

Report

on

**Technical Workshop on Nam Theun 2 Hydroelectric Project
in Lao PDR**

August 31,2004

Asian Institute of Technology, Bangkok, Thailand

By

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Society (CPCS)**

ABBREVIATIONS

ADB	Asian Development Bank
CIA	Cumulative Impact Assessment
EDFI	Electricite' de France International
EGAT	Electricity Generating Authority of Thailand
EGCO	Electricity Generating Public Company Limited
EIA	Environment Impact Assessment
GDP	Gross Domestic Product
GoL	Government of Laos
Lao PDR	Lao People's Democratic Republic
NTPC	Nam Theun 2 Power Company Limited
NESDB	National Economic and Social Development Board
NGO-COD	NGO Coordinating Committee
SEMFOP	Social and Environment Framework and Operational Plan
WMA	Watershed Management Authority
NT2	Nam Theun 2 Hydroelectric Project
CPCS	Center for Philanthropy and Civil Society

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Note: Dr. Tyson Robert’s report on the Fluvicide: An Independent Environmental Assessment of Nam Theun 2 Hydropower Project in Laos, with particular Reference to Aquatic Biology and Fishes was provided to the World Bank Office, Bangkok and is available at www.irn.org/programs/mekong/namtheurn.asp?id=namtheunbrief.html

Background and Objectives

The technical workshop on Nam Theun II Hydroelectric Power Project held in Bangkok, Thailand is one of the international stakeholder workshops facilitated by the World Bank, the ADB, and the AfD for the Government of Laos and NTPC. The main objective is to ensure that the project's objectives, benefits and impacts are transparent, thoroughly discussed and well understood by stakeholders both in Lao PDR and in Thailand. To ensure broad-based participation, many groups of stakeholders are invited such as academia, NGO workers, villagers, government officials, donors and the media. The independent moderator is a neutral party who tries to ensure that the workshop is transparent, balanced and meaningful. The main role of the moderator is to ensure that each group is allowed equal opportunity to express concerns and feedbacks related to the project. Also, the workshop is to be conducted where participants are able to engage in dialogs and debates with the World Bank, the ADB, and the AfD for the Government of Laos and NTPC about their decisions and processes.

Preparation Process

Prior to the workshop, a series of preparation process was organized to facilitate the workshop. The drafts of the safeguard documents were available on the NTPC website (www.namtheun2.com) in late May/early June, 2004. An email announcement was sent to interested parties in the Bank's NT2 mailing list informing that the EAMP, SDP, SEMFOP, and SESIA were being posted online, and that international stakeholder workshops would be organized subsequently. The Bank also provided hard copies of these safeguards documents upon request.

Documents related to social and environmental impacts of the Nam Theun II Project both in Thai and English were distributed between 30-90 days before the actual workshop. Many factors, including a minimum 30-day period of review for the draft safeguards documents, the availability of moderators, project sponsors, and other stakeholders determined the timing of the workshop. After the date of the workshop is finalized, the World Bank sent announcement and invitation to interested parties in Bangkok, Tokyo, Paris, and Washington and also posted on the World Bank website. Different groups of stakeholders were invited at least 3 weeks before the workshop. All requests for attendance including late requests were accepted.

All parties in charge of organizing the workshop met at the World Bank Office prior to the event. It was agreed that the workshop would be a one-day event consisting of 4 sessions. They are: 1) the role of the IFIs in NT2 and status of Project Processing, 2) Project Technical and Safeguard Aspects, 3) Local Consultations, and 4) Economic Analysis and Revenue Management. These four sessions will be moderated by the Center for Philanthropy and Civil Society: CPCS), an independent unit requested by the World Bank to facilitate the event. In each session, as agreed, there will be a brief presentation by the expert(s) in such particular area. The presentation will be made brief so as to allow more time for questions and answers. The moderator will ensure that each question asked is given proper attention. In so far as the person answering the question is concerned, the moderator, in consultation with the parties involved, will identify an appropriate person to give the answer.

NT2 International Workshops Preparation Process

Announcement/Disclosure	Medium	Date	Lead time to Bangkok workshop
Posting of draft safeguards documents and intention to organize workshops announced	www.namtheun2.com , fax to interested parties	May 19-31	+90 days
Draft EAMP posted	www.namtheun2.com	Main chapters end-May, completed 2 nd week of June	~90-75 days
Draft SDP posted	www.namtheun2.com	Completed 2 nd week of July	~45 days
Draft SEMFOP posted	www.namtheun2.com	Main chapters end-May, completed 2 nd week of June	~90-75 days
Draft SESIA posted	www.namtheun2.com	July 31	30 days
Interim Economic Analysis posted	www.worldbank.org/laont2	Mid-July	~15 days
Schedule of workshops announced	www.namtheun2.com , www.worldbank.org/lao , email/fax to interested parties	July 31	30 days
Follow-up meeting on economic analysis announced	Announced by Ian Porter at Bangkok workshop, reflected in Bank statement on conclusions of Bangkok workshop on	August 31	65 days

	www.worldbank.org/laont2		
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Source: The World Bank Office, Bangkok.

Ground Rules of the Workshop

Due to the controversial nature of the issue (which, as a result, draws interest from many sectors and interest groups) and time constraint, the ground rules are set to allow as many people as possible an opportunity to voice their concerns. The ground rules are proposed by the moderating team and accepted by the organizing parties.

They are:

1. The maximum time for each presentation is 15 minutes.
2. Each participant is asked to raise concerns and ask questions within a limited time (2 minutes).
3. Participants can ask questions both in Thai and English. Translation services are provided.
4. Participants who have no opportunity to voice their concern at the scene will be able to submit their questions directly to CPCS within three days after the technical workshop.

Organization of the Report

Because of the controversial nature of the NT2 project, this technical workshop inevitably entailed an overwhelming numbers of comments and questions both directly and indirectly, satisfactorily and unsatisfactorily addressed. This report, to provide information in a most impartial manner, will cover every aspect. The first section will begin with a brief summary of the presentation. The comments and questions then will follow. Rather than running through each comment or question, the writer will organize them into two categories; the fully addressed ones and the partially addressed ones (which still require further clarification and elaboration from the parties involved). It should be stated at the onset that the categorization is based on the moderator's own judgment which might not coincide with that of the proponents and the participants. Being an objective party who obtained all the information given by the World Bank, the moderator and her team saw themselves as being part of the workshop without any preconceived notion. Her judgment (as to whether a question was answered satisfactorily or not) was then passed in a most impartial manner. However, to prevent any exclusion of other views, judgment on

how certain answers were addressed in the workshop sent to the moderating team after the workshop will be put at the appendix section.

I. The Role of the IFIs in NT2 and Status of Project Processing

There were two presentations in this session, one by Ian Porter and the other by Dr. Somboune Manolom of the Laos PDR.

Presentation of Ian Porter

Ian Porter, the Country Director, Thailand East Asia and the Pacific Region of the World Bank, gave a brief presentation on the role of the International Financial Institutions (specifically, in this case, the Asian Development Bank and the World Bank) in the NT2 Project. The World Bank group and the ADB have been asked by the government of the Lao PDR and the sponsors of the NT2 project to support it through being a loan guarantors to enable the sponsors to raise commercial financing for the project. They have also been asked for a credit to support social and environmental activities as well as the government equity contribution to the project. Other external partners have also been asked to assist the project in different capacities. As for the World Bank and ADB (which constitutes IFIs), its social and financial activities will equip the Board with information on impacts of social and environmental (and others) aspects. Such information is crucial for the Board when decision on being the project loan guarantors. The two institutions fully realized the importance of social and environmental impact studies. So, they gave financial support to conduct studies which they thought were relevant and essential for decision- making process.

Additional to describing the role, Porter provided the rationale behind the IFIs' support to the project. To the IFIs, if the project is properly managed and steps are carefully implemented, it will greatly benefit the Laotian people. The country will have incremental revenues for poverty reduction and environmental protection. Porter also informed that the IFIs had implemented safeguard policies to ensure that social and environmental risks are mitigated. Certain negative impacts would be inevitable, but the benefit would outweigh the loss (which will certainly be minimized by different well-planned measures). The other benefit of IFIs involvement is that

they would bring about standards of transparency and accountability to project preparation in the framework of a broader reform agenda in the Lao PDR.

As far as the IFIs' decision framework is concerned, Porter discussed the "three pillars" which would be taken as criteria for decision making. First, the project (if implemented) must lead to poverty reduction and environmental protection in Lao PDR. This will help to ensure that the project will 'indeed' lead to poverty reduction and environmental protection. The project takes a "proactive" rather than a "wait and see" approach. Second, the project procedures must be technically, financially, and economically sound and all safeguard policies must be implemented prior to its start. Third, the project must be supported by international donors and civil society. In mentioning the third pillar, Porter stressed the importance of international support and understanding. According to him, burden sharing with international donors was a critical element of the World Bank's decision framework. The World Bank sees that commitment of donors to adhere to the policy reform package is crucial if the progress of the project is to be sustained over the long run. Also needed in this project were external financial supports through grants. International civil societies' involvement will provide comfort for grant giving agencies than social and environmental issues be carefully scrutinized and well taken care of (particularly, since there is no NGO in the Lao PDR). This, according to Porter, was one of the reasons for having a series of technical workshops at different venues in the world. Porter discussed these three pillars without presumptuously assuming that the benefit of the project would outweigh the social and environmental loss. Rather, his intention was to inform members of the audience that the three pillars were used to meet policy requirements. The NT2 project, in fact, is far more cautious than before since it triggers all ten of the World Bank's safeguard policies to avoid or mitigate anticipated risks and damages. This project, Porter informed, demanded effective risk mitigation and management plan developed by the proponents based on substantial input from experts from the World Bank and the ADB.

