

# OPEN LETTER TO THE WORLD BANK FROM 16 NORTH AMERICAN CIVIL SOCIETY ORGANIZATIONS

*September 10, 2004*

## **The Proposed Nam Theun 2 Hydropower Project in Laos**

As the World Bank conducts a “technical workshop” in Washington, DC on the proposed Nam Theun 2 project in Laos, many serious concerns call into question the project’s ability to meet the World Bank’s goal of poverty reduction.

The \$1.3 billion hydropower project will displace more than 6,000 indigenous people and impact more than 100,000 villagers who depend on the Xe Bang Fai River for fish, agriculture and other aspects of their livelihood. We are concerned that the risk of resettlement failure is high given that the small amount of land being provided to villagers is of poor quality and unsuitable for rice production.<sup>1</sup>

The project will have dramatic effects on two river basins. Even the Nam Theun 2 Power Company (NTPC) admits that many of these impacts cannot be mitigated and instead will permanently alter river ecology and river-based livelihood systems. NTPC predicts "a collapse in the aquatic food chain," along the Xe Bang Fai. Fish catches would drop by 40 to 60 percent. Aquatic plants, snails, mussels, and shrimp traditionally collected for food or sale at local markets would disappear. And riverside land used for high-value crops in the dry season would be permanently flooded by the dam's discharges.<sup>2</sup>

We recognize that the Nam Theun 2 will generate revenues for watershed management and foreign exchange for the central Lao government. However, the Government’s capacity to manage protected areas and utilize project revenues for the benefit of Laos’ poorest people has been called into question. Furthermore, the experience with other dams in Laos indicates that much more needs to be done to ensure that the World Bank and the Asian Development Bank (ADB) have effective mechanisms in place to monitor compliance with social and environmental conditions once project construction is complete.

The project developers and the Government of Laos are seeking close to \$300 million from the World Bank and the ADB in loans and guarantees for Nam Theun 2. Given that total World Bank and ADB annual commitments to Laos have averaged approximately \$100 million over the past few years, we are concerned that funding for Nam Theun 2 will displace more direct forms of poverty reduction aid and absorb a disproportionate share of the country’s aid resources in the coming years.

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<sup>1</sup> The Social Development Plan states that the soils in the resettlement area “in general are heavily leached and infertile” and there is a “severe limitation on their arable land uses.” (Chapter 21, Page 5)

<sup>2</sup> Nam Theun 2 Hydroelectric Project, Social Development Plan (July 2004), Volume 3, Xe Bang Fai EMDP and Resettlement Framework, Chapter 32, Description of Livelihood Impacts

While there have been a recent series of meetings in Laos to share project plans with villagers and elicit feedback, genuine consultations on development options have not occurred. According to the U.S. State Department's 2003 Country Report for Laos, the human rights record "remained poor" and the government "prohibited most criticism that it deemed harmful to its reputation." Furthermore, the right to organize and join associations is "restricted in practice" and the government "prohibited associations that criticized the Government." This environment makes it extremely difficult - if not impossible - for Lao citizens to question the priorities of their government and to seek redress when agreements or commitments are not met.

Nam Theun 2 is an extremely large and complex project. A number of critical studies are outstanding or have not been released to the public, yet the World Bank and ADB appear to be rushing to appraisal. After more than a decade of project development, we are concerned about the number of unanswered questions that remain. A compelling case has not been presented to demonstrate that poverty reduction benefits justify the economic, social, and environmental risks of Nam Theun 2.

Endorsed by:

ActionAid International USA  
Bank Information Center, USA  
Center for Economic Justice, USA  
Citizens' Network on Essential Services, USA  
Environmental Defense, USA  
Friends of the Earth, Canada  
Friends of the Earth, USA  
Halifax Initiative Coalition, Canada  
International Rivers Network, USA  
Jubilee USA Network  
Pacific Environment, USA  
Pesticide Action Network North America  
Public Citizen, USA  
Rainforest Action Network, USA  
Sustainable Energy & Economy Network, USA  
50 Years Is Enough: U.S. Network for Global Economic Justice