The Asian Development Bank and the case study of the Theun-Hinboun hydropower project in Lao PDR

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Abstract

The Asian Development Bank (ADB) is one of the most influential development institutions in the Greater Mekong sub-region in the push to build large-scale infrastructure including hydropower dams. Controversies over big dams in Asia have unveiled the lack of effective governance mechanisms through which all stakeholder interests can be taken into account in resource management decision making. In the case of the Theun-Hinboun hydropower project in Lao PDR, the actions of the ADB have showed inadequacies regarding the project decision making and implementation processes although the project has been economically successful and the ADB has enhanced the country’s capacity build-up. The aim of the article is to review the history of the Theun-Hinboun project and identify areas that need to be strengthened recognizing future planning needs, and to identify important future lines of study at Theun-Hinboun. Good governance can be enhanced by institutionalizing participation at the project, district, provincial and national levels including improving inter-agency coordination. An institutional mechanism, which ensures that revenue from the export of hydropower is actually used for poverty alleviation, is needed.

Keywords: Asian Development Bank; Good governance; Hydropower; Poverty reduction; Public participation; Theun-Hinboun project

Abbreviations: ADB, Asian Development Bank; ADF, Asian Development Fund; BOT, build–operate–transfer agreement; DMC, Developing Member Country; EdL, Electricité du Laos; EGAT, Electricity Generating Authority of Thailand; EIA, Environmental Impact Assessment; EMP, Environment Management Plan; FDI, Foreign Direct Investment; FIVAS, Association for International Water and Forest Studies; GMS, Greater Mekong Sub-Region; GoL, Government of Laos; HDSS, Hydropower Development Strategy Study; IEE, Initial Environmental Examination; IFI, International Financial Institution; IRN, International River Networks; IUCN, International Union for Conservation of Nature and Natural Resources; IWRM, Integrated Water Resources Management; Lao PDR, Lao People’s Democratic Republic; LWU, Lao Women’s Union; MDB, Multilateral Development Bank; NGO, Non-governmental Organization; NT2, Nam Theun 2; OECD, Organization for Economic Co-operation and Development; PPA, Power Purchase Agreement; SIA, Social Impact Assessment; TERRA, Towards Ecological Recovery & Regional Alliances; THPC, Theun Hinboun Power Company Limited; WB, World Bank; WCD, World Commission on Dams.


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1. Introduction

Hydropower development is and will continue to play a dominant role in any discussions about natural resource management in the Mekong Basin. Among the Lower Mekong Basin countries, the Lao People’s Democratic Republic (PDR), later referred as Laos in this paper, has the largest hydroelectric potential, which is an outcome of its abundant watersheds and steep topography (Cheong, 1998). The reason for focusing on Laos and not on some other Mekong region country in this article is that hydropower is considered by the government of Laos to represent the most promising prospect for development of its water resources and national economy. Laos, which is one of Asia’s poorest nations, is counting heavily on hydropower development to reach the social and economic development goals of the country. The impact of the export of hydro projects on the Lao economy derives principally from an increase in foreign currency earnings for the government of Laos (GoL) and its subsidiary Electricité du Laos (EdL), which will then be transformed into economic development for the country (ADB, 2001a). Currently the average GDP per capita is about US$300 with two main growth options, export of hydropower and tropical timbers (ADB, 2001a). Electricity sold to Thailand now represents 30% of exports (World Bank, 2004).

It has been the traditional role of the government to plan, finance, build and manage hydropower projects with the help of multilateral development banks (MDBs) and international aid agencies. Nam Ngum dam, which is the first hydro dam built in Laos, has been the country’s main generator of foreign exchange in the past 30 years. Despite the fact that the hydropower sector has played a pivotal role in the economic development of Laos, planning, selection and implementation processes for hydropower projects have tended to be ad hoc in character, have experienced insufficient transparency and have not delivered the full potential benefits to the development of Laos (World Bank, 2004). Hydropower investment decisions by the public and private sectors alike have been made on an individual project basis without reference to any plan to ensure that the priority and scope of projects are consistent with optimal development objectives.

This situation has been changing. A Hydropower Development Strategy Study (HDSS) has been prepared to direct hydropower development in an optimal manner to ensure maximum economic benefit, minimum social and environmental damage and proper risk management in Laos (HDSS, 2000). Through the plan, the Ministry of Industry and Handicraft (MIH) tries to maximize the benefits and minimize the negative impacts of future hydropower development by taking into account national and regional planning criteria, optimum basin development constraints and wider financial, economic, institutional, legal, political, social and environmental issues (HDSS, 2000). Additionally, there has been a shift toward a greater role for private capital instead of public funds to finance, build and manage various forms of what used to be termed public goods or public infrastructure, of which hydropower dams (like the Theun-Hinboun project) are one such example (World Bank, 2004).

The paper will explore the role and challenges related to the role of Asian Development Bank in environmental governance, with a particular focus on hydropower project management and the case study of the Theun-Hinboun Hydroelectric Power Project in Laos. Of the major dam projects built or proposed in the Mekong Basin, the Theun-Hinboun project has unique physical features which concurrently result in its positive financial returns (White, 2001). It also has caused negative social and environmental impacts. The aim of the paper is to provide a review of how the ADB has implemented its various safeguard policies and guidelines, like public participation and poverty reduction in the Theun-Hinboun hydropower project and to point out areas that need to be strengthen in future to improve
project planning and decision making. This paper is intertwined with the question of how the ADB can translate the aspirations of cross-cutting issues like poverty reduction, environmental protection and participation into action through the ADB’s hydropower projects.

The preparation of this paper has involved analyses of various reports related to the Theun-Hinboun hydropower project representing the Theun-Hinboun Power Company (THPC), different departments and agencies of the Lao government, and international NGOs. ADB documents concerning several of its policies and guidelines, and different national plans and documents of Laos were studied and analysed. Representatives of several key stakeholders at all levels were interviewed in Laos, Thailand and the Philippines from February to March 2004 and analyses of secondary literature of the subject were carried out to look at the subject more closely. The reason for the absence of interviews of local NGOs is that their formation is prohibited in Laos. This paper aims to contribute to the broader debate on the role of multinational funding agencies in the development of natural resources in developing countries.

2. Background and context

Accountable, transparent and efficient systems of governance are seen to be essential for achieving sustained economic and social development. Good environmental and natural resources governance can likewise be seen as facilitating participatory and associative decision-making processes. Environmental and natural resources management needs to find ways to accommodate the multiple claims, perspectives, institutional arrangements and rights that mould the ways in which people use resources and make their livelihoods in everyday settings (Mehta, 2000). Good governance and associative developmental planning arising from the needs of communities is slowly being recognized in Laos. Several interviews (personal communication 1) with international NGOs and aid agencies revealed that participatory processes are included in the development interventions supported and financed by international aid agencies, MDBs and international NGOs, but in practice, the participation of people affected by the project is usually weak and it can be questioned whether participation above village level is even possible within the political system of Laos.

