

The World Bank

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Dr. Saranarat Oy Kanjanavanit
Secretary General
Green World Foundation
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Dear Dr. Saranarat,

On behalf of Mr. Wolfensohn, thank you for your letter of September 13, 2004, which has been forwarded to us by the Asian Development Bank. I appreciate the sincere manner in which you express your concerns, and can assure you that both my staff and I are very engaged on both the challenges and the opportunities presented by the proposed Nam Theun 2 Hydroelectric Project.

The World Bank is considering providing a partial risk guarantee for Nam Theun 2 in view of the project's potential—if properly prepared and managed—to benefit the people of Lao PDR by providing incremental revenues to be used in a transparent manner for priority poverty reduction and conservation programs. The World Bank is currently working with the Government of Lao PDR on remaining preparatory work that is mandated to comply with the Bank's environmental and social safeguards policies and due diligence requirements; only when this process is completed can the Bank take a decision regarding its support of the project.

As you note, Lao PDR boasts a wealth of natural resources that need to be managed in a sustainable way. Part of the preparation and due diligence work underway for Nam Theun 2 has involved a close dialogue with the Government to create a shared vision for the management of the project-affected areas in general and of the project watershed in particular, in order to balance conservation with development needs through an intensive, participatory planning process. It is important to note that while part of the Nakai Plateau would be flooded by the creation of the reservoir, the project would provide a long-term income stream of about \$30 million for the management and protection of the Nakai Nam Theun (NNT) National Protected Area (NPA) which is widely regarded as one of the most important protected areas in the region. Moreover, to offset the loss of habitat on the Plateau, two additional biodiversity corridors connecting NNT to the Phou Hin Poun and Him Nam No NPAs have been formally gazetted and their management included in the management plan being finalized for NNT. Successful long-term management of these areas and the corresponding critical natural habitats they will protect will ensure continued existence of habitat that all wildlife dependent on these areas need for survival.

The World Bank shares your concerns about the project's implications for natural habitats of the Nakai Plateau and throughout the wider project area. The Asian elephant has been recognized by the Government of Lao PDR, the project developers, and the World Bank as requiring special attention. To better understand the potential impacts of the project on the elephant populations, the Government and the private-sector project developer—the Nam Theun Power Company (NTPC)—are currently working directly with a leading international conservation NGO, the Wildlife Conservation Society (WCS), on a study that will help us move away from conjecture towards formulation of a science-based management plan for the elephants. Specifically, the study is:

- conducting a Plateau-wide survey to assess the size, distribution, and habitat use of elephant populations;
- assessing baseline habitat and resource use by establishing elephant population size and distribution in the Nakai area relative to vegetation type and salt lick distribution;
- assessing seasonal movements of populations of elephants and of possibilities to alter these movements;
- training a Nakai district 'Conflict Response Team' to systematically gather data on human-elephant conflict across the Nakai Plateau, to assess the degree and distribution of crop damage, and to make recommendations for mitigating crop loss; and
- testing crop protection methods in agricultural areas around Ban Thalang.

The Government of Lao PDR and the project sponsors will use the results of this study to develop a program to manage impacts of Nam Theun 2 on the elephant population.

With respect to other wildlife in the project area, all indications are that the part of the Nakai Plateau that will be inundated is not a major habitat for threatened species. During fish surveys conducted for the project (probably the most thorough in Lao PDR's history), it was found that only one species of fish, the Nam Theun Stiff-jaw *Scaphognathops theunensis*, might have been restricted to the inundation area. It was first recorded in 1996 from the NT2 project area, but in 2002 it was demonstrated that it lived outside the project area in the Nam Gnouang above the Theun-Hinboun dam. Even so, the observations on this species made during the 2002 and 2003 surveys show that the survival of the species in the long term is dependant of management measures. The NT2 Concession Agreement has a section on "fish studies in NT below the Nakai Dam" with a budget of US\$127,000. The details of the studies are being worked out and we expect NTPC to continue to engage the best expertise in the world to address this issue.

The other main species of concern, the White-winged Duck, which has not been seen on the Nakai Plateau for over five years, while certainly losing some of the habitat where it was previously found, could actually benefit from the forest-fringed embayments that would be formed on the north of the reservoir. The developers have also allocated a considerable sum in the environmental management plan that would allow the necessary surveys on this bird to be conducted.

To ensure the mitigation of all potential environmental risks, detailed environmental and social impact assessments and development action plans for all aspects of the project are being prepared. These assessments and action plans have been developed in close collaboration with concerned stakeholders and affected communities. The advanced drafts are posted for public review on www.namtheun2.com.

In closing, I should note that the World Bank is duty-bound to consider this request for support from one of its poorest member countries. The international community is facing a fundamental choice in Lao PDR: is the country to be entitled to a chance at economic development, carefully managed in a public, transparent way that takes into account the environmental and social realities of the country, or is it to be given support only for the smallest-scale development projects? It has asked to be allowed to draw on international experience to give its people the same opportunities enjoyed by wealthier countries. That is why we are engaged in examining this project, and why we are working with others on these difficult issues—such as the elephants on the Nakai—to find solutions that benefit the people, as well as the elephants, of Laos.

Sincerely yours,



Denis Robitaille
Acting Country Director, Lao PDR
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