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## [Laos: Asian Development Bank to support proposed Nam Theun 2 dam](#)

The Asian Development Bank (ADB) is funding a US\$1.4 million evaluation and due diligence study of the proposed Nam Theun 2 hydropower dam in Laos. Despite the project's massive impacts on forests, under the terms of the Bank's proposed new forestry policy the ADB has no obligation to consider whether the Nam Theun 2 dam project complies with its forestry policy.

Earlier this year, the ADB announced via its web-site that it would be funding a "Power Sector Development" technical assistance project in Laos. According to Bank's information, the project is "to assist the Government of Lao PDR in undertaking the preparatory work for the development of a hydropower project in the country."

In response to a request for further information, the ADB's Sadiq Zaidi confirmed that the ADB will be carrying out an "evaluation and due diligence of NT2 [Nam Theun 2] to assess the social and the environmental impacts and to ensure that appropriate mitigatory and compensatory measures are included in the project design that complies with ADB's policies and guidelines."

Starting in the early 1990s, Bolisat Phathana Khet Phoudoi (BPKP) a Lao military-run logging company has clearcut the 450 square kilometre reservoir area of the proposed 1,000 MW Nam Theun 2 dam. BPKP has also logged in areas around the reservoir, including areas that are supposed to be protected. The company even logged an area that had been set aside as a community forest for future use by resettled villagers.

Although the dam may never be built, the Nam Theun 2 project has already had a major impact on the forests of the area.

Yet, the ADB's technocrats will not need to evaluate whether the project complies with the Bank's proposed new forestry policy. The policy is currently in draft form and due to be completed in June or July according to the Bank's Javed Hussain Mir. In the strange world of the ADB, just because a project affects forests, it does not mean that it has to comply with the Bank's policy on forests.

In 1995, the ADB launched a new forestry policy and optimistically claimed that it would, in future, "refuse to finance any rural infrastructure or public investment project that will, directly or indirectly, cause significant deforestation or forest degradation".

The ADB has failed to uphold this promise. In the Mekong Region, the ADB identified a series of major roads, railway lines, hydropower dams and electricity transmission projects, all of which if built, would have a major impact on the forests of the region. In 1996, the NGO Working Group on the ADB published a response to the ADB's forestry policy, which commented on the Banks' infrastructure plans for the Mekong Region: "There has been no analysis of whether and how this will contribute to forest destruction in the region. Similarly, the well-established link between construction of roads and increased commercial forestry has not been addressed by the Bank."

The major roads that the ADB is planning for the Mekong Region have little or nothing to do with

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helping farmers get their products to local markets; the roads are built to extract goods and in the case of Laos, timber in particular.

Route 9 cuts Laos in two and links Mukdahan in Thailand with the port of Dong Ha on the Vietnamese coast. The widening of the road will result in the forced eviction of more than 6,000 people currently living along the road. Route 9 is used by Vietnamese logging companies to export timber from Savannakhet to Vietnam and the road passes close to two National Biodiversity Conservation Areas. ADB project documents admit that "While the road rehabilitation will improve transport, this may also exacerbate illegal trade of wildlife and log export."

However, Route 9 forms part of the "East-West Corridor", one of the ADB's "flagship programs". Governments in the Mekong Region "must ensure that the national components of flagship programs get priority in their public investment programs," according to the ADB. "Flagship programs", it appears, are more important than the Bank's forestry policy and in December 1999, the Bank approved a US\$32 million loan to Laos and a US\$25 million loan to Vietnam to rebuild the roads that are to form the East-West Corridor. Further funding has come from the Japanese government.

In June 2000, only five years after it launched its previous policy, the ADB started a review of its forestry policy. In the same year, a Bank official speaking on condition of anonymity told Walden Bello, "Almost all forestry projects have failed - that is well known within the Bank."

This time around, the Bank is not falling into the trap of making promises it cannot keep. While the new draft version of the policy refers to the importance of participation, consultation, gender awareness, poverty reduction, capacity building and environmental security, what is missing from the draft policy is an analysis (or even an awareness) of the impacts that ADB-funded infrastructure projects have had on the people and forests of the region.

The new forestry policy, if passed by the Bank's board in its current form, would allow the Bank to fund the Nam Theun 2 dam and other massively damaging infrastructure projects, without taking into account the direct and indirect impacts of these projects on forests.

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