The development of hydropower potential has been at the centre of Laos’ development strategy and a pillar of the country’s economic development drive since market reforms began in the late 1980s, following advice from the World Bank, the Asian Development Bank, UN agencies and the private sector (Freeman, 2001; ADB, 2003a; 2003d). The future development prospects of Laos depend to a significant degree on the electricity sector being economically efficient and acting as a net contributor to the nation’s wealth, as well as effectively providing service to meet the growing electricity needs of the nation’s citizens. The positive energy demand projections for Thailand have given the primary justification for hydropower development of major institutional players – donors, lenders and national electricity authorities (Bakker, 1999). Six large and medium hydropower plants and about 30 small and mini hydropower plants provide a total capacity of 600 MW, less than 4% of the potential in Laos (ADB & UNEP, 2004). But even though the country is developing its hydropower, only 20% of all villages and 34% of households have access to electricity (Lao PDR, National Poverty Eradication Program, 2003).

1 Appendix 1 shows stakeholders and organizations interviewed. Appendix 2 shows the main questions presented to interviewees.
Hydropower development in Laos is often framed with multiple development benefits and objectives in order to provide benefits to the country in terms of poverty alleviation, social development and environmentally sustainable development. These benefits are expected to be delivered directly through on-site developments as well as through indirect budgetary contributions via foreign exchange earnings. On-site developments include the provision of infrastructure such as electricity, roads to access markets, health centres, schools, water supply wells, and so on. Hydroelectric developments are also expected to play key roles in regional development and provide opportunities for tourism and fisheries (Le-Huu & Nguyen-Duc, 2001–2003). Foreign exchange earnings are expected to contribute to the national budget, which is then used at the discretion of the government for its social objectives.

During the last few decades, the complexity of hydropower projects has been acknowledged. Projects are becoming very complex, caught between development and modernization imperatives on the one hand, and increased environmental, livelihood, and human rights limitations on the other (Mathur et al., 2001). The Theun-Hinboun project and the proposed Nam Theun 2 dam in Laos clearly show these pressures that can influence large-scale dam developments. Large-scale and centralist water management, which has previously been the guideline of the MDBs, has been criticized on a number of points; the question of profitability, administrative sustainability, resettlement, ecological sustainability, social or ethnic conflicts, and lack of local ownership and public participation (see for example Öjendal, 2000; Oxfam Community Aid Abroad, 1999).

2.1. Institutional framework for natural resource management in Laos

Developmental planning takes place in a multi-actor environment with a wide range of interests. The main actors in the field of hydropower development in Laos are a group of actors representing governmental and regional agencies, local communities, industries and external development planners like bilateral aid agencies and donors. There are also several foreign NGOs working on the environment and resource management in Laos. The Lao government does not allow the formation of local NGOs.

The institutional environment for the natural resource management of the Lao government is characterized by the lack of effective institutions, human and technical resources, laws and processes to manage its natural resources in a sustainable way, all of which were highlighted in almost every interview held with different actors in Laos. Achieving efficient coordination among the various ministries and agencies in environmental management presents a major challenge for the GoL (Dethrasavong, 2003). The development of hydropower projects, especially trans-basin diversions such as the Theun-Hinboun Project, should be done in a regional (e.g. river basin) planning context to fit them into an overall development scenario, thus maximizing beneficial development impacts in the project area while minimizing unintended adverse impacts (ADB, 2000c).

In Laos, there is a need to keep pace with international standards for public consultation and to institute guidelines that meet such standards (HDSS, 2000), but there are many constraints facing the Lao governance agencies in respect of public participation. The principle of participation is problematic

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2 The main actors in the hydropower development sector are the Ministry of Industry and Handicraft (MIH), the Science Technology and Environment Agency (STEA), the Lao National Mekong Committee (LNMC). In the MIH, the Department of Electricity (DOE) has the overall responsibility for all types of electricity projects and is assigned lead responsibility in implementing the environmental assessment (EA) and mitigation processes for electricity projects (Lao PDR, 2000). The Mekong River Commission (MRC) is an influential regional actor.
for the Lao government which has a one-party system of governance that hinders participation and does not allow public debate on development. The capacity and experience of staff in charge of public involvement is limited; there is a lack of regulation of public involvement; a lack of data and information related to public consultation; and financial constraints in respect of public participation (WRI, 2001). This calls for greater and more systematic efforts by government actors to strengthen dialogue and negotiation, and develop participatory and consultative policies and programmes in natural resource management.

The ADB continues to play a significant role in the Greater Mekong sub-region where it is one of the largest financiers of large-scale infrastructure including hydroelectric dams, cross-border electricity transmission systems and major roads. The development of infrastructure aims to promote economic growth, reduce poverty and ease local communities’ access to services and markets (ADB, 2002a). A part of the ADB’s Greater Mekong Subregion Program (GMS) is to support hydropower via the creation of a regional power interconnection and trade arrangements between the Mekong region countries. The ADB sees its role as “mobilizing” private investment for GMS dams and transmission lines with funding from its specially created GMS portfolio (Ryder, 2004).

The uneven distribution of energy resources in the GMS provides a compelling economic reason for the expanded sub-regional cooperation in energy among the GMS countries. Countries that have a large demand for energy, such as Viet Nam and Thailand, do not have sufficient energy resources while countries with low economic activity, such as Laos and Myanmar, have large potential energy supplies, in terms of hydropower and gas resources. With the establishment of the GMS Program, energy development in the GMS has moved increasingly towards integration, particularly in the power sub-sector. Integration through transmission grid interconnection will bring about improved efficiency and competitiveness for the GMS economies. Economic benefits will result from complementary energy resources, exchanges of base for peak energy, load diversity, increased supply reliability, reduced reserve capacity requirements and reduced system losses. Moreover, sub-regional efforts to strengthen energy institutions, through cooperation in data exchanges and training of energy professionals, are critical for the success of national rural electrification and its strong anti-poverty dimensions (ADB, 2000b).

3. Description of the Theun-Hinboun Hydropower Project

The Theun-Hinboun Hydropower Project is a 210 MW trans-basin water diversion project which cost US$260 million to construct and is currently the largest foreign exchange source in Laos (ADB, 2002b). The project is located about 100 km upstream of the confluence with the rivers of Mekong and Theun on the border between Bolikhamxay and Khammouane Provinces and it affects about 2,500 people (see Figure 1) (ADB, 1999d). Its economic purpose is given as earning money for the Lao government, through export power sales to the Electricity Generating Authority of Thailand (EGAT), to use for national development (ADB, 2002b; ADB, 2000c; HDSS, 2000).

