

**Nam Theun 2 Hydroelectric Power Project**  
**Technical Workshop: Tokyo – Japan**  
**United Nations University (UNU) Centre, 5<sup>th</sup> Floor**

**September 3, 2004**

**Record of Meeting**

**Yasunobu Matoba**  
**Moderator**

*Remarks by the moderator: Yasunobu Matoba*

About 80 people took part in the Technical Workshop on NT2. More than half the participants came from the private sector that were concerned with dam projects in general or specifically the Nam Theun 2 project. They had been supposedly interested in the progress of the preparation for the Project or the implementation schedule of the Project. In addition, since it was widely known that dam projects required solving many environmental and social issues before starting, participants were also concerned about what extent GOL and related organizations had conducted studies, obtained findings and resolved these issues.

At the meeting the draft Summary on Environment and Social Impact Assessment (SESIA) in English and Japanese and other related materials were distributed to the participants for information. Since the summary report included ongoing study items, it was very helpful for participants to learn and understand the status of various studies. None of the Japanese international aid agencies has experienced such detailed studies for their assisted projects at this moment although two major organizations, JBIC and JICA, have recently established guidelines on environmental and social impact assessment. The draft Summary on Environmental and Social Impact Assessment would be a useful reference for both JBIC and JICA. It would also be a good reference for Japanese consulting firms being engaged in development projects.

Various questions and comments were given to the presentation made by the representatives of GOL, World Bank, ADB, NTPC and consultants. Among other things, questions were focused on consideration and steps to be taken for the people who were supposed to relocate from the dam site. Participants were also concerned about the institution, legal framework, fiscal issue and capacity building of the GOL. Questions about what extent the World Bank and ADB had been and would be involved in the project were also raised. Responses to each question were provided on the basis of the current findings and results of studies. Since not all issues have been solved yet, the GOL still needs to make efforts to find and establish appropriate measures to meet requirements for the next steps in the future.

While not dominating in numbers, the NGOs – not the private sector – who attended the workshop dominated the discussion, raising questions about the overall intent and purpose of these international workshops; about the ability of the Government of Lao PDR to manage the revenues in a way that would really help the poor people of Laos; about the Government's ability to implement dam projects and associated environmental and social/resettlement programs, and its capacity to manage conservation programs – against a past legacy involving dams, logging, and resettlement programs. They also asked about the local consultations process and whether the project-affected people fully understood the project impacts.

During the meeting representatives of GOL provided briefly well-organized explanations to each question within the limited time. At the same time they seriously tried to make participants understand the importance and the necessity of the Nam Theun 2 Project from the economic view point of GOL. Most participants seemed to be familiar with Lao PDR and had knowledge well about the country and its people, but they probably had a different impression from what they had previously thought, after seeing the performance of GOL representatives through the meeting.

The most important things were to make participants know and understand how GOL would realize the ownership of the Project, and what GOL would learn – and how they and the Developers would use the information and exchange of views and opinions with participants through the meeting. GOL delegations earnestly played a major role by responding to questions and comments as quickly and properly as possible. The meeting was successful in that participants were able to expect further steps to be sought and taken by GOL for the Project.

Please find below a summary of Questions and Answers from the Tokyo Workshop.

## **Session I: Development Framework**

*Question 1 Kamoto Minoru, Japan Construction Information Center*

I previously worked for the Mekong River Commission and am concerned that benefits from the Nam Theun 2 Project would go to local populations. The purpose of big hydropower projects is often to provide energy to cities such as Bangkok and Vientiane. I hope that local people will be beneficiaries of the Project.

*Response Somboune Manolom, Ministry of Industry and Handicrafts, Lao PDR*

Certainly we pay attention and give priority to the affected people. We feel it is a pity that we cannot bring them to attend the Tokyo Workshop. We plan to bring them to the Vientiane Workshop on September 24<sup>th</sup> which will provide a chance to ask them questions freely.

Benefits from the Project are not just to Lao PDR – but also a benefit to the GMS [Greater Mekong Sub-Region]. We hope to have trade in electricity, increase the margin of ready reserves and in system stability. This would benefit Lao and Thailand. On the construction side, we would have the participation of Japanese contractors, if the Project goes ahead.

*Question 2 Madoka Onizuka Chase, Mekong Watch*

This question is for Ian Porter of the World Bank. We are concerned about the project and we are not clear how it fits into the decision making framework. Is the information (today) being treated the same way as in a public consultation or as in a technical workshop.

*Response Ian Porter, Country Director, World Bank*

Three years ago when we re-engaged with the Lao Government and developer, we decided that given the size and complexity of the Project and the great interest expressed by many parties it would be useful to have a series of workshops to provide input to the decision making process.