Informing the audience about the progress of the IFIs' involvement, Porter indicated that the IFIs had confidence in the project (although some issues still have to be resolved). IFIS so far have made progress on overall macro and structural policy reform. All safeguards documents and economic analysis based on extensive studies and local consultation are close to completion. And most importantly, to gain international support and understanding and to ensure the project transparency,

stakeholder workshops are organized to inform the public as well as to solicit their comments about this project. When all workshops and all studies are finalized, the senior management and the Boards of Directors of the IFIs will decide whether they will act as loan guarantors of the project.

Presentation of Dr. Somboune Manolom

Dr. Somboune Manolom, Permanent Secretary of Ministry of Industry and Handicrafts of Lao PDR, gave a brief presentation on the necessity of the NT2 project as a means to alleviate poverty in Laos. Geographically a landlocked and mountainous country, the Lao PDR has been sparsely populated (Appendix A). It also has limited industry (due to lack of natural resources), which, in turn, causes it not to have exports. In this presentation, Dr. Manolom provided statistics to support his argument about the country being poor, geographically deprived, and sparsely populated. Specifically in the Nakai Plateau area (on which the NT dam will be built), the total population of 7,200 cannot grow enough rice for their own consumption, let alone having surplus to sell for cash. Being highly underdeveloped, people in the area live without electricity, good health care, and schooling. The government of the Lao PDR itself, according to Dr. Manolom, has exhausted all the possibilities of generating revenue to improve quality of life of its people. Selling timber, for example, will be more environmentally destructive than building a dam which generates clean power. Having high hope on this project, the Lao PDR government considers it as a key project of the government. It estimates that the project will bring in the revenue of US\$ 1.8 billion over the 25-year concession. The revenue generated will be used for poverty reduction, environmental protection and other development programs.

Questions, Comments, and Answers

Fully addressed questions

1. Sompong Viengchan, a villager from Khong Chiem district asked Dr. Monolom to state clearly the population group which would benefit from the NT2 project. From her own experience as a stakeholder of the Pak Mun dam, no villagers

have benefited anything from the Pak Mun project the nature of which is very similar to the NT2 project. Sompong's concern was that the government of Lao PDR did not look at all aspects of the project in detail. In looking at the environmental impact, Sompong reminded the Lao PDR that the river on which the dam would be built is connected to an international river (the Mekong) and building this dam would inevitably affect people both in Laos and in the countries through which the Mekong river flows. Cutting down a large virgin forest in the Nam Theun area, for instance, would affect the amount of rainfall which, in turn, will affect people not only in Nam Theun area but others as well. Sompong asked the Lao PDR government not to repeat the mistakes of the Pak Mun project.

- Dr. Manolom answered this question by stating that both the Thais and the Laotians would benefit from the project. The Thai people will have a new source of energy. The people of Nam Theun will directly benefit from the project. The Laotian people at large will only gain since the project will bring in revenue which will be used for many sustainable development projects. Realizing that negative impacts are inevitable, Dr. Manolom said that any project in the world would somehow have impact on the environment, but in the case of NT2 project many studies had been conducted and measures had been carefully issued to prevent or mitigate the anticipated impacts. There will also be agencies from all sectors appointed to monitor the project along the line. As far as the effect on the Mekong region is concerned, a detailed study has been done and the document is available upon request.

2. Dr. Tyson Roberts introduced himself as an active independent researcher in several hydropower projects (Saimunoi, Saipen, NT2, and Tiemhimbun) in Laos. He considered himself also an independent consultant engaged by the NT2 development group to do biological (fishery) assessment for the project. Though the proponents of the NT2 project claimed that it had a potential to become a model for major development projects in environment and resettlement issues, Dr. Tyson insisted that the NT2 project would entail as many environmental problems (especially bio-species of fish) as the Pak Mun project did. Despite the proponents' reaffirmation to the public that issues arisen from the Pak Mun project would be taken into consideration, Dr. Tyson saw that such was not the case. The original documents of the environmental assessment of the NT2 project done by him and other independent researchers had all disappeared and had not been used in the studies sponsored by the proponents. Dr. Tyson assessed that the NT2 project would destroy

the forest throughout the watershed area. The resettlement program (which the proponents claimed ideal) would not work. The settlers, searching for more cultivating land, would eventually encroach upon more forest area. Dr. Tyson also questioned the project impact on fishery (i.e., what will happen to the bio-species in the Nam Theun river).

- Dr. Manolom from the Lao PDR stated that during the past few years many studies on fishery were conducted. Dr. Manolom himself used to work with Dr. Tyson and highly recognized his expertise. But besides Dr. Tyson's study on fishery, the proponents conducted other studies. The results might differ from those of Dr. Tyson's. But Dr. Manolom reassured that Dr. Tyson's study on fishery would be taken into consideration.

As far as the resettlement program is concerned, Dr. Manolom emphasized that the project being simulated and the resettlement village model have yielded a positive result. The people who were relocated to the new place have been highly satisfied with their new living conditions. And their livelihood has improved a great deal. He informed that all information (such as assessment studies, needs analyses of the people, and satisfaction surveys) were available upon request and can be made public.

3. Richard Marx, a Bangkok based correspondent from Singapore, commented that the NT2 project was not only about the Nam Theun river. The project will affect the great Mekong sub-region. Now there are many projects going on in China, and the world community cannot have any say on those projects. Building the Nam Then dam will affect the traditions and livelihood of people of the Nakai Plateau. Marx warned that the support of mega-projects by the World Bank would encourage international financial institutions to lend money to such projects, for instance, in the Salawin and the upper Mekong area and some of these projects might not engage the world community in giving comments and input.

Porter replied Marx's question by stating that the project took into consideration not only the Xe Bang Fai area but also the Mekong area as a whole. With the respect on the last comment raised on the boarder GMS program, two points were raised by Porter. First, the workshop was conducted in the context of the NT2 project and looking at what the cumulative impacts of this only project might not be just. It is also essential to look at the impacts which the project might have on the immediate rivers. The Mekong River as a whole should and would be taken into

consideration. And, according to Porter, “the work is going on.” The second point was that there was a broader issue of the development of the Mekong Sub-region which was an enormous important challenge for the whole region in the coming years. The World Bank, the ADB, together with the Mekong Commission and the GMS Economic Cooperation Program work in this context. The aim was to help develop the overall strategy for the development of the Mekong which eventually would help link projects that have been done upstream (by other countries the river flows through) with the projects that have been done downstream.

Partially addressed questions

1. Two participants asked questions of the same nature. Both are Thais whose lives have been adversely affected by dam constructions in Thailand. Sodsai Sangsung asked if the World Bank usually conducted assessment studies prior to construction of many dams and many energy projects that it supported. If so, why were most projects they supported bring about so many problems? In studying the impacts of the NT2 project, Sodsai wondered if the studies took into consideration the existing and unresolved problems of dams in Thailand. Being aware of the fact that dam constructions have damaged so many people’s lives, why does the World Bank continue to support the project of this sort? A villager from Kongchiam asked a similar question. Adversely affected by the Pak Mun dam, this villager commented that the studies put out by the World Bank stated only the benefits of the NT2 project, while, in fact, such was not the case for the Pak Mun dam. As a result, she requested that the World Bank do a more detailed assessment and take into consideration the mistakes caused by previous dam constructions. In essence, she asked why the World Bank, knowing well from its experience how mega-projects like the NT2 negatively affected people, still continued to support it.

- The World Bank emphasized that every project it supported all over the world was subject to a review before any decision was made. To ensure transparency, the reviewer of each project comes from the Operation and Evaluation Department which is an independent unit completely separate from the staff and management of the World Bank. In addition to the “before-the project review”, the World Bank also conducts the “after-the project” review. Porter said,

“Every project the World Bank supports throughout the world is subjected to both an Implementation Completion Review as well as in many cases an

independent evaluation by our Operation Evaluation Department, which is completely separate from staff and management of the World Bank. So, all information is available in many cases publicly. On the basis of that work, the Bank has prepared a new water resources strategy that highlight our future policy with respect to investment in projects of this kind...(emphasis, ours)”

2. Vitawat Piengkeaw commented that the role of the World Bank was not just to give or guarantee loan to a mega project of this type. It should be responsible for the effect of the project which it supports as well. In the case of the Pak Mun project, the World Bank supported it but has not taken any action to help people who are affected by it. As such, Vitawat asked the World Bank to rethink its role and involvement in the NT2 project.

