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## [Laos: Nam Theun 2 dam - Fighting corruption World Bank style](#)

Last year, presumably in an attempt to clean up its tarnished image, the World Bank produced a glossy brochure: "10 things you never knew about the World Bank". Number seven on the list is the claim, "The World Bank is a leader in the fight against corruption worldwide." The brochure adds, "The World Bank is working to fully integrate governance and anticorruption measures into its planning and operational work. The Bank is also committed to ensuring that the projects it finances are free from corruption."

Unfortunately, in its involvement in the proposed 1,000 MW Nam Theun 2 dam, the Bank seems to have forgotten its fight against corruption. The Bank has funded a series of studies on the US\$1.5 billion project and without a US\$100 million partial risk guarantee from the World Bank, commercial financiers will not risk lending money on the Nam Theun 2 project. The Bank has postponed its decision on whether to give the guarantee for many years.

Despite the fact that the dam may never be built, the forests in the reservoir area have been clearcut. Since the early 1990s, the Lao military-run Bolisat Phathana Khet Phoudoi (BPKP - Mountainous Region Development Corporation) has benefited from the concession to log the project's 450 square kilometre reservoir area on the Nakai Plateau.

With the forests gone, the Lao government revoked BPKP's logging concession and the company crashed. On 14 January 2003, the government appointed a new acting director of BPKP, Sisaleuay Khounbathao, who was previously the Deputy Head of Business Improvement at the Prime Minister's Office. Sisaleuay replaced Bounmy Chithphanya, BPKP's director for the last five years. Although the company faces huge debts, Bounmy told the Vientiane Times, "It is not bankrupt yet because we have the Party and State supporting us."

The forests of the Nakai Plateau have been sold off to the highest bidder and the company that sold the logs is heavily in debt and can only survive through government support.

BPKP's collapse, however, should not come as a surprise to anyone in the World Bank.

In 1997, International Rivers Network (IRN) wrote to the World Bank questioning the Bank's involvement in the Nam Theun 2 project. In the letter, IRN quoted from a World Bank-funded Economic Impact Study by the consulting firm Louis Berger. The report pointed out that BPKP operates largely outside of the control of the central government and recommended, "As an autonomous state enterprise, BPKP should have a Board of Directors and fiduciary accountability to the Ministry of Finance to facilitate oversight of its activities."

None of Louis Berger's recommendations were acted on, until this year. Under Sisaleuay Khounbathao, the newly appointed director, plans are afoot for BPKP to establish a council board, a board of directors, departments, and BPKP company groups and branches.

Louis Berger's 1997 report also stated, "BPKP's commercial interests will continue to lie in the

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direction of maintaining higher logging quotas than are commensurate with a sustainable harvesting regime, and of opening access to previously untouched areas."

This is precisely what BPKP has done. A 2001 report on forestry in Laos by the World Bank, Sweden and Finland stated, "Recent World Bank missions have assessed the extent of unauthorized, illegal, unplanned and illicit logging in selected NBCAs [National Biodiversity Conservation Areas] and in the Nam Theun 2 watershed area where logging is prohibited." The report also noted, "serious logging infractions in the Nakai Nam Theun NBCA, and other areas which the GOL [government of Laos] had designated as off limits to logging."

In addition to logging the reservoir area, BPKP has carried out resettlement related to the project and built houses for resettled villagers. Louis Berger's 1997 report noted that BPKP was bidding for contracts relating to the dam project, while it was also a member of the Lao government's committee that decides on those bids. In November 1997, the Bank's then country director for Laos, Ngo Zi Okanjo Iwella told Power in Asia, "BPKP will have to compete with other private companies in public bids associated with the project." The question of BPKP's conflict of interest remained unaddressed.

Iwella confirmed to Power in Asia that she was aware of "governance issues" relating to the Nam Theun 2 project. However, regarding BPKP Iwella said, "From past experience in regional rural activities, we have had a constructive engagement with BPKP. But we also know there are issues associated with BPKP in the past and we have to make sure they will not be repeated in the future."

The Bank's "constructive engagement" with BPKP has done little to prevent BPKP from running up huge debts while clearcutting a vast area of forest. A detailed and public audit of BPKP's operations, focussing especially its operations related to the World Bank and the Nam Theun 2 project, is long overdue.

The state-run Vientiane Times reported recently, "The World Bank and the Government of the Lao PDR are working hand in hand to establish that the Project revenues to the Government of the Lao PDR will effectively serve the long-term development of the country."

The income from logging the reservoir area is project revenue. If the plans for the Nam Theun 2 dam did not exist, neither would BPKP's concession to clearcut the forests on the Nakai Plateau. The people living on the Nakai Plateau who have seen BPKP steal their forests have a right to know where the money went.

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