

**Advocacy and Monitoring Network on Sustainable Development •
Campagna per la Riforma della Banca Mondiale • Environmental Defense • FIVAS •
Focus on the Global South • Friends of the Earth Japan • Fukuoka NGO forum on ADB •
International Rivers Network • Japan Center for a Sustainable Environment and Society •
Mekong Monitor Tasmania • Mekong Watch • Probe International •
Swedish Society for Nature Conservation • TERRA • Urgewald • World Wildlife Fund**

August 2, 2004

Mr. Jemal-ud-din Kassum
Vice President, East Asia and the Pacific Region
The World Bank
1818 H Street NW
Washington DC 20433

Dear Mr. Kassum,

As civil society organizations monitoring World Bank involvement in the Nam Theun 2 Hydropower Project in Laos, we are writing to express our concerns about the World Bank's planned consultations in Paris, Tokyo, Bangkok and Washington scheduled for mid-August to mid-September 2004. We consider the following measures to be preconditions for a fair and informed consultation.

First, as Shannon Lawrence (Environmental Defense) and Aviva Imhof (International Rivers Network) discussed with Bank staff in April 2004, NGO consultations have no credibility unless the Bank and/or the project developers release all relevant information at least 60 days in advance of the consultations.

Last year, 40 citizens groups from 21 countries wrote to President Wolfensohn, urging the Bank to end the secrecy surrounding Nam Theun 2. Our June 24, 2003 letter stated that without transparency, particularly evidence of economic viability and respect for the democratic rights of Laotians, neither the project developers nor the government of Lao PDR should expect access to public funds via the World Bank. The letter urged the Bank to disclose key project contracts such as the Power Purchase Agreement and Concession Agreement. In response, Robert Mertz, Lead Financial Analyst for the Bank's East Asia & Pacific Region, wrote that the Bank would not disclose these documents because doing so would violate the Bank's so-called disclosure policy.

The secrecy surrounding what the Bank calls a model project is unacceptable. Timely release of information pertaining to Nam Theun 2's economic viability, and the allocation of costs and risks, is essential for informed debate about Bank involvement. For this reason, the Bank should ensure that the following documents are available for public review at least 60 days in advance of the consultations:

- Terms of Reference for the consultations - *At a minimum the TOR should include: an outline of the purpose and expected outcome of the consultations, an explanation of how the project meets the World Bank's conditions for funding, a list of invited participants and presenters and a detailed format. The Bank needs to make clear how this consultation will inform its decision as to whether or not to support Nam Theun 2. Participants do not need to be subjected to lengthy technical presentations from the project sponsors. What is required is the opportunity for participants to engage in dialogue and debate with the World Bank about whether the Nam Theun 2 project meets the Bank's criteria for funding.*
- the complete Power Purchase Agreement
- the complete Concession Agreement

- the World Bank's analysis of alternative options for Laos' sources of growth and poverty reduction (referred to in the Bank's May 2004 Aide Memoire)
- the World Bank's economic and financial analysis of the Thai and Laotian power markets (referred to in the Bank's May 2004 Aide Memoire)
- the World Bank's economic and financial analysis of the project and its macroeconomic impacts on Laos
- the Power Sector Development Plan for Laos (referred to in the Bank's May 2004 Aide Memoire)
- the World Bank's evaluation of hydrological risk (as it pertains to project performance and revenue)

In addition, we note that parts of the World Bank's safeguard documents – such as the full Social Development Plan – are still not available to the public, despite the fact that the Bank is proposing international consultations for mid-August to mid-September 2004, fewer than 30 days from now. **We therefore urge the Bank to delay its international consultations to allow at least 60 days for review of the project documents once they are made available to the public.**

Second, we wish to make it clear that international consultations are not a substitute for an open and credible consultation process in Laos, which respects the rights of Laotians to participate in decisions that affect them. Because of the Lao government's strong support for Nam Theun 2, all debate has been stifled in the country. International NGOs based in Laos dare not criticize Nam Theun 2 for fear of government reprisals. Under these conditions, a meaningful and informed consultation about hydro development is not possible within Laos and the Bank is proceeding without a complete accounting of project risks and costs.

Finally, we would like to request clarification as to how the consultations are linked to the third pillar of the World Bank's decision-making framework for Nam Theun 2. This states that World Bank support for the project is contingent in part on progress shown by the government on "obtaining broad support from international donors and civil society for the country's development strategy and the NT2 project itself." We would like to know how the Bank intends to measure progress towards achieving this objective. We would also like to ensure that participation in the international consultations is not interpreted by the Bank or by other parties as constituting support for the project.

We would appreciate clarification of these matters as soon as possible.

Sincerely,

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