-Porter acknowledged that the Pak Mun Dam was a controversial and difficult project. Despite many difficulties, he insisted that the Pak Mun project was implemented with good safeguard policies. However, Porter did not insist that the Pak Mun project was a success. According to Porter, since no baseline studies had been done, it was difficult to measure the actual impact of the project. This provided a good lesson for the NT2 project which has undertaken the baseline studies at the outset. In his words, Porter said,

*“Two points I would like to make. First of all, on the Pak Mun dam, everyone recognizes that it is a very controversial and difficult project. What it certainly demonstrates was the **need** in any dam project of that kind to do extremely good work on all of the safeguards issues, both the environmental and social...., and in the case of Pak Mun dam project in particular, clearly to do a very good work on the fishery impact of such project...(that) it is certainly one lesson that we have taken away from the experiences of the Pak Mun Dam project, which I think all of those involved in the NT2 project have been looking at intensively, with respect to what kinds of impact this project may have on fisheries both in the NT2 river and the XE Bang Fai areas as well as more broadly in the Mekong...(emphasis, ours)”*

3. Dave Hubble from Towards Ecological Recovery and Regional Alliance (TERRA) identified himself as a person involved in an independent analysis of EIA, a

representative of fishing communities along the Mun river, and an independent researcher on the economy of those communities. To him, studies conducted both in Thailand and in other countries explicitly stated that the EIA did not appropriately investigate the potential impacts on fishery of the Mun river before the building of the Pak Mun dam. Despite that, the World Bank proceeded to sponsor the project claiming that all studies were appropriately conducted and the impacts would not be great (thus resolvable). Hubble indicated that, to date, a lot of people have been negatively impacted by the World Bank's decision on the construction of the Pak Mun dam, and in the past ten years, the World Bank has not taken any action to improve its method of approving and reviewing development projects. Inappropriate steps are still employed in its environment and social assessment studies. Decisions made on the basis of those incorrect studies thus far have resulted in people being economically and socially damaged. Hubble stated that the World Bank, once proposed any project, will support it without taking anything into consideration. He also stated that the assessment studies are just a matter of formality and have never been taken seriously. They were done without sincere motives. Hubble concluded,

“This is why the environment assessment and management plan for NT2 is such a great concern to me. Throughout this document (put out by the World Bank) including the social development plan, one can turn to one page and see prediction of major negative impacts on the fishery on Xe Bang Fai. One can turn to the next page and see the proposals that there will be many benefits. The separation of Xe Bang Fai from the rest of the system will have impact only Xe Bang Fai mainstream. (The study) ignores the fact that fish and aquatic animals move between the mainstream and the tributaries. However, according to the social development plan vol. 13, chapter 32, livelihood impact is “collapse of food chain in the Xe Bang Fai mainstream because of the increase of water gap, river bank erosion or fluctuation of the river in the dry season.”

Hubble also reminded that though there were only 50,000 people immediately affected by the project, there were 20,000 more in the basin who were somehow

connected to the entire aqua systems. These people would inevitably be impacted as well.

- Considering that this workshop is on NT2 project, data on the Pak Mun was not considered relevant. Dr. Manolom who represented the Lao DPR stated earlier in his answering to Dr. Tyson's question that the Lao PDR is open to additional comments and information.

4. Suwatta Boonmee whose life has been affected by the construction of Sirindhorn dam said that the construction had negatively impacted inhabitants of the area. Livestock have been destroyed. The land has been inundated. This participant asked that the government of Laos to take her point into consideration. She basically asked the concerned authority not to repeat the mistake of the Sirindhorn dam, so as to prevent Laotian people from being in the same situation she has been.

- Dr. Manolom concluded the session by stating that studies on all aspects (fishery, deforestation, sediment, etc) were conducted and information could be made available. Ian Porter added that the World Bank had seriously taken into consideration that the project would affect the area both upstream and downstream and it is open to additional comments and information from all parties.

5. Srisuwan Kurnkajorn, Secretary General of the NGO-COD, expressed his view on three points. They were: 1) the prejudicial framework of the workshop, 2) the economic benefit of the project to the Thai people, and 3) the need for the World Bank to organize another workshop to cover perspectives not included in this workshop. For viewpoint one, Srisuwan stated that the NT2 project presupposed that the project would be beneficial and the workshop started on the basis of such presupposition. Therefore, it was prejudicial in nature (in the sense that not all affected parties were made aware of their loss and benefit). To Srisuwan, the Thai scenario should be included (how Thais would be affected socially, economically and environmentally). All documents (economic suitability of the project) should be made available. For viewpoint two, Srisuwan claimed that Thai people would be economically taken advantage of since they had to pay for imported electricity which was more costly than the locally produced one. For viewpoint three, since the consumers were not made aware of this fact, he stated that another workshop was needed. He also submitted a written letter covering these viewpoints (Appendix---).

- Porter reacted to Srisuwan's comments by informing the audience that there would be an opportunity in the afternoon to begin discussion of the economic analysis of the project. He stated,

*"I certainly agree with you that of course that is absolutely fundamental to any decision as to whether this project is a sound project and certainly is it fundamental to any decision by the World Bank Group and the ADB to support this project. In contrast to the safeguards documents which have been available for quite some time now, the economic analysis documentation has only become available recently. In fact, some of it is still not available. So, as I indicated in my presentation, we expected that there will be more meeting following on to this one, and I certainly agree with you that we should organize a separate meeting to talk further about the economic analysis of the project. So, when we come to the presentation this afternoon, we should see it as an introductory session to present some of the information to all of you, **but we will work hard to have a follow up meeting specifically on those issues.** (emphasis, ours)"*

To wrap up the session, Dr. Juree Vichit-Vadakan, the workshop moderator indicated descriptively that in this session the reality of the Lao PDR was presented. As presented by the Lao PDR official, the NT2 project's main objective was to eradicate poverty of the people. The World Bank has expressed its openness and willingness to incorporate comments (additional from what it has already had) and has stated that mistakes from previous projects will be avoided.

II. Project Technical and Safeguard Aspects

In this session, two brief presentations were given (one by Kasem Sanidwong and Jean-Pierre Serusclat and the other by Bounsalong Suthidara).

Presentation of Kasem Sanidwong and Jean-Pierre Serusclat

Kasem Sanidwong, NTPC director, began his presentation by telling the audiences that there were a lot of studies done (especially on fishery) on the NT2 project. The main issue regarding NT2 project, according to Sanidwong, was whether it brought about sustainable development or not. The project, he said, has taken into

consideration environmental issues. The studies were done 10 years prior to the start. The results of all studies were taken into consideration in every step (designing, resettlement, etc.). For instance, there was an engineering feasibility study which aimed at finding warp in the designing process to avoid negative environmental impacts. The NTPC took the study results seriously. For instance, water way was detoured so that its route would not pass through community. The site of the hydropower plants was moved from its original place to a place farther away from a community nearby to make waste management easier and free of impact on people. In doing all these, the cost inevitably went up.

In addition to conducting many studies on all aspects, the NTPC systematically categorized the environmental impacts predicted into three types, the pre-construction, the during-construction, and the post-construction impacts. The potential impacts have been in the best ways possible mitigated. As far as social impacts are concerned, there is a study on how resettlement will affect the resettled persons and there is also a study on environmental protection strategies. Sanidwong pointed out that, from all the efforts, NTPC had tried its best to integrate sustainable development in every phase of the project. The Lao PDR has also formed a panel of experts which consists of many objective people with experience in many international environmental projects. At the same time the World Bank has set up another committee, the International Advisory Group (IAG). Sanidwong explained that IAG differed from POE (which reports to the Laos' government) in that it was dependent. According to him, the World Bank established IAG to oversee and monitor the project since its conception. IAG so far has made a lot of recommendation regarding the wrongs and rights the project has done. There is also suggestion that the NT2 project have another independent monitoring agency to monitor the project before, during, and after the project, i.e., to ensure that it proceeds according to plan.

Presentation of Jean-Pierre Serusclat

Jean-Pierre Serusclat briefly outlined the merit and complexity of the project. He stated that the NT2 project was a cross-border project and this had some implications. Regarding the design, technical, and economic interests, this project was new. As such, details on many aspects are still not yet available. But he indicated that analyses of the environment and social impacts that have been carried

out and the mitigation measures which are scheduled to be implemented will be detailed. Additionally, the contribution of this project on Lao development would be highlighted in the analyses.

Serusclat added that the Lao PDR would generate the electricity, 95% of which would be delivered to the Thai system. The NT2 project, he explained, was developed in a form of Build-Own-Operate and Transfer scheme by the NTPC, a private company which conducts its business cross-borderly, with some companies from Thailand, Laos and France. After the 25 year concession ends, it will be transferred free of charge to the Lao PDR.

Another characteristics of the project, according to him, was that the Mekong Secretariat identified in the early 1970s this scheme as being a viable one. In the 1990s, the UNDP provided funds to undertake feasibility studies which confirmed the economic and financial viability of the project and recommended that the development be undertaken by the private sector. This was the reason why the NTPC got involved in the project. In 1993, the government of Laos decided to develop the project under this scheme and invited the World Bank to help build up the development framework. Finally, the company got concession in 2002 and signed the 25 year Purchasing Agreement with EGAT and EDF in late 2003. As of now, financing, social and environmental safeguards issues are being worked on. This workshop was part of the work phase. Serusclat informed that the commissioning was expected late in 2009. This ten-year phase would allow the NTPC to have an in-depth look at the environmental and social impacts of the project and to try to work out necessary mitigating measures. He stressed that NTPC was committed to avoid, minimize, and mitigate anticipated social and environmental impact as best as it could.

