

APPENDICES

**With the third report of the International Advisory
Group on the World Bank's handling of social and
environmental issues in the proposed Nam Theun 2
hydropower project in Lao PDR**

(appendices 1 to 5)

APPENDIX 1

Letter to the Vice President of the World Bank, Mr. Jemal-ud-din Kassum.

Mr. Jemal-ud-din Kassum
Vice President
World Bank
Washington D.C.

Vientiane,
10 March 2001

Dear Mr. Kassum,

As the three members of the International Advisory Group on the Nam Theun 2 project available to visit Lao PDR last week, we have an urgent message to convey to you even before our report reaches you.

The message is that the Bank's reputation is being damaged at all levels in Laos, from Ministers, Governors at the Provincial and District level down to the people in the villages and among the wider international community with interests in the NT2 project. This is because there is no known schedule for decision-making by the Bank on NT2. You will have heard this adverse comment when you came here on what was obviously a highly successful visit five months ago.

It is difficult to overstate the degree of impatience bordering on anger among village people and Ministers alike over the prolonged delays and what is seen as a new set of conditions. In villages we visited, the people have if possible sunk to a lower level of poverty than they were experiencing five or more years ago, because over this planning phase they have been forced for project-related reasons to reduce or eliminate entirely those traditional techniques – hunting, wildlife trading, forest food gathering, slash-and-burn cultivation, to say nothing of logging – which gave them sustenance and cash in the past. For the people in the plateau area the situation has been exacerbated by the progressive clearance of much of the remaining forest areas in preparation for inundation, so that the villagers have to travel much greater distances to gather material for house building and roofing, for example.

For their part, the politicians have been offended by passing reference to 'the Chad-Cameroon formula' by which they understand that revenues go into an offshore account and there is external scrutiny of any and all expenditure. This has touched a raw nerve and raised questions of infringement of sovereignty. Although we said that we were sure that such extreme measures were not being considered by the Bank in relation to Laos, Ministers were clearly upset that there might have been any discussion of such possibilities. A confidence gap has emerged in the relationship.

We will be making some suggestions in our report about possible ways of reconciling the Bank's legitimate concerns about revenue usage and public expenditure management with the GoL's legitimate concerns about its sovereignty. We have to say at this stage, however, that having repeatedly sought ideas on how to establish a process, mechanism or programme which would help reassure the Bank that a high proportion of project revenues will go into practical poverty alleviation work, we have come to appreciate that it is in a

We apologize for appearing to interfere in the Bank's internal processes but feel strongly that all involved have reached the point where a relatively firm and known basis for planning is called for.

We write to you in this vein because it is our objective assessment that confidence in the Bank, both among the Lao people and the international community, is being seriously eroded by the delays and uncertainties. To be frank, we have also been reminded all too forcefully of the sufferings of the village people of this least developed country. The prospects for the poor and for the biodiversity of Laos should the project not proceed remain bleak. We know that you personally recognize this.

Because of the urgency of the situation - and because we are mandated to report to him directly - we shall send a copy of this submission to Mr. Wolfensohn. We will report formally before the end of March and, because two of us will be in Washington on other business in the first week of May, would hope to discuss the project with you at that time, notably on 4 May.

Yours sincerely,

(sgd.) Dick de Zeeuw, David McDowell, Emil Salim
International Advisory Group on Nam Theun 2, Lao PDR

APPENDIX 2

Composition of IAG

International Advisory Group

Mr. Dick de Zeeuw	Former Deputy Chairman of the Netherlands Commission for Environmental Impact Assessment (Convenor)
Mr. David McDowell	Former Director of IUCN – the World Conservation Union
Mr. Emil Salim	Former Minister of Environment for Indonesia
Mr. Kazuo Takahashi	Director of the International Development Research Institute, Japan <i>(did not participate in 3rd visit)</i>
Ms. Meg Taylor	Former Ambassador of Papua New Guinea to the United States Compliance Advisor / Ombudsman, IFC, USA <i>(did not participate in 3rd visit)</i>
Ms. Ineke Steinhauer	Technical Secretary to the IAG

