Field Survey Report
on the Nam Theun 2 Dam Project Site
(20-27 November, 2010)

Mekong Watch
December 2010
1. Introduction

Mekong Watch visited six villages relocated for the Nam Theun 2 Dam project and three villages downstream of the Xe Bang Fai River in November 2010. We interviewed 35 people including villagers affected by the project and other concerned parties. Details of the visit, such as schedules and names of villages and interviewees can be found in Attachments 1 and 2.

Our findings highlight an issue it had been pointing out for some time, namely the failure in restoring villagers’ long-term livelihood. Mekong Watch previously conducted a field survey in May 2010 and advised the World Bank, the Asian Development Bank and the Japanese government on the issues concerning (1) incomplete compensation for paddy fields, gardens, and livestock; (2) delayed construction of irrigation system; (3) sustainable management of reservoir fisheries; (4) skin diseases; and (5) delayed compensation for riverbank agriculture along the Xe Bang Fai River. In our most recent November visit, we found that some measures have been taken, resulting in an improved situation for all of the above issues but (3). We also found that many people in relocated villages are dissatisfied with the delayed compensation. Due to the delays, some of the villagers’ properties, such as paddy fields and fruit trees can no longer be confirmed, and the delay is negatively impacting broader spheres of villagers’ lives. None of the livelihood restoration programmes has led to the long-term recovery of the relocated villagers’ livelihood. In the downstream
villages along the Xe Bang Fai River, some villagers are in debt because they were involved in the unsuccessful activities promoted by the livelihood restoration fund.

2. Findings
2.1 Resettled villages in the Nakai Plateau
2.1.1 Livelihood restoration programmes in deadlock

The livelihood restoration programmes aim to recover the resettled people’s livelihood in the Nakai Plateau through five programmes: agriculture, forestry, fishery, livestock farming, and small businesses. However, none appears to hold much promise. Findings from the field survey in November are discussed below.

1) Agriculture

Irrigation almost complete, but many relocated villagers abandoned allocated farmland

Construction of irrigation systems in the compensatory farmland was completed in October 2010 in the relocated villages we visited. Since the Concession Agreement (CA) stated that “0.66 hectares of prepared and irrigated land” must be allocated to each relocated household and “at least 0.16 hectares of the land must be ready for growing rice” by 2008 (Page 77, Section 2, Part 2, CA), this means irrigation was completed two years late. During those years, many resettled villagers abandoned their farmland because of low soil fertility and the absence of a market for cash crops. In Sop Hia Village, a villager said, “22 out of 39 resettled households are growing rice, but the rest are not using their farmland.” In Khum¹ Tai, Nakai Village, a resident noted, “Approximately 70 of 197 resettled households are involved in agriculture in the compensatory farmland.” A villager in his 30s attributed the abandonment to “low-quality land unsuitable for agriculture.” Most of the farmland was similarly abandoned in Khum Nuea, Nakai Village and Phon Saon Village.

In Done Village, the farmland of approximately 40 of 192 households did not have access to irrigation system because of the irrigation route’s design.

Mekong Watch did not find any household planting crops in the irrigated compensatory land on its visit in November, but that may be partly because it visited the area right after the rice harvest. Going forward, the Nam Theun 2 Power Company (NTPC)’s actions to improve agriculture in the dry season and address the lack of irrigation systems in some areas warrant close attention.

¹ Khum is an administrative unit under a village.
Rapid decrease in harvest in compensatory farmland

Many resettled villagers who continue to grow rice in the compensatory farmland expressed concerns over the decreased rice harvest. In Sop Hia Village, a villager noted, “Each household had 30-40 bags (1 bag = about 36kg of unhulled rice) of harvest on average in 2008. The number decreased to about 20 in 2009 and 6-15 in 2010.” Since the compensatory land is too small, villagers continuously grow dry-land rice because they cannot afford a fallow period and, resulting in soil degradation.

Failed agricultural programme in a pilot village

An agricultural programme was promoted as a pilot project in Nong Bua Sathit Village between 2004 and 2008. However, according to the village chief, only 2-4 households are currently growing vegetables for sale. Other households discontinued agriculture mainly because they could not sell the vegetables they produced. They used to grow vegetables such as broccoli, lettuce and cabbage, but a large influx of cheap vegetables due to improved roads depressed sales of vegetables grown in the resettlement sites. Villagers now assume irrigation water for growing vegetables “will no longer be used” if subsidies for electric pumping are cut.

