

World Bank Comment on Press Statement by a Group of Thai NGOs on Proposed Nam Theun 2 Hydroelectric Project in Lao PDR

On February 5, 2004 a group of Bangkok-based NGOs met with six World Bank Executive Directors to share their concerns about the proposed Nam Theun 2 Hydroelectric Power Project (NT2) in Lao PDR.

The Executive Directors were not in a position to comment on the particular issues of the project, as the preparation process of a project investment is undertaken by World Bank staff. The role of the Executive Directors is to make a decision only when the World Bank's management is satisfied that all World Bank procedures and policies have been followed. World Bank management and staff are still studying the economic, financial, social and environmental viability of the project, and thus any decision on whether or not to recommend World Bank support for the project is still months away.

After that meeting, WWF Thailand issued a press statement which states publicly some of the concerns NGOs raised during the meeting. This note addresses some of these concerns.

Issue: *Thailand is oversupplied with energy and will not need the electricity generated by NT2.*

Response: According to the Thailand Load Forecast Sub-Committee (which includes a large group of industry stakeholders who either produce or consume electricity), Thailand's base case demand for electricity will grow by approximately 6 percent per year over the remainder of the decade. This includes allowances for demand side management. Based on EGAT's existing capacity, planned capacity additions (which include Small Power Producers, SPPs), planned capacity retirements and power supply reliability criteria by the time NT2 would be commissioned in 2010, EGAT will fully absorb its 995MW allocation within that year. The generation reserve margin which is currently high would have come down to the normally accepted level of 15 percent by 2010.

Issue: *The price at which Thailand would buy the electricity means the project will not be economically viable for Lao PDR.*

Response: The World Bank is carefully assessing the project's economic rate of return for Lao PDR, taking into account the power tariffs, sales projections, project cost, financing arrangements and the costs of mitigating environmental and social impacts in a manner satisfactory to Lao PDR and to the project sponsors. This assessment is still in progress and it is premature to come to any conclusions.

Issue: *The fisheries of the Xe Bang Fai will be destroyed by the project, causing immense harm to the livelihoods of 120,000 people directly, and hundreds of thousands of other people who buy fish caught in the river.*

Response: If this were true, the World Bank would not be considering the project at all. In fact, a central reason we are involved is to assist in making sure that the dam benefits the people of Laos, especially those directly affected by the dam's construction. As part of the work in preparing the project, studies are being carried out on downstream impacts on the Theun and Xe Bang Fai rivers. These studies will shape and guide the measures to reduce or mitigate impacts of the dam project – and these measures will need to be agreed by the developer and

the Government before the World Bank would consider offering any further support. The developer, the Nam Theun 2 Power Company (NTPC), expects these studies to be completed in June 2004.

Furthermore, the proposed Nam Theun Environmental and Social Project (NTSEP) supports resettlement and community development, environmental and watershed area management, environmental mitigation, and poverty reduction in the project area. Through these efforts, the Government seeks to ensure that the livelihoods of all who live in the project area are improved as a result of the project and that the environment around the project area is conserved for the long-term.

The design of risk mitigation measures is contained in three document packages (which are governed by the Bank's disclosure policy): the Environmental Assessment and Management Plan (EAMP), the Social Development Plan, which includes the Resettlement Action Plan (RAP) and an Ethnic Minorities Development Plan (EMDP), and a plan for conservation and management of the Nakai Nam Theun National Protected Area (NNT NPA) and its Corridors called the Social and Environmental Mitigation Framework and First Operational Plan (SEMFOP), which also includes a plan for improved livelihoods for ethnic minorities in the watershed that is to be consistent with a priority focus on conservation of the exceptional biodiversity in the NNT NPA.

These plans have been prepared by consultants working for the Government and the developer, with substantial input from World Bank staff, as well as ADB staff, in the form of detailed comments and discussions on the application of World Bank safeguards policies. Implementation arrangements are included in these documents and completion of this work, to the satisfaction of the World Bank, is a prerequisite for World Bank consideration of the NT2 project.

Issue: *Real public participation and stakeholder dialogue are not possible in Lao PDR.*

Response: If by "real" the suggestion is that consultations are not the same in Laos as in Thailand, that is true. But it is also true that since 1995, there have been extensive consultations and discussions with the people on the Nakai Plateau, and along the Theun and Xe Bang Fai rivers, to an extent and in a way that Laos had not seen before. Visitors to the plateau in particular report that the people they meet with say they are tired of years of talk, and want to get on with the project.

The World Bank has concerns, however, over the quality of some of the consultations, though they are clearly a major step forward for the country, which has a restricted press and little history of free speech. In addition to field briefings, consultations and village meetings (including specific use of participatory methods), the Government of Lao PDR has maintained a public information center within the Science, Technology and Environment Agency (STEA) where project documents have been available for public review. In 2004, as more studies are undertaken on, for example, environmental and social impacts, the Government and the project developer (NTPC) will carry out detailed consultations with local, national, regional and international interest groups.

Furthermore... The Government and the developer will finalize a detailed consultation plan in March 2004. The World Bank and ADB have been actively engaged in the preparation of this plan. Consultations will use a wide variety of techniques to inform affected people of the

potential risks and benefits of the project, their entitlements and rights to compensation and dispute resolution mechanisms. The consultations will seek further guidance from affected people and concerned interest groups on ways to improve the overall approach to mitigation and implementation.

Issue: *The World Bank should learn the lessons of Pak Mun and apply them to Lao PDR.*

Response: Pak Mun Dam did provide some important lessons, including:

- thorough baseline studies should be done to be able to measure the exact impact of the project on fisheries, environmental conditions, living standards, and water flow and water quality;
- there must be careful identification in advance of the people expected to be affected by the project;
- the consultation process must be timely and effective, and provide a sound basis for people to make an informed decision; and
- there should be close monitoring of such aspects as fish catches, household income, and overall living standards during construction and for a fixed period after construction is complete.

The World Bank is applying the lessons from Pak Mun – not just with regard to Nam Theun 2, but more widely – as evidenced in the thoroughness of the analysis and survey work being done around this proposed project. Baseline studies either have been conducted or will have been conducted before the World Bank makes a decision on the project; and the consultation process (as well as provision for continued monitoring and support to people affected by the project) is far beyond anything seen in Lao PDR before. The project will require continued professional monitoring and evaluation of progress toward meeting rigorous performance indicators after construction begins, through project implementation and operations, with adequate funding set aside by the project developer to compensate for unexpected consequences.

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