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## [Laos : Nam Theun 2, the World Bank and corruption](#)

On 31 March 2005, the World Bank's Board of Directors will decide whether to support a series of loans and guarantees for the Nam Theun 2 hydropower dam in Laos.

The World Bank has been involved in the Nam Theun 2 dam since 1989 when it funded a feasibility study. Without the World Bank's guarantees to cover investors' risks, commercial banks will not finance the project. At any stage in the last 16 years, the World Bank could have decided not to support this project and the project would have collapsed. The World Bank is therefore at least partially responsible for what has happened on the project during this time.

The World Bank argues that its involvement in the Nam Theun 2 project is important to make the project into a means of reducing poverty in Laos. In November 2004, Ian Porter, the World Bank's country director for Laos, told a meeting of the Bank's Executive Directors that "the rationale for the project rests on proper use of revenues for poverty reduction and environmental management."

Since 1989, the 450 square kilometre reservoir area has been logged and the livelihoods of the 6,000 indigenous people who live on the Nakai Plateau have been devastated. If the project goes ahead, 130,000 more people living downstream of the dam will see their fisheries and livelihoods destroyed. Additionally, it will have a severe impact on wildlife on the Nakai Plateau, including endangered Asian elephants and white-winged ducks. On 11 March 2005, Thai NGOs and academics wrote to the World Bank's Ian Porter explaining the impact that dams have had on elephants in Thailand and how Nam Theun 2 will inevitably lead to increased conflict between people and elephants. (find below the link to the letter)

The Lao military-run logging company Bholisat Pattana Khed Phoudoi (BPKP) started logging the reservoir area in the early 1990s. The company logged inside protected areas and even logged an area of forest which was supposed to be a community forest for the people who would be evicted from the reservoir area.

In 2002, Supalak Ganjanakhundee, a journalist with the Thai newspaper The Nation, estimated that logging earned BPKP about US\$70 million a year. A year later BPKP was almost bankrupt and only survived because of government handouts.

Four years ago, I wrote to Helmut Schaffer, the then-German Executive Director at the World Bank to ask him what BPKP had done with the money they earned from logging the reservoir area. Neither Schaffer, nor the Bank staff that Schaffer asked to deal with my questions, answered the question.

It seems that no one at the World Bank particularly cares where BPKP's money went. In response to my question about BPKP, the Bank's Ian Porter told me in February 2005, "We don't have specific information on the collection and use of revenues from the logging you mention."

Italian-Thai Development Public Company has started drilling tunnels associated with the dam, in anticipation of the World Bank's decision to support the project. The Nam Theun 2 Power Company

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(NTPC), the project developers, awarded the dam construction contract to Italian-Thai without the benefit of competitive bidding. Italian-Thai is part of NTPC. Another NTPC member, Electricité de France won the head construction contract, also without competitive bidding.

On 15 February 2005, Christian Delvoie, regional infrastructure director for the World Bank, told Radio Free Asia, "In any project financed by the Bank, as soon as corruption is detected, we go to the government and we cancel that covenant immediately."

I asked Delvoie to explain exactly what the Bank is doing to detect corruption in the project. I asked him whether the Bank had commissioned independent, publicly available appraisals investigating how the dam developers had awarded themselves contracts on the project and into BPKP's activities on the project. And I asked Delvoie how I could obtain copies of these documents.

Eleven minutes after I sent my e-mail, Delvoie replied. He didn't answer any of my questions or tell me how I could obtain copies of any documents. "We have investigated most of the points you raise," he wrote. When I asked him what he meant by the word "most", he asked me not to read between the lines. "We did investigate, and properly document, the whole procurement contracts, and are satisfied that they meet our guidelines," he wrote. He did not tell me how I could obtain copies of the documents the Bank had produced in order to reach this conclusion.

In 1999, James Wolfensohn, the President of the World Bank said, "A free press is not a luxury. A free press is at the absolute core of equitable development." He described a free press as a "searchlight on corruption and inequitable practices". Unfortunately, there is no free press in Laos.

In Laos the state controls all newspapers. Under the government's anti-corruption decree journalists must seek authorisation from the state before reporting on corrupt practices. The decree prohibits journalists from revealing official secret documents. Not surprisingly, corruption tends not to hit the headlines in Laos.

A while ago a World Bank employee rang me up. He wanted to talk about the Nam Theun 2 dam in Laos on condition of anonymity. He mentioned something he'd heard the last time he was in Vientiane: the sound of Lao government officials flicking through new Mercedes-Benz catalogues. The gentle, fluttering sound of corruption.

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The letter to the World Bank is available at:  
<http://www.wrm.org.uy/countries/Laos/NamTheundam.html>