The ADB loaned US$60 million from the Asian Development Fund (ADF) to the Lao People’s Democratic Republic to implement the first joint-venture hydropower project with foreign investors (ADB, 2000b). The project is operated by the Theun-Hinboun Power Company (THPC) under a 30-year

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3 The GMS includes Thailand, Cambodia, Lao PDR, Vietnam, Burma and the Yunnan Province of China.
Fig. 1. The Theun-Hinboun Project location (ADB, 2000b).
BOT, a “build–operate–transfer” agreement (Shoemaker, 2000). Electricité du Laos (EdL) contributed 60% of the share capital, and two foreign investors, MDX Lao Public Company Limited and Nordic Hydropower AB, 20% each (ADB & SEI, 2002; THPC, no date). The project was completed on time in 1998 and below expected cost. An important consequence of the ADB involvement was the subjecting of the project at each stage to scrutiny that ensured that it was soundly formulated, appraised and financed, thereby reducing the investment risks. Involvement of the ADB had a positive impact on capacity build-up in Laos in terms of exposure to new concepts and skill building (ADB, 2000c; personal communications 5, 6 and 7).

Even though the project has been described as privately financed, most of the financing is either public or publicly guaranteed. Consequently, the government of Laos (GoL) is exposed to a significant proportion of the commercial risk, while also being required to serve additional debt (see also Bakker, 1999; Cornford & Simon, 2001). While the ADB is supporting the private sector, it has been able to get the private sector to risk their capital for projects like the Theun-Hinboun only if the ADB provides subsidies, guarantees and other forms of safety nets for the private sector (Pahlman, 2000).

3.1. Project impacts

Many of the dams currently proposed and under construction are large, with similarly far reaching environmental and social impacts, like the Theun-Hinboun and the proposed Nam Theun 2 in Laos. Despite the successful implementation of the Theun-Hinboun Hydropower Project, it has been plagued with controversy and problems from its inception. Concerns were raised by several international NGOs during the project approval and implementation processes, over its poor decision-making process, inadequate environmental impact assessment (EIA) processes, conflicts of interest and potential for severe environmental and socio-economic impacts, which were downplayed or ignored by the project sponsors (see for example Shoemaker, 1998, 2000; Australian Mekong Resource Centre, 1999; FIVAS, 2003; Probe International, 2001). The environmental and social costs of the Theun-Hinboun were vaguely studied and downplayed by the promoters including the ADB. Studies were often carried out by consultants who had potential conflicts of interests. The EIA performed by Norconsult, a Norwegian consultant firm partly owned by one of project investors Statkraft, was insufficient and undermined the negative impacts of the dam in 1993. Two years later, the EIA prepared by Norplan did note adverse impacts on livelihoods of the project-affected people but it only became available after the construction was underway.

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4 The EdL is a state-owned corporation under the Ministry for Industry and Handicraft and it owns and operates the country’s main generation, transmission and distribution assets in the Lao PDR, and manages electricity imports into its grids and exports from its stations (EdL, 2002; HDSS, 2000).

5 For example the International Rivers Network (IRN), the International Union for Conservation of Nature and Natural Resources (IUCN) and Towards Ecological Recovery & Regional Alliances (TERRA) have criticized the Theun-Hinboun Project.

6 The Association for International Water and Forest Studies (FIVAS) is an independent organization working to obtain and disseminate information about the consequences of large dams and hydropower projects in the Third World, and to prevent Norwegian participation in projects with significant social or environmental impacts (http://www.fivas.org/english/dumbdams.htm).

At the time of the Theun-Hinboun’s completion, the ADB was promoting it as environmentally friendly and a model for future hydropower development in the region (Shoemaker, 2002). But the project has caused various socio-economic and environmental physical impacts. People in the project-affected area have experienced flooding of vegetable gardens, reduced fish catches, loss of freshwater drinking sources and transportation difficulties since the project began operation. Although fisheries decline was one of the project’s most significant impacts and significant declines in fish catches were predicted before the dam was built, no substantial fisheries studies were prepared prior to approval of the project, and the THPC has still not implemented fisheries mitigation activities (Blake, 2005). An improved road network and installed water and electricity supplies are the main positive impacts of the project (Shoemaker, 1998, 2000; Australian Mekong Resource Centre, 1999; THPC, 2002).

If an infrastructure project, such as the Theun-Hinboun, which was built as an instrument of national development, is beneficial, it should be so for all affected parties. Project-affected communities are entitled to receive full direct compensation for all of their livelihood losses including those from the loss of fisheries, other aquatic resources and agricultural land. But often costs including mitigation and compensation are minimized to maximize the rate of return on investment (Bakker, 1999). According to critics, as a consequence, development has often been sub-optimal, economic benefits have not been maximized, avoidable social and environmental damage have not been incurred and risks have not been fairly distributed (HDSS, 2000; see also ADB, 1999d; ADB, 2001a).

To remedy environmental and social impacts, a 10-year Mitigation and Compensation Program8 was agreed in 2000, and a new Environmental Management Division was formed within THPC in 2001 to implement it (ADB, 2000a; THPC, 2002). The plan includes various activities to develop the social and physical environment of the affected villages by improving agricultural management, food security and livelihood restoration, providing water supply, savings and credit funds, and health and sanitation services. Two primary strategies have been used for affected communities. Villages along the headpond, which flooded a considerable length of the Nam Theun/Kading River, were targeted for a gradual conversion from shifting cultivation to more permanent agricultural practices like agro-forestry, wet rice terracing, and horticultural production on irrigated plots. Lowland villages along the recipient Nam Hai and Hinboun rivers were offered irrigated vegetable plots and fruit trees on river levees, support for livestock rearing and intensive irrigated dry season rice cultivation, as the chief compensatory measures for loss of livelihoods from the decline in fisheries and riverbank garden production (ADB, 2000b; ADB, 2000c; Blake, 2005).

Despite international campaigns and pressure put on the ADB by civil society to resolve issues of compensation, it has been a long battle to obtain adequate compensation for the affected people. Moreover, as part of THPC’s plan for compensation and mitigation, the company requires a third party review to be conducted every two years to examine the effectiveness of its programme and issue recommendations for improvement (Blake, 2005). Therefore, the International Rivers Network (IRN) and THPC signed a cooperation agreement jointly to develop a third party review to examine the programme. But the THPC ended cooperation three weeks after the month-long review began, based on concerns that the agreement did not follow standard corporate practices (IRN, 2004). This whole evaluation process raises questions about openness, transparency and the spending of the project revenues.

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8 According to Article 4 of the Regulation on Implementing Environmental Assessment for Electricity Projects in Laos (2000), for electricity projects that were approved and/or completed before the effective date of the regulation in question, the project owner shall prepare and implement an environmental management plan (EMP) to prevent or mitigate any further damage caused by the project. According to this, the THPC will be responsible for the EMP.
The review panel found that the THPC’s activities in establishing village savings and credit funds, installing wells for water supply, building toilets and distributing mosquito nets were going well. On the other hand, viability of irrigation was a major source of concern to the review panel. It felt that the strategy of promoting a high-input chemical fertilizer-based farming system among resource-poor farmers was risky and favoured the wealthier members of the community who could better afford the risks involved while excluding the poorest. Furthermore, this strategy has the potential to have an unintended negative impact on aquatic ecology by polluting surface and ground water, thus further degrading the very resource base on which the poorest sectors are most reliant (Blake, 2005).