Consultation with affected parties is a requirement of the World Bank and is ongoing. Due to the interest in the project, workshops of this kind, including the one held in Bangkok and the ones to be held in Paris and Washington, DC, are being held when a significant amount of work has been done. This is a time for various parties to provide feedback on the proposed Project.

*Question 3 Madoka Onizuka Chase, Mekong Watch*

One of our concerns is that when the studies are completed that the World Bank can enter into the appraisal process. Are you trying to get international support prior to the appraisal process – we want to make certain that you have not made a decision to support the project.

*Response Ian Porter, Country Director, World Bank*

The World Bank and Asian Development Bank have not made a decision on the Project. Any decisions on the Project would be made by the Boards of Executive Directors.

Together the Government of Lao and NTPC have done extensive work to look at the benefits and costs of the Project and many documents have been prepared – some of these have been available for a long time and others are just becoming available.

We will have follow-up meetings on various analyses and studies that are underway. This will include meetings in Vientiane and Bangkok.

*Response Somboune Manolom, Ministry of Industry and Handicrafts, Lao PDR*

The name of the meeting is not important, the process is what is important. We welcome the comments and the exchange of ideas. We are open to listening to recommendations and advice.

We seek international support; however, we have no power to make anyone agree. We do not anticipate that we will have the same issues in the workshops. Please feel free to express your views.

*Question 4 Satoru Matsumoto, Mekong Watch*

Will Nam Theun 2 contribute to poverty reduction? Other dams constructed in recent years have problems that have not been resolved. What happened with the Theun Hinboun Project – does it make a profit? What about Houay Ho, Nam Leuk and Nam Ngum? What have you learned from earlier projects?

UNDP did a paper on issues of people in mountainous regions. What is the Government of Laos going to do to help people in these regions?

*Response Somboune Manolom, Ministry of Industry and Handicrafts, Lao PDR*

No one is happy with relocation. We have made many studies on sustainable resettlement. We have a legally binding agreement with NTPC, the project investor. It is the obligation of NTPC to fulfill a series of requirements for resettlement under the Project. We have a number of independent bodies, such as the Panel of Experts, to check these objectives have been met.

The concern of the Government is just not the Lao people, the Government is responsible to make the project benefit all parties. You are welcome to visit the project area. We are aware that some of the earlier projects had problems and we are learning from this experience. We are trying to provide better opportunities of our people who live in the mountainous areas to improve their lives.

*Response Stephen Sparks, Social Scientist, Norplan*

The people on the plateau were given the choice to move to lowland areas or to stay on the plateau. During the consultation process they decided they wanted to stay on the plateau.

*Response Woonchong Um, Project Manager, Asian Development Bank*

The Asian Development Bank supported the Theun Himboun Project. We review and learn from all our projects. We have recently prepared a post appraisal audit report on Theun Himboun and it included the following points: the need to pay more attention to downstream impacts; the importance of securing financing to address environmental and social aspects; and the importance of implementation arrangements.

*Question 5 Gyoergy Szell, IER, Hitotsubashi University*

You spoke earlier about the Government receiving \$1.8 billion over a 25 year period. Is this money earmarked for specific uses?

*Response Somboune Manolom, Permanent Secretary, Ministry of Industry and Handicrafts, Lao PDR*

The \$1.8 billion generated by the Project will support the NGPES (National Growth and Poverty Eradication Strategy) which is focused on poverty reduction. There will also be job opportunities created by the Project. There is information on this in the CD ROM.

After 25 years, when the Project has been turned over to the Government of Lao it is projected that the second 25 year period will generate \$6-7 billion profit for the Government.

*Question 6 Naoko Ishii, Ministry of Finance, Japan*

The Project brings a large amount of revenue to the Lao PDR. It also brings a number of risks. Will the Government have the institutional and policy environment in place that is included in the Decision Framework? Will the Project bring about sustainable growth and the revenues be used well? Is it the policy of the Government of Lao as a whole to use the revenues this way?

What about the skills required for management of these funds? Does the Government really prioritize public expenditure this way? How is the Government doing in

developing the skills required? Where is the Government in the reform process and capacity building activities that have been supported by the World Bank? Institutional reform is a long process – how will these activities relate to the timing of this process?

*Response HE Somdy Douangdy, Vice Minister of Finance, Lao PDR*

The purpose of this workshop is to discuss and receive feedback – this is an important workshop. Every project has these risks, whether it is big or not, there are no projects without risk.

In the Lao context we do not have too many choices for poverty eradication. Our goal is that by 2020 we will no longer be a LDC [least developed country]. We do not have too many other potential ways for development other than hydropower. This is a small country and this is why we give priority to Nam Theun 2. We are working with the World Bank on a mechanism to use and manage the revenues from Nam Theun 2 for poverty reduction and environmental protection.

