

Lao PDR
World Bank Management Mission on the Nam Theun 2 Project
AIDE MEMOIRE
May 17-18, 2004

Introduction

A World Bank management mission on the proposed Nam Theun 2 project visited Vientiane during May 17-18, 2004. The mission was led by Mr. Ian C. Porter, Country Director, and comprised of Mr. Christian Delvoie, Sector Director, Infrastructure Unit and Ms. Maria Teresa Serra, Sector Director, Environment and Social Development Unit. The World Bank staff participating in the mission included: Messrs./Mmes. Crousillat, Illangovan, Lintner, Magnoli, Matin, Mejia, Mertz, Morgan, Morton, Shivakumar, Somneuk, Versak, and Whitten. The mission held discussions with H.E. Thongloun Sisoulith, Deputy Prime Minister and President of the Committee for Planning and Cooperation; H.E. Somdy Douangdy, Vice Minister, Ministry of Finance; H.E. Somboun Ladhasombath, Vice Minister, Ministry of Industry and Handicrafts (MIH); H.E. Hitaheng Rasaphone, Vice Minister, Ministry of Agriculture and Forests (MAF); and H.E. Sakhone Chaleunvong, Vice President, Science, Technology and Environment Agency (STEA) and other Government officials as well as the developers working on the project. The mission also met with the Country Director of the Asian Development Bank (ADB) and the Resident Representative of the Agence Française de Développement (AFD). The mission wishes to thank the Government of the Lao PDR for the excellent arrangements made for its visit and for the frank and cordial manner in which the discussions have been conducted.

Purpose of Mission

The purpose of the mission was to discuss with the Government and the Nam Theun 2 Power Company Limited (NTPC) the major issues that must be resolved and the remaining work that must be done to enable project preparation to be completed on a timely basis. The mission was launched building on the work of the previous management missions led by the Country Director in August 2001, April 2002, October 2002 and May 2003 and drawing on the results of a series of intensive operational missions that were mounted on the project in recent months.

This Aide Memoire sets out agreements reached with Government and the NTPC on how to address major unresolved issues and identifies the next steps that need to be taken in each case in order to complete project preparation and make adequate progress in other areas, as referenced below in the Decision Framework, in time to allow the Bank to make a decision on the appraisal of the project before November 2004.

Decision Framework for NT2

It will be recalled that previous management missions stressed that adequate progress must continue to be made in addressing three critical areas before a Bank decision on support to the proposed project can be considered, as identified in the "Decision Framework for NT2": (i) establishing and implementing a viable development policy framework and program for poverty reduction and for environmental protection; (ii) ensuring that the technical, financial, implementation, and economic aspects of the proposed project, as well as the design and implementation of safeguards policies, are sound; and, (iii) obtaining broad understanding and support from the international donor community and global and local civil society for Lao PDR's poverty reduction program and the proposed project.

Issues that remain to be addressed

While the mission addressed the range of issues included in the Decision Framework, particular attention was paid to the poverty reduction–public expenditure nexus and the environmental/social safeguards issues. The main pending issues, drawn from the three critical areas of the Decision Framework, are detailed below, with agreements reached and the next steps briefly indicated under each item:

A. Development Framework

- **Sustaining macroeconomic stability in Lao PDR**

Progress. The fourth review of IMF's PRGF program has been delayed. An IMF mission is scheduled for late July and a combined Article IV and PRGF Review is planned for its Board in October 2004. Though revenue-collection is now on track for the first six months of fiscal year 2003/04, other issues relating to additional revenue-raising measures and Russian debt resolution remain pending. Inflation has been falling over the last six months and this trend needs to be maintained.

Next Steps. It is essential that the Government continues to implement policies needed to maintain macroeconomic stability, including good performance on revenue mobilization and the overall fiscal situation.