Uncertainty with drawdown areas

Drawdown areas have been distributed to villagers, but they were still underwater and not ready for agriculture and grazing as of November 2010. A male resident in his 30s in Done Village said, “I am afraid I will be able to use the area only for a month or so. I do not know what to plant there.” It is still uncertain whether villagers will be able to utilise the drawdown areas.
2) Forestry

Confusion over dividends from the Village Forest Association (VFA)

Every year, the Village Forest Association (VFA) obtains permission from the government to cut down 6,000 m$^3$ of trees in the Community Forest. The VFA fells and saws up logs accordingly and distributes profits to resettled villagers as dividend. In 2009, each household received 1,000,000 kip (1 US dollar = approx. 8,000 kip). In 2010, the VFA changed the distribution system and started to hand dividends to individuals rather than households, and distributed 270,000 kip to each individual. However, there is some confusion regarding who is entitled to the dividend. In Done Village, one villager claimed “145 people did not receive the dividend though they are entitled to it.”

Control of VFA to be transferred to Hong Kong company

According to a worker at the VFA’s lumber mill, the VFA is currently funded by NTPC, but the funding will end in December 2010. At that point, management responsibility of the VFA will apparently be handed over to a Hong Kong company. So far, VFA profits have resulted in just 1,000,000 kip in dividends per household. We will carefully observe how a private company will be able to secure its profit at the same time it makes profit for villagers.

3) Fishery

Many villagers started fishing in the dam reservoir after it was filled. However, a number of villagers reported an impression that the catch in 2010 has been reduced to nearly half of the catch in 2009. The reduction is corroborated by the fact that villagers choose to buy petrol for boats to travel 5-10 kilometres away for fishing rather than fish near their villages. Petrol costs roughly 11,000 kip per litre. Villagers in Nakai Village stated that profit from the catch does not even cover the cost of petrol. According to our interviews with villagers, the reservoir contained only five commercially marketable fish. NTPC has released several
species including Tilapia, but all except for the fish locally called *Pa Park* are non-native species introduced for farming. *Pa Park* is a local species but not the kind of fish villagers catch. Release of these species has raised concerns over negative impacts on the ecosystem and other possible negative consequences. Villagers have reported massive deaths of fish in various parts of the reservoir caused by dirty water. Deterioration of water quality, including the lack of oxygen, may be becoming more serious.

Vegetation in the reservoir has not been cleared.

4) **Livestock farming**

**Vague standard of compensation**

Compensation has been paid for lost livestock. A male villager in his 60s in Phon Saoon Village said he believed “each household is entitled to compensation for two livestock animals,” but the standard of compensation has not been clearly explained to villagers. Some households have not been compensated for water buffalos that died of feed shortage after resettlement, while some households have received compensation for more than two animals.

**Overlap with agricultural programme**

Seven households keep 70-80 water buffalos in Sop Hia Village. Since the buffalos graze in the compensatory farmland, they eat the rice and other crops growing nearby. A male villager stated, “I would plant cabbages, cucumbers, tomatoes and French beans if cattle and water buffalos did not come in.” The agricultural programme conflicts with the livestock programme because both are carried out in a limited space of the compensatory land.

5) **Small businesses**

**Textile project: no sign of independent management**
As for the small businesses programme, some households successfully run businesses by procuring goods in Thakhek and selling them in their hometown. However, these business opportunities are open only to those villagers who were able to raise capital by selling livestock or other means. In the textile project supported by NTPC, NTPC still purchases raw cotton for textile production and sells it to villagers without charging a handling fee. The company then buys the end product. We have yet to observe villagers independently managing their businesses.

According to villagers, only two villages participate in the textile project. In Sop Hia Village, seven of 49 households participate. NTPC still purchases the raw material, sells it to the villagers, and buys the end product.

6) Conclusion

As explained above, the five livelihood restoration programmes have not achieved their goals so far. Against this backdrop, there is a growing gap between the villagers who have successfully adapted to the dramatic changes brought by resettlement and those who did not. Many lost their paddy fields and swidden due to resettlement and are no longer able to grow rice for their own consumption. Before resettlement, villagers supported themselves with income from livestock and non-timber forest products (NTFPs) when they did not have enough rice. Now they have mostly lost that income source as well. The situation forces them to depend on unstable reservoir fishing and illegal logging. Logging of rosewood and some other trees in the National Protected Area (NPA) and its surrounding areas is prohibited, but quite a few villagers are involved nonetheless.