In 2009 we would start to earn revenue from the Project. We are working with the World Bank on management of public expenditures and we are making good progress. We want to strongly inform you that we will use the revenue from Nam Theun 2 to reduce poverty and to support local people in the project area. On the environmental issue we are also in the process of developing our institutions.

*Response Ian Porter, Country Director, World Bank*

The first element of the Decision Framework is of critical importance to the Asian Development Bank and World Bank. We are not just interested in Nam Theun 2 because it is a good project that could provide power to Thailand at a low cost but because it offers the opportunity to generate a sustained income to the Government of Lao. It is important that this money be used in a wise way.

Things are moving on the right direction in policy reform. The second tranche of FMAC [Financial Management Adjustment Credit] was recently released with all of the reform elements required by the Government met.

Capacity building at the project and national level cannot be done in 1-2 years. We are discussing with the Government and Asian Development Bank ways to support public sector management capacity. This is not just of Nam Theun 2 but for all revenues that accrue to the Government. This is the 1<sup>st</sup> Track of our policy dialogue.

When revenues come on stream in 2009-2010 we have a 2<sup>nd</sup> Track that is focused on assurances that the revenues from the Project are put into programs to reduce poverty and environmental protection in Lao PDR. We need to be comfortable on these issues before we go to the Board of either the Asian Development Bank or World Bank.

*Question 7 Kamoto Minoru, Japan Construction Information Center*

We have heard from the World Bank about the need for poverty reduction and environmental protection. In Japan we have the Lake Biwa development project which collects money from downstream communities to share the costs for watershed protection and rehabilitation of the lake which all benefit from.

*Response Somboune Manolom, Permanent Secretary, Ministry of Industry and Handicrafts, Lao PDR*

We have made studies on the downstream area, especially the Xe Bang Fe, these studies look at this issue.

*Response Thipphakone Chantavongsa, Deputy Director, Ministry of Finance, Lao PDR*

We have the Environmental Protection Fund and the Central Lao Conservation Fund for protected areas. These funds can provide support to address these types of issues.

## **Session II: Project Technical and Safeguards Aspects**

*Question 1 Satoru Matsumoto, Mekong Watch*

Not discussed in the presentation was the forestry activities in the plateau that expanded until 1997. According to the SESIA [Summary Environmental and Social Impact Assessment] this damage was due to the villagers. There was intensive logging by the BPKP company. The logging by the forestry company caused this damage to occur. You already had forest degradation due to the logging by the company.

*Response Somboune Manolom, Permanent Secretary, Ministry of Industry and Handicrafts, Lao PDR*

Some outsiders have a misunderstanding concerning the logging on the Nakai plateau. Some claim that it paved the way for the Project. BPKP got permission for logging in 1983-1984 before the UNDP supported feasibility study of Nam Theun 2 project in 1989-1991. It happened before the study for the dam project began.

We have worked with the World Bank in preparation of the Project since 1997 and at their request we have suspended all logging. We have had regular World Bank missions to check on the logging and they have used remote sensing. There is some illegal logging in the villages.

The Nakai plateau is outside the protected area, the plateau is degraded while the protected area is pristine. Foreign people recommended that we conserve this biodiversity. The Nam Theun forest is the largest in Lao PDR. We have 20 protected areas in Lao. In the remaining 19 areas we do not have the budget to do everything that is

required. If we go forward with the Nam Theun 2 project we will have adequate funding for management of the protected area. The Project will provide \$ 6.5 million during construction and \$1 million per year for 25 years indexed to the CPI. It is rare to have such a significant budget for environment.

*Question 2 Ryozo Ohno, KRI International Corp*

With regard to the resettlement, I understand there will be 6,000 persons to be resettled, but will there also be people resettled along the transmission line?

As part of the mitigation measures you stated that you will not be offering cash compensation. I question this approach – they need money to recover their livelihoods. Has the Resettlement Action Plan been completed?

*Response Chris Flint, Social Manager, NTPC*

There is no resettlement anticipated under the power lines. There are 10-12 houses that may need to be moved 50 meters from their current locations. We are not giving cash compensation – if we just give money it is the end of the story and livelihoods are not restored. We are looking to provide in-kind replacement for losses and need to support the affected people to develop a replacement livelihood. The Resettlement Action Plan is available to the public.

*Question 3 Satoru Matsumoto, Mekong Watch*

I lived in Lao in 1995-1996 and these photos are from this period. This was logging that deforested the area for the Nam Theun 2 project.

Note: Speaker projected a series of pictures of logging activities for the audience to view.

*Response Samboune Manolom, Permanent Secretary, Ministry of Industry and Handicrafts, Lao PDR*

These photos were before 1997. We have tried to stick to a logging level of 400,000 cubic meters per year which is what has been recommended on the basis of foreign technical assistance. Perhaps this logging was within the authorized 400,000 cubic meters. These slides show the need for hydropower to help us move away from logging as a source of income. Logging is not a sustainable way to achieve growth.