- **Implementing reforms to improve management of public resources, supported by the Financial Management Adjustment Credit (FMAC), and completing all actions for second tranche release**

Progress. All seventeen specific reform actions for the release of FMAC's second tranche have been met, after a year's delay, and the Bank released the second tranche at the end of May 2004.

- **Completing the National Growth and Poverty Eradication Strategy (NGPES), previously called NPEP, and preparing the joint WB-IMF staff assessment (JSA)**

Progress. The National Growth and Poverty Eradication Strategy (NGPES), following a well-own Government process and a good deal of consultations with stakeholders, was submitted to the Bank and the IMF in April 2004.

Next Steps. A Joint Staff Assessment (JSA) of the NGPES is being prepared by the Bank and IMF and is expected to be considered at their Boards by August 2004.

- **Supporting the implementation of reform measures in the first year of NGPES with a PRSC, as is generally done in PRSP countries.**

Progress. The Government remains committed to continuation of reforms and the preparation of the first Poverty Reduction Support Credit (PRSC) for receiving IDA financial assistance in support of reform implementation. The formal initiation of this process will start after the disbursement of the FMAC's second tranche. The Government's Letter of Development Policy (LDP) for FMAC and the recently completed NGPES commit the Government to continued reforms in the areas of macroeconomic management, public expenditure management, state-enterprises, financial sector, private sector development, international and regional integration, as well as delivery of public social services and targeted poverty reduction. The Government already envisages implementation of specific measures in some of these areas, and is actively formulating measures in other areas.

Next Steps. The Government has requested the Bank to send a request for initiating preparation of the PRSC, now that the processing of the FMAC tranche-release has been completed. The Government will then set up a counterpart team to move discussions on this forward. The PRSC is planned to be taken to the Board in January 2005.

- **Completing WB-IMF joint external debt sustainability assessment (DSA)**

Progress. Lao PDR is a HIPC-eligible country, and a joint DSA will be necessary to provide a clearer picture on debt and its servicing to all potential lenders; it will also be part of the due diligence for the

Bank's guarantee to the NT2 project, which is under consideration. The mission highlighted the urgency of addressing this issue, given the considerable delay that has already taken place. To complete the DSA in a couple of months, the following are urgently needed: a letter from the Government requesting the Bank and IMF to complete the DSA; information from the Government on the status of negotiation on resolution of the Russian debt and the agreed terms of repayment; and loan-by-loan information on the non-Russian convertible external debt. The Government has now provided the mission with information on the Russian debt and the letter asking for a joint World Bank-IMF mission to do a DSA will be provided shortly. Access to loan-by-loan data was also promised during the DSA mission.

Next Steps. The Government will issue an invitation to WB and IMF to field a joint DSA mission. The Bank and IMF are expecting to undertake this mission in late July to work with the Government team and complete the work in August, sketching out the options available to Lao PDR in respect of its external debt.

- **Completing the analysis of alternative options for Lao's sources of growth and poverty reduction, including policy and institutional requirements for promoting such growth and for effective use of additional revenues**

Progress. The Bank team, working with the Government's counterpart team, has completed the analysis, and has had one round of discussion on the draft with the counterpart team. The translation of the report has been completed and the Bank formally issued the report, together with the Lao version, at the end of May.

Next Steps. The report will be discussed further in Lao PDR through a series of workshops – with the first few proposed for June/mid-July, 2004.

- **Developing and agreeing on NT2 revenue management, comprising of general public expenditure management for all government revenues (*Track 1*) together with monitorable “key outcome indicators,” as well as the NT2-project specific revenue management mechanisms for revenues from NT2 (*Track 2*)**