APPENDIX 3

Working Programme of the IAG

<u>Date</u>	<u>Time</u>	<u>Activity</u>
March 4	09.30 hrs	Arrival Mr. David McDowell in Vientiane
	12.00 hrs	Lunch with Mr. William Robichaud, Lao Swedish Forestry Protected Areas Review Advisor (former WCS Lao representative)
March 5	09.30 hrs	Arrival of Mr. Dick de Zeeuw, Mr. Emil Salim and Ms. Ineke Steinhauer
	11.00 - 12.00 hrs	Mr. Eric Sidgwick, Representative IMF
	14.00 - 15.30 hrs	Mr. Jean-Christophe Devallet, Director, NTEC
	16.00 hrs	Mr. Chris Flint, IUCN
	17.00-18.30 hrs	Ms. Linda Schneider and Mr. Enrique Crousillat
	19.00 hrs	Mr. Gary Oughton, Ecolao
March 6-7	06.00 hrs	Car trip: Departure Tai Pan Hotel (1 IAG + 2 GOL+ 1 NTEC)
	06.45 hrs	Departure from Tai Pan Hotel to Wattay Helicopter Base Vientiane (3 IAG + 1 GOL)
		Meeting with Bolikhamxay Province and Khamkeut District officials (1 hour)
	08.30 hrs	Land at Laksao - visit wood processing factory (1 hour)
	10.00 hrs	Take-off from Laksao, overfly: Road no. 8B to junction Road No. 8B and old access road to Navang
	10.15 hrs	Land at Ban Navang - NBCA, to see the LIL project and the status of the old access road
	11.00 hrs.	Take-off from Ban Navang, to Pristine area of primary forest, non affected by the Project, to be part of NBCA. <ul style="list-style-type: none">• Overfly Nam Xot from middle to upper stream• Turn south to follow annamite range to Ban Maka and turn East to West.
	11.15 hrs.	Land at Ban Makfeuung - visit LIL project

	12.00 hrs.	Car group arrives in Theun Douane
	12.25 hrs	Land at Theun Douane – Helicopter party meets car group Picnic lunch at Theun Douane and a visit to NTEC's demonstration farm, developing livelihood models for project resettlers
	14.00 hrs	Take-off from Theun Douane
	14.10 hrs	Land at Ban Sop Phene to visit Ben Sop Phene, one of the villages to be resettled. IAG met these villagers in 1997.
	15.10 hrs	Take-off from Ban Sop Phene
	15.20 hrs	Land at Nakai, refreshment drinks at NTEC Guest House
	16.00 hrs	Car party arrive in Nakai Depart by car to Ban Sailom (Selected Pilot Village) – meeting with village administration, elders, LWU
	17.00 hrs	Depart to resettlement site of pilot village where resettlers cleared the land for rice growing during wet season
	18.15 hrs	Return to NTEC Guest House
	19.00 hrs	Dinner at NTEC Guest House with District officials and RMU (Resettlement Management Unit) Night in Nakai
March 7	8.30 hrs	Meeting with Provincial, District officials, chiefs of villages and elders from Ban Nakai Neua, Phonephanpek, Ban Done <ul style="list-style-type: none"> • Presentation of the project preparation by local authorities. • Questions and answers
	11.00 hrs	Take-off from Nakai, overfly <ul style="list-style-type: none"> • Phou Ak escarpment to Nam Malou, to see community forest, • Turn East to the junction of Nam Xot and Nam Theun, • Follow range of mountains separate NBCA and reservoir (Pristine area of primary pine forest) • NNT NBCA South eastern • Across road no.12

- Southern extension Phou Hin Nam No
 - Fly back from South to North following upper stream of Nam On until extreme end south of reservoir
 - Turn South-west to the junction Nam Phit and Xe Bang Fai (5 km upstream of Mahaxay)
 - Follow Nam Phit (Downstream Channel)
 - Overfly Gnommlath Plain
- 12.00 hrs land at Nakai for refueling and lunch, car party goes back to Vientiane
- 13.00 hrs. Take-off from Nakai to Vientiane
- 15.15 hrs Arrival at Vientiane
- March 8 09.00 hrs Mr. Maydom Chanthanasinh, NT Project Director; Mr. Phalim Daravong, Officer; Mr. Bounsalong Southidara, NTSEP Project Director; Mr. Fernando Lecaros from the Hydropower Office
- 11.00 hrs Mr. Michael Hedemark & Ms. Arlene Johnson, Representatives WCS
- 15.00 hrs H.E. Sitaheng Rasphone, Vice-Minister of Agriculture and Forestry; Mr Phouang Parisack Pravonviengkham, Deputy Permanent Secretary, Cabinet; Mr. Xeme Samounry, Director, Forestry Department – Ministry of Agriculture and Forestry
- 17.30 hrs H.E. Soulivang Daravong, Minister of Industry and Handicraft
- Cancelled H.E. Phoumy Thipphavorn, Minister of Commerce and Tourism
- March 9 10.00 hrs H.E. Yao Phonevantha, Vice-Minister of Finance and Staff
H.E. Sisavath Keobounphanh, Prime Minister of Lao PDR
H.E. Siene Saphanthong, Minister of Agriculture and Forestry
- 14.30 hrs Mr. Soukata Vichit, Director of Environmental Department STEA
- 16.00 hrs Mr. Paul Turner, Asian development Bank
- 17.30 hrs H.E. Boun Nhang Vorachit, Vice-Prime Minister, Minister of Finance
- 18.15 hrs H.E. Mdamé Khempheng Pholsena, Vice-Minister, Office of the International Co-operation

