fines they have to pay have become a large financial burden for the villagers. While it is necessary to regulate land use in order to protect forests, it needs to be acknowledged that the land use that authorities have defined as illegal is happening in a context in which the livelihood options given to resettled villagers are not functioning well.
- Forestry
- Village Forestry Association (VFA) income generation failure : As written in the 25<sup>th</sup> POE report [Ibid.:p.v], the Village Forest Development Company is not making a profit, and there were several villagers who pointed out that over the past two years, there has been no distribution of dividends from predicted VFA profits.
- Fisheries
- Reduction in endemic fish and questionable sustainability of reservoir fisheries : In the 25<sup>th</sup> POE report, it says, “[t]he Fisheries Pillar is the most successful of the livelihood pillars for the resettled” [Ibid.:p.vi]. On the other hand, at places such as the Oudomsuk market, Thalang Village boat docking locations, and homes of resettled residents, we heard testimonies from villagers that the fish they catch in the reservoir are stocked fish such as tilapia (local name, *paaning*) and a fish of the carp family (local name, *paanai*), and that there are fewer fish native to the Nam Theun River. We visited the market, and as far as we could see, all fish being sold that were said to have come from the reservoir were stocked fish, backing up the villagers’ claims. We do recognize that reservoir fishing is an important source of income supporting resettled people’s livelihoods at this point in time. However, we also know from the changes observed in other large-scale dam reservoirs in southeast Asia that there is a general trend for the size of fish varieties to decrease. We can expect that the NT2 reservoir will experience the same

phenomenon, so while the current situation may be satisfactory, it cannot be considered sustainable.

- Regulation of reservoir fisheries becoming a farce : At Thalang Village's boat landing sites and resettlement village, it is becoming clear that fishing without a license by people other than resettled villagers is an increasingly common occurrence. As pointed out in the 25<sup>th</sup> POE report [Ibid.: p.vi], there is evidence of widespread illegal fishing by unlicensed villagers coming to unregistered landing sites, but trying to confirm whether or not people are licensed at a large-scale reservoir is not realistic, making strict regulation impossible and natural resource management very difficult.
- Deadly reservoir fishing accident highlights need for thorough safety management : During Mekong Watch's 2008 field visit,<sup>3</sup> it was reported to us that a villager from Nakai Neua village drown when his boat capsized while fishing in the reservoir. We pointed this out to the World Bank and ADB. Since then, lifejackets have been distributed and other measures taken, but in this year's survey, we learned that in 2012, three boats carrying six people from Sop On Village capsized, and four people died, including a minor. It was reported that they were not wearing life vests at the time of the accident.

#### ○ Other Concerns

- Inequality in job training opportunities : Some villagers report multiple job training opportunities, such as a woman in her forties from Nong Boua Village who said, "up to now, I've been to four or five vegetable farming trainings."<sup>4</sup> Another woman from Sop On Village, also in her forties, said, "I've been to three trainings for vegetable growing, fish stocking, and fish processing." There are other villagers, however, who have not had such opportunities. A man in his sixties from Nakai Tai Village said, "(no one in my family) has ever attended a job training. We have no information, and I was not chosen by the village head." A man in his forties from Done Village said, "No one in my family has ever received job training. The village and district heads choose, but we were not chosen." It appears that not all affected residents in need of job training have had access to such opportunities.
- Concern about land-related conflicts within villages : In Done Village, there are some households who used their own resources to develop rice paddies on land along the road, but other villagers pointed out that the land had actually been held in reserve in order address future population growth. One man in his twenties who was setting up a new household complained to us, "when I was allotted land, there were other villagers already cultivating it, so I cannot use it." Also, in Thalang Village, a retailer family who did not cultivate their allotted compensation land had it taken away by an influential person in the village. There is concern that land is being used without legal procedures, and that this is creating confusion among village residents.
- Growing gap between rich and poor : There are some examples of livelihood restoration success stories.