Progress. The Government and the Bank have agreed on the importance of NT2 revenue management issues as reflected in the aide memoires of previous NT2 management missions, and conducted discussions on initial ideas in February 2004. The Government established a Committee headed by the Vice Minister of Finance in March, and discussions between the Committee and the Bank were held in March and May. During this mission agreement was reached to have a four month period of intensive follow-up, including missions every month – to develop both programs (i.e., *Track 1* and *Track 2*) of revenue management in parallel. The Committee indicated that this was a difficult objective, given the formulation of the budget at the same time, but they would make every effort to provide the necessary staff and support for this important exercise. A terms of reference for *Track 1* work has been developed and shared with the Government and the Committee felt that it was a reasonable description of the likely content of work for *Track 1*. It makes clear that development of *Track 1* will not only address the reform measures that will have to be taken, but also formulate key “outcome indicators” that can be monitored to assess progress. Key issues for *Track 2* were also discussed and it was agreed that the Bank team would like to receive proposals from the Committee as to its specific content, and that could be the basis for further discussion.

Next Steps. The Government has agreed that the underlying technical work for the above *Track 1* and *Track 2* approach can be initiated by WB and ADB consultants immediately working with the Government Committee. Thereafter, a schedule of missions and work-program will be proposed by the Bank team and shared with the Committee so that members can better plan their own work around the missions. Currently, a mission in late June is planned.

- **Finalizing the World Bank's next Country Assistance Strategy (CAS) for Lao PDR**

Progress. The preparation of the next CAS is nearing completion, with ongoing consultations with the Government and other stakeholders, which will be continued over the coming months and reflected in the final document. This Bank assistance strategy for Lao PDR is expected to provide lending and non-

lending support to the implementation of the NGPES (i.e., the full Poverty Reduction Strategy Paper, or PRSP). The size of the total annual lending program, which would include Nam Theun 2 related projects, will be based on expected performance in respect of reforms, investment and portfolio implementation. A share of this lending will be provided in the form of annual budget support operations (Poverty Reduction Support Credits, or PRSCs), as is the case in most PRSP countries.

Next Steps. The CAS is expected to be presented to the Bank's Board in November 2004.

- **Maintaining satisfactory performance under the IDA portfolio, including the Poverty Reduction Fund**

Progress. The country portfolio includes twelve projects under implementation for a net commitment of US\$215 million. Current projects address a broad set of social and economic objectives in support to the GOL development effort. One more project is at the final stage of preparation and should start implementation soon. The performance of the country portfolio is an indicator of the effectiveness and sustainability of this effort. The mission confirmed a high level performance of the current portfolio (there are no projects at risk), which contrasts significantly with the performance of recent years when up to one third of the projects were rated unsatisfactory.

Next Steps. It is essential to maintain this satisfactory performance. Of particular importance is the Poverty Reduction Fund (PRF) project, a poverty-targeted operation aimed at delivering development resources in poor villages through a participatory and decentralized process. A successful implementation of the PRF would offer a sound option to channel part of the revenues of NT2 to the poor.

B. Project Quality and Safeguards

- **Completing Bank due diligence on the economic, technical and financial aspects of the project**

Progress. The Bank's technical due diligence on the proposed NT2 project has progressed significantly since the August 2001 framework was discussed with the Government. Due diligence on the economic and financial aspects, now almost complete, will be fine-tuned once more accurate environmental and social mitigation costs are made available through completion of ongoing impact studies – likewise for the economic and financial analysis of Thai and Laotian power markets and the Power Sector Development Plan for Lao PDR. The work of the dam safety review panel is ongoing and Bank due diligence on dam safety is satisfactory to this point.

Next Steps. The Bank will share the results of its due diligence and its analysis with the Government, the sponsors, its co-financing partners and the concerned public, as appropriate.

- **Completing Bank due diligence on the procurement of goods and services under the project**

Progress. The Bank has completed a two-stage review of NT2 project procurement. The first stage of the review was accepted by the Bank in June 2003, the second stage in April 2004. A summary report covering both reports has been provided to the commercial lenders and their professional advisers.

Next Steps. After the planned June mission, the Bank will confirm whether any further procurement issues need to be addressed by the sponsors.

