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Press Release

## **Can Nam Theun 2 Really Alleviate Poverty? Compensation Delayed over Two Years, Villagers Burdened with Debt**

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Mekong Watch, a Japanese NGO which has been monitoring environmental and social impacts of Nam Theun 2 Dam in Lao PDR, visited affected areas in November 2010. The field visit revealed weaknesses of a development model designed to achieve “poverty reduction through dams.” 6,200 villagers have been relocated out of the Nakai Plateau for the dam’s reservoir. Fishery and riverbank agriculture carried out by hundreds of thousands of people living along the Xe Bang Fai River have been negatively affected as the River is inundated by the discharge from Nam Theun 2. It is not clear how these villagers’ livelihood will be restored in a long-term period.

On 9 December, an inauguration ceremony of Nam Theun 2 Dam was held in Khammouan Province in central Laos. With French and Thai private companies investing into the project, representatives from both countries, including Thai Prime Minister Abhisit Vejjajiva, attended the ceremony. While the completion of the dam was celebrated in a spectacular manner, the project’s negative impacts on the natural environment and local communities are now becoming clearer.

Mekong Watch points out the following in particular:

### **1. The livelihood restoration program for resettled villagers has failed.**

Several livelihood means, including market-oriented agriculture, have been promoted as compensatory programs in the Nakai Plateau where 6,200 villagers were involuntarily resettled for the dam’s reservoir. However, none of the programs appears to be promising for long-term recovery of villagers’ livelihood. Many villagers have already abandoned compensatory farmland because the land quality is low and cash crops have no market. Their main source of income now is fishery in the reservoir, but fish catch is already in decline, according to some villagers. They have found no alternative to fishery for making enough money to purchase rice.

### **2. Compensation is delayed, creating confusion among affected villagers.**

Resettlement in the Nakai Plateau was completed in April 2008. Villagers were supposed to be compensated for lost paddy fields and gardens before resettlement. However, compensation processes did not start until around October this year. Asset measurement to determine the amount of compensation entitled to affected families was conducted in 1998, but it was inaccurate because there was no uniform standard to evaluate villagers’ assets. Relocated families have now been complaining about decisions made on what to be compensated for and how compensation is calculated. They may lodge an objection against results of asset measurement and request reinvestigation, but it

will be extremely difficult to verify the accuracy of measurement, as their assets have been under the water for two years since the reservoir was filled.

### **3. Villagers' debt has increased due to the village restoration fund in the downstream area.**

Some residents have suffered damage from flooding in paddy fields this year in villages along the Xe Bang Fai River where water is discharged from Nam Theun 2. Low rice harvest has usually been covered by fishing in the river in the past, but the function of fishing activities as a conventional social safety net is gradually deteriorating as the dam's discharge damages local fishery. The Nam Theun 2 Power Company (NTPC) offers affected communities a microcredit program through the village restoration fund in order to compensate for the loss of fishery. However, far from restoring their livelihood, some households have become impoverished with debt as a result of failed business because they were not given adequate technical support and/or sufficient advice on business risk.

Nam Theun 2 started to fully operate on 15 March 2010. Why did the project promoters hold an inauguration ceremony nine months into the operation? Mekong Watch speculates, saying, "Cash compensation and irrigation installation in the resettlement areas should have been completed before the dam's commercial operation. Full operation began in March this year. It was not until October when the irrigation system was nearly finished. As for cash compensation, it is only beginning now. *Official* inauguration was postponed until now maybe because they wished to cover up the fact that the project has not been run in line with the social and environmental policies that they are committed to."

In order to address the afore-mentioned outstanding issues, Mekong Watch recommends that major financiers of the project, namely the World Bank and the Asian Development Bank, should immediately disclose significant information related to the social and environmental concerns over the project, including long-term plans to restore affected villagers' livelihood, measures to resolve compensation issues, results of livelihood restoration survey among villagers, and results of water quality monitoring.

The World Bank and the Asian Development Bank are backing up the Lao PDR government, trying to promote "poverty reduction through dams" while using the Nam Theun 2 project as a model. However, if such a model is replicated without solving, among others, the problem of long-term livelihood restoration facing the project, "poverty reduction" promised by the model will only continue to create new poverty.

### **About Nam Theun 2 Hydroelectric Power Project**

Nam Theun 2 Dam has been constructed for hydroelectric power generation in the central part of Lao PDR, a landlocked country in Southeast Asia. The Nam Theun 2 Power Company (NTPC), the project operator, is a joint investment with Electricité de France holding 40%, Lao Holding State Enterprise holding 25%, and Electricity Generating Authority of Thailand's subsidiary company, Electricity Generating Public Company Limited, holding 35% share. Nam Theun 2 is the biggest public project in Laos with the total project cost of approximately US \$ 1.45 billion, almost equivalent to one quarter of the country's Gross Domestic Product. The dam is 48 metres high, and 450 square kilometres of the Nakai Plateau's wetlands was submerged to make a way for the dam's reservoir. The project has the capacity of generating 1,070 megawatt of electricity, 995 megawatt of which is sold to Thailand with the rest consumed domestically. The project aims to reduce Laos PDR's poverty with revenues obtained from electricity sales.

For Mekong Watch's report on the most recent field investigation conducted in November 2010 (in English), see: <http://www.mekongwatch.org/PDF/NT2FieldReportNov2010.pdf>

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