2.1.2 Compensation for paddy fields and fruit trees

Compensation for paddy fields and fruit trees in the Nakai Plateau had been delayed but finally started in October 2010. The World Bank’s safeguard policy on involuntary resettlement states:

*These measures include provision of compensation and of other assistance*
required for relocation, prior to displacement, and preparation and provision of resettlement sites with adequate facilities, where required. In particular, taking of land and related assets may take place only after compensation has been paid and, where applicable, resettlement sites and moving allowances have been provided to the displaced persons. (OP 4.12, Paragraph 10).

In violation of the policy, compensation had remained unpaid more than two years after resettlement was completed in April 2008.

**Inappropriate property appraisal**

Properties were surveyed in 1998 for the purpose of compensating for paddy fields and fruit trees. In Sop Hia Village, the survey results have never been updated since. It seems that no compensation was paid for new farmland and gardens cultivated in the seven years between the survey and resettlement in 2005. Regarding the survey method, a male villager in his 40s in Sop Hia Village said, “Only interviews were conducted and there was no measurement survey. Some properties were assessed lower than their true values because parents were away at the time of the interview and their children gave inaccurate answers.” Another male in his 30s in Phon Saaon Village stated, “Some irrigated paddy fields were flooded in the rainy season. Some interviewers counted them as paddy fields while others did not. The survey turned out to be unfair and people are complaining.” Also, many villagers stated that they did not understand the purposes and significance of the property survey when it was conducted in 1998. With this in mind, we do not believe the method and timing of the survey were appropriate.

**Delayed compensation and grievances on paddy fields and fruit trees which can no longer be confirmed**

The inappropriate appraisals left some villagers dissatisfied with the decisions on the eligibility and formula for compensation. In Done Village, eleven households have yet to receive compensation. The amount of compensation has not been confirmed for three of these households. In Khum Sop Ooon, Phon Saaon Village, 20 of 135 households to be resettled have not agreed to the amount of compensation. A male resident in his 40s in Sop Hia Village complained, “I had fields for bananas, pineapples, sweet potatoes and sugar canes, but they counted only fields for fruit trees for compensation. Compensation is supposed to be paid for fields not only for fruit trees but also for other fruit plants.” A man in his 50s in Khum Neua, Nakai Village asserted,
“Compensation for rain-fed paddy fields has been paid but they did not count irrigated paddy fields. I am going to request the district to reinvestigate.” Another man in his 30s in Khum Tai, Nakai Village pointed out, “Three investigators came to the village in 1998 and recorded villagers’ properties using different standards. Some villagers were growing rice in paddy fields in the dry season but they were not counted because they submerge in the rainy season.” These villagers see the choice of compensated fields and the calculation method as unfair. They may request another investigation, but reappraising the properties is next to impossible because compensation, which should have been paid prior to resettlement, was delayed more than two years.

2.1.3 Failure of the village saving fund

In Nong Bua Sathit Village, households made financial contributions to create a savings fund in 2007. The fund was managed by NTPC and a village chief. Villagers borrowed money from the fund to purchase 16,000,000 kip tractors or to run a livestock project with chickens and pigs. However, all the efforts failed and villagers could not pay back the debt. The association dissolved in 2010.

In Nakai Village, there are savings funds organized by women’s union and by Patriotic Front, and there are no serious problems in management of the funds. Some dividends were even paid to villagers.

2.1.4 Conflicts between elephants and villagers

A local administrator in Nakai District reported wild elephants have been coming closer to villages recently. Some stated that children heard elephants trumpeting in a nearby forest. The administrator explained, “Elephants used to live with larger groups before the dam construction, but their habitat has been narrowed since the reservoir was filled. Now they form smaller groups of 4-5 elephants. Leadership may have been lost in the new, small groups.” Elephants’ closer proximity to villages may cause trouble for villagers in the future.