As far as local consultation was concerned, he indicated that the processes started in the mid 1990s. Now the company is working on the safeguards documents to consult the local people and all the results would be integrated into the plan together with the outcome of the Bangkok workshop. Informing the audience on the progress of the project, Serusclat said that the project has undertaken a huge resettlement program in the reservoir area by developing studies, surveys and a pilot project on the Nakai Plateau. The resettlement program is not a one shot program, but a long term one. All necessities are provided by the NTPC. At the watershed area,

the project is developing with the government of Laos the protected area which is called the NTCNPA. The aim is to support bio-diversity conservation in the region

Presentation of Bounsalong Suthidara

In his presentation on Social and Environmental Framework and Operational Plan (SEMFOP-1), Bounsalong Suthidara, Deputy Director of the Watershed Management Protection Authority (WMPA), gave a brief summary on the goal of SEMFOP. He said the plan was created to protect the NT2 watershed area and its forests, habitats, wildlife, and bio-diversity. In safeguarding inhabitants of the areas, aspects of livelihood, culture and well-being of people were taken into consideration. Suthidara detailed that SEMFOP was a culmination of years of work with comments and suggestions from the government, local communities, developers and sponsors, independent consultants, international consultants, and NGOs. In brief, the SEMFOP's findings came from all parties involved. Suthidara added that the plan is still in progress which means that more comments and suggestions can still be incorporated. Working with Watershed Management Authority (WMA), SEMFOP adheres to the principles which insisted that, in the course of the project construction, there will be no deforestation, no selling of wood, animals, minerals. Most importantly, there will be no reduction of forest areas. Suthidara emphasized that there would be no roads because from previous experiences, road was the main factor that destroyed forest. He stressed again that the main objectives of SEMFOP were protection and rehabilitation. The bio-diversity conservation aims at development of a national park and eco-tourism and research, as well as to build the capacity of local staff and villagers. Also explained was detailed future management of the watershed areas. Most important of all is the fact that there will be an auditing unit to ensure transparency and accountability of the organization. The project will balance development and conservation. In managing this, NTPC will provide US\$ 1 million per year for 25 years.

Questions, Comments, and Answers

Many comments were given and many questions asked in this session. They were both fully and partially addressed.

Fully addressed question

1. Veerawat Taeprasert commented that despite Sanidwong's claim that a large amount of data was available, outsiders had difficulties accessing them. This showed that the proponents were not ready for the workshop. As an expert in wildlife and forestry, Taeprasert stated that the proponents did not realize how important the forest of the NT area was. The study carried out by the proponents mentioned only 38 species of animal, while, in fact, there were 115 species in the area. There was no mentioning of elephants and white wing duck at all. As far as the issue of elephants was concerned, the area inhabited by them would be inundated. The construction of the dam would block the pathway of elephants. This would preclude them from cross-species breeding, which would, in turn, lead to genetic defects which could possibly lead to extinction of species. In addition, Taeprasert asked how conflicts between resettlers (in the new area) and animals will be resolved. More importantly, he asked if there was any study on the impact of the project to other forest areas (since all forests are interconnected).

- To the questions and comments above, while the proponents did not respond in detail, they stated that habitats of a number of species would be preserved, and for this reason, all species would be automatically preserved.

As far as the Nakai Plateau and elephants were concerned, the NTPC acknowledged that the place was a habitat of the elephants mentioned. The elephants are moving from the Naki Nam Theun to Phon Phon NPC. As such, the project proposed that some corridors between the protected areas be made for movement of the elephants. In so far as conflicts between human and animals are concerned, it is looking after the problem and has made some investigation and will start soon to find appropriate ways to reduce the conflicts. In addition, the project realizes that there are two categories of impacted inhabitants, the primary (4,000 in numbers) and the secondary (10,000 in numbers). Measures have been taken to mitigate impacts on both.

Regarding the question on forest interconnectedness, the NTCP gave the fact that in the reservoir area more than 50% of the forest was degraded forest and only 17% of the forest in the Nakai Plateau was good forest. This fact is stated in the EAMP document and more information could be found there. The impact of the project on different natural habitats has been studied and thus quantified. The detailed result of the study can be obtained from the website.

2. Question as to how seriously Thailand was short of energy arose. One participant asked whether Thailand was in such a great need of power that it had to push for the project of this magnitude in the Lao PDR.

-The representative of EGAT answered the question by stating that Thailand had power shortage and had had to import power from the Lao PDR for some time. However, the need depended largely on consumers' behavior, but as of now, people use more power than EGAT could possibly supply using only energy source in the country.

3. A participant questioned the transparency of the NTPC. Specifically, he asked if there was any conflict of interest between shareholder and between sellers and buyers (EGAT and EGCO).

- Serusclat from NTPC stated that the issue of conflict of interest was a part of the project development. Conflict of interest has always been an issue of concern in any project. The case of NTCP, in particular, is more complicated in the sense that it is a cross-border project. Serusclat ensured that there was a balanced sharing of all benefits between the sponsor, the Lao PDR government, and EGAT

4. France Constant (Asia Energy Resource) added a comment regarding conflict of interest. To him, EDF was sitting on both sides as a shareholder of NTCP and as a main contractor (with a deal of US\$ 600 billion contract). He asked if there was any measure set up to guard against conflict of interest for the project.

- Both EDF and the World Bank responded to this question. Jean-Pierre Serusclat, who represented both EDF and NTPC, replied that EDF was a supervisory body set up to take risks and responsibility of the price and the quality of the project. The construction contract, however, was made up of five sub-contractors. The bidding process was done transparently in accordance with the stipulated procedures. Serusclat added that more details on how the head contract was constructed were available. EDF, he concluded, was the head contractor while NTPC was the owner of the company.

The World Bank added that cost and procurement were issues that it took seriously. Thus, it would guarantee the project by taking into consideration the question of economy and efficiency, not the question of international competitiveness bidding. The representative who was assigned to talk about this issue said

“... We have a very detailed procurement data of the head contractor and subcontracts... we have consultants who are experienced in hydropower projects. Before considering the documentation provided by the head contract, there was very full and frank exchange between EDF and consultants... a panel of consultants (highly experienced in hydropower projects) was set up to scrutinize the contractors that sent in their bids. There was an estimate price calculated to ensure that each bid was neither too low nor too high... They basically came to the conclusion that they felt that in some cases the sub-contract is below what they estimated the cost would have been. In other cases, they were about the same. And in a few cases, they were somewhat higher specifically in couple of points with regard t the head contract, and they made specific recommendations about minimal adjustments in the cost. When I say minimal, I am talking about a range by million dollars.”

5. Vittawat Piengkeaw, a local villager, questioned the ethics of the resettlement pilot project. He said the proponents did not conduct a full study how people’s livelihood would be affected. Rather, it arrived at all conclusions on the resettlement pilot project which experimented on the lives of people as if they were guinea pigs. As such, the importance of people’s original and traditional way of life was largely overlooked. The question asked was to what extent the people voluntarily participated in this pilot project.

- A representative from NTPC clarified the issue by explaining that the resettlement process was not a short-term experiment. The process started five years earlier with some pilot families. Prior to the resettlement, there were surveys on geography, soil, and village’s social make-up. The survey also included needs analysis of the people. Only when the process was successful would the rest of the villages follow suit. The first step was done to ascertain that all people were **least** negatively impacted and that they had better ways of living in the future. There were also formal and informal evaluations of the project which were done semi-annually and annually.

6. Chakapong Tanaworapong from the Network of Environment and Natural Resources asked if there was any guarantee from the proponent camp that the

livelihood of Laotians would be improved (should the project finally be approved). Since the government stated that the project would reduce poverty, there should be a guarantee. People would not trust that such would be the case judging from the past experience in Thailand.

Dr. Manolom from the Lao PDR assured that people's lives would be better. After being resettled, the people would have four choices of mode of livelihood. They could 1) be agriculturalists, 2) work in the forest as hunters and gatherers, 3) do fishing, and 4) work as construction workers of the NT2 project.

The study, according to him, indicated that five years after being resettled, people would have more earnings beyond poverty line. He emphasized that there was a study which (and he personally) reassured that people would be better off. The study has been incorporated into the social development plan.

6. Montri Chantawong (Live and Natural Rehabilitative Organization) asked the World Bank whether it thought that changing people's (in Xe Bang Fai river area) mode of livelihood from fishing to agriculture would be sensible and viable. He added that the lessons from the Pak Mun project informed us that people affected could not cope with their new mode of livelihood.

- The World Bank representative who answered this question stated that he was not able to comment on the Pak Mun experience since he was not involved in that project. Not ignoring the Pak Mun experience, however, this representative stated that that the World Bank asked the developers and the Lao PDR government to undertake an analysis on social and economic survey of Xe Bang Fai people to ensure that the project did not simply change fishermen to farmers. Rather, the project (and the World Bank) insisted on taking a proactive process which integrated both fishing and agriculture. Xe Bang Fai people at present are practicing both fishing and agriculture.

7. A question on the amount of water flow was raised. In the rainy season, according to Montri Chantawong, there would be seven million cubic meters of water flowing down the area.

- A representative of NTPC replied that the water flow would affect only the lower Xe Bang Fai area which was usually flooded in the rainy season. Therefore, the project will not increase flooded area. In unusual circumstances of a large amount of water, there was a contractual agreement that the dam would be shut when the water line reached a certain level. The dam would be shut for a few days, once every two

year (in order not to worsen the flooding situation). The detail on this contractual agreement is available on the website.

8. A participant from Thailand asked if there were other development alternatives which could also bring about sustainable development. This participant stated that over 50% of the forest in this area was degraded by logging and resettlement of people from the project and from forest encroachment. With such existing damage, the forest area needs too be preserved as much as possible. Allowing this project to be constructed would only lead to more deforestation. He asked if deforestation was intentionally done to give the project legitimacy to continue.