We do not have many other options – no gas, no oil, no ability to be a Toyota, Mitsubishi or Boeing. About 70% of our labor forces is very poorly educated with limited potential. We think hydropower is an important option. We have one project in the mining area, \$60 million in revenues will come from a gold mine. A significant part of the revenue is used for debt servicing, we do not have much choice.

We are not comfortable to rely on overseas ODA [Official Development Assistance] – Japan is our number 1 donor. We would like to stand on our own feet and generate our own revenue.

*Response Xapaseuth Phomsoupha, Lao National Energy Committee, Lao PDR*

We are not trying to escape from the truth – it is true that the BPKP did not have a social and environmental study to the level of Nam Theun 2 or none at all. Such development of natural resources is not sustainable. Since 1997 when we approached the World Bank for support this has stopped.

*Response Glenn Morgan, Lead Environmental Specialist, World Bank*

I have been involved with the Nam Theun 2 project since 1995. At that time the World Bank expressed serious concerns to the Government about the extent of the logging on the plateau that was also going into the NBCA [National Biological Conservation Area] that had already been declared. The World Bank was able to get the logging restricted to the inundation zone. Since then we have done audits of the logging. Since this started there has been no extensive logging in the protected area. The reports on these audits are available. We requested that the EAMP include a detailed chronology of the logging on the plateau. The audit reports show that this problem has been controlled.

*Question 4 Takayuki Namura, Japan International Volunteer Center*

We have provided agricultural development support in Khammouane Province. We have gathered the villagers view on the project:

- With concern to the SDP [Social Development Program] – how do they secure rice? They will lose rice paddies and they do slash and burn agriculture. How will they get their rice?
- Production of commodity products will be introduced under the project. Even with cash crops where will they find a market? This is a question the villagers have.
- The Nakai region has lots of buffalos. When the area is inundated what will happen to the many buffalo? The buffalo are a demonstration of social status – the villagers have expressed concern about this issue.

*Response Chris Flint, Social Manager, NTPC*

It was initially assumed in project design that the people to be resettled would want to relocate to rice production sites in the lowland areas. Instead the villagers wanted to stay on the plateau by the edge of the reservoir to participate in fisheries activities. These areas have poor soils and while NTPC will provide terraced irrigated fields we cannot guarantee that they can grow rice. If they cannot produce rice they can produce cash crops. Marketing is an issue and we are looking at a range of crops so villagers can pick crops that can grow well and for which they can get a good return.

Buffalo are of both social and economic importance. From an economic viewpoint buffalo can be replaced with fisheries and buffalo will be able to graze in the down draft area of the reservoir. We recognize the social status of buffalo keeping. We are developing ideas on what can be done. In some cases in other places in Thailand and Lao buffalo have been replaced by power tillers.

*Question 5 Kamoto Minoru, Japan Construction Information Center*

We would like to hear more about the hydrology. What will be the impact on water from the dam. The reservoir will be just a little smaller than Lake Biwa [the largest lake in Japan]. The project area will get torrential rains – this may be an advantage since the reservoir could store these waters and allow for benefits to the Mekong area.

*Response Francois Obein, Environment Manager, NTPC*

We can discuss the documents concerning hydrology with you during the break. The impact on the Mekong River from between the Nam Kadang and the Xe Bang Fe was determined by the Cumulative Impact Assessment to be a 3% reduction in flow.

*Response Woonchong Um, Project Manager, Asian Development Bank*

A Cumulative Impact Assessment has been prepared to see if the Nan Theun 2 project has a long-term impact in sustainability. We looked at the changes in hydrology in this study. The impacts from the project are within the normal range of normal fluctuations on the Mekong River. The study is being completed and will soon be made available.

*Question 6 Satoru Matsumoto, Mekong Watch*

The BPKP was involved in establishment of an involuntary resettlement village that was required due to the logging on the plateau. Did you mention in your studies that the BPKP set up this village? Will these people be fully included under the project?

I found that this village had been established in my February 1996 visit. What is the view of the World Bank about this fact according to your safeguard policies?

*Response Chaohua Zhang, Senior Resettlement Specialist, World Bank*

The World Bank started to work on the proposed Nam Theun 2 Project in 1995-1996. At this time the focus of our work on resettlement concerned the people that would be affected by the project. The BPKP settlement, whether voluntary or involuntary, has been included in the current planning for the project.

*Question 7 Satoru Matsumoto, Mekong Watch*

I visited the site in February 1996 and took a photograph that had a sign board at the BPKP resettlement site that described it a resettlement activity for the Nam Theun 2 project.

Note: Speaker projected a picture of a settlement for the audience to view.