2.2 Dam affects Xe Bang Fai villages

Mekong Watch observed skin disease in some affected villages along the Xe Bang Fai River during our field survey in May 2010. In November 2010, the disease was stamped out. However, the cause of the disease has not been made public and there is a possibility it will return when the water level recedes during the dry season. Many villagers along the River suffered from flooding in their paddy fields this year. Damage to fisheries caused by the dam discharge are becoming clearer. This
important safety net in times of rice shortage is being gradually lost. Far from restoring their livelihood, some households are more impoverished with new debt due to the failed projects run by NTPC’s Village Restoration Fund.

**Manifestation of dam’s influences on fishery**

Interviews with villagers show the dam’s impact on fishing in the Xe Bang Fai River has become more apparent since the dam started to operate for testing in December 2009.

> When the water level is raised by the dam discharge, fish do not get caught in nets and longlines. I used to buy 50 kilograms of fish every day before the dam was constructed. (After the dam construction) I buy only 20-30 kilograms now. I have seen the effects of the dam since 2009. (Female fish broker in her 40s in Pha Nang Villages)

> When we run short of rice, we catch fish or harvest bamboo shoot and exchange them with cash. I fish in the Xe Bang Fai River, but the catch for this year is not very good. (Female in her 40s in Mahaxai Village)

> I used to fish with gillnets in the deep-water pools but cannot set the nets in those pools anymore because the river flow changed (due to the dam). (Male in his 60s in Thabo Village)

**Villagers impoverished by the Village Restoration Fund**

In the downstream area of the Xe Bang Fai River, the Village Restoration Fund holds 2,000,000 kip for each household as a part of the compensation programme. In Pha Nang Village, 40 households have borrowed money from the Fund and currently run businesses such as raising cattle and water buffalos or producing textiles. Some have made profited from successful breeding, while some have failed due the animals dying or other problems. Approximately half of the indebted households have not been able to repay the debt. A woman in her 40s who borrowed 2,000,000 kip to create a fish-breeding pond in Khum Neua, Mahaxai Village stated:

> We prepared a fish-breeding pond as NTPC recommended, but fish did not grow big and we could not sell at all. I knew neither how to buy fries nor how to feed them. We received no technical training. Since NTPC placed an order for digging a pond and for purchasing fries on behalf of us, we do not know how much they cost. We receive bills every month but have no idea how I can pay back the debt and interest.
In her household, families used to catch fish and exchange them for cash when they were not able to grow enough rice for themselves. This year, they cannot even catch fish.

**Compensation for riverbank vegetable gardens**

Compensation for riverbank vegetable gardens should have started before the project began. When Mekong Watch visited the affected sites in May 2010, some villages still had not received compensation. At the time of our visit in November 2010, compensation was almost complete but left some problems behind. For instance, some in Tabo Village implied the survey for compensation was flawed because “we heard compensation would be paid only for the land used for agriculture in the period between 2007 and 2009. 33-34 households were not compensated (for the fields they had on the riverbank) in the Village.” In Pha Nang Village, NTPC placed poles to indicate the line down to which agriculture is possible, but the poles were washed away by the heightened water levels during the rainy season. Fields above the poles are supposed to be eligible for compensation if they are damaged by flooding, but it is questionable whether appropriate compensation will be paid now that the poles are gone. In fact, the District has not replied to the village’s request for compensation for the corn that villagers planted in October but were washed away.
3. Recommendations

3.1 Improving livelihood restoration programmes for resettled villagers in Nakai Plateau

There is still no roadmap for long-term livelihood recovery in the Nakai Plateau. It is wrong to spin the programme as a success by highlighting only a few fortunate villagers. The World Bank and the Asian Development Bank should investigate and analyse factors leading to the failure of the programme in order to improve it.

3.2 Clarify causes of delayed compensation for paddy fields and fruit trees, and address villagers’ complaints

It should be clarified why compensation was not paid before resettlement despite the World Bank’s safeguard policy on involuntary resettlement. Also, complaints on compensation made by discontent villagers should be appropriately dealt with.

Moreover, the methods and results of the 1998 appraisal should be explained. The reason for using the 1998 results without any updates should also be addressed.

3.3 Improve livelihood restoration programmes for areas along Xe Bang Fai River, and measures to ease debt caused by Village Restoration Fund

The dam’s impacts, including damages to fisheries in the Xe Bang Fai River, should be studied and analysed to take appropriate measures such as compensation. In addition, relief should be provided to affected villagers who are indebted due to problems with the Village Restoration Fund.