- The representative of the Lao PDR government replied that some people were confused between the Pupieng Nakai and Nakai Namtheun protected areas. They are two separate areas. The former is the area degraded by slash and burn cultivation, while the latter is a protected area. Logging was allowed between 1983-1984, but the study for the NT2 project did not start until 1989-1990. So, the cutting down and degradation of forest for logging in the Pupieng Nakai was not to pave way for the NT2 project. Therefore, the NT2 project has not damaged any forest area.

As far as other alternative for sustainable development was concerned, the Lao PDR government reiterated that it had conducted a study on options since 1997. From the study, the NT2 project was ranked first (as a project most feasible in solving poverty problem). For other options, the government had done several studies with international bodies. The conclusion was that a hydropower project, if operated properly, would create sustainable income for the country.

9. Sodsai Sangsok (the Mun River Network) asked a question on the impact on health of the people. She also invited the Lao people to come and see how Pak Mun people have been negatively impacted by the Pak Mun project.

- The NTCP said the good health and good food were important elements of any life. Some of the poor in Laos at the moment experience a food shortage problem. They could not produce enough rice for their own consumption and have had to trade non-timber forest product for rice. With the project, people could fish in the reservoir. In terms of better healthcare, he informed that there were many health care programs implemented.

A member of the audience identifying himself as a resettlement specialist indicated that the World Bank was aware of many problems brought about by many hydroelectric projects. It urged the government and people to learn from the past so

that the same mistakes would not be repeated. In practice, the resettlement process had been based on the principles set forth. The World Bank has urged the government not to be good on paper only but also in practice. So, things which were meant to be implemented would be implemented, not left on documents.

Partially addressed questions

1. Frank Constant (Asia Energy and Resource) commented that the cost of the construction which was estimated in 2003 at US\$ 600 billion might no longer be accurate since price of raw materials has increased worldwide. As such, the economic assessment of the project (the benefit) might no longer be accurate. Simply put, the benefit might not be as great as originally estimated.

- The NTPC stated that in terms of the construction costs, these costs have been inflated in the last months (due to) some increase in raw materials prices but it tried to tackle the issue by getting as many as possible firm prices from its sub-contractors.

2. Lian (Jim Company, Thailand) raised an issue of electricity production. He understood that the power generated by the project would be sold to (hence purchased by) Thailand only on weekdays, not weekends. If such were the case, he asked how the fluctuation of production would be mitigated. In the case that the power generation had to be stopped for two days each week, the NTPC could not possibly regulate the river as it wished.

-A representative from EDF admitted that the power generating station was to provide power to Thailand around 16 hour/day, and it will probably be closed on the weekend. To prevent pond regulating problem, he said, there was a design called the regulating pond to moderate the fluctuation. For normal operation, the regulating pond will be operated. In an unusual operation, EDP could ensure that fluctuation of the river flow would not harm the people. The timing of the fluctuation will be enough in order for the people to be aware that things are moving.

3. Dr. Tyson Roberts stated that the problem of immigration of population from China and Vietnam was also important. With the roads built, people could conveniently migrate to plateau to practice slash and burn cultivation.

- The Lao PDR representative answered that at present there were no immigrants from the two countries mentioned. The question as to whether there would be any in the future was not discussed.

4. Soraya Salsavala from Friends of Elephants expressed her concern about wildlife. She stated there was evidence that some Thai people crossed the border and set up elephant camps in Laos to train elephants placed under captivity. This suggested that there were illegal sellings of animals.

- To this issue, the Lao PDR government conceded that it was not in the position to give any comment due to its lack of information.

5. Vorasak Navaratsujit, an independent researcher, commented that if the project were constructed, there would be a big labor force setting up camps at the construction site. In the past experience, there were evidences of construction workers sexually harming local women. Navaratsujit asked if there was any plan to guard against sexual harassment problems.

- A representative from NTPC replied that the government was fully concerned about such potential risk during the construction. There existed binding commitments between the NTPC and the government that problems of this nature would be avoided. There is also a plan which is being worked out.

Concluding this session, Dr. Juree Vichit-Vadakan stated that the NTPC had described how it intended to integrate into the project as best as it could the environmental and social concerns forecast by careful studies carried out by different researchers. Other concerns added by members of the audience of the workshop would be taken into consideration and necessary mitigating measures will be issued in a best possible way.

III. Local Consultations

Two presentations were given; one by Anek Nakabutr and the other by James Chamberlain. Both Nakabutr and Chamberlain are independent social experts.

Presentation of Anek Nakabutr

Anek Nakabutr provided information on local consultation process. He began by discussing three major issues (The process involved participation of local people, the ways people participated were proactive, rather than inactive and how people responded to the consultation process).

For participation of project-affected people, Nakabutr mentioned that linguistic difficulties arose because people came from different ethnic backgrounds. In addition, with linguistic diversity, the safeguard documents (most of which are

written in English) became even more difficult to understand. They needed to be made easy to understand in local languages. These documents were made available in Lao. But pictures were also used as a means of communicating concepts, ideas, and propositions. Furthermore, local consultations could only be done in the dry seasons. In the rainy season, it took three days to get to the area.

In the process, the consultation team first employed the 'tactic' of "talk to all". When all understood the reasons for local consultations, the process was shifted to "all to talk". When all talked, they talked among themselves, to the consultation team, to government representatives, and others. The dialogs usually were in the form of small groups. Village facilitators were used. They were trained by the consultation team and were members of the local communities with knowledge of local language, culture, and social organization.

In terms of the principles and methodology of the local consultation process, the consultation team adhered to the principles of transparency, balance, and meaningfulness. The criteria used were inclusive, involving both males and females and people of different ethnic background and socio-economic status. Dialogs were multi-parties in nature. Any consensus reached was mutual consensus. The process of local consultations was monitored by an independent body created to ensure transparency. Major concerns were all discussed, and everybody got to voice his/her concerns.

In so far as how the project proponents responded to the voices of local communities is concerned, the local consultation team divided questions and concerns according to areas (watershed PI2 area, reservoir area, downstream XBF area, and project consultation area). The NT2 proponents responded first to the village-based local consultation. The responses then went up to the community level. Ideas elicited at these two stages are put in the safeguard documents, and lastly there is a follow-up to see that all concerns voiced are being incorporated into the project.

Presentation of James Chamberlain

In his presentation, Chamberlain discussed how the local consultation process of the NT2 project was assessed. In ensuring the quality of the process, four questions were posted. They are 1) whether the process worked 2) whether people participated, 3) what lessons have been learned, and 4) what is to be done further?

For the first question, three criteria were used to check if the process worked. They are 1) transparency, 2) balance, and 3) meaningfulness. In checking if people were participating, observations were made. Pictures of villagers gathering in small groups were shown in the technical workshop to ensure that they, in fact, participated. As far as lessons learned are concerned, the assessment team concluded that, based on the local consultations held so far, the lessons that emerge are 1) governmental staff changing their attitudes, 2) villagers feeling more sense of involvement, 3) all negative views being shared and 4) an increase in ethnic awareness that different ethnic groups had different needs and that small minority groups (such as "yellow-leaf people") needed to be given special attention.

Questions, Comments, and Answers

Fully-addressed questions

1. Dave Shuttle (Watershed) asked why the local consultation team worked only with 130 villages, while there are 311 villages in the area.

- Nakabutr replied that, from the study on impact, the project would affect only people on the mainstream (130 villages), not those on the wetland. However, the team talked to 66 villages in the inner land (who do not live but only fish in the mainstream).

2. David Blake, an independent researcher, asked whether it would be possible to take the people of the NT2 area to see what other people affected by other projects (in Thailand and Laos) had to go through. A question was asked if both negative and the positive sides of the story were presented to the villagers. From the experience in Thailand, monitoring and follow-up groups usually disappeared within 5-6 years. People are left without knowing who to contact and where to ask for what they are entitled to.

- Both Nakabutr and the Lao PDR representative answered this question. Nakabutr replied that the villagers of NT2 had requested a tour but he did not elaborate on how the tour would be arranged. The NTPC representative mentioned that they had thought about taking villagers to see Theun Hinboun dam and acknowledged that a trip of this nature was a good idea. The government informed that a grievance system was established which consisted of three steps: the village, the district, and the province levels. If after going through the three steps and one was still not satisfied, the matter could be taken to the court of law.

Regarding information given to the local communities, Nakabutr stated that in the consultation process, negative impacts were discussed

3. A participant asked the presenter to explain how the team made sure that the process met the criteria of transparency, balance, and meaningfulness.

- Chamberlain stated that the team developed a checklist for the three criteria. Indicators of transparency are whether: 1) schedule of meeting is disclosed in advance, 2) level of the risks are made clear, 3) the villagers were prompted to say something, 4) selection of village facilitators is balanced, and 5) villagers' satisfaction reaches a certain level. Indicators of balance are whether 1) equal time was given to speaking and listening 2) all options were recognized and noted, 3) stakeholders' concerns were incorporated into the project planning process, and 4) the consultation process itself was adjusted according to the feedback. Indicators for meaningfulness are whether the team: 1) understood stakeholders' livelihood, cultures, and differences, 2) had positive attitude toward the poor, and 3) could represent the villagers' views, 4) overcome language barriers, and 5) allow women to voice their concerns.

