

# The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

14th Floor, Diethelm Tower A  
93/1 Wireless Road  
Bangkok 10330, Thailand

Telephone: (66-2) 252-2305-7  
Facsimile: (66-2) 256-7794-5

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November 15, 2004

Dr. Isabelle Louis  
Director  
Asia Pacific Programme  
WWF International  
Avenue du Mont-Blanc  
1196 Gland, Switzerland  
Fax: 41 22 364 9111

Dear Dr. Louis,

Thank you for your letter dated October 12, 2004 outlining WWF's concerns about the Nam Theun 2 Hydroelectric Project. I apologize for the delay in responding. Thank you also for WWF's substantive comments at the international stakeholder workshops held in Bangkok, Tokyo, Paris, Washington, and Vientiane. The World Bank shares your conviction that environmental protection and livelihood restoration must be viewed as an integral part of Lao PDR's economic development, and is engaged in an intensive and extensive dialogue with the Government and the Nam Theun 2 Power Company (NTPC) to ensure that project preparation for Nam Theun 2 is guided by this principle.

In response to your comments, I offer the following thoughts and clarifications:

1. Access to documentation. The World Bank is committed to transparency in the due diligence process for Nam Theun 2—it is key to the international support and understanding required in the Decision Framework agreed with the Government—and has made available for public review all the studies, safeguards documents, management aide-mémoires, and other materials that we are using to inform our thinking on the proposed project. Where documents have not been ours to disclose, we have encouraged partners to make them available—and continue to do so. Most studies are now complete, and are being integrated into the safeguards documents; those revised versions will be disclosed soon.

The Lahmeyer and Worley study to which you refer is long out of date and was replaced in August 2004 by the 'Power System Development Plan for Lao PDR', which includes an update of the hydropower ranking studies to assess whether Nam Theun 2 is the best alternative for export of electricity from Lao PDR. This has been available for public review since August, and can be accessed on [www.worldbank.org/laont2](http://www.worldbank.org/laont2).

2. Ensuring impact minimization/mitigation, especially in the downstream areas. This is a critical area of concern for the Bank as well. The emphasis of our discussions with the Government and NTPC has been on the need to have a thorough understanding of the likely downstream impacts and solid programs to address them. NTPC has undertaken several thorough surveys and analyses of the range and scale of the downstream impacts, and developed mitigation and compensation measures for those areas. The Social Development Plan (SDP) and Environmental Assessment and Management Plan (EAMP) are currently being revised, in keeping with the iterative and consultative process through which the project

is being prepared, to reflect the findings of these analyses and proposed programs. It is our hope to organize a meeting in Vientiane to discuss the findings and programs with international stakeholders once the revised SDP and EAMP have been posted and interested parties have had sufficient time to review it. We would welcome WWF's participation.

3. Cumulative river basin impact analysis using a multi-criteria approach. A Cumulative Impact Assessment (CIA) has been conducted for the ADB to examine the aggregate impact of activities along the Mekong River at the present time and in the future, taking into account Nam Theun 2 and other planned developments over a 20-year horizon. The draft CIA has been discussed with key stakeholders, including some of the riparian countries and the Mekong River Commission. The analysis has concluded that, the impact of Nam Theun 2 alone on fisheries and water levels downstream of the Xe Bang Fai confluence with the Mekong would be insignificant. Development of all projects currently foreseen for the river basin could potentially have significant impacts—some positive, others negative—on riparian countries. The assessment is undergoing revisions following a technical review and will be posted shortly by the ADB.

We have found the CIA to be a useful and promising exercise. As information on ecosystems in relevant areas of riparian countries is thin, this represents a modest step in building a knowledge base to conduct long-term planning for sustainable development along the Mekong River. The approach is new and we would be interested in discussing the CIA methodology in greater depth with you at a subsequent date.

4. Comprehensive analysis of development options and resettlement impacts. Development options for Lao PDR have been analysed for the Country Economic Memorandum (CEM) prepared by the World Bank (still in draft), which finds that, with its significant natural resources and central position in the Greater Mekong Subregion, Lao PDR is well-placed to accelerate growth and reduce poverty, provided it increases the contribution of natural resources to development—noting the special role which hydropower and mining could play—in a sustainable way. To ensure such results, the country should also foster a more enabling environment to attract increased private sector investment and make progress on extensive reforms to improve the quality of governance, management of public finances, and service delivery.

The resettlement program for the affected communities on the Nakai Plateau has been the subject of long and detailed studies, as well as increasingly participatory local consultations for a decade now. A number of socio-economic surveys have been conducted to understand the likely impacts of Nam Theun 2 at the household level, including on household incomes and protein sources. These studies and consultations, as well as experience from previous hydropower projects, have informed the design of the resettlement program, including livelihood options. NTPC has committed not only to restoring livelihoods but also to improving them. The company is contractually bound to deliver the outcome targets.

5. Assessment of value of freshwater resources to local livelihoods, especially in the Xe Bang Fai area. Analyses of the downstream impacts, which include the use of fish and other aquatic animals consumed by these communities and the loss of physical assets, will be disclosed shortly. These analyses form the basis of the design of mitigation and compensation programs which are being discussed with interested stakeholders along with the revised SDP and

EAMP. Surveys used in the preparation of the studies indicate that affected persons would number about 40,000 along the mainstream of the Xe Bang Fai and 11,000 along the downstream tributaries.

6. World Commission on Dams (WCD) recommendations. In common with virtually all those consulted in the WCD process, the World Bank shares the WCD core values and concurs with the need to promote its seven strategic priorities. In addition, the lessons presented in the Report provide a valuable base for us to draw from when we consider development of hydropower projects. The focus of the World Bank, in the case of Nam Theun 2 as well as in other projects, is to ensure the environmental and social soundness of the proposed project, in both the preparation and implementation phases, through effective implementation of our Board-approved safeguard policies.

I hope you feel that this responds adequately to your concerns. Please do not hesitate to bring to our attention any further questions you may have.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Serra', with a stylized flourish at the end.

Maria Teresa Serra  
Sector Director

Environment and Social Development Unit  
East Asia and Pacific Region  
The World Bank