

Economic Symposium on Laos

2005

University of Washington, Seattle, Washington, U.S.A.
March 26-27, 2005

Select Discussion Topic:

NATURAL RESOURCE AS INVESTMENT ASSET FOR POVERTY REDUCTION AND SUSTAINED DEVELOPMENT IN LAOS

Feature Presentation:

Nam Theun II Hydroelectric Project



Conclusion

We recognize that, under ideal conditions and provided there is adequate capacity and political will particularly on the part of the Lao PDR government to ensure world-class management and allocation of realized benefits to the people, the Nam Theun II Hydroelectric Project could be a viable economic option in the effort to reduce poverty.

In addition, as part of a broader project that could become the “Battery of Southeast Asia” to supply a significant portion of the Southeast Asian energy market, the Nam Theun II Project has the potential of shortening the road out of poverty for millions of Laotians and putting their country onto sustained long-term development. But between now and then, looms a big “if.”

While the debate between proponents and opponents of the Project has been vigorous and is still raging on after years of contention, an endorsement of the Project by the World Bank whereby it would agree to guarantee loan risk to investors appears imminent.

The Bank believes that NT2 would help to lift Lao PDR out of poverty. It does also admit that there are huge risks involved, entailing environmental damages and social dislocations that will be irreversible once the project is undertaken. Based on information, reports and studies provided by the developers concerned and by the Lao PDR government and its own series of consultations, the World Bank indicates that it is reassured that the risks are manageable and that the safeguards and mitigation measures proposed by the Consortium are sufficient for its decision-making.



On the other hand, the opponents of the Project feel that the questions regarding social and ecological ramifications have not been adequately answered and that there still has not been full disclosure of evidentiary material needed for in-depth analytical assessments of the total project impact both in the short and long run. Even at this late date, reservations about the economic viability of the Project are being raised by some analysts, casting doubts on the projected price and demand for Lao power in a monopsonist market with Thailand as the sole buyer.

The deal clincher, however, is the possibility that the Project could be undertaken without World Bank financing by turning to alternative funding sources like China's Development Bank and Chinese dam-building interests. Either way, Nam Theun II will go forward sooner or later. Right now, it looks more like sooner than later.

In light of these developments, the Symposium concludes that the most useful function Lao professionals in engineering, economics, ecology and related social sciences could serve would be to make systematic efforts to become more proactively involved in helping to bridge project knowledge gaps and mitigate the negative consequences stemming from those gaps. This could be accomplished as needed through timely data gathering, extensive research and intensive analyses.

Recommendations

- Urge the World Bank to consider establishing an independent advisory board to monitor the implementation and management of Nam Theun II under the auspices and sponsorship of international agencies that are not directly involved in the project such as the United Nations Environment Programme (UNEP) and the United Nations Development Programme (UNDP).
 - As a watchdog entity, the board's membership should come from professionals serving in an individual capacity with appropriate expertise across the disciplines and with a disinterested perspective, with no dog in the fight as it were.
 - The activities of the board should focus on identifying current and future problems and reporting them to the World Bank as they emerge during the installation through operation stages, particularly as they relate to the relocation and resettlement of the displaced inhabitants and logging.
 - The board should conduct periodic evaluations of (1) the revenues generated and their impact on the poverty situation, (2) the wellbeing of the relocated people and other people affected, and (3) the degradations of the ecosystem and required mitigation measures.
- Call on the World Bank to commission an independent taskforce to revisit and resolve, in an open and unrestricted process, the outstanding issues raised by the various well meaning interest groups, and to assist the Lao PDR in (1) identifying gaps in past experience with hydro projects in the areas of planning, construction, operation and (2) developing and implementing short- and long-term plans to avoid pitfalls and shortcomings of previous experiences.
- Set up a team composed of cross-disciplined Lao professionals and specialists from different parts of the world (economists, engineers, ecologists, social scientists, planners, bankers, lawyers, academicians and others) whose interest is no more than to ensure the success of Nam Theun II: (1) to run and maintain a databank which will support an early warning system relating to the social and environmental problems and issues as they arise, (2) to conduct rigorous research and analysis for timely corrective measures, and (3) to provide an informed and objective basis for those who are interested in ensuring that the revenues of the Project do enhance economic growth and lead to a more equal distribution of income towards the goal of eradicating poverty with minimum social and environmental costs.



Note: The Symposium concluded its work before March 31, 2005, when the World Bank made the decision to back the Nam Theun II Project. In the light of this decision and the additional endorsement of the Asian Development Bank, the Conclusion and Recommendations of the Symposium outlined above carry even more relevance and a greater sense of urgency.



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