4. A question was asked why the World Bank bothered to organize this technical workshop when it had already decided to build the dam. What was public participation good for?

- A representative of the World Bank insisted that no decision had been made and comments from the public participation played an important role in its decision-making.

Partially addressed questions

1. Srisuwan asked whether the concept of democracy was made clear to the people. He further wanted to reassure that the team emphasized that once moved to a new place, the villagers could not return to their original place. More fundamentally, did they know that their lives would change?

- Nakabutr affirmed that all positives and negatives were presented to the villagers. An advisor from NTPC added that the consultation process was an on-going process that had started since 1996. In essence, it was about information dissemination (both ways). The next step to take is to put all the concerns in the project planning process. The people had been involved in every step (e.g., house design, site selection, etc). As of now, there are continuous revisions and revisions of

documents based on villagers' concerns would continue throughout project completion.

2. Srisuwan also expressed his concern about the ability of villagers to adapt to new ways of life. They had to move from the wetland to the plateau. The ecosystem and lifestyle would be different. According to him, monetary compensation could not make up for lack of adaptive ability to the new surrounding. He said the experience in Thailand shows that people may have more material belongings while lacking psychological well being.

- The NTPC advisor clarified that changes would not occur overnight. The process of resettlement would be gradual. In the consultation process, people were urged to think both about physical and psychological issues. The advisor ensured that the consultation process is the best one so far in Laos. The NTCP, Nakabutr, Chamberlain and the government acknowledged the issue.

The representative from the government added that, based on the information from the Thai cases, many documents were revised which meant that the past experience had been taken into consideration. The government would make sure that the project bears out minimal impacts and that people would have better lives.

3. A person from the media asked if there existed statistics of the proportion of people in favor and against the NT2 project. If so, was there any ethnic correlation, geographical correlation?

- The NTPC advisor answered by saying that Thailand is more advanced than Laos, a country which has almost nothing. Laotians (in desperate need of development) therefore have positive attitude toward the project.

4. The same person asked about the beneficiary of the project. He asked if the World Bank, the government, or the investor would benefit most. Surely, Laotians wanted their country developed, but have they had any opportunity to express their ideas on how it should be developed?

- The NTPC advisor said that this was the first time people had an opportunity to participate. Their views were heard and attended to. It was difficult to state clearly who would benefit more or less, but overall life would be better for them. More specifically, the government informed that the project would create jobs. People would have more options. They could also fish, cultivate, and engage in forestry activities.

Dr. Juree Vichit-Vadakan wrapped up this session by pointing out that the local consultation process had elicited people's ideas. The government is still welcoming more suggestions. Any visit to and from Thailand would be welcome. The government and the project at this point had given information to the local communities and had been open to all concerns.

IV. Economic Analysis and Revenue Management

Presentation of Mark Segal

Mark Segal, an independent power economist, said that all the comments in the morning sessions – whether or not the project was economical, whether the cost of the project was too high, whether Thailand really needed electricity, why Thailand had to import electricity from Laos and whether the economic analysis was accurate-- were questions given to him by the World Bank as he came in to this project to be a consultant on these matter. The main purpose of the NT2 project is to export electricity to Thailand and to meet the electricity requirement in the Lao PDR. However, evaluating a project encompasses many aspects which included direct cost and benefit of electricity purchase, the associated and quantifiable environmental, and social impact. The project can also have cost-benefit that cannot be measured in any currency. His role, however, was limited to looking at cost and benefit that *could* be quantified.

Two main questions needed to be answered. The first question is whether the NT2 is a part of a least-cost power system expansion program for the Thai and Laos power system. The second question is whether the project offers sufficient added value. To answer the first question, perspective of supply management in this market, realistic prospect for the management, all realistic alternative resources including hydro and non-hydro renewable resources like solar, gas, etc have to be considered. It is shown that for the past eleven years (1993-2003), Thailand's electricity demand has exceeded the country's GDP. The demand of electricity is still increasing even though the economy is declining (during 1997-1998). Average annual GDP growth was 3.1% and electricity demand was 6.5%. In 2003, GDP grew by 6.7% well above the 5% range previously forecasted.

Then, we will look at the commercial marketplace to test whether the project is commercially sustainable. The project cost is USD 1185 million-- USD 675.9

million is construction cost, USD 135.9 million is development cost, USD 69.9 million is environmental and social cost is USD 302.9 million is financing cost.

For the distribution of benefit between the financial supporters--the government of Laos, bankers and other shareholders, the government will get USD 248 million, the non-government shareholders get USD 328 million, and the external sponsors will get USD 455 million because of the large size of debt.

Over the life of Power Purchase Agreement (PPA), the government would earn almost USD 2 Billion dollars. At a 10% discount rate, the present value of government return is in the range of USD 250 to 260 million

Presentation of Adrian Fozzard

Adrain Fozzard, Senior Public Sector Specialist, gave the overview of NT2 revenue management; what the government was going to do with the money get from the revenue of the project. The rationale of the project was that the government would receive the revenue. It was shown that in 2003, budget of the government for education and health was almost eight dollars per capital and 4.25 dollar per capital, respectively. The impact of the money is interesting. Increases in spending contributed to improvement on development outcomes and the achievement of millennium development goals.

To achieve the development outcomes with the revenues, a number of conditions need to be satisfied. The first condition is mobilization of domestic revenue, raising more money for the government budget to spend on good poverty reduction and environmental protection programs. The second condition is that the government will use money to prioritize poverty reduction and environmental programs. The third condition is improvement of transparency and effectiveness of expenditure management. The fourth condition is the improvement of public services. He further mentioned that the project had significant revenue impacts. The year 2010 will be the first year for the full revenue. In 2011 the revenue will be USD 20 million.

There are three objectives of revenue management. The first objective is strengthening public expenditure management system and support on-going reforms. The second objective is allocating NT2 revenues to priorilize poverty reduction and environmental protection programs. The third objective is ensuring transparency in mobilization, allocation and application of NT2 revenue.

Related to the strengthening of the public expenditure management, the government has to include specific measures to improve transparency, expenditure planning, budgeting, accounting, financial reporting and auditing. A lot has been done by institutions like IMF, ADB together with the government. Studies have been conducted on the government's financial management system, findings of which helps the government to identify key factors that can be used to improve effectiveness and transparency of the expenditure management system. At the same time, the capacity building with the Ministry of Finance is considered. Systems to ensure the compliance of rules and regulations will be in place. There are also the development of new regulations, management system and controlling system above the central and ministerial level. Extensive programs for capacity building will be implemented both in the central and provincial levels.

The second objective is in terms of allocating NT2 revenue. The government is asked to identify what priorities are in poverty reduction and environmental protection programs. It will spend the money on education, health, rural infrastructure and agriculture. Then, to recognize the flexibility for long period of time in which conditions can change, the government has to identify what it is going to be spent for 5-10 years. Besides method of spending the money, issues like the quality of financing management of institution receiving funds, monitoring framework of the institutions and their performance are also required. In addition, framework on how revenues generated will be allocated to various programs is provided. The government has to use the annual expenditure planning and budget process to allocate the revenue between the priority programs. Financial report system should be in place to verify application of NT2 revenues. Basic systems are already in place. What is needed is to further refine and strengthen the systems to ensure that they are operated effectively.

The third objective is ensuring the transparency. Together with the government, required transparency safeguards are identified. One of the key element is "did the government get the money?". There have been timely publications of financial information. It is comprehensive information prepared by the government. Therefore, the public can understand the detailed allocation of resources. Preparation of executive reports and financial statements for priority programs are also identified. Regular audit and inspection of priority programs and development of internal mechanism to enforce compliance with transparency safeguard are needed. At the

same time, the World Bank has the role on monitoring the implementation of the mechanism. It has the programs on regular public expenditure reviews; how the government manages the money. Other technical work will be undertaken on a regular basis like country financial accountability assessment. This is a taskforce which runs jointly with the government. There is going to be an expenditure tracking survey next year. Further work in that area will follow up. Service delivery survey, which identifies the impact, on whether the money actually has the impact on the development outcome, is so important.

In conclusion, it is important to take a very broad view when analyzing a project. It is not just analyzing the impact of the project in the project area. It is also important to analyze the impacts in terms of the development impacts for the government budget, how the government programs will be implemented over the medium/long term.

Comments, Questions and Answers

Fully addressed questions

1. An economist participant asked what alternative power source was for the Northeast to support the growth of 5-6% at current distribution of power demand?

-A representative from the EGAT replied that one of the power supply sources in the Northeast was Ubonrat dam. In addition in Nam Pong, there was a gas turbine, but the gas from it is running out. EGAT was highly concerned about finding adequate power supply for the Northeast. It relied on gas because oil was expensive. Implied was that hydropower made the most sense.

2. Pongsak Samancha, a participant from the business sector in Bangkok, stated that, in a meeting organized by the World Bank earlier this year, the issue of alternative sources had been raised. Then Ian Porter promised that the World Bank would look into this. In reality, however, the World Bank had commissioned somebody to do it.

-Porter of the World Bank replied that the World Bank had looked at the demand and renewable power. It was found that renewable power was more expensive. Mark Segal added that one could look at potentials and critical factors.

Raw materials used for production of renewable power (sugar cane, rice, etc.) are expensive. The NTPC had extensively discussed the matter with the EGAT.

