

*Unofficial Translation*

Lao People's Democratic Republic  
Peace Independence Democracy Unity Prosperity  
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Government

No. 02/GoL  
Vientiane Capital, Date 12 January 2015

**Decree  
on the Approval and Promulgation of  
the Policy on Sustainable Hydropower Development in Lao PDR**

- Pursuant to the Law on Government of the Lao People's Democratic Republic, No. 02/NA, dated 06 May 2003.
- Pursuant to the agreement from the governmental meeting in July 2014, No. 07/GOL, dated 14 August 2014.
- Pursuant to the Report of Ministry of Energy and Mines no. 1817/MEM , dated 04 December 2014

**The Government issues a Decree:**

- Article 1.** Approval and Promulgation of the “Policy on Sustainable Hydropower Development in Lao PDR”.
- Article 2.** Ministry of Energy and Mines shall be responsible for coordinating with other line ministries or equivalent agencies and local authorities for effective implementation of the Policy on Sustainable Hydropower Development in Lao PDR.
- Article 3.** Line ministries or equivalent agencies, Vientiane Capital, Provinces and concerned stakeholders shall acknowledge to cooperate and implement this decree effectively.
- Article 4.** This Decree shall become effective from the date it is signed.

Prime Minister

[Signed and sealed]

Thongsing Thammavong

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**Policy on Sustainable Hydropower Development  
in Lao PDR (PSHD)**

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### ❖ **Background**

Lao PDR is a mountainous country and is abundant in water resources, biodiversity and has high potential for hydropower development in various scales. Demand for electricity for the purpose of socio-economic development in the country as well as the neighboring countries has increased, providing opportunities for hydropower development in Lao PDR. Therefore, Lao PDR has a policy on electricity generation mainly from hydropower.

During the implementation of this policy, a number of laws, regulations, and institutional/organizational structures of the government have been updated and amended including:

- Laws and regulations: revision of the Electricity Law, Environmental Protection Law, EIA Decree, Decree on Compensation and Resettlement of People Affected by Development Projects; a number of Guidance Notes are being updated as well.
- Institutional structure: the Ministry of Energy and Mines was established in 2006 and was restructured in 2011-2012; the Water Resources and Environment Administration was established in 2007 and was upgraded to the Ministry of Natural Resources and Environment in 2011-2012; Ministry of Agriculture and Forestry was also re-organized in 2011-2012, etc.
- Based on the experience in developing hydropower sustainably, the policy needs be enhanced/ improved as considering only environmental and social aspects may not be sufficient and it is therefore necessary to consider the economic and technical aspects as well.

Therefore, it is necessary to update the national policy on Environment and Social Sustainability of the Hydropower Sector in Lao PDR (Version No. 561/CPI, dated on 07 June 2005) to be in line with the current legal and institutional frameworks and to ensure effective implementation of the policy and achievement of sustainable development in the hydropower sector.

### ❖ **Purposes and application**

This policy aims at providing policy guidance and reference to the agencies responsible for overseeing the implementation of investment projects in the hydropower sector as well as to inform and encourage project developers/investors to be aware of the Government policy on sustainable development in Lao PDR. The policy is not catered only for large scale projects but to all scales as necessary. Hydropower development project stages include: planning, construction, operation and transfer of the project. Agencies responsible shall work closely and effectively under the guidance of the Inter-ministerial Committee at the Ministry level formed by Ministry of Energy and Mines to ensure effective implementation of the updated Policy on Sustainable Hydropower Development, in which the overall and specific contents are provided as follows:

