

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION



Asian Development Bank

March 23, 2007

Dear Mr. Cappelle,

We refer to your letter dated February 9, 2007 with regards to Nam Theun 2 project implementation.

The World Bank and Asian Development Bank are continuing to work closely with the Government of Lao PDR (GoL) and the Nam Theun 2 Power Company (NTPC) to ensure that implementation is sound and meets the program's social and environmental objectives.

NTPC and GoL have been increasingly synchronizing construction progress with environmental and social measures. A significant focus has been placed on livelihood development activities, which will continue to be one of the most pressing issues during construction as well as in the first few years of the project's operation.

Please refer to the World Bank's NT2-dedicated website at <http://www.worldbank.org/laont2>, where you will find updated information about the NT2 project, including the status of the wildlife program, elephant study, reservoir clearance, downstream program, fishery impacts, resettlement and livelihood programs, social and environmental safeguards, and the World Bank's due diligence process on NT2, among others. The World Bank is regularly updating this information based on the Banks field-visits, outcomes from independent assessments and discussions with NTPC and GoL.

In regards to some of the specific documents that you are requesting, you can find some information regarding status of programs in the WB-NT2 website under "Frequently Asked Questions." Moreover, the International Financing Institutions are closely following up with GoL and NTPC on information disclosure to ensure that relevant documents are disseminated, as they become available, to interested stakeholders. We will also alert NTPC of your interest in these materials and suggest also following up with them on this issue directly. For specifics on biological diversity baseline data, you will find useful information in the "Social and Environmental Management Framework and Operational Plan" (available in the WB-NT2 website) including issues connected to the rights of indigenous peoples, biological diversity conservation and compliance with applicable laws and regulations.

In terms of your concern on turbidity and sediment in the Nam Khathang, the Lender's Engineer did not find erosion and sediment control to be a significant issue in most locations during their December 2006 visit due to the dry weather. Water quality in Nam Khatang is regularly monitored. Flows in the Nam Khatang have been lower than anticipated during the last wet season

and the river bank protection has worked well with no signs of deterioration. Furthermore the use of coagulating or flocculating agents to improve the level of turbidity and suspended solids in runoff from disturbed areas has been shown to give good results.

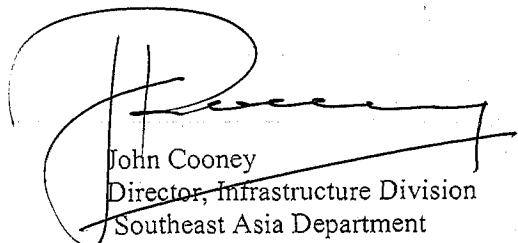
We would like to draw your attention to the fact that the Government of Lao PDR and NTPC agreed to disclose the relevant provisions of the Concession Agreement (CA) describing their legal obligations for environmental and social management of the project including a full schedule detailing measures to be implemented to mitigate, reduce, and/or offset any negative impact of the project including costs, timing and liabilities for non-compliance. A summary of the CA is available in the NTPC as well as the WB-NT2 website.

Finally, we share your concern related to the investigation and additional studies that need to be done in connection with project implementation. In this respect, we agreed with the Government of Lao PDR and NTPC that building and operating the Nam Theun 2 hydro project is by nature a complex operation and a long term endeavor that may involve unforeseen impacts at the time of its preparation. To address such unforeseen impacts, a consultation process and a change management system were designed to allow the Government, the project developer and interested stakeholders to consult and implement any additional measures to mitigate and reduce the offset of unforeseen impacts. We've been advised by NTPC that the Project Implementation Plan, developed by NTPC and released in 2005 (and available in the NTPC website), is currently being updated and includes information raised in your letter including impacts on the downstream area, fisheries and land compensation. We are following up with NTPC on the finalization of this update.

Please do not hesitate to contact us should you have any further questions.

Sincerely,


Mohinder Gulati
NT2 Project Coordinator
East Asia & Pacific Region


John Cooney
Director, Infrastructure Division
Southeast Asia Department