3.4 Immediately disclose monitoring reports

NGOs have demanded disclosure of data regarding the living standard measurement survey, evaluation of the savings and credit scheme in the downstream area, food consumption monitoring programme, water quality survey in the reservoir and the Xe Bang Fai River, changes in fish catch in the reservoir and the Xe Bang Fai River, river erosion, nutrition condition of the affected villagers, monitoring on socio-economic changes and monitoring reports issued by independent monitoring agencies. None of the data has been released so far. The data should be disclosed immediately in order to clarify the project’s impacts on the environment and society.
Attachment 1: Schedule
21 November Lumber mill of the Village Forest Association, Done Village, Phon Saoon Village
22 November Thalang Village, Sop Hia Village, Nong Bua Sathit Village, Nakai Village
23 November Pha Nang Village, Mahaxai Village
27 November Thabo Village

Attachment 2: Number of interviewees
Nakai District, Khammouane Province
- Village Forest Association’s lumber mill – 2
- Done Village – 2
- Phon Saoon Village – 3
- Thalang Village – 5
- Sop Hia Village – 3
- Nong Bua Sathit Village – 3
- Nakai Village: Khum Neua – 2, Khum Tai – 1

Mahaxai District, Khammouane Province
- Pha Nang Village – 4
- Mahaxai Village: Khum Tai – 4, Khum Neua – 4

Xaybuly District, Savannakhet Province
- Thabo Village – 2
Attachment 3 : Transcript of the video recorded interview

[Attachment 3 : Transcript of the video recorded interview]

**A Village**

- Interview with a village chief

**Filmed in front of a field**

Q) Which is more directly helpful to your livelihood, the livestock project or the vegetable project?
A) Various organisations helped us in the NT2 project. There used to be experts from the District’s agriculture promotion department and NT2, but the people from NT2 left when their contracts ended. Now we only have the people from the agriculture promotion department.

Q) Are you still running the project?
A) Yes, I am. I have been receiving fertiliser too. But the villagers say they know how it will go. They are suffering a loss. They cannot support themselves.

Q) You mean, they do not have enough (income)?
A) <Nod>

Q) Why did people fail to grow chickens and pigs?
A) Chickens and pigs died. They died despite vaccination. Then the loss was incurred. Farmers who had those animals lost money. They cannot even pay back the fund to the project because they lost. They cannot pay back to the fund provider.

Q) Did the vegetables sell?
A) Yes, they did. Some earned a million Kip* per year. At least. I planted many kinds of vegetables, including broccolis and maze.

Q) Where did you sell them?
A) In Oudomsuk Village. Merchants came to buy them because the roads got better. When they didn’t come, villagers went out to sell them, carrying the products on their back.

Q) How did you lose the market?
A) We still have the market.

Q) No, I mean, why did you stop growing vegetables?
A) We used to grow a lot. We could hardly sell them all. Vegetables came in from other villages
too because the roads were better. Vegetables are brought in by cars from other places and are sold here.

Q) Why do brokers not come in now?
A) Because lots of vegetables come in from Yomarat District, Pakse and Paksan.

Q) You mean those vegetables are brought into Oudomsuk?
A) Yes.

Q) That is why the market got full?
A) Yes, people go out of Oudomsuk by car and buy cheap vegetables. They add some fees and sell them. Bought some cucumbers and water melons. (Not clear if he was talking about himself or where the purchase was made.)

Q) Will there be enough market if many people start to grow vegetables?
A) Not sure. People in the higher positions say they will look for markets. Bananas used to sell well too.

In front of a village market of Village A
(A market building is still there but deserted.)

Q) Do people use this market?
A) How can they? We have nothing to sell. (Laugh) Villagers usually bring vegetables and sell them at markets but we don’t have enough to sell.

Q) Do you have lots of vegetables or nobody buys them? Which?
A) Nobody comes to buy them. And we don’t have enough.
We had a grand opening ceremony of the market but nobody is here now despite the training given by Dr. U from NT2.

Q) When did this market open?
A) In 2008.

Q) Is the reservoir contaminated?
A) No. The reservoir by the village was used only by this village before. The reservoir was connected with the dam reservoir when the dam was constructed. The white thing up there is
the upper-reservoir. Water is pumped up there and distributed to farms.