*Response Somboune Manolom, Permanent Secretary, Ministry of Industry and Handicrafts, Lao PDR*

I do not understand the need for the photographs. When the World Bank entered the project in 1997 the forestry activities were ended. We do have resettlement in Lao. We have programs for control of opium and for control of slash and burn agriculture and some actions under these programs do involve resettlement. We need to provide our people schools and health services, it is often very difficult to provide these services. Our policy is to bring people together when appropriate and give them these services. We cannot provide them to settlements of 3 to 5 families on a mountain top. Resettlement should not always be seen as a bad thing.

### **Session III: Economic Analysis and Revenue Management**

*Question 1. Noriko Shimizu, Friends of the Earth - Japan*

I would like the World Bank view about Lao. There has been criticism of infrastructure, dams and mining projects for which there has not been enough compensation and consideration of the environment. The World Bank uses CPIA (Country Policy and Institutional Assessment) to rate countries, but you do not disclose the details of these ratings fully. Before you study the financing for the Project you should look at the CPIA and have it disclosed. You should evaluate the appropriateness of the CPIA and have this disclosed. Is the Lao Government able to meet the requirements of the World Bank? How will you address the Extractive Industries Review and the discussions on Structural Adjustment Lending. The CPIA has not been disclosed – you look like you assume that you will finance the Project.

*Response Ian Porter, Country Director, World Bank*

No decision has been made, if and when, the proposed Project would be presented to the Board of the World Bank for approval. We are in a process of due diligence and preparation. The CPIA looks across all countries and evaluates their institutional capacity indicators. The issue of making CPIA indicators available to the public is now under review by the Board; at present these indicators cannot be disclosed. It is not surprising for low income countries to have low ratings. This is why in the Decision Framework we gave such priority to the development of institutional capacity for management and monitoring of the Nam Theun 2 revenues.

*Response HE Somdy Douangdy, Vice Minister of Finance, Lao PDR*

This is a large infrastructure project, we do not have many choices, this is why we invested in a copper and gold mining operation. We see a big potential for hydropower for us as a way to earn revenues. We promote not only large hydropower projects but are also prepared to invest in small and medium sized projects. We encourage investors to work with the Asian Development Bank and World Bank to carry out their studies, to take time to include environment and social studies – and understand it within the context of Lao.

*Response Somboune Manolom, Permanent Secretary, Ministry of Industry and Handicrafts, Lao PDR*

We learned a lot from earlier projects and the need to take into account environment and resettlement policies. Nam Luk was not perfect – we have already accepted recommendations on how to fix the problems. It is important to note that Electricity de Lao [EdL] provides 1% of revenues for environmental management. In Nam Mung 3 we have improved the situation. You are welcome to visit the Nam Mung 3 project area.

*Question 2 Yuki Tanabe, Japan Center for a Sustainable Environment and Society*

The accountability of agencies is important, note the comments made by the Ministry of Finance [of Japan], this is also true with environmental and social risks. The PPA [Power Purchase Agreement] should be disclosed to the citizens of Lao and Thailand. So far only a summary has been disclosed so we can read the rights and obligations. In the EIR [Extractive Industries Review], the PPAs [Power Purchase Agreements] are discussed – this is a dam not an infrastructure project.

*Response Ian Porter, Country Director, World Bank*

Under the Disclosure Policy of the World Bank, the PPA can only be released with the consent of the parties that have signed the agreement. The World Bank has requested that the PPA for the Nam Theun 2 Project be made available.

*Response Stephen Lintner, Senior Advisor, World Bank*

We have requested that the signatory parties to the PPA make the document available to the public; however, they are not required to do so by our Disclosure Policy. The Management Response to the Extractive Industries Review does not mandate the release of PPAs; however, it does include provisions for the phased implementation of the Extractive Industries Transparency Initiative (EITI) – ie, revenue transparency.

*Question 3 Satoru Matsumoto, Mekong Watch*

I understand that in the Bangkok workshop there was discussion about power demand in Thailand and the power rates – is the Nam Theun 2 Project cheaper or more expensive? What are the various views on this issue?

In the Theun Hinboun Project there was a lot of propaganda that support would be provided from the project – how will be these revenues be used?

The use of revenues for poverty eradication is more easily said than done. The June [2004] the report of the IAG [International Advisory Group] for the Chad Cameroon Pipeline stated that money was not being successfully transferred for use by the Government, as had been carefully planned. Will this process really be successful?

*Response: Stephen Lintner, Senior Advisor, World Bank*

The most recent report of the IAG for the Chad Cameroon Pipeline noted that there were problems with the Government of Chad accessing the funds that had been placed in the special account for these revenues. The IAG discussed this issue with the President of the World Bank and Senior Management during the IAG July 2004 visit to Washington, DC. The problem noted in the Report has been addressed by the Government of Chad in cooperation with the Management of the World Bank. The World Bank believes that the management of the revenues to Chad from the sales of oil under this project will be successful.