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<sup>3</sup> Mekong Watch. 2008. *Field Report regarding Nam Theun 2 Hydroelectric Project: September 2008*. (<http://www.mekongwatch.org/PDF/NT2Fieldreport200809.pdf>)

<sup>4</sup> Nong Boua Village is a pilot resettlement village. It was resettled earlier than other villages and may, therefore, have had more opportunities for occupational training than other resettlement villages.

We heard of one household that received a large compensation package<sup>5</sup> since they had many farm animals before resettlement. They used the money to buy a pickup truck and started working as retailers, going back and forth to the provincial capital, Thakhek. There was also someone who succeeded as a fish broker. We heard testimony from an individual who used compensation money to buy a microbus and was able to make a lot of money though illegal rosewood logging. We also learned of a family whose house prior to resettlement used rosewood. They dismantled their house at a time when rosewood prices were high, and then used the income to buy and operate a rice mill. On the other hand, we saw a trend among poor households being unable to achieve a sustainable livelihood after they lost access to land for swidden farming and rice paddies that previously sustained their livelihood. These families include those who were not able to receive much compensation due to having had few livestock or meager homes, those who were not close to the village head or other influential people, or those who did not have as much access to information. The 25<sup>th</sup> POE report [Ibid.: p.vii] also recommends accurate identification of impoverished households and continued monitoring, and cites the need for district authorities to continue monitoring and provide support after the RIP's closure.

- Impact of changing means of livelihood on gender relations : Prior to resettlement, women were very active in contributing labor and skills in agriculture, raising livestock, collecting forest products, and other activities that supported the livelihood of resettled households. There is an increasing trend, however, for households to be supported by fishing in the large reservoir, logging, construction work, and other daily wage work that is done mostly by men. This could impact the status of women, such as lowering their status in the family.

## **Recommendations**

NTPC must take the following measures, and the World Bank and ADB should confirm that they are implemented.

1. The Resettlement Implementation Period (RIP) is supposed to close at the end of 2017, but its beginning was significantly delayed, and it cannot be said that livelihood restoration policies are functioning effectively at resettlement sites. The RIP should not close at the end of 2017, and the World Bank and ADB should continue involvement until there is a clear path to sustainable livelihood restoration.
2. An action plan leading to the conclusion of the RIP should be disclosed, and a plan leading to livelihood restoration that fulfills resettlement policies and operation and investment contracts should be made clear.
3. In regard to adopting cassava cultivation as a cash crop, there should be continuous monitoring, and resettled people should be clearly and thoroughly informed of the risks.
4. In order to objectively determine the effectiveness of livelihood restoration programs, the NTPC should

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<sup>5</sup> In regard to the amount of compensation for livestock, however, many villagers said that they were dissatisfied and that the amount was insufficient due to lack of accurate appraisals of the number of livestock at the time of resettlement.

disclose relevant data. This includes data on the percentage of compensation land that has been successfully irrigated, how much land around the reservoir has been distributed to resettled people, and what percentage of that land is being used for farming.

5. In regard to fish species and catch in the reservoir, NTPC needs to monitor continuously, disclose data, and find and implement strategies to increase the sustainability of fishing in the reservoir.
6. Together with investigation into the current state of accidents during reservoir fishing, it must be ensured that people engaged in fishing are thoroughly instructed in safety measures.
7. Monitoring and support of impoverished households at the resettlement site must be conducted.
8. A survey should be conducted to examine the impacts of resettlement and changes in livelihood from a gender perspective.

## **Downstream Xe Bang Fai**

### ○ Impacts on Xe Bang Fai fisheries

- Survey of damage to fisheries is needed : The fishing industry on the Xe Bang Fai River has been dealt a catastrophic blow. We heard testimonies from several residents regarding the scale of the impact on fishing. A woman in her sixties from Pha Nang Village said, “I used to fish on the Xe Bang Fai River and earn cash income from selling the fish and *padek* (fermented fish paste), but now I can only catch fish on the tributary streams for household consumption.” A man in his thirties also from Pha Nang Village said, “before the dam was built, I had six gill nets and I could catch five to ten kilograms of fish in one evening and earn 50,000-100,000 kip (about 6-12 USD). But now, the Xe Bang Fai’s current is too strong and the nets get washed away, so I have almost no income from fishing.” A woman in her seventies from Mahaxai Village said, “(because I cannot get any natural fish any more) now I buy and eat fish that are caught in the Nakai reservoir, but they don’t taste good at all.” It is necessary to conduct a full-scale survey to understand the degree of damage to fisheries.