3. Andrew Pandem asked 1) how many of the discussed reform programs were now in place, 2) how could the World Bank ensure that the government would comply to those programs, and 3) how big was the corruption issue in Laos (in the opinion of the World Bank)?

- Both a representative of the World Bank and that of the Lao PDR answered these questions. The World Bank's representative informed that the Lao PDR government had identified the comprehensive reform of NGBS. The World Bank had a good track record in terms of implementation, structure adjustment operator, financial adjustment credit. The track record was closed with all conditions fulfilled. There was also program implementation with the IMF. As of now conditions related to reform are completed. The World Bank is preparing the next round of action on capacity building with the Ministry of Finance. The World Bank emphasized that it monitored its program closely and that it combined the monitoring program with how problems were identified. It supported only programs which were implementable and achieved the objectives set.

The Lao PDR government said that in order to strengthen its revenue management, financial adjustment credit had been completed in May. The government came up with a treasury reform strategy. It hired consultants and is now working closely with the IMF. As far as corruption is concerned, the government has implemented anti-corruption decree and has tried to enforce it. The World Bank also has tight regulations on procurement procedures. To prevent corruption, the government has established a Procurement Monitoring Office to oversee the problem.

4. A participant asked a question by referring to the Thai document (distributed) page 47 which deals with economic prediction. This participant pointed out that compensation for Xe Bang Fai area did not include irrigation and agriculture. To him, these benefits required extra investment and it was not included in the project. If it is to be included, how would it affect the figure stated in the presentation?

- Segal replied that US\$ 120 MM. was set aside for social and environmental costs. Such costs were proxy. In reality, he said, this was not necessarily true. The accurate cost-benefits depended on individual calculation of each project. All the

calculation work is still in progress and once completed would be integrated into the total framework. As of now, he was not sure how it would affect IRR. The figure could go up or down.

Partially addressed questions

1. Witoon Permpongsachareon of National Economic and Social Advisory Council questioned the accuracy of the power demand predicted by the EGAT. According to him, the EGAT had over-predicted the demand and this led the EGAT to jump into an unnecessary investment on power generating sources. To Permpongsachareon, EGAT estimated that in the year 2004, Thailand would need 19,600 MW of electricity (while, in fact, it needs only 19,326 MW). This means that the EGAT over-estimated the need by 274 MW. Furthermore, he said, the estimation was done on the basis that the country's GDP would grow 6.5% annually in the thirteen consecutive years (the scenario of which is highly unlikely). In addition, in the national strategic plan for power resource management, the government indicated that it would try to adjust the ratio of power consumption not the GDP to the level of 1:1. The EGAT, however, estimated the need at the ratio of 1.3:1. All needed to be taken into consideration in estimating power need in the future. With an accuracy estimation, Permpongsachareon said that the EGAT can better plan its power resource development strategies. Implied was that the NT2 might not be as essential as originally thought.

A participant supported this comment. Saying that Permpongsachareon's observation was valuable, this participant stated that the presentation made was dubious.

-A representative from the EGAT replied by accepting Permpongsachareon's report as another alternative. He informed that the numerical data in his presentation were not a prediction, but a reflection of the power in the recent history (eleven years period). To him, one could not accurately forecast the demand. As such, the EGAT has relied heavily on risk management. Not admitting that Permpongsachareon's doubt on his prediction was right (or wrong), he simply said that forecasting power demand was difficult, and the EGAT has used the best data and principles in making prediction. Models and software have been used to aid the EGAT in this endeavor. Segal mentioned that his first slide (showing the Thai electricity demand exceeding GDP growth) was not a forecast but the historical record of the last 11 years. The

predictions he used in the economic analysis were the 2002 forecast which have already been exceeded by 2004 figures. Segal, being objective, also said that while no one has a clear view, he would be the first to assert that there is a large range of uncertainty over any forecast. He also suggested that one could do risk analysis to see if an investment is robust enough to cover the range of uncertainty.

2. Boonlai Sawadee, a participant whose live has been affected by the Lamtakong generation plant, stated that the EGAT, before building the plant, sent a public relations person to tell them that if the Lamtakong project was successful, there would be no need to import power. Such is not the case now. This means that people of Lamtakong scarified their environment and livelihood for nothing.

-No comment was given from any party involved. The question was left unaddressed.

3. Vithawat, a villager, asked the EGAT if building dam was the only way to generate power. He asked whether other options (which might not have to be a mega-project) were available. To him, the proponents only looked for a big project. Energy advisors of the EGAT might need to change their attitudes (looking at small-scale energy sources). And Dr. Tyson Roberts commented that the World Bank came from a wrong paradigm. The fact that we used a lot of energy did not mean that we should find more sources. To him, we are unnecessarily overusing energy. The approach should be trying to reduce energy use, not to build more dams.

- To this issue of energy source, Robert Mertz of the World Bank said that the Bank was looking at and studying this issue. From the economic point of view and in terms of competitive cost, renewable (energy sources) are much more expensive than hydropower and gas turbines. Segal added that the issue depends critically on several factors. Questions do arise as to how much it (renewable energy) costs, how can it be financed, whether institution arrangements exist to make it happen. This has been discussed extensively with the EGAT, and there was other works on this issue. There may well be at least 1,000 MW that could be done roughly competitively with the NT2 or with gas turbines. To use renewable energy sources, one also needs to ask how much raw materials would be needed and in case that a large amount is needed, do we have enough supply to meet the demand. Segal, in essence, cautioned that we be realistic when discussing this issue. EGAT also informed that it was obliged to supply 5% of the demand made upon it by using renewable sources. As for Lamtakong, the representative from EGAT informed that NT2 was not supposed to

complement Lamtakong power to improve power supply in the Northeast. In essence, they were by no means related.

4. The Time magazine asked Fozzard regarding revenue management. He asked how many reform programs discussed have been in place, what assurance the NTPC had for the Lao Government to secure that all promises made would be kept, and whether corruption was a big issue in the Lao PDR (this question was directed to the World Bank)

- Fozzard replied that the government had identified the fairly comprehensive program in the context of NGPES. It had a good track record in terms of implementing structural adjustment operation. The Financial Management Adjustment Credit was closed with all the conditions fulfilled earlier this year. There is the program and the implementation with the IMF. The Poverty Reduction Growth Facility is under review at the moment. To date, all actions deemed necessary have been completed. What is being prepared now is the capacity building program with the Ministry of Finance. By the end of the year, agreement is expected to be reached as to what specific actions will take place. Fozzard also noted that in terms of what assurances the government, the World Bank is monitoring the program closely to ensure every promise is kept. The monitoring is combined with analytical work to see where the problems are. The main implementation of these programs are identified with holistic reform objectives. So, it is not a matter of checking off what has been done. Rather, it is a matter of trying to prepare a program that is implementable, that will achieve desired objectives. Under FMAC, the most recent program has yielded good results.

Tipakorn of the Lao Ministry of Finance responded to the question on corruption. She said that the government has been working hard to strengthen revenue management mechanisms and the public expenditure management. She said,

“I don't think we have such a bad record on corruption. In every country, there is corruption, but from the Lao government, we have been implementing a decree on anti-corruption (like in other countries). In addition, the World Bank has got its own guidelines regarding procurement and everything. One of the actions to ensure fight against corruption is that the Lao PDR has its procurement monitoring office established. That office is operative now.”

Final Remarks

Dr. Somboune Manolom thanked participants for their valuable comments and said that this kind of workshop was a really challenging process and new to the Lao PDR, but it was natural to have different opinions. And this workshop was highly beneficial. It allowed him and his colleagues to communicate directly, particularly, with those stakeholders who do not have a chance to come to Laos. Those parties interested in the NT2 project also gained more insights. It allowed information and ideas to be exchanged, and mutually understood. It was important to listen. The team will take what was said today to the next workshop in Tokyo, Paris, and Washington. He encouraged all stakeholders to stay in touch after the workshops and continue to give constructive and good advice on how to prepare the NT2. He also invited interested participants to attend the Vientien workshop on September 24. Ian Porter thanked the participants for their active participation.

Dr. Juree Vichit-Vadakan's concluding remarks at the end of this workshop:

It is indeed difficult to summarize what goes on today. It is very diversified. Even though some comments may have been repetitive at times, nevertheless I will try to go over some of the concerns. Some of them have been answered and some have not been fully answered. Some will be further explored.

There have been comments on how this workshop will affect the World Bank's decision to support this project. The answer to this was clearly given that a series of workshops will be conducted in different places around the world. No final decision has been made yet according to the World Bank. There are assurances that further discussion is possible. There were issues on who will benefit from the project. The representatives from the Laos PDR Government have answered quite well in terms of who will benefit. The Laos PDR government sees that the project will provide possible options that the project will make possible so many programs that will be useful to the country. There will be some effect of the NT2 on larger ecology as recognized by the Laos officials. Studies have been conducted to provide clarity on the impacts on the environment.

There are concerns that if the loan for this project is approved, it will encourage more mega projects along this line. I think that this has not been fully answered. Now there are concerns about power needs and there are a lot of debates about the exact or correct figure of power needs. I don't think that we have definitive

answers which will be proven by further study. It has been addressed by many parties. But forecasting is a difficult issue. When there is a power shortage, the people will cry and yell for more power and will ask why it is not there. Khun Witoon's paper will be put in the report for further deliberations.

Now, on the resettlement issue. The question was "will resettlement cause further forest encroachment in other areas". The answer given was "no". People will move a few kilometers from the previous area. They will not practice slash and burn anymore so there will be no more destruction of the forest.