- **Incorporating Bank comments on PPA (EGAT and EdL), CA, and SHA**

Progress. The Bank consultant's reviews of (i) the technical and commercial aspects of the Power Purchase Agreement (PPA) and Concession Agreement (CA); and (ii) the legal aspects of the PPA, CA and Shareholders Agreement (SHA) have been completed.

Next Steps. The Bank will communicate its list of proposed amendments to the legal documents after the ongoing discussions on social and environmental assessment and mitigation measures are completed.

- **Finalizing project cost estimates and mobilizing project finance**

Progress. NTPC has updated the project cost estimates, based on the current exchange rates (reflecting upward movement in the contract currencies vis-à-vis US\$), contract prices and the latest estimates of mitigation costs relating to social and environmental impacts. In NTPC's view, the project costs which

are funded by the project company through commercial debt and equity should be clearly related to the scope of the power plant and essential for its operation as well as the mitigation and/or compensation of project-related impacts. NTPC expressed concerns that the financial returns to the project were being eroded by loading development costs on the shareholders instead of the Government.

Next Steps. NTPC will provide the Bank with its latest detailed project cost estimates and financing plan, including a breakdown of capital and operating costs for environmental and social mitigation-compensation by early June. The Bank will then mount a financial mission to discuss the above cost estimates. The mission will take into account the cost of all the activities required to be undertaken as an integral part of the project especially in the environmental and social areas, and identify “mitigation - compensation” costs and “development” costs relating to the social and environmental expenditures. The mission will also examine the implications of aggregate cost on the financing plan and funding sources. [The Bank received the project cost estimates, *inter alia*, at the meeting of major NT2 donors held in late June during the mission noted above.]

- **IDA support for NT2 Equity through NTSEP**

Progress. The mission discussed and agreed with GoL to divide the equity and non-equity components of the Nam Theun 2 Social and Environmental Project (NTSEP) into two separate IDA-financed projects – the NTSEP and the Lao Environment and Social Project (LENS). This separation would : (i) allow for a broader capacity building program which could extend beyond the NTSEP implementation timeframe and could address gaps in the legal and institutional framework and management capacity issues that are systemic and beyond the NT2 scope; and (ii) promote greater clarity on the scope, costs, financing and institutional arrangements of NT2-related activities. NTSEP will finance exclusively GoL’s equity in NTPC by supporting eligible environmental and social mitigation measures identified in the three safeguards documents – the Environmental Assessment and Management Plan (EAMP), the Social Development Plan (SDP), and the Social and Environment Management Framework and First Operational Plan (SEMFOP), once they are finalized following consultations.

Next Steps The scope and implementation arrangements for NTSEP have already been discussed and agreed with GoL and NTPC. Project preparation activities are on-going and closely linked to the finalization of the three safeguards documents.

- **Lao Environment and Social Project (LENS)**

Progress. Encompassing the former non-equity components of NTSEP, the LENS will include activities to strengthen GoL’s overall regulatory, management and enforcement capacity in environment and resettlement at the national and provincial levels, and biodiversity conservation in protected areas, with special focus on Central Lao. The Bank and the GoL agreed that the new project will be prepared alongside NTSEP and will have the same processing schedule. The mission agreed that the Science, Technology and Environment Agency (STEA) could be the lead agency for the project. The agency would need to establish a strong working relationship with the Ministry of Agriculture and Forests (MAF) to ensure successful project preparation and implementation.

Next Steps. STEA management confirmed to the mission that it is in the process of establishing a counterpart team to work with the Bank to advance project preparation expeditiously. It was agreed that Bank will send a preparation mission to scope the project as soon as GoL confirms the appointment of the counterpart team.

- **Fees for Guarantee and Cost Recovery from project developers**

Progress. NTPC inquired as to whether the Bank had finalized its position on guarantee fees based on the representation made by them.

Next Steps. The mission indicated that the level of fees and the cost recovery that would be requested from the project sponsors are still being examined within the Bank and that the matter will be discussed with NTPC shortly. The Bank mission also indicated that a project supervision and monitoring plan was under preparation and will also be discussed shortly with the developers.

