

NAM THEUN 2'S LESSONS FOR SUSTAINABLE DEVELOPMENT

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IN THE CENTRE of one of the least developed countries in Asia, a project is taking shape in a way that challenges us all to rethink what development really means. As the reservoir of the Nam Theun 2 hydroelectric project in Laos begins to fill, it will come under increasing public scrutiny and, if history is a guide, increasingly polarised judgement. That is to be expected, but it is not where the real Nam Theun 2 story and lessons are to be found. They exist between the extremes. The reality is neither the complete success that some believe, nor the sorry failure that some critics have described.

And that is why this large hydropower project, with all its innovations and implementation challenges, with its simple engineering design and complex social and environmental outcomes, is so important to those who genuinely care about reducing poverty and promoting sustainable development in Laos and around the world.

Its lessons – many of which we are still in the process of learning – have wide relevance, not just to the string of new hydro projects Laos is planning, but to other developing countries tackling rural poverty, resettlement and financial reforms, and seeking to protect the environment from exploitation and harm.

Some lessons are obvious. There is a huge difference, for example, between genuine consultations with villagers and trying to “sell” a project. This was recognised and many months were spent with independent, culturally sensitive experts, making sure that information about the benefits and consequences of the project were shared with villagers, and that they had a real chance to comment. There were real challenges but we believe the process worked in the end. It was neither as easy as some had suggested, nor the impossibility others claimed it would be. There is also a big difference between asking people to relocate to what someone in the West might consider a “better” location and taking the time to understand what sort of house and land and spiritual attachment the people themselves have in mind. These lessons are critical. Applying them takes extra time and adds cost to the project – but the time and cost

are vital from a human perspective, and also to ensure that the project actually works. Local people know things that outsiders don't know, and their perspectives and concerns have fed into this project in many ways that have made it a better project. The time and money are better seen as an investment, not a cost.

Other lessons are more challenging, in part because they can only be learned while the project is actually being built. We have seen, for example, that the engineering side can easily outpace the social and environmental measures. Knowing this, we've ensured the time line for the social and environment programmes extends beyond that of the construction, but even then, bringing these into sequence is not simple or easy.

It is also not simple to help villagers develop new and sustainable livelihoods when they move to a new area. The lesson is clear: more time has to be allowed at the start for livelihood development, and closer attention should be given to it as construction proceeds. But not all projects have the level of attention and support that Nam Theun 2 has had. Without it, the poor could really suffer and be left behind.

Another lesson relates to the sheer complexity of any project that involves people's lives so directly. The details and the scope of issues can be almost overwhelming – yet it is vital that every issue be dealt with so the people who should benefit do benefit. There are issues about changing from traditional systems of sale and exchange to market systems, about compensation for moving, and about the sorts of schools, roads, houses and support services that are needed.

There are issues about stopping illegal logging and hunting in protected areas; issues about managing financial flows to parts of the economy and the country to benefit the poor in a setting where the government, until a few years ago, had little capacity even to monitor its taxing and spending. The list could go on and on, because the details – from measuring fish stocks to assessing caloric and protein intakes, from providing microfinance support to villagers to balancing the voices of the villagers and the developers – matter, and matter a lot.

Every decision affects a person, and every

person matters. The project involves rates of return and the price of electricity in Thailand, but much more than that it is about the lives of some of the poorest people in Asia, who had few chances to rise from poverty without the extra income Nam Theun 2 would bring.

There are other lessons worth considering too. A major project can become the cornerstone of other important reforms, as has happened in Laos. Nam Theun 2, with support from 27 financing parties from around the world, has helped usher in changes to budgeting and spending, to consultation, resettlement, environmental protection and national policy planning.

As the project commences reservoir filling, these lessons and many others will continue to be discussed and analysed. It needs to be seen still as a work in progress.

From the beginning, development partners, including the World Bank, the Asian Development Bank, Agence Française de Développement, and the European Investment Bank, recognised that this is a challenging and complex project, but one worth engaging in if it would benefit the Lao people.

We wanted to be able to provide assistance and support, transparently and in full view of the world, as the dam was built and the other reforms and measures unfolded. Even now, we can say that the project has achieved a lot, and will achieve a lot more. For a start, the Lao budget will be bigger, and money will be available for spending on schools, health centres, roads, power lines, water supplies, and protecting precious forests.

Perhaps of equal importance, the many lessons we and others have drawn so far can, and we hope will, be applied in Laos as it further develops its hydroelectric capacity, and in other countries so they can better ensure that development activities – even large and complex ones – are handled in ways that protect and benefit the poor.

Our commitment, and the commitment of others involved in the project, has been, and remains, absolute: the poor people of Laos, and especially those directly affected by this project, will benefit.

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