*Response Adrian Fozzard, Senior Public Sector Specialist, World Bank*

This issue needs to be looked at on a specific basis. Chad Cameroon is just a model and it is not replicable in this case. The approach being considered is more closely based on models used when budget support is provided.

*Response HE Somdy Douangdy, Vice Minister of Finance, Lao PDR*

We have a budget law that includes a proposed budget plan that goes to the National Assembly for approval and is made transparent to the public.

*Response Mark Segal, Power Economist*

Yes, in the Bangkok workshop there was considerable discussion about the demand for electricity in Thailand. In Thailand they have a complex system involving many institutions and consumers as members of a load forecasting committee. It is not a country where the power company pushes out a demand forecast. The forecast is made outside of EGAT [Electricity Generating Authority of Thailand]. We are also using the more conservative 6% rather than a 7% assumption in the forecast. Forecasts have looked at a large range of increases in demand growth per year ranging from 3.3% to 8%. There is a role for Nam Theun 2 in meeting the power demand.

The idea that Thailand does not need power assumes no more growth than 3% per year. It also assumes a direct relationship between Thai economic growth and energy demand. Instead of having savings in expenditures there would be a risk of blackouts – by the time you would realize you have a problem then it would be too late to take action.

The cost of electricity from Nam Theun 2 is 4.7 US cents per kilowatt hour – this is a little bit above or a little bit below combined cycle gas turbines depending on the price of oil and gas. Gas prices will fluctuate over time. In the PPA [Power Purchase Agreement] you have a fixed cost, it is an advantage in planning if you know you have access to electricity at a reasonable price.

*Question 4 Gyoergy Szell, IER, Hitotsubashi University*

What about the balance on CO2 emissions between the dam and gas options?

*Response Mark Segal, Power Economist*

Yes, we have a study on this issue that looks at CO2 emissions from hydropower and gas including the biomass degradation in the reservoir. The study shows ranges in values from the reservoir from \$26 million to \$44 million depending on a number of factors. The combined cycle gas has an estimate of \$33-34 million which is about the same as the mid-range of the figures for hydropower. It still has to be assessed where the number should sit for the hydropower option. It came out in the middle with some range of uncertainty.

#### **Session IV: Local Consultations**

*Question 1 Gyoergy Szell, IER, Hitotsubashi University*

What is the role of the public administration in the management of the project? What is the role of government officials in this process, this is not a democracy, how does this fit together? Political parties may or may not exist at the district level.

*Response James Chamberlain, Social Scientist*

District officials are the Government representatives at the field level. In the management of the watershed Provincial officials are also involved. The Government has participated in the review and revision of the SEMFOP and SDP.

*Question 2 Gyoergy Szell, IER, Hitotsubashi University*

What type of structure has been developed in addition to the normal Government structure? They would not know how to act properly in this type of approach.

*Response James Chamberlain, Social Scientist*

Villagers and District officials are not that different from each other. They all normally share rural backgrounds. There is a matter of Lao tradition of listening to each other even if the political system is not democratic.

*Response Anek Nakabutara, Participation Process Consultant*

The village headman is the linkage to the community at large which has a number of formal and informal leaders who are involved in the consultation process. We have a four step process that is used in the village level consultations.

*Question 3 Satoru Matsumoto, Mekong Watch*

I wish to raise a series of questions:

In the case of the Xe Bang Fai 40,000 people are directly affected and it is stated by some specialists that the number of affected persons beyond those along the river is 100,000. What is your view?

Forestry on the plateau took away the way of life of the local populations and they lost their means of making a living. Are those parties who participated in the logging involved in the management committee for the watershed?

How did you explain the negatives in the consultations? In the Bangkok workshop an invitation was given to have Lao people from the project area see the Pak Mun area. There is no language problem. I believe this invitation should be supported.

*Response Chris Flint, Social Manager, NTPC*

The impact on fisheries will be mainly on the mainstream not the tributary and back water areas. Studies indicate that the impact of the changed flow pattern on the tributaries and wetlands may be positive. We will further check on this issue.

Regarding your question if people previously dependent on logging will have their livelihoods restored – in the past these people were very dependent on NTFPs [non-timber forest products]. The project will not compensate them for the old losses during the logging period; however, it will provide them for a new livelihood that will be consistent with the standards established for the project.

Negatives were explained during the recent consultations. The impacts on the Xe Bang Fe were explained clearly as were the impacts on the plateau.

*Response Somboune Manolom, Permanent Secretary, Ministry of Industry and Handicrafts, Lao PDR*

On Pak Mun it is good to have an exchange visit. In Pak Mun some will support, some will be against the project. Some people may have been manipulated by outsiders in Pak Mun.