- **Finalizing the institutional structure for Lao Government equity funding**

Progress. Government, ADB and the Bank have reached agreement on setting up an independent entity to channel the GoL equity to the project.

Next Steps. This agreement needs to be formally confirmed. A timeline with discreet steps to be taken to set up such an entity and make it operational, preferably by the end of the year, needs to be finalized. Once the details of the entity have been finalized the shareholder agreement would need to be amended. All sources of funding for GoL equity would need to be channeled through this entity and hence the timing is critical.

- **Management of the Nakai Nam Theun National Protected Area (NNT-NPA)**

Progress. The new *Advanced Draft* (May 2004) of the SEMFOP has been posted on the project's website, and includes a vision statement for the long-term management of the NT2 Watershed as part of the SEMFOP's Executive Summary. The Watershed Management Protection Authority (WMPA) has initiated work on boundary demarcation of the NNT NPA near the Peripheral Impact Zones (PIZ), appointing four inter-ministerial "core" teams with a target to complete much of this work by October 2004.

Next Steps. WMPA will discuss the SEMFOP including the vision statement with the relevant national and local agencies, undertake local consultations in the NPA villages, and thereafter incorporate the outcome of these consultations in the final version of the SEMFOP following agreement with the Bank. WMPA will also identify the necessary amendments to Decree 25 to be consistent with the vision statement and the Bank will provide assistance. In addition, WMPA will develop a list of priority activities to be incorporated into a budgeted interim work program for submission to NTPC; and NTPC will confirm the boundary between the NPA and the reservoir.

- **Detailed baseline data collection in the Nakai Nam Theun NPA and Peripheral Impact Zone**

Progress. Agreement was reached to proceed with a (a) detailed baseline inventory that captures the number of people, economic activity, land use and potential impacts in the nearly 60 villages within the Peripheral Impact Zone (PIZ)¹ to the northwest and southeast of the NPA, and (b) the establishment of protocols for quantitative and qualitative measurement of abundance of key animal species within the NPA. Both these activities are regarded as essential to better monitor changes once the SEMFOP begins in earnest.

Next steps. Terms of reference were developed for both aspects. Bank resources were identified for the PIZ work and consultants were being identified to allow a June 2004 start. The biodiversity work is being included in the priority actions for the interim work plan so that work can begin in 2004. The work is scheduled to be completed by September, 2004.

- **Resolving issue of mining and logging concessions in the Nakai Nam Theun NPA.**

Progress. The discovery of a gold mine just inside the NPA and of concession boundaries overlapping the boundaries of the NPA, the Department of Mines and Geology has admitted that an unintentional mistake was made, and the boundary of the mining concession has been changed to exclude the NPA.

Next Steps. The GoL will provide documentation on all mining concessions in or near the NPA and will provide a formal letter resetting the boundaries of concessions/licenses partially within the NPA and confirming that there are no more overlapping concessions/licenses.

- **Institutional Strengthening and Empowerment of the WMPA**

Progress. It was agreed that the WMPA would develop a program effectively empowering it to carry out its mandate that would include adequate staffing; a capacity building program including international consultants and institutional partners; by-laws elaborating its authority consistent with its designated responsibilities; and an agreed division of responsibilities with other GoL agencies. Although there are

¹ The PIZ is next to but outside the NPA. It is not part of the precise project area as it is also not in the Nam Theun watershed.

indications that the profile of WMPA is being raised, greater effort within government agencies to communicate its role and position is needed.

Next steps. With Bank support, the WMPA will define a program of institutional development that provides for effective management consistent with its responsibilities by October 2004, and have key local and international staffing and technical support in place by March 2005. This program would form part of the interim work program to be submitted to NTPC. The WMPA, MIH and other agencies will increase efforts to communicate the nature and authority of the WMPA to other government agencies and the public.