Next, the issue of conflict of interest between different parties are raised. The answer was that one party will be the subcontractor of the larger party. I am not sure whether this kind of answer will satisfy some of the audience here. Another question on resettlement issue. In fact this has been ongoing in different periods of time. In the latest one that we heard today, things are more of a bottom-up process. Even though it did not cover all the villagers concerned, there have been some indications that more of the mentioned process will be conducted to cover more people. Related to the changing of livelihood from fishery, the answer was that even today the people do not do fishery alone. Villagers have integrated fishery with hunting and gathering. Fishing including other types of economic activities will be possible under the new mode.

In terms of the social impact which may result from the concern of having workers from outside, the answer was quite clear that there will be strict regulations on what could not be done and what they could do. The government gave assurances that there will be restrictions on this issue. Relating to the amount of water in the rainy season, the answer was that there will be the oversized of the level of border in order not to exceed the burden in terms of overflow.

In terms of the demographic issue, the answer was there is no migration from Vietnam and China at the moment. There is no encroaching on the protected forest areas. But what will happen in the longer term? The central question remains "what will happen in terms of responsibilities to those who will be resettled in the longer term". The answer was that the project has binding contracts between the company and the government and there are different tiers of grievance procedure going all the way to the court.

Looking at the financial benefits only might be wrong, as was argued and there was a suggestion that the people can live on a subsistence basis. The answer to the above comment was that the subsistence basis has been threatened anyhow. Now,

the original livelihood is threatened even without NT2 project because the forest cannot regenerate itself at the rate that they used to because of increased population.

There are many other questions that I think will be concluded in the final report. Some of the partly answered questions that I will just raise quickly are : on the validity of the study of the environmental impact, on the little information that has reached the public's hand. Whether enough information has reached the public or not is partially answered. The issue on the elephants and white wing ducks need more attention. What is to be done for the elephant in terms of genetic deficiency, the herd will not be large enough when the two herds will not be able to mate. What could be done with the route of the elephants, etc. Those are partially answered and will have to be fully answered later.

In terms of the issue on the interconnectedness of the forest areas larger ecological balance and on-how to integrate the ecologic sites-have not been fully answered. Also, the conflict between human beings and elephants will eventually have to be addressed as well.

Now, I think I will not go on as you will see a fuller picture in the final paper. I will take the prerogative of being the moderator to reflect on what went on today. It is my personal reflection. I think that when we look at what went on today we recognize that life is made up of a series of trade offs. We do not really live in a perfect world. All the different positions reflected today really reflected that ultimately development is not a panacea for all ills. We may yearn for development, whether bottom-up or top-down. Nevertheless, ultimately, there are hard choices and hard decisions to be made. Whether there is NT2 or no NT2. Every society, every country faces those decisions at one time or another. What we really look for is sustainable development. I think the ideals are for the development process to be balanced, sustainable and equitable. Every country needs access and resources to attend to the development needs of its people. In this context, the Laos government needs resources to achieve sustainable development that they look for-in order to have the protection of forest area, and for the eradication of poverty, for healthcare and education. But the ultimate goal is for making possible the choices for the people. I think development itself is nothing if it does not provide choices for people to choose from-in terms of what they would like for themselves. There could be divergent views. Dams or no dam, to do sustainable agriculture or to go into commercial mode of activities. All these are hard choices that the people have to choose. It is really not

for outsiders to decide for the people themselves. Each society has its own priorities and each government has its own decision to make and hopefully the decision is based on the needs of diverse groups in a society and upon the best alternative that the decision-makers weigh.

But in other words, we have had a healthy forum today-healthy forum for different concerned stakeholders to express their voices and concerns. It is a mega project that has a lot of impacts. We also live in a globalized world, I know that as such there is a lot of interdependencies. No country, economy or society lives in isolation anymore in the world today. What one does anywhere inevitably impacts on others elsewhere. In other words, we are here to express concerns not only about our own society and culture. Many of us not only live far away from this part of the world but we also have different ideologies, commitments and worldviews on what is a better life for our neighbors and our fellow citizens of the world. This is a healthy expression. We will also need to be aware that society changes as environment changes and as culture also changes. It is difficult to maintain things in their original conditions at all times. It is something we have to be aware of. In the same manner, we don't live in a perfect world. Thus, we don't have the luxury to keep things in their original conditions. What we need to assess is what is the best alternative to least harm nature so that we will leave it in a better condition after we leave this earth. We also cannot expect to hold the dream of keeping people's lives unchanged forever.

As an anthropologist, I am very much aware that the alternative of indigenous way of life and evolution is an ongoing process; therefore, we cannot halt it. All cultures and lifestyle evolve overtime. How far and how much we can keep changes from eroding culture and way of life, is a critical issue. Do we have the rights to choose for other people or let them choose for themselves? Is the choice that they made always the best for them? Have the people whose ways of life are intervened been given the assurances that changes to their lives will be beneficial to them in longer term? The sentiments expressed by the Pak Mun group reveal that they felt that their lives have been changed and promises that have been given in the beginning are not fulfilled. I hope that in every project, the organizations and parties concerned will need to ensure that promises given will be kept even long after the project has been completed. We must harmonize the longer broad-based goals with the sacrifices and problem from the ground. In development, there is no perfect situation. Continuous efforts are required to harmonize situations and we have to make sacrifices in order to

achieve our goal. These are some of the thoughts I have today. I would like to add that I appreciate your cooperation and again I would like to apologize to many of you who did not have a chance to make comments and ask questions. Under the time given, as a moderator, we must keep to the format of the program. We thank all of you for being here and for cooperating so well in all sessions.

Comments and Questions

At the end of the workshop, representatives from the Network of People's Organizations and Local Communities of the Mekong River Basin in Thailand stated that the workshop took place in haste. To the Network, this workshop had not resulted in a mutually acceptable conclusion between the participants and the project proponents. The Network questioned the integrity of the workshop for two major reasons. During the workshop, a representative stated that:

1. It was evident that the technical workshop was organized in haste and a number of necessary safeguard documents were not available. Though some reached them, those documents were not translated into the Thai language. This caused them to take longer time to understand all the issues and to be able to critically examine the project. Specifically, the Thai version of the summary on the environmental and social impact assessment was quantitatively and qualitatively inadequate. To them, the documents did not provide enough data on how the people who live in the NT2 area would be affected by the dam construction. Lacking in the documents was the data as to how quality of lives of the people would change. The documents did not confirm that these people would be better off than they are now.
2. The question-answer format of the workshop was also unjust. While the Network was allowed to ask questions, it was not provided enough time to present its side of the story. To the Network, the NT2 Power Company and the World Bank organized the workshop with the idea that the project will be carried out. So, both did not come to answer any questions. Rather, they came to use the information in their hands to defend the project. With such defending attitudes, the other side that was not equipped with the equal amount of data, according to the Network, had

difficulties verifying and validating the claims made. But based on its judgment, the Network indicated that the project proponents were not able to assure the public that the social and the environmental impacts of the project would not severely damage the natural resources and the livelihood of the people of Laos.

These statements were also submitted to the moderator in written form.

The representative from NGO Coordinating Committee on Development (NGO-COD), together with a number of Thai NGOs voiced their concerns and issued a statement expressing such concerns. The committee stated that the organizing process of the workshop was hasty and non-transparent. It claimed that prior to the workshop, participants were denied access to independent analyses. While not stating specifically what independent analyses were referred to, the moderating team inferred that without sufficient time to look at the safeguard documents sent by the World Bank, the committee had no time to seek advice from experts to ascertain that the information in those studies was valid. Like the Network of People's Organizations and Local Communities of the Mekong River Basin in Thailand, the NGO-COD stated that "...documents have been made available only days before the workshop."

Criticizing the scope of the workshop, the NGO-COD pointed out that the scope was far too narrow. All of the environmental and social impact studies took into account only Laotian people and the Lao PDR. This was highly unsatisfactory since building such a big dam will inevitably affect the environment of the neighboring countries (to say the least). In addition, the workshop could not address only economic, environmental, and social impacts of Lao PDR. Since Thailand will be made to purchase hydropower generated by this project, the Thai public is entitled to comment on the project as well. That said, the NGO-COD asked that the World Bank to organize a "*public consultation meeting*" (instead of a technical workshop) in which the Thai electricity users can participate. They also asked that the organizing process be transparent and all sectors be given full information six weeks in advance and documents such as power purchase agreement should be made available.

Responding to these comments and questions, Ian Porter, the Country Director, Thailand, East Asia and the Pacific Region said that the World Bank worked very hard with the government and other people in the past three years. At this point, according to him, the proponents of the project think that they have done every

possible thing to ensure that the workshop was well prepared and that every party has equal access to all safeguard documents. To further ensure that every party involved has more opportunities to voice his/her concerns, the World Bank will organize more technical workshops in different parts of the world (Tokyo, Paris, Washington D.C. and finally Vientiane). Porter emphasized that the feedback from every workshop would be mentioned in the report written by the moderating team of each and that the proponents of the project would discuss the feedback. Changes would be made partially based on comments given. The final decision as to whether the World Bank will guarantee the loan for this project will be made only after all comments are exhaustively discussed. The final report then will be submitted to the World Bank's Board of Director who will have a final say if the project will proceed or not. Porter also emphasized the neutral position of the World Bank (that no decision has been made).