Achievements in improving the livelihood of local people through the Mitigation and Compensation Plan of the THPC have been widely noticed, but the major issue of contention is still whether the programme will adequately compensate all affected local communities for their losses and its overall effectiveness in restoring livelihoods will remain in question for many years to come (see Shoemaker, 2000; IRN, 2004; Blake, 2005). And as Blake (2005) points out, it is important to keep in mind, however, that this mitigation programme is not an ordinary aid-driven rural development project to improve people’s living conditions. Instead, this programme was created to mitigate the impact of an environmentally destructive project carried out without properly consulting the traditional users of the local natural resource base beforehand, and who have ultimately borne many direct and indirect costs and risks to their former river-based livelihoods.

One of the major outstanding problems of large-scale dams is also resettlement and rehabilitation of the affected people, who often represent poor and vulnerable ethnic minority groups. Resettlement typically involves not just physical relocation, but massive changes in social context, lifestyle and agricultural practices. In the case of the Theun-Hinboun, resettlement was assumed to be unnecessary. No involuntary resettlement was involved, but the project did cause relocation of local people owing to flooding and bank erosion problems along the headpond. The social impact was greatly underestimated both in scope and duration during the planning process. Consequently, mitigation and compensations plans, including resettlement plans as well as rural development plans did not meet the project-affected peoples’ needs and priorities (ADB & SEI, 2002). The aim of the THPC’s Mitigation and Compensation Program is to compensate the livelihood losses of these relocated and project-affected people.

The Lao government has also implemented its resettlement policy in the project area. Many international NGOs in Laos have criticized the resettlement policy of the Lao government for being badly designed and implemented (personal communication 1; Oxfam Community Aid Abroad, 1999). Congruent with the government’s policy, new villages have been formed in the Theun-Hinboun project area combining smaller villagers into larger units, sometimes without cognizance of the diverse needs and wishes of different ethnic groups. Resettled groups have to some extent suffered from declining nutritional intake, rising sickness and mortality rates and loss of traditional cultural practices (personal communication 1). On the positive side, improved roads in the project area have improved villagers’ access to markets with many households initiating trading ventures.

4. Compliance of the Theun-Hinboun with ADB policies

The World Commission on Dams (2000) has noted, “Social and environmental issues have historically been among the least addressed concerns in dam-related decision-making… they are two of the key issues that determine whether a dam proves to be an effective development project that enjoys
general acceptance by the public”. The Theun-Hinboun hydropower project is no exception to this. The implementation of the project points to problems of accountability, transparency and environmental sustainability in implementing large-scale infrastructure projects in Laos. These experiences call into question the Lao government’s institutional capacity and political will to ensure that infrastructure projects are adequately monitored, that compensation is fairly and fully distributed and that environmental issues are properly addressed.

The ADB requires that social and environmental aspects are included in its projects via several policies, strategies and procedures that ensure good governance, transparency and accountability within the institution and its operations. However, economic reasoning is inevitably embedded in the decision-making processes concerning infrastructure or natural resources utilization projects. The promotion of economic growth remains central to the ADBs’ development philosophy as well to the World Bank even though the ADB has recently forcefully highlighted the poverty reduction objectives. Economic growth is considered not only complementary to social and environmental objectives, but the key strategy for their achievement.

At the time of the Theun-Hinboun project implementation many of the ADB Bank’s guidelines were not effectively applied and implemented. Many critics, together with studies of the Theun-Hinboun project done by international NGOs and organizations (for example the IRN, Australian Mekong Research Centre, Oxfam Community Aid Abroad, World Commission on Dams (2000); Shoemaker (1998, 2000); Probe International, 2001; FIVAS, 2003) and several interviews with project stakeholders have revealed that the ADB shows a lack of competence in implementing its policies and guidelines. The ADB (personal communication) has excused the insufficient implementation of the project stating that the project was funded and constructed before the ADB had fully developed its policies on environmental and social issues. Secondly, no baseline data were available in Laos during the elaboration of the environmental impact assessment and the environmental investigation was left to local personnel with limited experience (ADB, 2000c).

There have been uncertainties regarding Theun-Hinboun project data and analyses of its social and environmental impacts have not been adequate. Clearly, there was also a conflict of interest with the first EIA done by Norconsult, a Norwegian consultant firm partly owned by one of project investors Statkraft, about which the ADB should have been notified. Consultation with local communities in the project area was not sufficient. Ethnic minorities and indigenous peoples have not been engaged in the development process even though the ADB’s policy on Indigenous Peoples (ADB, 1999c) states that in development efforts that affect indigenous peoples, it is necessary that the bank integrates concern for indigenous peoples into each step of programming, project processing and policy development cycles.

The ADB’s policy on fisheries (1997) states that the impact of bank’s project on fisheries must be thoroughly assessed and eliminated or mitigated. The bank had not assessed the impact of the Theun-Hinboun on fisheries prior to the project although the project has had a considerable impact on fisheries and subsequently on the livelihoods of people who depend on them. A constricted fisheries study was made after the dam commenced operations and it left many issues obscure (Warren, 1999). A study on fisheries is now finally under preparation and it will shed some light on the impact caused to the fish population by the project.

9 Governance: Sound Development Management (ADB, 1999b); the Poverty Reduction Strategy (ADB, 1999a); Gender and Development (1998b), Policy on Indigenous Peoples (ADB, 1999c); Cooperation Between ADB and NGOs (1998a); and Involuntary Resettlement (1995; 2003c) are some of the most important ADB’s policies, guidelines and instructions.
Identification of stakeholders and planning effective public consultation and participation activities is a key aspect of project evaluation and implementation and it is increasingly a condition of support by leading international development agencies. Although the ADB has emphasized the importance of the participation of civil society in formulating strategies and managing natural resources is stressed throughout the bank’s water and energy policies, the bank has not been able sufficiently to identify and involve people affected by the Theun-Hinboun dam project in the consultation and participation process. And certainly villagers themselves in the Theun and Hinboun river basins have limited power to dispute with or oppose the government in its decision to expropriate the river for the production of hydro power (Usher & Ryder, 1997).

Recently, in an interim review of the Bank’s Water policy10, the ADB’s Water Sector Committee recommended a revision of the policy provision for large water resources projects by narrowing the scope of implementation of stakeholder justification agreement requirements, which may diminish the voice of local people even more. A serious commitment to participation seeks and achieves diverse stakeholder representation and involvement via genuine participatory processes that are safe, non-threatening, non-coercive, predictable and maintained over time (Dore, 2003b).

