

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street N.W.
Washington, D.C. 20433
U.S.A.

(202) 473-1000
Cable Address: INTBAFRAD
Cable Address: INDEVAS

March 20, 2006

Ms. Aviva Imhof
Campaigns Director
International Rivers Network
1847 Berkeley Way
Berkeley, CA 94703

Ms. Shannon Lawrence
International Policy Analyst
Environmental Defense
1875 Connecticut Avenue NW, Suite 600
Washington, DC 20009

Dear Mmes. Imhof and Lawrence:

Lao PDR: Nam Theun 2 (NT2) Hydroelectric Project

We refer to your letter dated February 7, 2006, addressed to the World Bank and the Asian Development Bank, highlighting some issues and concerns from your visit to the project site in November 2005. As we said when we presented the project to the Board last March (2005), the World Bank is committed to continuing transparency around the project, which includes facilitating access to the project site, and we were glad to learn that you found evidence that awareness of project impacts among the project affected people has increased. We believe this is a result of the consultation, participation and grievance resolution processes that are in place.

We are currently in the process of finalizing our Annual Progress Report to be submitted to our respective Boards and shared publicly, which we hope will provide you with a more thorough update on the project implementation, but for the purpose of this letter, we would like to respond to the specific questions raised in your letter. Since many of these questions are frequently asked, we would like to, as we've done in the past, publish this response on our website so that members of the public might also be updated on project progress to date.

Study Completion and Document Disclosure

Preparation of some of the detailed project documents – such as village level resettlement plans and site-specific environmental plans – is part of the implementation of the project and will be taking place over a four-year timeframe, supported by consultation with and participation of affected people. With regard to the documents you specifically refer to:

- *Project Implementation Plan (PIP)*. The integration of some specific plans into the final version of the PIP has delayed its finalization. These specific plans are at an advanced

stage of review, and the Nam Theun 2 Power Company Limited (NTPC) has confirmed to us that the latest version of the PIP will be disclosed by April 2006.

- *Salvage Logging.* The Government of Lao PDR has drafted a number of planning documents in relation to salvage logging. While we view the contents of these positively, they do not yet cover all the implementation details we would like to see incorporated. Given the urgency of the salvage logging operations, and that several issues will not become clear before logging operations are underway, we propose to continue working with the Government, contractors and communities to refine procedures and assess performance of the limited operations that will be taking place during the remainder of current season. The results of this assessment will be used to inform and improve the plans for the subsequent two seasons.
- *The Community Forestry Plan* for Nakai Plateau resettlers has been recently finalized and is being reviewed. This will feed into the PIP.
- *Detailed Resettlement Plans for the Plateau.* NTPC is currently preparing detailed village plans taking into account the conditions (potentials and limitations) of each site, and the capacity and preferences of each family and village community. Such detailed assessment and planning will determine the mix of livelihood activities that is most appropriate to each site. The detailed planning is also taking into account the sequencing of resettlement planning, site preparation, actual relocation, and livelihood development, to ensure better alignment with the advance of civil works and other project construction activities. Relocation of the first group of villages, initially scheduled for May 2006, will take place only after the next wet season to enable better planning. NTPC is mobilizing a land use planning specialist and an NGO agriculture and livestock specialist to make the planning as effective as possible.
- *Detailed Resettlement Plans for Project Lands.* The Social Development Plan and the Concession Agreement require updated resettlement plans for Project Lands after detailed engineering designs are completed. The latter are still underway for some Project Lands. As and when they are finalized and impacts are known, resettlement plans, for a given site or contiguous group of sites, will be updated, confirmed by the International Financial Institutions (IFIs), and publicly disclosed. A livelihood restoration program is already being designed by CARE, an NGO, and NTPC in consultation with project affected people and local authorities. In the meantime, provisional compensation has been paid for all impacts on income and livelihood that have occurred to date on land that has been handed over to the Head Construction Contractor. A few households (less than 10) have been relocated to temporary sites with housing, water supply, electricity, and relocation assistance provided until the full range of impacts is known for each affected household and community. The first draft updated resettlement plan (for Saddle Dam 12b and Oudomsouk town on Nakai Plateau) has been prepared and has been disclosed to the affected people. The final plan will also be uploaded after review by the IFIs.

