



The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION



Asian Development Bank

November 14, 2008

Dear Mr. Fukuda

We are writing to follow up on your letter dated 28 October 2008 regarding the Nam Theun 2 (NT2) Hydroelectric Project and the questions and concerns which you raise.

We note that this letter follows a set of similar questions posed (i) to the World Bank (WB) through the WB office of the Japanese Executive Director during June and July 2008, (ii) during a meeting with Mr. William Rex, WB NT2 Co-Team Leader, in Vientiane on September 3, 2008, and (iii) during a meeting with Asian Development Bank (ADB) in Vientiane on September 4, 2008. In addition, Mekong Watch (MW) had an opportunity to benefit from extensive briefings on the NT2 project's status and progress during the NT2 Stakeholder Forum held on October the 29th and 30th, 2008, where similar questions were also raised.

We also note that you have provided your questions to the Nam Theun Power Company (NTPC). Both NTPC and the Lao Government (GOL) are implementing the Nam Theun 2 project, and they are the main parties to provide information regarding all matters of project implementation. As always, the World Bank and the Asian Development Bank are ready to facilitate your dialogue with GOL and NTPC. We understand that NTPC will send you a response shortly.

Further, as Mr. Rex conveyed in the September meeting to Ms. Satori, the representative of MW in Vientiane, the World Bank and Asian Development Bank welcome Mekong Watch's feedback and recommendations on the NT2 project. The World Bank and the Asian Development Bank note that MW now has a staff person based in Vientiane, and hence the discussions on implementation aspects of NT2 project can be organized face-to-face, which we believe is much more effective in terms of dialogue. Nevertheless we take this opportunity to make the following clarifications regarding your letter.


Regarding your questions on livelihood development, it is important to note that this is a challenging task as the development of people's livelihoods is a long-term process that does not happen overnight, but that takes time to evolve and is shaped with experience and knowledge. Thus the importance of adapting and being flexible regarding plans, as noted by the Panel of Experts. Markets, for example, will evolve as product supply arises. However there have been some notable delays in 'jumpstarting' this important aspect of the livelihood programs, but this is currently receiving high attention by both GOL and NTPC so that the needed progress can be made promptly. It is also important to note that appropriate safety nets are in place and that, for the vulnerable households in the Plateau, rice and protein supplements will continue.

In terms of the grievance mechanisms, based on the information the IFIs have, our discussions with GOL and NTPC, and our site visits, the grievance systems in the project appears to be working. However we strongly encourage Mekong Watch to share the specifics of any case where you have found the system not to be working with GOL, NTPC or ADB and the WB, so this can be reviewed as necessary.

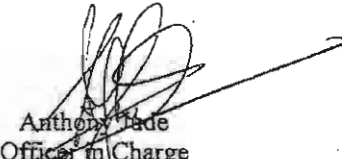
Regarding biomass removal, we refer you to the July 2008 NT2 Update, which has detailed information on this issue. Finally in terms of the unfortunate boat accident, this was an issue that was dealt with and resolved by GOL and NTPC.

We thank you for your continued interest in the NT2 project and look forward to a more effective dialogue in the future.

Best regards,



Joel Maweni and William Rex
Co-Team Leaders, NT2 Project
The World Bank



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