

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

30th Floor, Siam Tower
989 Rama I Road, Pathumwan
Bangkok 10330, Thailand

Telephone: (66) 0 26868300
Facsimile: (66) 0 26868301
www.worldbank.or.th

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Bangkok Post
Bangkok Post building
136 Na Ranong Road
Klong Toey, Bangkok 10110

Attention: Editorial Department

Khun Kusuma fax. 0 2240 3666

Dear Sir,

Subject: World Bank response to IRN letter

I am writing to respond to the opinion piece published on November 8, 2005, by Peter Bosshard of the International Rivers Network, "Blue-ribbon report could make a difference."

While riddled with inaccuracies, the article does have one correct assertion - that the World Commission on Dams (WCD) report did indeed find that the key to better dam projects is to assess options, evaluate environmental and social aspects, and adopt a people-centered approach. This is why the Bank, together with the Government of Lao PDR and the private sector developers of the Nam Theun 2 (NT2) project, undertook years of studies assessing alternatives and the best options to promote sustainable development in Laos, a country of great poverty and few alternatives to growth. It is also why NT2, approved in March 2005, has had the most extensive consultations process in the history of the country before the World Bank decided to support the project. In contrast, IRN had declared its firm opposition to this project before Lao people – who actually support this project – were even consulted.

Additionally, contrary to IRN's assertion, compared to alternative sources of power, NT2 has emerged decisively as a least-cost economic alternative for incremental power supply for Thailand. The economic rate of return to the project is 16 percent, and the financial returns are also satisfactory, especially for Lao PDR, which has a 24 percent equity stake but a much larger share of the returns (46 percent). Furthermore, if the dam and power plant are properly operated and maintained throughout the Concession Agreement period, it should remain a productive power-generating facility for decades after the dam becomes the exclusive property of Lao PDR, and could generate substantial additional profit for the government (this is after the \$1.9 billion over the first 25 years of the project.)

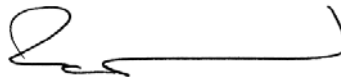
The World Bank does share the core values of the WCD report and concurs with the need to promote the WCD's seven strategic priorities. We have also actively participated in the UNEP managed Dams and Development Project which is a follow-up to the WCD report. In addition, the lessons presented in the WCD Report provide a valuable base for us to draw from when we consider development of hydropower projects. The World Bank has drawn on lessons learned from hydropower projects in Lao PDR and Thailand; large infrastructure projects financed by the Bank globally; and from reports such as the WCD

report. It has applied these lessons in the preparation of NT2, with a comprehensive and intensive approach reflecting the Bank's strong concern to ensure that the project delivers real, durable benefits for the people of Lao PDR.

The Bank does not believe that all dams are bad, and we also do believe that it is possible to learn from history. That is why we consider dams as an option, though we still fund less than one per cent of dams built in the developing world. The Bank recognizes the reality of development – that responsible growth and poverty reduction requires access to infrastructure of a variety of types and scales in both urban and rural areas. The Infrastructure Action Plan – and complementary Water Resource Strategy – lay out a framework, endorsed by the World Bank's Board representing 184 nations – to meet the development needs of a country in an environmentally and socially sound way while helping a country facilitate growth and increase the economic and social value of these investments. (This is not a "dam strategy" though some groups have chosen to call it as such.)

We believe that the people of Lao PDR should be given options to lift themselves from poverty. Of course any dam has environmental and social effects and, probably, some unexpected consequences, but poverty has known consequences, including disease, malnutrition and death. We prefer to try to manage the difficulties and help the poor. Those who would deny the people of Lao PDR a chance to improve their lives need to propose an alternative.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Ian C. Porter', with a long horizontal flourish extending to the right.

Ian C. Porter
Country Director, Lao PDR
East Asia and Pacific Region