4.1. The impact on poverty reduction

Hydropower development has been seen as a major factor alleviating poverty in Laos. The Lao government promotes power generation in order to utilize hydropower revenues for social development and poverty alleviation projects. Of the Lao population, 26.3% lived below US$1 per day in 2001 (UNDP, 2003; World Bank, 2004) and 39% of the people live under the poverty line based on food consumption of less than 2,100 kilocalories per person per day (National Statistical Centre, 2000). Poverty in Laos is “new poverty” not an endemic condition. Poverty is the result of events of external to the villagers, over which they have no control, especially, weather, war, resettlement and poorly implemented development programmes (Participatory Poverty Assessment, ADB, 2001c). But forms of development, like hydropower, commonly identified and pursued for economic growth at the national level are often quite different to those that are needed for quality growth at the local community level. Rapid national growth can often lead to undermining the real and sustainable development of communities. In particular, transition to a modernized market-based economy will increasingly marginalize the position of ethnic minorities and women within the economy, as the market approach undermines the value of their roles and livelihood practices (Oxfam Community Aid Abroad, 1999).

International relations and cooperation can play a supportive role in national development and poverty reduction objectives in Laos (Phomvihanh, 2003). Since the Poverty Reduction Strategy was adopted in November 1999, the ADB has promulgated its overarching goal of poverty reduction in the region (ADB, 1999a). The ADB’s poverty focus itself is indicative of an organization attempting to adapt and survive (Dore, 2003a), but have the guidelines and policies of “poverty reduction” and “sustainable development” really been implemented at the project level itself?

10 The review noted that while the ADB should continue to pursue a cautious approach to projects involving dams, it is impractical to expect all stakeholders to agree on the justification for such projects. In the context of the ADB’s new accountability mechanism, the proposed revision thus reads: “All such projects will need to be justified in the public interest, and stakeholders must be provided the opportunity to comment regarding the justification with their views considered. The ADB will promote the participation of government, civil society and other stakeholders towards this end.” (ADB, 2004).
The Theun-Hinboun hydropower project has been considered to be a commercial success from the outset and will yield annual government revenues up to US$30 million or more over the first decade of the new century (HDSS, 2000). Total net revenue from the Theun-Hinboun to the government and EdL was US$23 million in year 2000, which is estimated to increase to about US$29 million by year 2010 (ADB, 2003d). Earnings from the project would accrue to the Lao national budget, seen as the “main vehicle for the government to deliver social services and redistribute income” (ADB, 1994). But the proposed 1,080 MW Nam Theun 2 (NT2) has raised concerns about the economic viability of the Theun-Hinboun and thus poverty reduction objectives, because it would divert water from the Theun before it reaches the Theun-Hinboun facility and thus it would undercut the function and productivity11 of the Theun-Hinboun by denying it water (White, 2001).

Concerning the use of project revenues, governmental expenditures in the social sector have overall increased from 59.2 billion kip in 1996/97 to around 756 billion kip in 2002/03 (ADB, 2003d). There were no earmarked revenues from the Theun-Hinboun for poverty reduction and the link between poverty alleviation and project revenues is ambiguous as well as the way that the revenues have actually been used in the social sector. According to some critics, these funds may have gone to a questionable government resettlement programme moving ethnic minorities in the lowlands (Interview I). According to the representatives of the ADB’s Mekong Department (personal communication 10) “…and indirect this [the revenues from Theun-Hinboun] will help the government to spend more for social sector interventions, education, health and maybe some poverty reduction programme. There was no one-to-one linkage between Theun-Hinboun revenue and poverty reduction activities. In the case of Nam Theun 2 that is now being planned, a certain amount of the revenues is earmarked for poverty reduction activities”. For example, the international NGO TERRA (personal communication 1) has criticized this issue by saying “They [investor, ADB] claim the poverty reduction as their legitimisation, and that is they take a lot of public subsidy through that. So this is what I… I mean the question is how they can prove that, or why they don’t try to prove that to the public”.

Multilateral development banks and most of the donors and NGOs agree that there is a need for a more transparent system for deciding how to use the revenue from the energy sector. With the substantial funds earned from THPC, EdL subsidizes electricity tariffs for the Lao people and supports its various power generation and distribution projects (ADB, 2000c). The way of spending the revenues in subsidizing the tariff for electricity consumers has been questioned (ADB, 2000a; personal communication 3). The most likely beneficiaries of the subsidy will be the richest part of the population, which is a big distortion of the government’s poverty eradication strategy and the ADB’s poverty reduction aims.

And on the other hand, doesn’t the emphasis on large-scale hydropower development again show the trend of concentrating public investment on the development of those areas that the poor cannot afford and which they don’t benefit from? Basic needs, like food security, access to health services, education, housing, clean water and sanitation should be satisfied first, and only then can access to modern forms of energy become important owing to beneficial direct and indirect impacts (ADB, 2000a; see also ADB, 2003b). Poor Laotian people need increased investment in upland agriculture, livestock and agroforestry/non-timber forest products in order to survive, mitigations where investment is currently negligible and which are not reaching the poor (ADB, 2001c).

11 According to the ADB (2002b), in 2009 when the Nam Theun 2 project is expected to become operational, it was originally assumed that there would be a 275 GWh drop in the electricity generated in the Theun-Hinboun. But now the capacity of NT2 has increased almost by double, which will have a more extensive impact on water flow and the environment.
THPC’s mitigation and compensation plan facilitates the project-affected villagers to some degree, but still it is highly questionable whether large hydropower development projects are the most appropriate way to alleviate poverty in Laos. As the government of Laos follows the export-led growth model of economic development espoused by its multilateral development bank advisers such as the ADB, the dilemma facing the government is that it sees no other industry, resource based or otherwise, in the short to medium term apart from hydropower, which will generate what it believes to be potentially large export revenues (Australian Mekong Resource Centre, 1999).

5. Lessons learned

Attention and criticism of large-scale infrastructure projects is often focused on the execution of environmental assessments, the consideration of externalities, the financial and political structures behind dam funding and the role of the MDBs and private companies (Hirsch & Cheong, 1996; FIVAS, 2003). The implementation of the Theun-Hinboun project shows that the traditional “economic growth-based” development model continues to be the foundation of the ADB’s policies and operations, by downgrading social and environmental aspects.

The ADB should have been more efficient in quantifying and recognizing the impact of the Theun-Hinboun Project on local communities. Despite the fact that early environmental impact assessments (EIAs) for the project were publicly discredited and the EIA done by Norplan was published after the construction, the ADB chose to approve the loan anyway, allowing the project to proceed. EIA procedures should form an essential and integrated part of the planning procedures for a project and should consider the social as well as environmental impact including aspects of public participation. The ADB itself admits that in terms of the environmental and social impact of the Theun-Hinboun, implementation should not proceed without developing adequate baseline data and designing a comprehensive mitigation plan (ADB, 2002b, personal communication 2). The Theun-Hinboun was implemented without prior informed consent of the affected persons, and failed to assign responsibility or funds for full mitigation of the social and environmental effects. Lack of consultation with affected communities means that many villagers are suffering from unexpected impacts and are unaware of any procedures in place to deal with these impacts.

