

Opinion: People of Laos should have the same chance as others for a better life

Laos – one of the poorest countries in the world with an average income of US\$320 a year – has become the unlikely ground for a struggle which has profound implications for future investment and economic development in Asia. At the center of the struggle is a US\$1.3 billion hydroelectric project, Nam Theun 2, and the basic question of whether Laos should be able to develop its natural resources, according to its own wishes, for the benefit of its people.

Lined up in support of the project are the Government of Laos, the companies engaged in developing the project, and quite a few analysts and observers who see the project as the country's best hope to earn income and reduce poverty. Opposed to it are a number of groups, led mainly by several western non-government organizations who oppose the building of dams. In the middle, eager to help to Laos is the World Bank, which has not yet come to a decision to provide a political risk guarantee to the private developers, effectively insuring their investment against any unexpected local interference.

This month, the Bank, the Government and the consortium of developers are hosting a series of workshops in Bangkok, Tokyo, Paris, Washington DC, and discussion in Vientiane, to hear differing views of the project, based on volumes of research and analysis that are available as background. These workshops are just the latest step in what has been – for the World Bank at least – an unprecedented process of research, consultation and disclosure of information on a single project. The intensity of this effort reflects our strong desire to ensure that the proposed project would deliver real, durable benefits for the people of Laos. That is the only basis on which we would support it.

What makes the proposed project, and the debate around it, so important is not just the potentially huge benefits for the country – with the poor in Lao benefiting from revenues for poverty reduction and conservation programs (in excess of US\$1.8 billion in nominal terms over the life of the project) – but also the powerful message that will be sent to potential future investors in Laos and other countries if the project goes ahead – or, if it does not.

A decision by the World Bank Board of Directors to support the project would signify that, in the eyes of the Bank and a number of international banks and developers, Laos is a good place to do business. As part of the 10-year process of bringing Nam Theun 2 to the drawing board, the Lao Government has taken major steps to improve its economic management and strengthen public financial management, reduce spending on state-owned enterprises, reform the energy sector, improve environmental protection and allow greater debate and discussion. There is still quite a lot to be done in these reform areas, but even so, a “yes” for Nam Theun 2 would cap this progress well. It would be a highly public display of international confidence in a country that desperately needs international investment.

But in the event that opponents of the project were to succeed in blocking it, or if the Bank, for any reason, were not to provide support, the costs to Laos would be huge. The

message to potential investors in the country – and in other developing countries – would be that infrastructure investments are high risk and hazardous. Investors would effectively be told that no matter how much time and effort goes in to project preparation, and no matter how much the country needs the project, the obstacles (either country performance or NGO opposition) are just insurmountable. That would be a pity, especially at a time when the developing countries of East Asia need significant private investment to upgrade existing infrastructure and to build new capacity as the economies and populations continue to grow strongly.

As we proceed with these discussions, and as we continue our process of reviewing and debating the details of the proposed project, the World Bank is certain to come in for criticism from those who oppose Nam Theun 2 regardless of the country's needs and the project's merits. We have already seen questions raised about the shortcomings of other dams built 10 or 20 or 30 years ago; about the impact of the dam on wildlife and the forests around the dam site; about the nature of consultations in a country where the press is not free. These issues are high on our agenda, which is one reason why we have not made up our mind to go ahead. But it is also why we have spent so much time reviewing the lessons from earlier dam projects, why we have invested so heavily in ensuring that the animals and forests would be protected, and why we have insisted on fresh consultations within Lao PDR that are allowing people to express their views.

The World Bank wants very much to help Laos, and Nam Theun 2 offers a rare chance to make a positive difference. It may well gain our support, though we will only know after we have heard from all interested parties in the coming weeks and months. But on one point we are absolutely decided: the people of Laos should have the same chance to lead better lives as the people of other countries. They should not be confined to eternal poverty but should be helped to find ways to develop their natural resources for the benefit of their people, and for generations yet to come. Those who care about Laos, and about encouraging productive investment and alleviating poverty there, will see Nam Theun 2 as a proposal deserving serious attention. We must all ask what Laos would do without it.

This column is the opinion of Mr. Peter Stephens, Regional Communications Manager, the World Bank East Asia and the Pacific Region, Singapore