

February 21, 2006

Mr. Taro ASO
Minister for Foreign Affairs
2-2-1 Kasumigaseki,
Chiyoda-Ku, Tokyo 100-8919
Japan

Mr. Sadakazu TANIGAKI
Minister for Finance
3-1-1 Kasumigaseki,
Chiyoda-Ku, Tokyo 100-8940
Japan

Mr. Toshihiro NIKAI
Minister for Economy, Trade and Industry
1-3-1 Kasumigaseki,
Chiyoda-Ku, Tokyo 100-8901
Japan

Mr. Kyosuke SHINOZAWA
Governor
Japan Bank for International Cooperation
4-1, Ohtemachi 1-chome
Chiyoda-ku, Tokyo 100-8144
Japan

Re: Agno River Integrated Irrigation Project (Irrigation Component of San Roque Multipurpose Dam Project) in the Philippines

Dear Sirs,

We, the undersigned, have been concerned about the significant adverse social, environmental and economical impacts of the San Roque Multipurpose Dam Project (SRMDP). We are also continuously demanding its project proponents, the Japanese-leading private company San Roque Power Corporation (SRPC), the Philippine government's National Power Corporation (NPC), and the financier, the Japan Bank for International Cooperation (JBIC), to appropriately and immediately solve outstanding problems caused by the SRMDP.

We are aware that the Japanese government is currently considering funding under the 26th Yen Loan Packages for the Agno River Integrated Irrigation Project (ARIIP), formerly planned as and presently modified from the SRMDP-Irrigation Component. We are deeply concerned about this irrigation project due to the outstanding problems of the SRMDP, inadequate needs and options assessment, and potential adverse social and environmental impacts of the ARIIP.

We strongly request the Japanese government to more prudently review the irrigation project in terms of the fulfillment of national and international standards and good practices, and the respect for the rights and interests of the affected local peoples.

(1) Outstanding Problems caused by Construction of San Roque Dam

The irrigation component of the SRMDP was proposed for financing under the 23rd and 24th Yen Loan Packages in 2000 and 2001, but it was not considered by Japanese Government for financing due to the social and environmental issues related to the SRMDP. Since the irrigation component was only modified as phase 1, or the ARIIP¹, the outstanding social and environmental problems caused by the construction of the San Roque Dam should be taken into account again when Japanese government considers funding for the ARIIP.

Eight years have passed since the dam construction was commenced in 1998, and three years since the power component was operational in 2003. Yet the project proponents and the JBIC failed to provide appropriate and sufficient mitigation or compensation measures for the people affected by the SRMDP, with the following outstanding issues, among others;

- Some 30 percent of the payment for land acquisition remains to be settled, allegedly due to the defectiveness of necessary documents for compensation process, such as land title, or the dual claims to a certain lots;
- More than 3,000 gold-panners along the Agno River, who lost their major source of income but were excluded from any compensation scheme at the first stage, have demanded monetary compensation and sustainable livelihood as an alternative to gold-panning activities rendered impossible by the SRMDP. But the people's demands remain unheeded due to the insincerity of proponents who have tried to decrease the number of legitimate gold-panners and have failed to prepare the sufficient fund for compensation scheme;
- The SRMDP destroyed the Communal Irrigation Systems (CIS) along the Agno River banks that the farmers had used to irrigate their rice fields, due to the widespread quarrying activity for the dam construction. The farmers have experienced no crop production or the reduction of productivity with the shortage of water, which has been never compensated by the project proponents;
- The Ibaloi, an indigenous people upstream of the Dam, has been concerned about the sediment to be accumulating behind the reservoir of the Dam. These impacts, acknowledged by the project proponents, cannot be mitigated or avoided and will deprive the Ibaloi of their communities, livelihood and their indigenous culture;
- Floods in the Pangasinan, Tarlac and Nueva Ecija provinces in 2001, 2003 and 2004 were observed to have intensified and caused more damages to agriculture and infrastructure. It affected a wider area, with higher and faster floodwater. This is due to the water being released from the dam. Even after the rains, floodwater kept on coming. The big and prolonged floods destroyed millions of pesos worth of agricultural products and infrastructure.