Generally, the different departments of Lao government and other stakeholders feel that if the project is funded by the ADB or the World Bank, environmental and social management of development interventions will be more effective and the rules and social/environmental guidelines will be followed (personal communications 4, 7 and 8). And as the ADB (personal communication 10) stated, “But what we’ve seen if we are not involved in the projects, many of the safeguard provisions are not built into a project in many countries. Therefore, the best protection for the poor is to be sure that the ADB or World Bank or both are involved in the project”. Nowadays, the government and the MDBs are coming closer together on safeguard issues. Both the World Bank and the ADB have pushed Laos into sector-specific regulation of environmental and social issues in large-scale interventions in the energy sector (personal communication 9). With regard to the coming Nam Theun 2, a lot has evidently been learnt from previous experiences and issues like environmental impact and resettlement have been thought over and revised in project preparation (see ADB, 2001b).

In addition to the Bank’s guidelines and safeguards, the ADB has recently created a cumulative impact assessment study (CIA) procedure better to manage and respond to difficulties encountered in large-scale
infrastructure projects. The CIA study includes spatial and temporal considerations, potential development scenarios, key issues and questions, and study of sector plans of different levels (ADB, 2003d; personal communication 9). The CIA will be prepared for the proposed Nam Theun 2 in Laos partly based on lessons learned from previous dam projects, considering social and environmental issues more carefully and extensively during the whole project process period. Still, some NGOs have criticized the new CIA policy of the ADB stating that it is only another procedure of the bank to hide its true agenda – the pursuit of economic growth (personal communication 1).

The problem of participation and information disclosure policies of international financial institutions (IFIs) is widely recognized and IFIs have been criticized for seeing participation as a simple, cosmetic and technical issue, whereas it is inevitably a political issue (see for example World Development Movement, 2001; Guttal, 2002). As a representative of the Mekong Department of the ADB (personal communication 10) stated, “One area where they think ADB is not doing enough is disclosure of information during project implementation. Before approval of the project a lot of information is now made available but once implementation has started it is very hard to find information about what is happening”. Clear information has not been made available to communities as a whole and individuals are at the bottom of a very top down process of decision making. The ADB and the THPC must commit to a vastly improved process of information sharing and transparency regarding the Theun-Hinboun project and to developing mechanisms for input from local people and concerned citizen groups within and outside of the country (Shoemaker, 2001). Improved standards for regular and timely information sharing, external independent monitoring of compensation implementation processes and provision of local input need to be strengthened.

The objective of the Theun-Hinboun hydropower project is to support economic growth, by enhancing foreign exchange earnings, and to reduce poverty. The project’s macroeconomic impact itself has been substantial and it has enabled the Lao government to improve capacity building and technology transfer in the sector (ADB, 2002b; personal communication 4). But reviewing the Theun-Hinboun project for consistency with the ADB’s poverty reduction strategy shows that there is a blurred link between the project revenues and poverty reduction activities. There needs to be more clear evidence that the project revenues should be used for social expenditure allocation in the national budget and poverty reduction activities (ADB, 2002b). For future projects, the income distribution effects of royalties, dividends and taxes accruing to the government from hydropower plants needs be analysed from a social perspective, including poverty reduction impact (ADB, 2000c). In general, Laos needs to take additional revenue measures and reallocate expenditures to increase recurrent expenditure in the social sectors (World Bank, 2004).

There is no question whether there will be a need to continued foreign assistance in the short to medium term to achieve a sustainable and equitable regime of natural resource management in Laos. Assistance should, importantly, be in the area of human resource development in planning and implementation of natural resource management programmes. While there are strong pressures to develop large-scale projects such as in current proposed dam schemes, aid money should instead look towards more environmentally benign and socially more equitable small to medium scale projects (Cheong, 1998). In the field of hydropower development projects, several interviews with stakeholders, including representatives of GoL, THPC, MDBs and international NGOs in Laos emphasized that more consideration needs to be given to the social and environmental impact, and the project developer should use more money in mitigation of the project impacts at the beginning of the project. The importance of
developing a comprehensive hydropower development plan, collaboration and coordination with different sectors, sharing of experience and learning together were also highlighted.

6. Conclusions

Development of infrastructure is one of the major requirements of the expansive economic development plans for Laos as proposed by the multilateral development banks as well as the Lao National Government. Until recently, dominant views have tended to favour large-scale interventions and large dams, but the negative social and environmental impact has called into question the effectiveness and profitability of large-scale development projects. The implementation of the hydropower projects addresses major problems with transparency, accountability and environmental sustainability in implementing large-scale infrastructure projects. Because of the mistakes made in hydropower development projects previously, it is highly relevant to analyse the implementation and decision-making process in relation to various stakeholder interests, environmental and social impacts in order to avoid similar mistakes.

Good governance has become the key word for most processes within international dialogue and development interventions both in official development agencies and non-governmental development communities. Because the development strategies and policies of the MDBs have significant impact on the management of the environment and natural resources, the governance and decision-making system of financial organizations needs to be more open and transparent, and their policies and decisions should be more openly and carefully reviewed. Good governance can be enhanced by institutionalizing participation at project, district, provincial and national level including improving inter-agency coordination. An institutional mechanism that ensures revenue from export of hydropower is actually used for poverty alleviation is needed.

Despite the fact that many large infrastructure projects have shown that it is possible to achieve levels of economic growth through large-scale hydropower development, like the Theun-Hinboun hydropower project, this growth is often neither equitable nor sustainable in the longer term. Economic benefits have usually not trickled down in the expected manner to the local communities of the project-affected area. The impact of large infrastructure projects on poverty reduction is often blurred, so that in-depth assessments would be required to establish the effectiveness with which project earnings are being put to use for national development and poverty reduction. The success of the Theun-Hinboun project cannot be taken as a broadly applicable indicator that hydropower projects are beneficial in the region. The physical parameters of every project are different and they must be evaluated on an individual basis (White, 2001). The economic viability of numerous small hydro projects has to take into account needs to be assessed and better planning and site studies are also needed (World Bank, 2004).

The social and environmental safeguards of the MDBs will enhance the implementation processes of many developmental projects in developing countries, which lack human, technical and financial resources. Institutions like the World Bank and the ADB must embrace greater transparency and participation both at the project level and in their internal decision-making practices, which are to some degree hidden from public. Cooperation between the banks and NGOs can offer an invaluable combination of experiences and perspectives, especially concerning the poor and most vulnerable social groups. Additionally, the MDBs should take cognizance of the WCD recommendations more carefully in order to follow current international best practice standards for water and energy development planning.
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THPC (no date). A Leader in IPP Hydropower Development in Lao PDR. Undated brochure. Theun-Hinboun Power Company.


