



**International Rivers Network**  
Linking Human Rights and Environmental Protection



**ENVIRONMENTAL DEFENSE**  
finding the ways that work

February 7, 2006

Mr. Mohinder Gulati  
Nam Theun 2 Project Manager  
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The World Bank Group  
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Mr. John Cooney  
Director, Infrastructure Division  
Mekong Department  
Asian Development Bank  
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0980 Manila, PHILIPPINES

Dear Mr. Gulati and Mr. Cooney,

As World Bank and Asian Development Bank (ADB) Management prepare the first annual implementation report for the Nam Theun 2 (NT2) dam in Laos, we are writing to highlight several ongoing issues and concerns from our review of available documents and a visit to the NT2 site in November 2005.

Although construction is proceeding rapidly, key monitoring arrangements are still not in place. While it did appear that the villagers we spoke with during our recent visit had a greater understanding of likely project impacts, there are major resettlement issues that have not been addressed and planning is behind schedule. We are also concerned about some of the environmental impacts related to construction activities. Finally, a number of studies have either not yet been completed or have simply not been disclosed. These issues are elaborated in more detail below.

#### Study Completion and Document Disclosure

The following documents are not available on the websites of the Nam Theun 2 Power Company (NTPC), the World Bank or the ADB. Please let us know when these studies will be completed and disclosed to the public. If the document is to be made available by the Lao Government, please let us know when it will be completed and from whom we should request a copy.

- Project Implementation Plan (scheduled to be disclosed January 2006)
- Salvage Logging Plan (scheduled to be completed in 2005)
- Community Forestry Plan (scheduled to be completed in 2005)
- Detailed resettlement plans for both the Plateau and Project Lands
- Wildlife Management and Protection Program
- White-winged Duck Conservation Program
- Elephant Management Plan
- Fish studies for Nam Theun
- Stream morphology studies for Nam Theun

- Updates on progress on implementation of the Watershed Management Protection Agency and on Revenue Management arrangements
- Monitoring reports regarding environmental management during construction phase

Several of these studies are management plans for critically endangered species living on the Nakai Plateau, which should have been completed before construction began. Imminent salvage logging operations are also likely to threaten these endangered species and cause an increase in serious human-elephant conflicts on the Plateau.

#### Delays in Appointing Monitors

- International Advisory Group (IAG): According to a letter we received from Mr. Gulati in November 2005, two new members will be recruited for the Bank's IAG for Nam Theun 2. The TORs for the new IAG members were supposed to be posted to the Bank's website, but were not available as of February 7, 2006. Please provide an update regarding the recruitment of the new members and the creation of the IAG's website and the reason for the delay.
- Independent Monitoring Agencies (IMAs): Three IMAs for the Lao Government's resettlement and environment units and the Watershed Management Protection Authority were supposed to be "functional" by the end of 2005, according to Mr. Gulati's letter. Please provide an update regarding the IMAs' status and the reasons for the delay. Given the infrequent visits of the Panel of Experts and the IAG, the full reports of the IMAs should be made public rather than being excerpted in periodic progress reports of the Lao Government. Otherwise the public is sure to receive sanitized versions of the IMA findings and there will be no effective regular independent monitoring for the project. Please let us know whether IMA reports will be publicly released, and if not, why not.

#### Resettlement on the Nakai Plateau

During our visit to the Nam Theun 2 project site in November 2005, we noted that resettlement planning is behind schedule and that answers to critical questions are still unavailable. We would like to draw your attention to the following priority issues, some of which were also raised by the Panel of Experts and the International Advisory Group in their August 2005 report.

- A **detailed resettlement plan has still not been completed**, although the first group of villages was originally scheduled to relocate by May 2006. Without this detailed plan, the project sponsor is unable to identify the timing and development of construction and livelihood activities to ensure that resettlement proceeds as smoothly as possible for the affected communities. There are several issues that require careful sequencing, such as housing construction and rainy season agricultural activities, irrigation availability before reservoir filling, location of sufficient grazing land based on each household's current supply of livestock, and the scheduling of various village infrastructure construction activities. This issue is particularly critical for the villages that will be relocated to Nam Pan, given the existence of more than 30 host households and resettlers' reliance on an as

yet un-designed irrigation scheme for their livelihood replacement. Some of the questions that have not been answered include:

- Will grazing land be available for families with more than three head of buffalo in each resettlement site? Where will the land be and how will there be sufficient fodder for the buffalo?
  - How will food security be guaranteed for villagers in the period before resettlement but during salvage logging operations? Many villagers currently practice swidden agriculture and collect forest products in the area, and will presumably be unable to do so while logging operations are underway.
  - How will food security be guaranteed after resettlement but before reservoir filling for villagers who will require reservoir water for irrigation?
  - Given the initial stages of resettlement planning for Sop Hia and Nam Nian villages that will be relocating to Nam Pan, how can the viability of their only proposed livelihood option – irrigated agriculture – be guaranteed?
- **Villagers will be unable to grow rice on their new irrigated plots.** A key promise made to villagers in the Social Development Plan was that they would be provided with 0.16 hectares of irrigated paddy land for rice cultivation. NTPC has now determined that the soil is unsuitable for wet rice cultivation. Given the importance of rice for the food security of Nakai villagers, this makes the viability of the resettlement plan an even riskier proposition, and careful attention will need to be paid to villagers' rice consumption needs well beyond the transition period.
  - **It is still unclear where the markets will be for the resettled villagers' crops.** Villages will need to buy rice all year round and will need a market robust enough to accommodate the supply of vegetables from the Plateau. Experience in the Pilot Resettlement Village highlights the risks of this strategy. A woman in the Pilot Resettlement Village said that the price for her cabbage fell by two-thirds this year because all her neighbors were also growing and selling cabbage. She said she had to sell some buffalo to buy rice for her family. NTPC states that the villagers will be trained to grow different crops at the same time, but this is counter-intuitive to villagers who traditionally tend to grow the same crops at the same time.

#### Environmental Management and Construction

- There is no publicly available information about environmental management of construction activities. Furthermore, it is not clear what types of on-site environmental monitoring arrangements are in place to address issues of dust control, erosion, sedimentation, water quality, waste disposal and others across the significant area of project activities. We noted during our site visit that dust is causing a problem for villagers living along roads 12 and 8B and that the Nam Kathang seemed to have high

levels of sediment from nearby construction activities. Salvage logging operations will likely exacerbate these problems.

To avoid the failures of past projects, the multilateral development banks, the Lao Government, and the project sponsors should address these issues and prepare contingency plans to ensure that villagers have adequate food and income during the transition period. In addition, monitors should be installed as soon as possible and studies and reports should be made available in a timely manner.

We look forward to your response and your continued attention to the concerns highlighted in this letter.

Sincerely,



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