As a result, many people affected by the SRMDP are still struggling to survive in the communities upstream and downstream of the dam, and lack sufficient sources of regular income. In this respect, the JBIC and the proponents have failed to comply with the international best practice and the JBIC environmental guidelines which require that sufficient compensation and support shall be provided on appropriate time and the standard of living of those resettled shall be at least restored, and

¹ Under the ARIIP, a re-regulating pond is to be constructed, without which the power component of SRMDP will not operate as designed. Accordingly, even though the beneficial area of this irrigation project was diminished from 70,800 hectares into 34,450 hectares, the capacity of re-regulating pond was even increased from 4.6 million cubic meters (MCM) into 5.5 MCM.

preferably improved, after resettlement or economical dislocation. We strongly believe that the outstanding problems related to the SRMDP should be settled before the ARIIP, or the irrigation component of the SRMDP, will be implemented.

The Japanese government should take special note that the SRMDP which caused the severe social impacts is the presupposition of the ARIIP, and that the ARIIP may also cause similar social and environmental problems, such as involuntary resettlement and land acquisition. In fact, the project proponent of the ARIIP has already started the resettlement process and it tries to acquire the land that hasn't secured its title or tries to relocate the residents even before the completion of the resettlement site. This is the same situation that we've seen in the earlier stage of the SRMDP.

(2) Inadequate Options Assessment

It is important to reflect on whether the best option for irrigation is a huge dam project that causes irreversible social and environmental costs, which should have been discussed among local residents and local NGOs affected by the project, or stakeholders, before the commencement of the SRMDP. Options assessment for irrigation, which is recommended by World Commission on Dams (WCD), has not been properly conducted among stakeholders. Even the 1999 Environmental Impact Statement (EIS) of the SRMDP-Irrigation Component failed to analyze feasible alternative plans, which is the requirement of JBIC environmental guidelines for Category A Projects.

It is highly recommended to closely review feasible alternatives, such as the improvement of existing CIS or the usage of alternative water source, which satisfy the needs of farmers in the proposed project site, so that social acceptability can be appropriately attained. When options assessment to determine the best irrigation project is argued, concerns raised by the stakeholders and anticipated adverse impacts as well as benefit and positive impacts related to irrigation project, should be taken into account and be fully discussed with sufficient information disclosure. The concerns could include the followings;

- Risk of more damage to agricultural lands and crops and more erosion in canals covered by the irrigation project due to massive flooding;
- Risk of irrigation water shortage by prioritizing the power component (Contradiction in attaining both purposes of power generation and irrigation);
- Risk of additional burden of Irrigation Service Fee (ISF) to farmer's life;
- Risk of destruction of the farmers' traditional and cultural way to manage their own irrigation system as CIS which is independent from the NIA system;
- Risk of integrating irrigation water sources into one;
- Risk of land acquisition along the proposed canal and drainage alignment (given that small farmers don't have the necessary documents for compensation process, such as land title).

Before deciding on loans for the irrigation project, Japanese Government should take into account the above-mentioned points and prudently conduct reviews of whether the proposed project will be able to attain the objectives of improving irrigation systems, increasing the crop production and therefore upgrading farmers' living standard.

(3) Inadequate Environmental Impact Assessment and Unclear Mitigation Measures

Given that the physical, biological and socio-economic conditions along the Agno River have been changed after the construction of the San Roque dam (the completion of the dam was in 2003, while

the EIS of the SRMDP-Irrigation Component was conducted in 1999.), a new Environmental Impact Assessment (EIA) should be conducted.