- *Wildlife Management and Protection Program.* NTPC is currently in discussion with consultants to try to initiate the programs for terrestrial and aquatic wildlife this dry season. Within the next six months, NTPC will issue a plan to consolidate their approach to dealing with wildlife trade issues in the project area. Programs for the transitional management of wildlife and habitats on the Nakai plateau will be developed on the basis of the surveys conducted under the Wildlife Program. Terrestrial and aquatic surveys by regional experts will begin in the second half of April, 2006.
- *White-winged Duck Conservation Program.* Formulation of a program will depend on the species being recorded in wildlife surveys. The presence of white-winged duck has not been confirmed on the Plateau since 1996.
- *Elephant Management Program.* The program, being undertaken with support of the Wildlife Conservation Society (WCS), is already underway involving more than 25 field staff and a full-time international expert. Although it has progressed more slowly than expected due to technical difficulties regarding the population surveys, an initial progress report is due within a couple of weeks, and the population assessment should be completed by the end of the current dry season. Management planning will draw on this work.
- *Fish studies for Nam Theun.* Baseline data has been collected with regard to fisheries and other aquatic products in the Nam Theun between the Nakai Dam site and the Theun Hinboun Dam. In addition, estimates of potential losses to fisheries as a result of the impacts of the NT2 project have also been made for the mainstream of the Nam Theun, its tributaries and the Theun Hinboun headpond. The findings and estimates from a consultant's study conducted in 2004 can be found on pages 68-84 in Chapter 3 of the Environmental Assessment and Management Plan, which is on NTPC's NT2 website. A fisheries monitoring program will be initiated during the first half of 2006 for these waters, and is estimated to continue through 2014 to verify or allow for corrections of these estimates.
- *Stream Morphology Studies for Nam Theun.* The studies have been delayed due to difficulties in finding specialists with the proper expertise. Due to the dearth of experience with such interventions, the work will be initiated on an experimental basis in the 12-km section of the river between the Nakai Dam and the confluence with the Nam Phao River. Consequently, designs will be developed for pilot trials that will then be monitored and evaluated with regard to their effectiveness in optimizing the river morphology to allow access and use by wildlife in the area of that section of the river. Following the study of those trials, the approach and design of further interventions will be considered for the balance of the river. The analytical and design work is expected to be initiated during the first half of 2006 with implementation of the pilot trials involving changes in river morphology to be completed in advance of the scheduled impoundment by about June 2008.

Delays in Appointing Monitors

Monitoring and oversight arrangements for the NT2 Project comprise: International Advisory Group, Panel of Environmental and Social Experts, Lenders' Engineer, Government of Lao Engineer, Dam Safety Review Panel, Independent Monitoring Agencies (IMAs), and supervision by the IFI teams. All of these, with the exception of the IMAs, are established and functioning effectively.

- *International Advisory Group (IAG)*. The IAG has been following the project throughout the preparation period. Currently it has two members; the process of appointing two additional members, with expertise in public financial management and consultation and participation, is anticipated to be completed during April 2006. The Terms of Reference for the IAG have been finalized and posted on the World Bank's NT2 website. Notwithstanding the delay in appointment of additional members, the IAG is performing its functions and has conducted joint missions with the Environmental and Social Panel of Experts in August 2005 and in January / February 2006. The establishment of the IAG website is underway and should become operational in April 2006.
- *Independent Monitoring Agencies*. The selection of the IMA for WMPA is well advanced. Contract negotiations with selected candidates are ongoing. The first visit of the IMA will take place during the middle of this year to review the WMPA's first year progress and work plan for the following year. The appointment of the International Technical Advisor for the Environmental Management Unit was recently completed, and this should now accelerate the process of selecting their IMA. The selection of the IMA for resettlement and other social issues has been delayed while refining the terms of reference to ensure full coordination between internal and external monitoring, and maintenance of a credible data base. Recruitment of this IMA will also be accelerated now. The Government plans to disclose IMA reports to the public.

Resettlement on Nakai Plateau

We have commented above on the village planning process underway. Turning now to the additional specific points raised in your letter regarding resettlement activities, we inform the following:

- *Grazing land*. The detailed village planning includes assessment of the carrying capacity of each site for livestock and the grazing and fodder potential. In the meantime, grazing can continue until inundation. This will provide a cushion during the transition period while the resettlers are getting established at their new sites and in their various livelihood activities. The villagers are being informed that there is no need to reduce livestock during this period and that they will be fully consulted during the detailed assessment and planning. NTPC has hired an agriculture and livestock specialist to assist with the detailed assessment of agricultural / livestock ability and options for each site, and the detailed agricultural and livestock planning.