**Appendix 1**

**Personal Communication:**

1. UNDP, FAO, WWF, Concern Worldwide, Care International, IUCN, TERRA, Focus on Global South and Gender Resource Information, Development Centre of Lao Women’s Union, The Embassy of Finland in Bangkok
2. Deputy Head of the ADB Lao PDR Resident Mission
3. Consultant of Energy and Mining Division of the World Bank
4. General Manager of Theun-Hinboun Power Company Ltd
5. Managers of the Environmental Management Division of Theun-Hinboun Power Company
6. Electricite du Laos, System Planning Office
7. Director General of STEA (Science, Technology and Environment Agency), Department of Environment
8. Environmental Specialist and Deputy Chief of Social and Environmental Management Division of Ministry of Industry and Handicrafts, Department of Electricity, Hydropower Office. Deputy Director General of Committee for Planning and Cooperation/Department for Promotion and Management of Domestic and Foreign Investment
9. Resident Director of Nordic Hydropower AB, Senior Environmental Planner and Environmental Coordinator of Norplan, Consultant of ECOLAO
10. Principal Project Specialist, Principal Operations Specialist and Deputy Director General of ADB’s Mekong Department were interviewed in Manila, March, 2004.
Appendix 2

During the field study mission 32 interviews were held. The following presents the main questions presented to interviewees.

1. Interview questions for the MDB (World Bank, ADB Resident Mission in Laos, ADB HQ in Manila, UNDP)

- Please describe your work and responsibilities?
- Can you describe the projects of the Bank/organization, and safeguard policies in Laos?
- Can you describe the organization’s goals in Laos and compare them with the government goals?
- What was the impact of Asian economic crisis here?
- How do you feel about free market type of economy in Laos?
- Could you describe your cooperation with the Lao government?
- Governance issues in general? Do you have capacity building programmes?
- Can you tell about cooperation with NGOS?
- Do you have some kind of cooperation with donor countries?
- What about public participation? What is the government attitude towards participation?
- Can you talk about BOOT projects like Theun-Hinboun?
- With Theun-Hinboun, there was quite a lot of criticism towards this project. What do you think you have learned?
- How do you see in general the role of hydropower in Laos?
- What is the ADB’s/World Bank’s stand on WCD?
- Has the ADB/World Bank considered any alternatives for hydropower in generating export earnings?
- What about GMS program, what is its’ impact in Laos? Do you have some kind of coordinating role in the GMS?
- Do you think the government has enough capacity to evaluate the impacts of large-scale infrastructure projects?
- How do you think ethnic minorities are in general taken into consideration?
- Do you think you have enough baseline data for evaluation of projects?
- How do you see the relationship between poverty reduction and large-scale infrastructure projects?
- What do you think are the main environmental concerns here in Laos?
- How would you describe Theun-Hinboun project? In economic terms?
  (ADB HQ)
- Describe ADB activities in the Mekong Region, planning and implementation of programme activities? What are the main sectors that the ADB is currently supporting in the Mekong countries?
- How has the GMS affected by economic crisis?
- What is the importance of “free market” type of economic growth to development of Mekong region/Laos?
- Can you tell something about the process of setting programme priorities/activities?
- Is ADB involved in MRC in any way?
- What is the emphasis on good governance issues?
Can you describe the relationship between poverty reduction, private sector development and
good governance policies of the ADB?
How would you describe the influence of economic reforms on good governance?
Can you describe the relationship between good governance and structural adjustment measures?
Could you comment on the ADB’s policy of information disclosure and its accountability to
ordinary people both in the donor and DMCs?
How is the ADB assessing its’ own governance, accountability and internal decision-making
processes for projects and programmes?
Have you had many cases and complaints done by project-affected persons?
Can you describe the relationship between poverty reduction and infrastructure projects, like
hydropower?
How do you find the revenues from the Theun-Hinboun and the impacts to poverty reduction?
How do you see the relationship between large-scale infrastructure projects and environmental
issues? And what is the ADB’s view on ‘environmental governance’?
How is the struggle between World Bank and ADB affecting poverty reduction strategies?
Can you talk about the role of private sector development, and the importance of BOT?
ADB has now this new guideline of CIA cumulative impact study that you are using in NT2. Can
you say something about that?
What is the impact of NT2 on TH?
Is the ADB following the guidelines and regulations of WCD?
How are you able to combine the large-scale infrastructure projects and issues of environmental
protection?
Who are the participants in the round table process?
What is the process of setting of program priorities?
What are current trends in democratic governance?
What is the importance of development aid and foreign direct investment for Laos?
Can you tell us something about the relationship between the poverty reduction policy and the
energy policy? Are there any gaps or inconsistencies between these policies?
So, what is the main reason for the delay on NT II project?
How do you see the position of Laos in NT II negotiations?
Do you think NT II has affected future plans for hydropower development in Laos?
How does your organization see the importance of private sector development?
How do you see “build-own-operate-transfer” type of projects? What are their main benefits and
drawbacks?
Has there been any discussion in Laos about energy production alternatives?

II. Interview questions for International NGOs and Organizations (Concern, WWF, Care
International, Eco-Lao, FAO, IUCN, TERRA, Focus on Global South, Midas Agronomies Co,
UNIDO-Integrated Programme for Industrial Development, Finnish Embassy in Bangkok)

Please describe your work and responsibilities?
Regarding activities of your organization in Lao PDR, what are the main sectors that you are
supporting?
What cooperation is there between the government and other international NGOs, and multilateral development banks?

What is the approach of your organization to large dams? Does your organization have any official approach to large-scale dams? Are you against them or do you think they alleviate poverty?

What are your perspectives about involvement of multilateral aid agencies such as the ADB and World Bank in Laos especially in large-scale infrastructure projects?

Can you describe the progress of achievement of Millennium Development Goals in Laos?

What government resources are available for improvement of rural development?

What is the involvement of your organization in the Theun-Hinboun Hydroelectric project?

What is the resettlement policy?

Participation? How do you, in practice, organize participation?

How do you find the level of public participation and consultation in hydropower development projects?

What is your cooperation with Lao groups like LWU?

How do you feel about the proposed Nam Theun II dam?

How do you see that the building of dams can be viewed as “poverty alleviation”? Do local people benefit from the building of large-scale dams?

What is the relation between hydropower and protected areas?

How do you find the role of WCD, do you think they have somehow influenced the design of hydropower projects in the Mekong Region or in Laos?

What do you think would be alternatives for hydropower in Laos?

What do you think generally about Laos’ position as a seller of electricity, or an exporter of electricity?

How have you found working with the Lao government?

How do you find the role of the MRC?

