

August 16, 2004

Ms. Aviva Imhof
International Rivers Network, U.S.
1847 Berkeley Way
Berkeley, CA 94703

Ms. Shannon Lawrence
Environmental Defense, U.S.
1875 Connecticut Ave., NW
Washington, DC 20009

Dear Ms. Imhof and Ms. Lawrence,

Lao PDR: Nam Theun 2 Hydropower Project

Thank you for your letter to Mr. Kassum, dated August 2, which outlines the concerns you and your colleagues have about the upcoming international stakeholder workshops on the Nam Theun 2 Hydropower Project (NT2). As you note, the World Bank's decision framework stipulates that project processing is contingent in part on broad support from international donors and civil society. The Bank believes it is critical that international stakeholders such as yourselves are able to participate in a process that contributes to an informed decision about whether or not to support the project. Within this framework, the international workshops scheduled for Bangkok, Tokyo, Paris and Washington - followed by a wrap-up workshop to be arranged by the GoL in Vientiane on September 24 - are intended to provide an opportunity to engage in an open discussion about the critical issues of concern around NT2. Participation in the workshops would not be construed as an endorsement of the project.

Please see the attached Terms of Reference for more information on the rationale and aims of the workshops; measures to promote balanced, transparent, and meaningful discussions, including an emphasis on shorter technical presentations and lengthier discussions; the process for summarizing and publishing feedback from the discussions; and the relationship of the workshops to the World Bank's decision framework.

The international stakeholder workshops are intended to complement the local consultations that the Government of Lao PDR (GoL) and the Nam Theun 2 Power Company (NTPC) are currently undertaking in the project-affected areas, as required by the Bank's safeguards policies. The workshops will provide an opportunity for the independent consultants from civil society who have organized and monitored the local consultations to discuss the process and their findings.

You have expressed concern that there is insufficient time between the availability of the safeguards documents and the international workshops. We made a considered decision several months ago to ensure that the main safeguards documents were made available well in advance of the international workshops. Consequently, between May and July 2004, the GoL and NTPC have progressively made available the drafts of the safeguards documents, with the draft Summary Environmental and Social Impact Assessment (SESIA) being the final document to have been released on July 30. The main safeguards documents have thus been available in draft for review for a period of 30 to 90 days. We believe that this intervening period has allowed interested parties sufficient time to review the working documents and inform their thinking

about the proposed project. Moreover, we believe that it is extremely important to hold these workshops before the project is finalized in order for civil society to have an opportunity to influence project design.

In addition, a number of non-safeguards documents are planned to be released over the next few weeks to promote informed debate among interested stakeholders on other project-related issues. Some of these documents are expected to become available before the first workshop on August 31, but others may not be available until September. These include:

- A summary of the economic and financial analysis of the proposed project, including its implications for the Thai and Lao power markets, which is currently being reviewed by GoL and NTPC and should be disclosed in the next two weeks;
- A paper on possible macroeconomic impacts of the NT2 project on the economy of the Lao PDR; and
- The World Bank's analysis of alternative options for Lao PDR's sources of growth and poverty reduction—the Country Economic Memorandum (CEM).

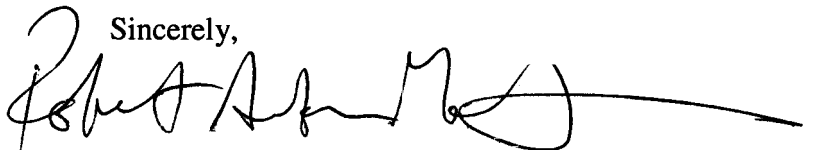
Since some of these documents may not be available before the first of the international workshops, the Bank, in its commitment to ongoing engagement with local and international stakeholders on the NT2 project, plans to organize follow up meetings to the workshops once the remaining documents have become available. At these meetings, we would also update you on the changes being introduced to the safeguards documents which have resulted from the local consultations and the previous international workshops.

Regarding the Power Purchase Agreement (PPA) and the Concession Agreement (CA), as we have said previously, these are proprietary contractual agreements provided to the Bank on a confidential basis. We are not in a position to disclose them without the permission of the parties to these agreements. We have encouraged GOL, NTPC, and EGAT to consider making them public, and summaries of the PPA and CA have now been posted on the NTPC website.

These efforts to promote greater transparency - along with our consistent disclosure of aide memoires from Bank management missions on the project - stem from the Bank's commitment to ensure that the due diligence process for NT2 is conducted in a transparent way.

I hope this letter answers your questions. Thank you for your continued interest in these issues. My colleagues and I would be pleased to have further discussion on these and other project-related issues. I hope that you and representatives of the other organizations listed in your letter will join us for the workshops in their respective locations. Because of their interest in this subject, I am sending a copy of this letter directly to the institutions on whose behalf your letter was written.

Sincerely,



Robert Anton Mertz
NT2 Project Manager
Energy and Mining Sector Unit
East Asia & Pacific Region

cc: Margie Law, Mekong Monitor Tasmania, Australia
Gráinne Ryder, Probe International, Canada
Knud Vöcking, Urgewald, Germany
Jaroslava Colajacomo, Campagna per la Riforma della Banca Mondiale, Italy
Satoru Matsumoto, Mekong Watch, Japan
Advocacy and Monitoring Network on Sustainable Development, Japan
Yuki Tanabe, Japan Center for a Sustainable Env't and Society (JACSES), Japan
Shoko Murakami, Friends of the Earth, Japan
Kenji Ago, Fukuoka NGO Forum on ADB, Japan
Tonje Folkestad, FIVAS, Assoc. for Int'l Water and Forest Studies, Norway
Göran Ek, Swedish Society for Nature Conservation, Sweden,
Shalmali Guttal, Focus on the Global South, Thailand,
Witoon Permpongsacharoen, TERRA, Thailand
Tienake Tiyapongpatana, World Wildlife Fund, Thailand