There are also environmental and social impacts which weren't argued in the 1999 EIS, such as the above-mentioned risks and the possibly different impacts which are expected due to the design changes from the original plan of irrigation component into the ARIIP as the followings, which should be reviewed in a new EIA;

- In the ARIIP, there is the plan to construct a new diversion weir (12 m high), which wasn't argued in the 1999 EIS of the SRMDP-Irrigation Component, where it only acknowledged the plan of height increment of the existing diversion weir by 1.30 m;
- In the ARIIP, the capacity of re-regulating pond is increased to 5.5 million cubic meter (MCM) (with surface area of 100 hectares) to irrigate 34,450 hectares, while it was planned to be 4.6 MCM (with 70 hectares with an approximate depth of 6 m) to cover 70,800 hectares in the 1999 EIS.

After these modification of the SRMDP-Irrigation Component, to implement the ARIIP without a new EIA could be even the violation of the 2000 Environmental Compliance Certificate (ECC) which stipulated that "9. Any significant expansion and/or modification of the currently approved operation must be subject to a new Environmental Impact Assessment (EIA) requirement."

In addition, the 1999 EIS failed to propose sufficient Environmental Management Plan (EMP), which is the requirement of JBIC environmental guidelines for Category A Projects. The mitigation measures for the anticipated adverse impacts should be prepared and the detail plan should be stated in an EMP. The EMP of the 1999 EIS, however, doesn't discuss the mitigation measures for not all the adverse impacts mentioned in the Chapter 3 of the 1999 EIS.

Aside from the EIS, the project proponent of the ARIIP has prepared the Resettlement Action Plan (RAP) for the people to be physically relocated in 2005. The RAP doesn't cover all the Right of Way issue, such as economical dislocation along the proposed canal and drainage alignment. Since there have been the remaining problems related to land acquisition in the SRMDP, special consideration should be given to small farmers who don't have official documents, which is necessary for compensation process, and could be severely affected by the lost of even a small part of farming land. The proponent should present the detail scheme for land acquisition and compensation process, including the solution to lack of documents, to local residents/communities before the implementation of the project, so that the stakeholders can properly discuss its process and can appropriately participate in the planning stage of such resettlement plan.

It is strongly recommended that a new EIA will be conducted, which is, we believe, even necessary to comply with the provision of ECC. In the process of preparing a new EIA and any other plan related to social and environmental impacts, such as a RAP, consultations with the stakeholders should be properly conducted with sufficient information disclosure. And the reports should be provided in a language and form understandable to local residents, while the 1999 EIS and the 2005 RAP have been never prepared in such way by the proponent of the ARIIP.

Since there are still many serious social and environmental problems regarding the SRMDP and the ARIIP as its irrigation component, we strongly request the Japanese government:

- (i) To solve the outstanding social and environmental problems related to the SRMDP;
- (ii) To conduct independent and transparent studies to review the causes and factors of

the outstanding issues related to the SRMDP and to make recommendation, so that similar problems which might happen in any new project can be prevented. The report of the studies should be disclosed for thorough discussion with affected communities and public;

- (iii) To carefully review the irrigation project by not only referring to information from project proponents, but also by actively obtaining opinions and information from local residents and local NGOs and discussing with them. In-depth review on the EIA and the RAP should be carried out by independent and credible specialists on each issue before you make any decision, in order to guarantee that international standards and good practices will be met in the project. The report of those reviews should be disclosed for through discussion with communities to be affected and in public;
- (iv) To not extend the funding for the ARIIP before the above-mentioned requests can be attained.

We appreciate your attention to this letter and look forward to your responses.

Sincerely,

Jose Doton
Chairperson
Tignay Dagiti Mannalon a Mangwayawaya iti Agno
(TIMMAWA : Peasant Movement to Free the Agno River)

Joan Carling
Chairperson
Cordillera Peoples Alliance (CPA)

Tokiharu Okazaki
Executive Director
Friends of the Earth-Japan

Contact:
Hozue HATAE
Public Finance and Environment Program Campaigner
Friends of the Earth-Japan
2nd floor 3-17-24, Mejiro, Toshima-ku, Tokyo, 171-0031, Japan
Tel: +81-3-3951-1081 Fax: +81-3-3951-1084