



June 4, 2010

Mrs. Ikuko Matsumoto
Lao Program Director
International Rivers

Mr. Toshiyuki Doi
Representative Director
Mekong Watch

Dear Ms. Matsumoto and Mr. Doi

Re: NT2 Dam and Hydropower Project - Your letter dated May 12th, 2010

Thank you for your letter regarding the implementation of the Nam Theun 2 (NT2) project. The World Bank and Asian Development Bank (ADB) continue to monitor the implementation of the NT2 project closely, and the issues you raise, among others, are part of our ongoing dialog with the Nam Theun 2 Power Company (NTPC) and the Government.

A number of these issues have been addressed in meetings and previous correspondence, most recently in April 2010. It bears repeating, however, that the project is not operating in violation of its legal agreements as you state. It has not been found to be inconsistent with, or in violation of, any applicable environmental and social safeguards by any of the various supervision and monitoring institutions involved. The current operation of Nam Theun 2 is legal, and fully consistent with all project legal agreements and environmental, social and operating plans agreed upon by the GOL, the NTPC and the IFIs and other financiers involved.

Your most recent concerns relate to the plateau resettlement and downstream programs. Socioeconomic monitoring on the plateau shows that despite the understandable fluctuations caused by the disruption of physical relocation and the challenge of re-establishing livelihoods in different ways than before resettlement, resettlers are considerably better off than before. Building livelihoods is a long-term and complex process, and resettlers will continue to need support from all stakeholders to ensure the sustainability of their livelihoods now and in the foreseeable future. For this reason, support for the livelihood programme continues to scale up now that the project has moved from the construction phase to the operations phase.

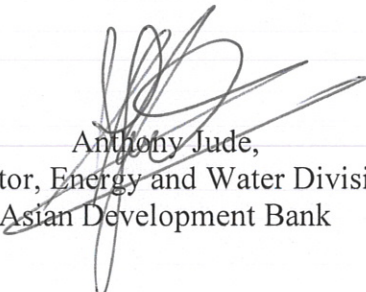
The downstream impacts in Xe Bang Fai to date are in line with those expected when the project was designed. These impacts were planned for, and mitigation measures to address them

are fully described in the Concession Agreement. The mitigation plans have been under implementation for several years now. The sizable downstream program was also designed to be adaptable to respond to changing circumstances and new challenges as they arise.

As we explained in our last correspondence, all villagers entitled to compensation for riverbank gardens have been registered and the compensation process is currently under way. If you know of someone who has been left out, please send information about the person and location of loss and we will forward this to the project for their immediate attention.

The NT2 project is large and complex, and there will undoubtedly be many implementation challenges in the future. Although some short-term impacts are to be expected, the project will deliver sustained poverty reduction and development benefits over the long-term. The World Bank and ADB therefore remain committed to working closely with Government, NTPC and communities to ensure that safety nets are in place, project obligations are met and that resettlers and other project affected people continue to benefit.

Sincerely yours,



Anthony Jude,
Director, Energy and Water Division
Asian Development Bank



Patchamutu Ilhangovan
Country Manager Lao PDR
The World Bank