- **Strengthening Enforcement in the NNT NPA**

Progress: Recent efforts by the WMPA have apparently reduced the open sale of wildlife products near Lak Xao, and wildlife traders have been apprehended in the NPA. A high-ranking Vietnamese delegation will be visiting the NPA and neighboring areas of central Lao in late-June hosted by the WMPA – this is expected to result in an action plan for trans-boundary efforts to reduce poaching of wildlife and non-timber forest products.

Next Steps: A terms of reference for international TA has been prepared to assess the current patrolling standards (set up under the IDA-financed DUDCP LIL) before they are expanded to cover the rest of the NPA under the SEMFOP, and to both make recommendations for improvement and undertake training of trainers as required. This will be included in the interim work plan to be presented, as agreed, to NTPC.

- **Resettlement of Vietic Villages in NT2 Project Area**

Progress. It was agreed that there is a need to gain understanding of the nature and magnitude of these resettlement activities and to work toward a good outcome for these groups.

Next Steps. A Bank mission would go in June to review the status of past resettlement activity in the NNT NPA and to assess the consistency of those resettlement actions with Bank safeguard policies.

- **Division of Responsibility for Resettlement between NTPC and GoL**

Progress. Further discussion has taken place on expectations in terms of NTPC and GoL responsibilities. In discussions subsequent to the mission, key principles were agreed with NTPC as follows: (i) NTPC will be responsible for planning and implementation (to be unbundled into specific tasks); (ii) GoL will be responsible for providing approvals, appointing committees, and issuing legal documents (e.g., land titles); (iii) GoL will be responsible for providing service delivery capacity (e.g., teachers, doctors, etc.) during the operational phase; and (iv) although still to be clarified, NTPC is willing to consider appointment of an independent facilitator/mobilizer, for community mobilization during construction and operational phases, to do this under their supervision (but would need to confirm that GoL finds this acceptable). NTPC has provided to the Bank a detailed note further elaborating the roles and responsibilities of GoL and NTPC, which is currently being reviewed by Bank staff.

Next Steps. Drawing on the results of the ADB-financed capacity assessment, the Bank and the NTPC will work together to agree as soon as possible on an institutional matrix clearly specifying areas of responsibilities.

- **Downstream Impact Issues**

Progress. Agreement has been reached on the scope of responsibility for mitigation and monitoring in the downstream impacts in the Nam Theun and in the Tonle Sap, and follow-up discussion between the Bank and the WMPA on fisheries monitoring responsibility in the NPA took place in late May. Subsequent to the management mission, discussions continue in an effort to reach agreement on how the fisheries monitoring presently going on in the XBF could be reworked to make it more useful. The same methodology would then be applied to the Nam Theun/Nam Kading basin as well as to the tributaries to the Nam Theun above the Nakai dam. The outcome of this monitoring would determine the degree of impact to fisheries and the policy framework to be developed would be applied to compensate for losses.

Next Steps: The Bank will review the results of the Xe Bang Fai and Nam Theun studies when they become available. A follow-up video conference will be organized, as soon as feasible, between the Bank

and NTPC to reach closure on the mitigation/compensation package and the financing plan for the Xe Bang Fai.

- **Undertaking Local and International Consultations**

Progress. The mission was briefed on the on-going local consultations in the five main geographical areas of the project site (plateau, watershed, peripheral impact zone, XBF downstream and project lands). The plateau and watershed were completed in mid-June (after the mission), while the XBF and peripheral impact zone are on-going. Consultation in the project lands is yet to commence. As per the current schedule, the local consultations are expected to be completed at the beginning of August in all five areas. NTPC informed the mission that it has posted on its website the schedule of local consultations. GoL has obtained the services of an independent consultant (a Thai NGO funded by the ADB) to prepare the consultation material and to train the district, NTPC, WMPA and village facilitators. The Bank has appointed a consultant to track and monitor the local consultations and assess its quality vis-à-vis three attributes -- transparent, balanced, and meaningful process and content. Agreement was reached with GoL and NTPC that the outcome of these local consultations will be incorporated in the final version of the three safeguards documents (SDP, EAMP and SEMFOP) before they are formally posted in the Bank's *InfoShop*. The scope and schedule of international consultations is explained in Section C (see below)

Next Steps. Safeguards document drafts are being made available, local consultations are continuing, and national, regional and international consultations are being organized.