What happened in Pak Mun does not need to happen in Nam Theun 2. We have a binding agreement in the CA [Concession Agreement]. Pak Mun people can come to the

Vientiane workshop on September 24<sup>th</sup>. They can communicate with Lao people. The problem at Nam Theun 2 is totally different.

*Response Anek Nakabutara, Participation Process Consultant*

How did we do it – we prepared an abstract of the information on negative impacts from the safeguard documents for use at the village level. This allows the villagers to know the impacts and mitigation measures. In the Xe Bang Fe they worry about the flood flows and river bank gardens. Their concerns are collected and tabulated. They know the negative from the technical information and their own experience. Some have relatives in Thailand and in the Theun Himboun [project area].

We brought some villagers to learn from the pilot village. Some things need to be improved in the pilot village – we asked pilot village people about their experiences – good and bad.

Villagers themselves have proposed to go to other sites in Lao and in Thailand. We try to be sincere with the villagers as [a group of] external people from Thailand.

*Question 4 Hiroshi Hori, Former UNDP Water Resources Advisor*

For 45 years I have been involved in work on the Mekong. In many villages the leaders are not representing the views of the villagers since they are appointed by the Government. In the villages there are spiritual leaders. Many of the villagers are illiterate and you need to keep this in mind.

I am impressed that you are studying Pak Mun – as it is a unique case. Nam Gun is more representative of the types of problems that will be faced.

*Response James Chamberlain, Social Scientist*

Since 1975 many changes have occurred [in Lao PDR]. In villages the most respected person is the representative of the Lao National Front and they seek their support. The current consultations involve a large number of village leaders and members of the village.

*Response HE Somdy Douangdy, Vice Minister of Finance, Lao PDR*

The chief of the village under our Constitution is elected.

*Question 5 Hiroshi Hori, former UNDP Water Resources Advisor*

I have been reassured from your responses. In reality some unpopular leaders exist in some cases and you may be optimistic in this regard.

*Response Somboune Manolom, Permanent Secretary, Ministry of Industry and Handicrafts, Lao PDR*

We have had over 250 consultations. The workshops being undertaken are being done by foreign facilitators and the Government has taken a supporting role – we did not participate.

Local people support the Project, it is foreigners who do not support the project – they do not live in Lao. You can come to the Vientiane workshop on September 24<sup>th</sup> and speak.

*Question 6 Madoka Onizuka Chase, Mekong Watch*

Some issues raised by the NGOs come from the process as it evolved – doing the logging [on the plateau] – how much choice do they [the villagers] have?. If I say yes, I need a new place to live. We are concerned that the World Bank and ADB are supporting the project at this stage.

*Response Somboune Manolom, Permanent Secretary, Ministry of Industry and Handicrafts, Lao PDR*

The people in the project area have had information on the project provided for 10 years.

A written statement was presented by four Japanese nongovernmental organizations in English and Japanese. It was summarized in the meeting and is presented in its full form below. The key points of the statement were summarized by Madoka Onizuka Chase, Mekong Watch.

### **Closing Remarks**

*HE Ambassador Soukthavone Kelo for Government of Lao PDR*

The workshop is very important to my Government. It is a privilege to express congratulations to the organizers of the workshop. I hope we can understand better the Nam Theun 2 project and its importance to Lao. Members of the delegation have made an effort to explain to you the work on the project. I highly appreciate the efforts of the World Bank and ADB and their good contributions. Without the support of the World Bank and ADB it will be difficult for us to realize the project. Their role is important. I also would like to thank the Japanese participants in both supporting and not supporting the project.

We will assist NTPC to realize the project starting next year. I have been based in Japan for two and a half years and hope to improve the relationship. Japan is the largest donor to Lao and has supported many important projects.

Nam Theun 2 is very important for Lao, we are a very poor country and hope to get off the list of Least Developed Countries with the help of the international community. If we

can realize this project it would be a major contribution to reduce the gap between Lao and other ASEAN [Association of Southeast Asian Nations] member countries since we are the least developed. If Lao would develop it would be good for ASEAN, the East Asian community, European Union NATFA [North American Free Trade Association] and Africa. International cooperation is good for all people.

A difficulty is that the project is big for Lao which is a small country. We need to overcome these difficulties by the assistance of all of you. The project can be realized by the efforts of all of you including the Government of Japan.

For those who would like to better understand the Project, if you are sincere in your interests, I am prepared anytime for you to come to continue the discussion at the embassy. This is an invitation for those who both support and oppose the Project.

*Jean-Pierre Serusclat, Chairman, NTPC*

Thank you for an exchange of views, as a sponsor we form part of a group with the Government of Lao and international financial institutions. We need to make Nam Theun 2 a sustainable development project. It is not only from a business and financial perspective that we look at the Project, we are concerned that it is a sustainable development project.

Finalization of the documents continues, it is not the end, it is a starting point of human and technical dimensions for the sponsor. We have more than good faith, the sponsor has binding legal responsibilities for the Project outcome.