III. Interview questions for the Lao Government (STEA—Department of Environment, Ministry of Industry and Handicrafts, Department of Electricity (Hydropower Office), Committee for Planning and Cooperation/Department for Promotion and Management of Domestic and Foreign Investment, Electricité du Laos, System Planning Office, Prime Minister’s Office: Water Resources Coordination Committee, Lao Women’s Union: Gender Resource Information and Development Centre, National University of Laos: Department of Forestry, LNMC—Lao National Mekong Committee)

What does your work mainly involve at your division?

Could you tell a little bit about the background of your department? If you think back when it was established, how has your work changed and what are the main issues you have been involved with?

How do you find your resources?

What is your cooperation with other ministries and international NGOs working in Laos?

What is the quality of EIAs? Do you usually have enough information to make evaluations, or do you often need more studies?

Do you do most of these evaluations yourself or do you use outside consultants?

Does STEA also monitor the implementation of infrastructure projects?

If there are some problems in the implementation of environmental issues, what kind of sanctions can you use?
- How do you see the role of multilateral development banks, like ADB and World Bank in environmental assessment process? What is their contribution?
- The role of WCD? Are you following their guidelines?
- Are you preparing SIA, for which projects do you do this?
- What are the main social concerns, for example with the NT II project? In general, what do you think about the large hydropower projects?
- What is the resettlement and compensation policy of Lao Government?
- Environmental administration in the provincial and district level, how is it organized there?
- How do you find the resources of the district level and the provincial level?
- Do you get any support outside, donors?
- Do you have awareness-raising projects within other ministries?
- Do you have some kind of environmental education at schools?
- Do you have any guidelines on public involvement in development projects? How is this usually done in practice?
- How do you find the linkages between hydropower and protected areas? How can you combine these two?
- How do you collect the data, for example, for the IEE? Are there people at the project site collecting the data? Where do you base your plans?
- How do you choose the projects that you are going to develop?
- Have there been any problems with the fact that the project owner also does the assessments? Is there ever any conflict of interest?
- In general, do you think BOT schemes are good in a country like Laos?
- What do you think are the main benefits of the BOT?
- Are there any risks regarding the BOT mechanism?
- How do you see the capacity of Lao government to negotiate BOT contracts and new investments?
- Have you done much of training of Lao people?
- In general, how do you see the role of hydropower in national development in Laos?
- How important is direct foreign investment for Laos?
- What kind of incentives is Laos offering for the investors?
- Do you see any risks in FDI and involvement with the foreign trade?
- How do you find the role of multilateral development banks? Are ADB and World Bank very crucial to the FDI here?
- Are investors at the moment interested in hydropower?
- How do you find the ADB’s GMS program, what is its importance for Laos?
- Have you found any illegal activities like wildlife trade or logging, trade of timber?
- Are there any rural electrification projects?
- Have you considered any alternatives to hydropower, like solar energy?
- If you think about these hydropower projects, how much do you think the involvement of ADB or World Bank has influenced the projects?
- Do you think there are any differences in the ADB’s approach to these development issues and in the government’s approach? In general or with the environmental issues?
- How are you linking hydropower development plans and protected areas?
- How do you find ADB’s role in the Theun-Hinboun project?
- After 30 years, when the government takes over the company, what will be your role then?
• What about mitigation and compensation process, have you participated in it?
• Do you think the involvement of Nordic companies has affected to the quality of implementation of the Theun-Hinboun project somehow (for example, consideration of environmental and social issues)?
• Did you have some demands on environmental and social issues or were they more along the ADB guidelines?
• How do you see Laos’ political and economic environment in terms of FDI? Is it easy to operate here?
• Can you describe the PPA with the buyer EGAT?
• Has the Theun-Hinboun produced the amount of electricity that it was forecasted to do?
• What do you think are the main reasons for the successfulness of the project, sometimes it seems that hydropower projects have problems reaching the targets?
• Are there any downsides to the project?
• Can you describe the use of Cumulative Impact Study (CIA) and strategic impact analysis in hydropower projects?
• What do you think are the main pressures on water resources? What kind of different user groups are there?
• Can you describe IWRM? What does it include, what kinds of issues are included?
• How do you find the role of hydropower in water resources management in Laos?
• How well do you think different uses of water can be combined? Like hydropower, domestic use of water, irrigation?
• Do you think that there are constraints and difficulties affecting water resources management?
• What about data collection, do you have some kind of training for people who are responsible for collecting data? How is it implemented?
• In which areas do you have most difficulties? What about information on river environment or ecology, do you have enough of that?
• When you are preparing plans, for example, for the Nam Ngum Region, do you use some kind of participation or consultations with people? Do you think it is difficult to organise participation (many different languages)?
• Do you have some kind of training at the local level? Like environmental awareness raising programmes?
• Have you done any research or data collection on trans-boundary environmental issues?
• Do you get any support from the outside? Are any donors supporting you?
• How do you see future development of water resources in Laos? What are the main problems?
• What do you think other riparian countries think about water resource management in Laos? Are they satisfied?

IV. Interview questions for the Theun-Hinboun Power Company, TH Environmental Management Division, Nordic Hydropower AB, Norplan
• What is the background of the company? For how long have you been working here?
• Can you tell something about the cooperation with different stakeholders like EdL?
• What is the current role of the ADB in Theun-Hinboun, or is there any role at the moment?
• Could you describe what do you think about BOT schemes; how do they work in Lao PDR? What are their main benefits?
• What do you think about Laos’ position when they are selling electricity?
• How do you feel about the proposed Nam Theun II dam? Wouldn’t that affect the profits of Theun-Hinboun?
• What are the environmental and social impacts of the Theun-Hinboun?
• Can you describe the compensation and mitigation plan of the Theun-Hinboun Project?
• Could you describe the main livelihoods of the people in the project-affected area before the dam and now after the dam?
• What are the lessons learned?
• If you think about it from the point of view of government, do you think there are any lessons to be learnt for them from this project?
• Could you describe generally the overall impact of whole Theun-Hinboun project? What is your view on the whole project and the planning stages? How successful has it been?
• When you started the project, did you have any baseline data, for example on social conditions or livelihood studies done by the government?
• What about services in this area before the project? Did the government provide any social/extension services?
• What about small credit and savings funds. There are some in some villages. How wide is this organization?
• Do you have any cooperation with other development projects in the project area, or are there any others?
• Are there any other activities included in this alternative income generation?
• Could you describe compensation issues? How do you, for example, evaluate the value of compensation for fisheries or river gardens?
• The Mitigation and Compensation Plan will operate for ten years, what after that?
• Are there any linkages with this plan and the government development strategies for the project district, or other strategies?
• If local people are not satisfied with compensation and mitigation processes, where can they argue their case?
• If you think back on this whole process, did the World Commission on Dams affect your work in any way?
• Do you think the government will be able to use the experience of the mitigation and compensation plan in their work, in their rural development plans?