- **Complying with Bank safeguard requirements on Riparian Notification**

Progress. Because the project impacts the flows and possible water quality in the Mekong River system, the Bank's policy on international waterways is triggered. GOL is required to notify both upstream and downstream riparian nations of its intent to construct the project. The developers and GOL have been informed of Bank requirements and a February 2003 mission reiterated the Bank's requirements. A Bank legal specialist has reviewed what has been done to date by the Government and advised on what else is required to meet Bank policy. To date, Lao PDR has notified China, Myanmar, Cambodia, Thailand and Vietnam; the latter three were notified through the Mekong River Commission (MRC) established by them and the Lao PDR through a 1995 International Agreement. China, Thailand, Myanmar and Vietnam informed the Lao PDR Government that they support and/or have no objection to the Project. Cambodia, through MRC and the Cambodia National Mekong Commission (CNMC), requested additional information before making its decision.

Next Steps. The Lao PDR Government is following through on the notification process, including providing additional information requested by the CNMC, and will keep the Bank informed on progress. It is expected that the GoL would receive final feedback from the CNMC and the MRC on the proposed NT2 project by end-September, 2004.

C. Communications and Local / International Dialogue

- **Consultations on the project**

Progress. The mission, GoL and NTPC discussed the overall consultation program for the project. Consultations will be held at local (project area), national (Vientiane), regional (Bangkok) and international (Tokyo, Paris and Washington) levels. The international consultations will be contingent upon the completion and translation of the Summary Environmental and Social Impact Assessment (SESIA) by the ADB at least one month prior to the consultation date.

Pending this, the following schedule was agreed to:

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| ➤ Local (plateau, watershed and downstream) | May 10 – July10, 2004 |
| <i>A second round of consultations would be held in July/August after the downstream impact studies have been completed.</i> | |
| ➤ Vientiane, Bangkok | week of August 16, 2004 |
| ➤ Tokyo | week of August 23, 2004 |
| ➤ Paris | week of September 6, 2004 |
| ➤ Washington, D.C. | week of September 13, 2004 |

The structure and approach to consultations will be designed to take into account the diverse nature of the audience and their interest in the project, as further elaborated in the Bank's Consultation Plan that was shared with GoL and NTPC. At the local and national levels, the consultation process will be built around three important attributes: transparency, balance, meaningful content and process. The regional and international consultations will take the form of technical workshops.

Next Steps. Due to the lack of completeness of two safeguards documents (EAMP and SDP), the mission emphasized to GoL and NTPC that additional local consultations will need to be conducted once the results of the on-going work (riparian release study, downstream socio-economic study of the Nam Theun, Xe Bang Fai flooding study and viability analysis of livelihood opportunities) are available. This second round of consultations will be planned for July/August, after the studies have been completed. It was agreed with NTPC and WMPA that the feedback from the consultations will feed into the finalization of the three safeguards documents, which will take place before end-October 2004.

- **Donor Coordination**

Progress. It was noted that ADB had raised issues such as clarity regarding sponsor responsibilities, segregation and management of NT2 revenues, cooperation among Mekong countries, and the forestry offset that need to be addressed soon.

Next Steps. GoL and the mission agreed that a donor meeting with GoL and NTPC prior to appraisal would be useful to resolve issues on the project that various donors may wish to raise and to strengthen further arrangements for donor coordination. The question of the overall size of donor assistance justified for the NT2 project would also be discussed and the potential for mobilizing additional assistance investigated. It was also agreed that a UNDP-type Round Table for sharing information on NT2 would be useful at an appropriate time.