	H.E. was not available, no representative	H.E. Bouathong Vonglorkham, President of State Planning Committee
	H.E. was not available	President of STEA a.i.
	Not in Vientiane – in Vietnam for the week	Mr. Roland Eve, Representative, WWF
	19.00 hrs	Reception hosted by H.E. Renaud Levy, Ambassador of France
March 10	10.30 hrs	Departure of IAG

APPENDIX 4

Reference documents used

PROJECT DOCUMENTATION PROVIDED BY THE WB BEFORE VISIT TO LAOS

- Nam theun 2 Overview Update, December 2000
- Report of the Social and Environmental Panel of Experts (POE), 5th mission to Lao PDR, January 2001
- National PCPP on EAMP – workshop record , 22-23 November 2000
- Operational Plan for the Environmental and Social Management of the Nakai Nam Theun 2 Watershed and NBCA, May 2000
- Copy of the signed Tariff MOU with EGAT, 8 August 2000
- RAP Activities Report, July 1998 to October 1999
- CD-ROM database on census / asset registration / socio-economic survey on the Nakai Plateau, August 1999
- Decree No. 193/PM, of the Prime Minister, Decree on the establishment of the Nakai – Nam Theun NBCA, corridor areas, NT2 project reservoir area and resettlement and forest area for people affected by the project, 29 December 2000, Unofficial Translation
- District Upland Development and Conservation Project. Cr. 31860-LA. Aide Memoire, December 2000
- Project Appraisal document, Learning and Innovation Loan LIL District Upland Development and Conservation Project, report no. 18551-LA, 18 February 1999
- Lao PDR Production Forestry Policy Review. World Bank/Sida/Ministry of Foreign Affairs, Government of Finland. Volume 1 Main Report, 4 January 2001 and Volume 2 Annexes, 3 January 2001
- World Bank Logging Mission: Technical report, Lao PDR, Nam Theun Social and Environmental Project, 1-12 May 2000
- Resettlement Action Plan. Prepared by NT2 Electricity Consortium, Vientiane Lao PDR, July 1998
- Dam safety Panel of Experts. Report on meetings, Chambéry, France, June 2000
- Draft Concession Agreement, Clause 31 and Schedule 4, 26 February 2001
- Decree of Prime Minister on the establishment and activities of the Nam Theun 2 Watershed Management and Protection Authority, 1 March 2001
- Ministry of Industry and Handicraft Lao PDR , Power Sector Policy Statement, Discussion Draft, September 2000
- Report of the World Commission on Dams, November 2000

