

June 22, 2009



Mr. Li Ruogu
President of China Exim Bank
No.30, FuXingMenNei Street
XiCheng District, Beijing 100031
P.R.China

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

To President Li:

Friends of the Earth Japan (FoEJ) is a Japan-based civil society organization that monitors International Financial Institutions (IFIs) and Export Credit Agencies (ECAs), and advocates for the better environmental and social safeguard policies of those financiers. We write to express our deep concern about the Agno River Integrated Irrigation Project (ARIIP) in the Philippines, for which China Exim Bank is currently the financier.

The ARIIP: The Next Phase of a Problem Project

The ARIIP is formerly planned as and presently modified from the Irrigation Component of San Roque Multi-purpose Dam Project (SRMDP)¹, which has caused significant adverse social and environmental impacts since the commencement of its construction in 1998. Without appropriate and sufficient mitigation or compensation measures for involuntary resettlement and land acquisition, 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.

The implementers of the dam are the Japanese-led private company San Roque Power Corporation (SRPC) and the Philippine government's National Power Corporation (NPC). As you may know, the Japanese government was supposed to finance the ARIIP but has not fulfilled its financing pledge for some time. For many years, when JBIC was the main financier of the dam, FoEJ had continuously urged JBIC to take appropriate and immediate action to solve problems which still persist today, such as resettlement and economic dislocation that have occurred because of the dam. At the same time, we have asked the Japanese government to prudently review associated projects such as the ARIIP.

Now that China Export Import Bank is planning to finance the ARIIP, we would like to bring your attention to the deficiency of key process in ARIIP, including the needs and options assessment, the environmental impacts assessment and the resettlement and land acquisition plan. We believe these documents are so deficient that they may violate Articles 13-1 and 12-3 of your "Guidelines for Environmental and Social Impact Assessments of the China Export and Import Bank's (China EXIM Bank) Loan Projects", as well as national and international standards and good practices.

¹ Thus, the Environmental Impact Assessment for the ARIIP, which China Exim Bank requires under Article 13 of your Guidelines, is titled as the EIS of the SRMDP-Irrigation Component conducted in 1999.

(1) Violation of international standards: Inadequate Options Assessment

According to The Comprehensive Options Assessment of the World Commission on Dams (WCD)², a balanced and comprehensive assessment of all options for a project should be conducted, giving social and environmental aspects the same significance as technical, economic and financial factors. The 1999 Environmental Impact Statement (EIS) of the ARIIP failed to analyze feasible alternative plans, in violation of WCD principles.

Furthermore, options assessment for irrigation has never been properly discussed among stakeholders in the case of ARIIP. It is highly recommended to closely review feasible alternatives, such as the improvement of existing Communal Irrigation Systems (CISs) or the usage of alternative water sources, to satisfy the needs of farmers in the proposed project site. An options assessment to determine the best irrigation project should address concerns raised by the stakeholders and anticipated adverse impacts, as well as benefits and positive impacts related to the irrigation project, should be taken into account and be fully discussed with sufficient information disclosure. The concerns and anticipated adverse impacts could include the following:

- 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 (a contradiction in attaining the San Roque dam's dual purposes of power generation and irrigation);
- Additional financial burden of Irrigation Service Fee (ISF) for farmers;
- Destruction of the farmers' traditional and cultural way to manage their own irrigation system, as CISs are independent from the National Irrigation Administration (NIA) system;
- Risk of integrating irrigation water sources into one;
- Land acquisition along the proposed canal and for drainage alignment (given that some of small farmers don't have the necessary documents, such as formal land title, they may not be able to receive compensation).

Before proceeding further with financing the ARIIP, we strongly urge China Exim Bank to take into account the above-mentioned points and prudently conduct reviews of whether the proposed project will be able to attain its objectives of improving the local irrigation systems, increasing the crop production and therefore upgrading the local farmers' living standard. The 1999 EIS failed to take into account all the above-mentioned points, which have been raised by local peasant groups. China Exim Bank may want to "hire independent experts", and "negotiate(s) with the borrowers to amend the construction project proposal", according to Article 13 of your guidelines.