*Ian Porter for World Bank and Asian Development Bank*

I would like to make a joint statement on behalf of the World Bank and ADB. I would like to thank Mr. Matoba for serving as the moderator and the Japan Water Forum for providing support for the workshop. Thank you all for participating in what has been an extremely useful session.

I wish to provide a few points of clarification in response to the statement made by the Japanese NGOs:

- This is a multi-stakeholder workshop whose objective is to provide an opportunity for dialogue. As previously stated, we recognize that the project related documents are at various levels of completion and we see this workshop as a step in a process. At the same time, we believe that there is adequate information available to start discussion of the project.
- I would also like to reiterate the point I made in my presentation this morning that neither the Asian Development Bank or World Bank have made a decision to support the project at this time. This is a decision that would need to be made by our Boards of Executive Directors in the future. We are having this series of

workshops at this time to provide an opportunity for the Asian Development Bank and World Bank to benefit from hearing a diversity of views. We will advise our Senior Management and Boards of Executive directors on the issues raised in these workshops.

- Consultations, as mandated under the policies of the Asian Development Bank and World Bank, are ongoing in Lao PDR. We view consultation as a continuous process required for effective preparation and implementation of large infrastructure projects.
- We fully recognize that participation in this workshop, by any party, does not mean that participants support the project.

*Yasunobu Matoba, Moderator*

Thank you for your attendance at the workshop. I am pleased that all organizations were able to attend. We have had a large number of presentations that reviewed the status of activities and the identified the challenges. Issue remain about the impacts of inundation and relocation and on fisheries. The surveys and documents for the Project are not fully completed and much discussion remains. The world is scrutinizing the Project and the process will need to move step by step as the documents are completed. I would like to thank you once again for your kind cooperation.

## **Attachment: Statement by Group of NGOs**

*Setting the Record Straight:  
NGO Statement for the Technical Workshop on the  
Nam Theun 2 Hydroelectric Power Project*

*3 September 2004*

Prior to listening to presentations on the Nam Theun 2 Hydroelectric Power Project at the Technical Workshop in Tokyo, the NGOs listed below would like it put on the record that this is a "technical workshop," not a public consultation. We have serious reservations regarding both the World Bank's role in promoting the Nam Theun 2 project, as well as serious concerns about the project itself. We want to ensure that all participants of this Technical Workshop in Tokyo share the following understanding.

1. This Technical Workshop must be neither misrepresented nor misconstrued as a public consultation. Meaningful public consultations require that all relevant documents, including safeguard documents, are disclosed and enough time is provided for stakeholders to review and understand them prior to the consultation. Stakeholders should also be involved in determining the agenda of consultations, so that it is ensured that their concerns can be sufficiently conveyed. We received notice of this workshop through the e-mail news from the World Bank Tokyo Office approximately 2 weeks in advance with a pre-determined agenda indicating no opportunities for participants to raise concerns not included in the provided agenda. Safeguard documents are still in draft form, and the World Bank has yet to disclose some important documents that NGOs have been requesting both by written inquiry and in meetings. Considering the above, we want it on the record that these Technical Workshops held in Bangkok, Tokyo, Paris and Washington DC are not public consultations.
2. The World Bank's role in organizing this workshop is inappropriate. We find no justification in the World Bank's rush to organize this Technical Workshop. The World Bank should not be assisting project proponents gather support for a project it is in a position to appraise in the future. Such behavior is unfitting an institution which was instrumental in convening the widely acclaimed World Commission on Dams. We want it on the record that the World Bank has not yet made a decision on whether or not to finance the Nam Theun 2 Hydroelectric Power Project.
3. Real public consultations must be held if the World Bank appraisal begins. It is our understanding that the World Bank will make a decision on whether or not to begin its appraisal process after the safeguard documents and other relevant documents are complete. If it does indeed enter the appraisal process, we expect real public consultations to be held for both local and international stakeholders. We also expect that all relevant information will be disclosed so that civil society can participate meaningfully and on equal footing with project proponents. We want it on the record that if the World Bank begins appraisal of the Nam Theun 2 Hydroelectric Power Project, these Technical Workshops will not replace real public consultations.

Our participation at this technical workshop must not in any way be interpreted as support for the Nam Theun 2 Hydroelectric Project.

Endorsed by:  
Friends of the Earth-Japan  
3-17-24 2F Mejiro,  
Toshima-ku, Tokyo

Greenpeace Japan  
8-13-11 Nishishinjuku  
Shinjuku-ku, Tokyo

Japan Center for a Sustainable Environment and Society (JACSES)  
5-2-32 2F Minami Azabu  
Minato-ku, Tokyo

Mekong Watch  
1-20-6 2F Higashiueno  
Taito-ku, Tokyo