Jemal-ud-din Kassum, World Bank
Glenn Morgan, World Bank
Cristina Mejia, World Bank
Carolyn Reynolds, World Bank
Melissa Fossberg, World Bank
Woochong Um, Asian Development Bank

DRAFT – 08/16/04

Proposed Nam Theun 2 Hydroelectric Project
Terms of Reference for International Stakeholder Workshops

Background

The Nam Theun 2 (NT2) hydroelectric project has been under consideration by the Government of Lao PDR (GoL) and various developers since the late 1980s. The proposed project would generate electricity mainly for export to Thailand, with most of the revenues accruing to the GoL to be used in Laos for poverty reduction and environmental protection activities. The project has the potential - if properly prepared, implemented and managed - to significantly benefit the Lao people.

That said, it is a large and complex project and entails considerable risks, including environmental and social ones; NT2 triggers all of the safeguard policies of the World Bank and the Asian Development Bank (ADB) which are designed to prevent and mitigate undue harm to people and their environment in the development process. The safeguard policies have often provided a platform for the participation of stakeholders in project design, and have been instrumental in building ownership among local populations.

As required by the World Bank and ADB safeguard policies, a series of studies and the development of various action plans are currently underway to assess and respond to any environmental, social, economic and financial impacts of the project. The project sponsors and the Government posted the safeguards documents for public comment in draft format progressively between May and July 2004, with the final document, the Summary Environmental and Social Impact Assessment (SESIA), posted on July 30. The risks and mitigation plans outlined in these draft documents, as well as other issues related to NT2, are being discussed with a wide group of stakeholders between May and September through a series of local consultations with project-affected communities in Lao PDR (which are mandatory according to the World Bank and ADB safeguard policies) and international workshops (which are not mandatory but have been recommended by the World Bank as a complement to the local consultations).

International Stakeholder Workshops: Rationale and Objectives

For the World Bank to consider its support, the project must be integrated into an overall development and poverty reduction framework for Lao PDR; the project must be technically, financially and economically sound; and there must be international support for and understanding of NT2 as part of Lao PDR's development framework. The international stakeholder workshops are being organized by the World Bank and the ADB, and facilitated by independent moderators, for the GoL and the Nam Theun 2 Power Company (NTPC) in Bangkok, Tokyo, Paris, and Washington - to ensure that the proposed project's objectives, potential benefits and impacts are openly discussed and understood not only within Lao PDR, but also among the wider audience of international stakeholders. Following these four international workshops, the GoL and NTPC will hold a national workshop in Vientiane.

The aim of these workshops is to provide a forum for open and well-informed discussion to take place that informs project design and decision-making related to the project. The workshops will provide an opportunity to clarify issues and address stakeholders' concerns, and will provide feedback to GoL, NTPC and financial institutions before the project design and the safeguards documents are completed and before the World Bank, ADB and Agence Française de Développement (AFD) make their decisions on whether or not to support the project. Specific comments and suggestions from workshop participants will be documented. Summary reports outlining the feedback from each workshop will be distributed to participants and submitted to policymakers at the international financial institutions, as well as being publicly disclosed.

To ensure that the workshop discussions are open, balanced and meaningful, the following measures will be taken in organizing the workshops:

- An independent moderator will be engaged to lead each of the workshops in Bangkok, Tokyo, Paris, and Washington. The moderator in each city should have a sound knowledge of environmental and socially sustainable development issues, be familiar with the interests and concerns of stakeholders in the country/region, and demonstrate neutrality or impartiality regarding the proposed project.
- The agenda for each workshop will allow discussion not only of the proposed project's features, but also questions of policy relevant to the project.
- The agenda will allow mainly for discussion, rather than presentations and briefings alone; sessions will be aimed at eliciting feedback.
- Participation will be broad-based, including interested stakeholders from civil society, academe, parliamentarians, the donor community, government, the private sector, and the media.

Duties and Responsibilities of the Independent Moderators

The overall task of the moderators will be to ensure that the workshops in Bangkok, Tokyo, Paris, and Washington DC are transparent, balanced, and meaningful. Ahead of the workshops, the moderators will advise the organizers - the GoL, NTPC, ADB, and the World Bank - on ensuring inclusive participation in the meetings and on the issues for discussion. During the workshops, they will moderate the discussions with the view toward ensuring that participants' concerns are aired and addressed, and critical issues identified. After the workshops, they will provide the organizers with a summary of the workshop discussions to be shared with all participants and publicly disclosed.

Specific tasks will include, but may not be restricted to, the following:

- meet in advance with organizers and, if possible, visit the project site to be familiarized with the proposed project;
- advise organizers on the agenda and help identify key questions/issues on which to focus;

- advise organizers on their proposed list of invitees and speakers for each session, with the goal of broad-based and balanced participation ;
- develop a participatory process for the workshops, including advance discussions with session panelists to discuss issues, format and engagement with stakeholders;
- establish and enforce ground rules for the discussions;
- provide skilled moderating for each session, to ensure conversation remains on track and that issues are explored at length;
- ensure that the workshop proceedings are fully documented;
- prepare a summary of workshop proceedings to be provided to the organizers, who will share the final report with workshop participants and disclose it publicly. The summary should provide an introductory section describing the workshop discussions, and include a matrix outlining those issues on which decisions were taken or recommendations made, and those issues which are still pending.

The deadline for all comments regarding the safeguards documents is September 20. This allows the workshop participants some time to submit any additional comments they may have after the workshops have concluded.

The organizers will in turn provide documents and background information needed to carry out the above tasks, as well as spokespersons/resource teams to participate in the discussions.