(2) Violation of China Exim Environmental Guideline Article 13-1: Inadequate environmental impact assessment

Given that the construction of the San Roque dam has changed the physical, biological and

² WCD was created in May 1998 by the World Bank and the World Conservation Union IUCN. Its mandate was to review the development effectiveness of dams, and to develop standards and guidelines for future water and energy projects. The Commission consisted of twelve members from governments, industry, academia, and civil society, and carried out the most comprehensive evaluation of large dams ever done to date.

socio-economic conditions along the Agno River (the completion of the dam was in 2003, while the EIS of the SRMDP-Irrigation Component or ARIIP was conducted in 1999), it is highly recommended that a new Environmental Impact Assessment (EIA) be conducted.

There are many environmental and social impacts that weren't addressed in the 1999 EIS, such as the above-mentioned risks and impacts caused by changes to the original irrigation plan. The design currently being used by the ARIIP differs significantly from the original plan, and these changes should be reviewed in a new EIA. For example:

- The ARIIP plans to construct a new 12m high diversion weir. However, the 1999 EIS of the SRMDP-Irrigation Component only studied the impacts of increasing the height of the existing diversion weir by 1.30 m;
- The ARIIP currently plans to build a re-regulating pond with a capacity of 5.5 million cubic meters (MCM) (with a surface area of 100 hectares), which could irrigate 34,450 hectares. However, the 1999 EIS only studied a pond with a capacity of 4.6 MCM (with a surface area of 70 hectares and an approximate depth of 6 m), which could irrigate 70,800 hectares.

Since the SRMDP-Irrigation Component was significantly modified, implementing the ARIIP without a new EIA could violate the 2000 Environmental Compliance Certificate (ECC) for this project. The 2000 ECC states: "9. Any significant expansion and/or modification of the currently approved operation must be subject to a new Environmental Impact Assessment (EIA) requirement."

In this respect, the 1999 EIS would also not comply with Article 13-(1) of China Exim Bank's environmental guidelines: "The borrowers or project owners hand in the approval document and environmental and social impact assessment report issued by the authorities of the host country."

In addition, the 1999 EIS failed to propose a sufficient Environmental Management Plan (EMP). The mitigation measures for the anticipated adverse impacts should be prepared and the details of such a plan should be stated in an EMP. The EMP of the 1999 EIS, however, doesn't discuss the mitigation measures for some of the adverse impacts mentioned in the Chapter 3 of the 1999 EIS.

(3) Violation of China Exim Environmental Guideline Article 12-3: Inadequate Resettlement and Land Acquisition Action Plan

Aside from the EIS, the project implementer of the ARIIP prepared the Resettlement Action Plan (RAP) in 2005 for the people to be physically relocated. However, the RAP doesn't cover all the Right of Way (ROW) issues, such as economic dislocation along the proposed canal and drainage alignment areas. Additionally, the implementer seems to have prepared the ROW Acquisition Program in 2003 for such economic dislocation, but to date this program has never been made public.

We would like to draw your attention that there are small farmers in the project area who don't have official documents such as land title, which is necessary for the compensation process, and could be severely affected by the loss of even a small part of their farming land for the proposed canal and drainage. In fact, one of the biggest problems in the SRMDP has been that the payments for land acquisition continue to be delayed. Ten years have passed since the San Roque dam construction was commenced in 1998, and 6 years since the power component was operational in 2003. Yet some 10 percent of payments are still unsettled due to the inadequacies of necessary documents for compensation process.

Therefore, as your environmental guidelines stipulate in Article 12-(3) that projects will uphold “Respect for local peoples’ rights to land and resources, and proper handling of resettlement problems”, special consideration should be given to the local small farmers. The implementer should present a detailed plan for land acquisition and compensation, including a solution to how farmers without formal land title can be compensated, to the local residents/communities before the implementation of the project. Only then can stakeholders properly discuss the land acquisition and compensation process and appropriately participate in the planning of the resettlement plan and ROW acquisition program.

It is strongly recommended that a new EIA be conducted to comply with the provision of the ECC. In the process of preparing a new EIA and any other plan related to social and environmental impacts, such as RAP and ROW acquisition program, 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. The 1999 EIS and the 2005 RAP were not prepared in such a way by the implementer of the ARIIP.

We highly appreciate your attention to this letter and would be happy to answer to you either by correspondence or meeting, if you have any clarification or further inquiry. We hope to help the project achieve the best results for all stakeholders concerned. We look forward to your responses.

Sincerely,

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President of Board members
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