- *Food security.* In accordance with the Social Development Plan and the Concession Agreement, food security is guaranteed for all resettlers until they can sustain their own livelihoods. Such assistance will be gradually phased out as they become self sufficient. NTPC will commence the provision of food supplements immediately because many households are already out of rice due to last year's floods, unrelated to the project. Food security will be ensured through provision of rice, and protein supplements if necessary, starting immediately, and continuing as long as necessary. As soon as sites have been cleared of UXOs, villagers can then start to prepare farm plots and will be paid by the project accordingly. We will be regularly monitoring the plans regarding the provision of income and food, particularly over the coming months.
- *Nam Pan.* The site, for which advanced planning was underway, was found to be unsuitable due to water pollution originating upstream. Alternative sites are being considered. The latest technical assessment and findings have been shared with the relocating villages. Consultations have been ongoing in the villages over the alternative resettlement sites. In the meantime, NTPC and GOL have been studying various alternative options, including various locations available within the allocated resettlement areas on the plateau and other options in Khamkerd District. These exercises will facilitate resettlement decisions.
- *Irrigated plots.* NTPC has confirmed that there is no change in their plan to provide each resettler household with the agreed amount of irrigated land. Some villages will receive irrigation infrastructure prior to inundation; others will be irrigated from the reservoir once it is formed. In the meantime, all will be able to carry out dry season rice production and to grow other vegetable crops, as is already occurring successfully in the pilot village.
- *Markets for crops.* Nakai Resettlement Program is at its detailed planning stage. Detailed livelihood programs are being developed in consultation with the resettlers as part of the village development plans. As the village livelihood programs are finalized and move into implementation, the resettlers would be assisted to learn new skills and gradually adapt to their new livelihoods. This transition process will be closely monitored and the assistance program updated to facilitate a quick and smooth transition. Marketing is one of the most important aspects of the livelihood development program. At this stage, NTPC has completed one marketing study and market links are being developed. Two more studies are in progress to develop links with Vietnamese and Thai markets. As the livelihood program unfolds into implementation, specific measures will be developed following these studies to address the marketing issue.
- It should be noted that animal selling is a common source of income for some families and the incident of a resettler in the pilot village selling a buffalo could be a normal transaction, not necessarily due to livelihood pressure in resettlement. However, we will enquire into the incident if you can provide us the name of the person.

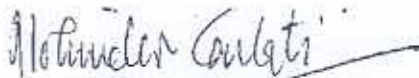
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Environmental Management and Construction

- The Head Contractor and Construction Contractors have recently expanded their teams in response to the advice from the Lenders' Engineer (LE, formerly called the Lender's Technical Advisor, or LTA). NTPC has three national environmental inspectors and two international engineers, who between them make around 100 field inspection visits per month. External monitoring and expert supervision is being undertaken on a quarterly basis by the LE.
- The issue of dust in the project area has been raised by several parties, and concerns roads which are in the process of being upgraded. We are reviewing plans with NTPC to determine when the critical sections of the roads will be sealed, and whether additional interim measures are required. Salvage logging is only expected to add to traffic loads on limited sections of routes 8B and 12B, and is not anticipated to cause significant dust problems on the plateau as traffic will avoid settlements to the extent possible.

We thank you for your continued interest in the project and wish to assure you that the concerns raised by you – several of which have been noted by the IFI supervision missions and monitoring agencies – are receiving our careful attention.

Sincerely,



Mohinder Gulati
NTPZ Project Manager
Energy and Mining Sector Unit
East Asia and Pacific Region



John Cooney
Director, Infrastructure Division
Mekong Department
Asian Development Bank

cc: World Bank Executive Directors
Asian Development Bank Executive Directors
Dr. Somboune Manolom, General Manager, Lao State Holding Enterprise
Mr. Xaypaseuth Phomsoupha, Chief of Bureau of the Secretariat,
Lao National Committee for Energy
Mr. Soukata Vichit, Director General, Science Technology Environment Agency
Mr. Bernard Troubillet, Nam Theun 2 Power Company Ltd.
Mr. Emmanuel Boulet, COFACE