Q) What happens if companies stop paying for the electricity (for pumping)?
A) That will be the end of it. We are already struggling. It will very likely to end. The vegetable project will end in 2011 for villagers cannot pay the electricity bill.

● A woman working in a vegetable field

Q) Did you receive the vegetable seeds from the project?
A) I used to, but not now.

Q) Will you continue to grow vegetables? Can you afford it?
A) Not sure. I don’t have enough fertiliser. (Not clear what she said)
District staff) No fertiliser is provided now, so she has to grow them without fertiliser.

Q) Any training?
A) I just grow vegetables where they naturally grow.

Q) Do you have enough water?
A) Yes.

A) Several people use the land together. We need a fence. Cattle and water buffalos would come in (to vegetable gardens) without a fence.

Q) Was this place a pilot site?
A) Yes.

Q) Whose land is this?
A) The paddy field is mine, but the land is a pilot site.

Q) Do you grow rice in the 0.66 ha (compensatory) land?
A) I haven’t grown anything for a long time. I stopped 3-4 years ago. I used to grow things.

Q) Why not?
A) It’s too much work. I don’t have enough hands. My husband has been conscripted.
Q) Is the field far?
A) It is.

Q) Then how do you live?
A) We don’t have enough food. We don’t have land to grow vegetables either. And we don’t have enough rice.

Q) Did you have enough rice before in your village?
A) No, we didn’t have enough in the past too. The farmland is gone now.

Q) How did you support yourself then?
A) We could not.

Q) Did you have water buffalos and cattle before?
A) Yes, but not anymore.

Q) Did you bring your livestock here?
A) They died because water came down from the dam.

Q) How many animals did you have?
A) 6-7.

Q) Were they all killed?
A) No, I have three left. Four were killed.

**B Village**

- Interview with a deputy village chief of the village

Q) How was the reservoir fishery last year?
A) We had a great catch at the beginning. Fish might have been surprised at the water. We caught a lot with gillnets and long lines. I don’t know where the fish have disappeared to after the reservoir was filled.

Q) How is the catch compared to last year?
A) It is somewhere between a half and one third of the first year.

Q) How much did you make in the first year?
A) A lot. It might have been about 10,000,000 Kip*.

Q) And this year?
A) We cannot go out for fishing much due to the strong wind this year. Also, not much fish are caught in our gear.

Q) How much money is it going to be?
A) About 300,000-400,000 Kip*.

Q) It was 10,000,000 last year. This year, it is 300,000 Kip for half a year from June?
A) Yes.

Q) How is the water contamination this year? Did you see fish die?
A) Yes, fish died too.

Q) In which month?
A) Water overflew (referring to the time when the reservoir was filled). Fish got rotten and died smelling bad.

Q) In which month?
A) They are still dying now in the tributaries. It’s not so bad here, but water rots and smells in the tributaries over there. Fish are dying there.

Q) How far do B villagers travel for fishing? Do they go far?
A) Yes, they do.

Q) How many kilometres?
A) About 5, 6 kilometres.

Q) How long is the boat ride?
A) 30 minutes. Sometimes one hour.

Q) How much petrol do you need?
A) One tankful covers a return trip.

Q) How many litres is one tankful?
A) 6 litres.

Q) How much fish can you catch at the cost of 6 litres of petrol?
A) Depends on the day. We caught a lot in the first year. Some caught 500,000-600,000 Kip* in a day.

Q) How about this year? When the catch is small?
A) If the catch is small, it is about 5-6 kilograms per day. It doesn’t even cover the petrol cost. We travel far for fishing.

Q) In the compensatory land?
A) We grow rice.

Q) Anything else?
A) Just rice. Irrigation facility was set up this year but I don’t know what projects they will come up with.

Q) Has the irrigation reached the whole area?
A) Yes.

Q) Has the ownership been transferred?
A) You mean farmland ownership?

Q) No, the irrigation facility.
A) No, not yet.

Q) How many households are cultivating the compensatory land?
A) About 70.

Q) How many households are there?
A) There are 197 households entitled to the compensation.

Q) Others are not cultivating their land?
A) No. They are in fishery.

Q) Why are they not ploughing?
A) Because the land is bad. They won’t have any food even if they plough.

End.

* $ 1 US=8,000 Kip