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For Immediate Release

Development Banks Urged to Review Support for Mekong Dams, 10 Years After Nam Theun 2

Amsterdam/Bangkok/Manila/Prague/Tokyo - Non-governmental organizations are calling on the World Bank, Asian Development Bank (ADB) and European Investment Bank (EIB) to publicly acknowledge the millions of dollars of failed investment in their flagship project, Nam Theun 2. This 1070 MW dam has failed to bring intended development benefits, and instead has unleashed a range of negative impacts on the affected populations in central Laos.

On March 31, 2005, the World Bank approved the provision of US \$153 million for the development of Nam Theun 2. Exactly ten years ago, on April 1, 2005, the ADB offered \$90 million to the Government of Laos and the Nam Theun 2 Power Companyⁱ, while the EIB and France's Agence Française de Développement also pledged millions of dollars towards the project. Nam Theun 2 began operations in 2010, displacing over 6,300 indigenous people to make way for the 450km² reservoir and affecting more than 110,000 people downstream along the Xe Bang Fai River, a tributary of the Mekong River. Over 90% of the electricity generated is exported to Thailand.

According to Tanya Lee, Lao Program Coordinator for International Rivers, "The development benefits outlined in World Bank and ADB promotional material have never been achieved, including protection of the watershed area, accountability in public revenue earnings and livelihood restoration for those displaced and the downstream populations."

"Over the past ten years, we have carried out systematic research with villagers living downstream along the Xe Bang Fai River and have documented the devastating impacts of the project. Some of the impacts of Nam Theun 2 include a dramatic drop in wild fish catches, flooding of low-lying rice fields, inundation of riverbank gardens used for food cultivation, and recurring skin rashes from the now turbid river water," she continued.

These problems are confirmed by the World Bank's project-specific ratings, which currently evaluates overall implementation progress of the project to be "moderately unsatisfactory".ⁱⁱ

The ADB and World Bank-financed Panel of Experts (POE) has also noted similar problems. In their most recent report, dated December 2014, the POE warned that the Government of Laos had failed to comply with the project's Concession Agreement by not providing necessary support to the livelihood programs for affected villagers.ⁱⁱⁱ In addition, the POE has highlighted:

- the lack of sustainable employment and access to resources for the resettled population;
- the poor quality of land allotments and limited possibilities for food or cash crop cultivation in the resettlement areas;
- heavy reliance of locals displaced by the project on the lucrative trading of illegal wildlife and timber to pay for daily necessities;
- unmet livelihood restoration commitments for downstream communities; and

- the lack of access to livelihood programming for 67 affected villages in the surrounding area, which were instead only compensated with one-time cash handouts.

According to Rayyan Hassan, Executive Director of the NGO Forum on the ADB, “Ten years since the disbursement of millions of dollars in loans, we are challenging the World Bank, ADB and EIB to seize this opportunity. They must revise their attempts to uphold Nam Theun 2 as a success story, and recognize the need for all affected villages to receive restorative reparations. The falsehoods perpetrated by those involved in the Nam Theun 2 Dam that the project is sustainable has side-tracked regional governments and the public from engaging in comprehensive energy options assessments, demand-based forecasting and planning, and advancing renewable decentralized energy source options.”

“Nam Theun 2 was the beginning of the current rush to build dams on both the Mekong mainstream and its tributaries. While the ADB directly finances large-scale hydropower projects in the region, the World Bank Group along with ADB are promoting hydropower interests by funding transmission line projects, offering private sector loans, technical assistance and knowledge exchange to hydropower companies and consultancy firms, and facilitating working groups to establish a regional power grid,” explained Toshiyuki Doi, Senior Advisor for Mekong Watch.

He continued, “As a result of the ‘development aid’ and investments in the hydropower sector, they have caused local communities to suffer. Rather than helping to achieve poverty alleviation, communities impacted from large scale dams in the Mekong Region have experienced a severe loss of access to natural resources, land-grabbing, impoverishment and dislocation due to forced resettlement. Instead of helping to encourage public participation in decision-making where environmental, social and human rights safeguards standards are fragile or non-existent, large scale dam building in the region is shutting out the voices of villagers, human rights defenders and sustainable development advocates.”

Shalmali Guttal from Focus on the Global South concluded, “The World Bank, ADB and EIB remain completely unaccountable for their actions. The bills for their expensive mistakes will be picked up by local populations in Laos and the Mekong Region. They must publicly acknowledge their complicity in the destruction caused by Nam Theun 2, and take legal, financial and moral responsibility for the damages to peoples’ lives and the environment. The failures of Nam Theun 2 provide more than enough evidence for these banks to stop supporting large-scale hydropower development projects in the Mekong Region.”

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ⁱ Nam Theun 2 Power Company is owned by a consortium comprising of Electricity de France International (35%) Thailand’s Electricity Generating Company of Thailand (25%), Italian Thai Development Company Limited (15%), and the Government of Lao PDR (25%).

ⁱⁱ World Bank. Projects: Nam Theun 2 Social and Environment Project. “Ratings”. <<http://www.worldbank.org/projects/P049290/nam-theun-2-social-environment-project?lang=en>> Accessed 1 April 2015.

ⁱⁱⁱ Nam Theun 2 Power Company. Twenty Third Report of the International Social and Environmental Panel of Experts. 29 December 2014. <<http://namtheun2.com/images/stories/poe/poe23.pdf>> Accessed 1 April 2015.