### ○ Downstream Village Restoration Fund Programs

- Debt problems related to Village Restoration Fund : Mekong Watch pointed out the problems of villagers falling into debt after using the Village Restoration Fund during our field visit in March 2011.<sup>6</sup> Of the two villages we visited this time, there were no households with outstanding debt in Pha Nang Village, as it had been very strict in selecting who could utilize the fund. There were also households who successfully increased their livestock. But of the 56 households in the village, approximately 30% had no access to the fund. During Mekong Watch’s field visit in 2011 to Mahaxai Village, we learned that many households had fallen into debt<sup>7</sup> after borrowing without sufficient information, or from poorly planned lending and failed fishing projects. During our most recent visit to Mahaxai, we learned

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<sup>6</sup> Field Report (March 2011) <http://www.mekongwatch.org/PDF/NT2FieldPhotoReportMarch2011.pdf>

<sup>7</sup> In a survey Mekong Watch conducted in Mahaxai Village on March 18-19 in 2011, we found that the number of households with outstanding debt to the Village Restoration Fund at that time were as follows: 37 of the 65 households in North Mahaxai, 15 of the 32 households in Central Mahaxai, and 70 of the 140 households in South Mahaxai.

that a few years ago (exact dates not confirmed), more than thirty villagers had been detained at the district office for approximately two weeks and made to undergo a “training” because they had outstanding debts. To avoid detention and training, many villagers sold their rice paddies and livestock, or collected money from other family members and relatives to pay the debt. The World Bank, ADB and NTPC need to investigate the current conditions and problems with the Village Restoration Fund, and then disclose their findings on the effectiveness of the Fund as a compensation program. In addition, NTPC should monitor the actions of the agencies responsible for implementing the Village Restoration Fund to ensure that villagers are not made to undergo punitive measures due to this downstream program.

○ Riverbank Erosion

- Need for area-specific surveys and information disclosure : In the villages that Mekong Watch visited in July 2016 in Savanaket Province’s Xaiburi District, at least five households had no choice but to relocate at their own expense because the riverbank eroded by 10-meters. Residents claimed that this was an impact of the NT2 project. On 13 September 2016, at a meeting at the World Bank office in Vientiane, a World Bank official told Mekong Watch that they saw no serious impacts when they visited affected villages in Mahaxai District. But in regard to our question about whether they were aware of the survey in Xaiburi, they did not give a clear answer. During our visit, we did not see serious riverbank erosion in the two villages in Mahaxai District, but riverbank erosion impacts vary depending on geography. According to the World Bank and ADB,<sup>8</sup> NTPC is conducting a comprehensive survey on the downstream of the Xe Bang Fai river, so if they have concluded that there has been no impact, they must disclose data upon which they base their conclusion.

### **Recommendations**

1. The livelihood restoration programs on the Xe Bang Fai downstream were concluded in 2015, but the World Bank and ADB should evaluate the downstream programs for their achievements and challenges, and disclose the results together with concrete data. In addition, measures should be taken immediately to address problems that have come to light in the evaluation.
2. It is necessary to continue monitoring the environmental and social impacts on the Xe Bang Fai downstream.

### **References**

David K. McDowell et al. 2016. *Twenty-Fifth Report of the International Environmental and Social Panel of Experts*.

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<sup>8</sup> Question and answer between Mekong Watch and the World Bank/ADB (e-mail), 16 December 2016. <http://www.mekongwatch.org/PDF/NT2response16Dec2016.pdf>