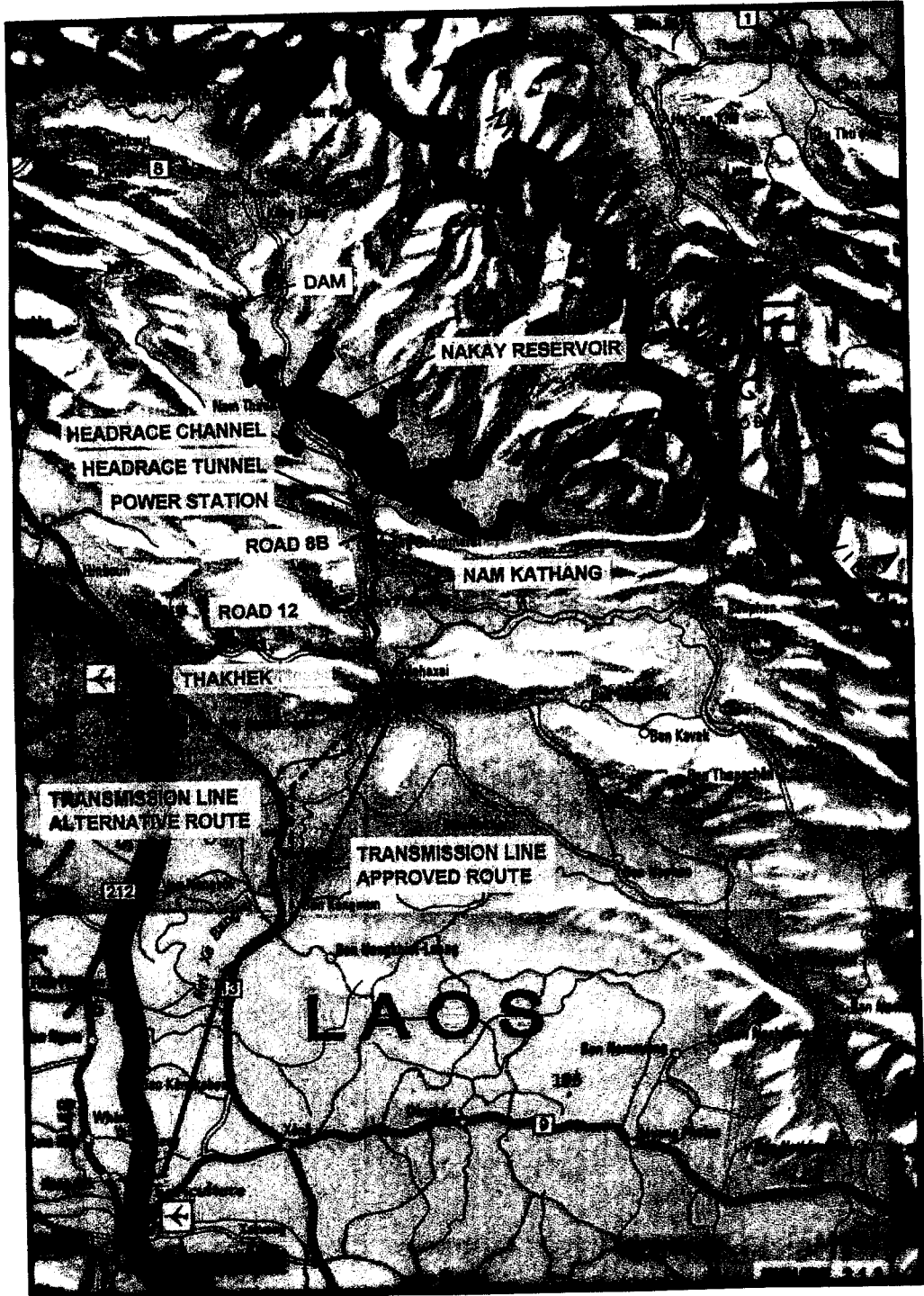
• Terms of Reference for the Third IAG visit
• Results of World Bank (World Bank) of 22 and 23 February 2001 with suggestions for

DOCUMENTS PROVIDED DURING VISIT TO LAOS

- Environmental Assessment and Management Plan (EAMP) February 2001
- District Spatial Development and Conservation Project (DSDCP) Project Implementation Plan (PIP) presentation, March 2001
- District Development Plan (DDP) February 2001
- IMF and World Bank Economic Development Strategy 2000
- The GDRS Study report for 2000, article IV, November 1999
- PIP

APPENDIX 5

Map of the NT2 project area



Acronyms and abbreviations

CA	-	Concession Agreement
CPI	-	Consumer Price Index
EAMP	-	Environmental Assessment and Management Plan
EGAT	-	Electricity Generating Authority of Thailand
ESMOP	-	Environmental and Social Management Operational Plan
ESMP	-	Plan for the Environmental and Social Management of the Watershed and NBCA
FSL	-	Above Sea Level
GHG	-	Green House Gas
GoL	-	Government of Laos
LAG	-	International Advisory Group
IFI	-	International Financial Institutes
IMF	-	International Monetary Fund
IUCN	-	World Conservation Union
LIL	-	The Upland Development and Conservation Project
MOU	-	Memorandum of Understanding
NBCA	-	National Biodiversity Conservation Area
NGO	-	Non Governmental Organisation
NNT	-	Nakai Nam Theun
NTEC	-	Nam Theun 2 Electricity Consortium
NTFP	-	Non Timber Forest Products
NT2	-	Nam Theun 2 hydropower project
ODA	-	Official Development Assistance
PMO	-	Prime Minister's Office
POE	-	Panel Of Experts
RAP	-	Resettlement Action Plan
UXO	-	Unexploded Objects
WB	-	World Bank
WCD	-	World Commission on Dams
WMPA	-	Watershed Management and Protection Authority
XBF	-	Xe Bang Fai