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1. Overall objectives of the Policy on Sustainable Hydropower DevelopmentHydropower development shall be implemented based on the principles of economic, social and environmental sustainability.
2. Planning and Coordination:  
In order to achieve economic, social and environmental sustainability in hydropower development, detailed data collection, planning and implementation is required. Hydropower Development Plans shall be undertaken in collaboration with relevant stakeholders in the management, utilization of water and water resources for the optimal benefits.
3. Hydropower Development Modalities:  
Any hydropower development of private or public sector shall be implemented on the basis of either build-operate-transfer (BOT), build and transfer (BT), build-own-operate (BOO) and those that are developed by stated-owned enterprises.
4. Feasibility studies:  
All hydropower development shall conduct a comprehensive feasibility study before the project can be approved to ensure it is economically, technically and financially feasible and that potential negative impacts on the environment and social can be prevented and or mitigated.
5. Economic aspect consideration:  
Special attention shall be paid to the economic aspect of each project to ensure it is efficient, effective and sustainable. The economic-technical feasibility studies shall be undertaken in parallel with environmental and social impact assessments including identification of appropriate measures to mitigate any negative impacts. It shall be implemented in accordance with the National Socio-Economic Development Plan and National Electricity Development Plan.
6. Technical and engineering aspect considerations:  
Project developers shall use the most advanced equipment that ensures the safety of people's life and their properties, prevents and mitigates any potential risks to the natural resources and the environment in the design, construction and operation stages.
7. Environmental and Social Impact Assessment:  
All hydropower projects shall undertake a comprehensive Environmental and Social Impact Assessment. Any project with large impacts and which is transboundary, a cumulative impact assessment and also a transboundary impact assessment shall be undertaken. Environmental and Social Impact Management and Monitoring Plans shall also be developed before the construction and implementation of a project.
8. Project affected people/ Social Impact:  
In order to safeguard the statutory interests of the project affected people due to resettlement and compensation cases, the hydropower project developer shall provide a progress report on the social impact assessment, develop a resettlement and livelihoods' improvement plan, an ethnicity development plan, a gender development plan and so forth before the construction

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and implementation of the project to ensure that any potential negatives impacts to the people and other social related impacts are mitigated.

9. Consultation:

Reasonable, honest, accurate and transparent consultations will be implemented based on the provision of adequate data and information provided, as this would help to effectively listen or hear the public voices before making a decision to approve a hydropower project.

10. Information disclosure:

All hydropower development projects shall be undertaken on the basis of transparency and openness. In addition, in the process of information disclosure, ethnic minority's language needs to be taken into consideration.

11. Management and Conservation of Watershed and Water resources:

Natural conserved habitat area losses due to hydropower development projects shall be avoided and mitigated as much as possible. Where avoidance is not possible, it must be compensated and restored by the project developer as well as provide funding to help manage and effectively conserve the watershed area as well as nearby watersheds and other important conservation areas. Must also develop a sustainable biodiversity management plan, consider compensation or help mitigate the impact on the local natural resources base.

12. Monitoring compliance:

Regular monitoring, inspection and reporting will be undertaken by relevant government line agencies, which includes appropriate third party monitoring and inspection to ensure that all large hydropower projects are implemented in accordance with all relevant obligations set-out under the law of Lao PDR, policies, strategies, contracts and other implementation plans.

13. Revenue and benefit sharing:

Project developer shall pay taxes, royalties and fees that is set-out in the regulations, laws and project specific agreements/contracts, as well as paying in cash or share benefits with the local communities through Community Funds for environmental protection and other Funds for watershed protection and development of basic socio-economic infrastructure within the project areas.

14. Existing projects:

Existing projects will be reviewed and assessed by responsible agencies based on the current legislation and institutional framework. Implementation plan shall be prepared for consultation with the project developer on a case-by-case basis.

15. Legislation and Institutions:

The implementation of this policy will be effective for the legislations and institutions that have been updated by the government in the past five years only.

16. Guiding implementation:

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The implementation this policy shall be reported to the inter-ministerial committee established by Ministry of Energy and Mines. Close advice on the implementation will be undertaken on a periodic basis.

### 17. Effectiveness

This policy will be effective from the date of signing and will replace the old policy No. 561/CPI, dated 7 June 2005.