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HEADLINE: Unloved, but Not Unbuilt

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To the uninitiated, little was remarkable about the decision by the World Bank earlier this spring to help finance the construction of a hydroelectric dam on a tributary of the Mekong River in Laos. It was just another series of grants and loan guarantees for just another international development project.

But to bank watchers, environmentalists and multinational construction firms, the announcement of \$270 million in grants and guarantees for the Nam Theun 2 dam was a landmark event. It represented the bank's return to big dam projects, a field in which it made its mark beginning in the 1950's with monuments in concrete like the Kariba Dam on the Zambezi in southern Africa.

In recent years, however, the bank had scaled back its involvement in dam building, in part because of regional economic problems and in part because of mounting criticism that many large dams did more harm than good.

But now as it re-enters the arena, and with a new president, Paul D. Wolfowitz, starting his job just last week, the World Bank is finding that in some ways the game has changed.

The bank has been under pressure to improve its review process to produce better dams: ones that generate as much power or irrigate as much land as developers claim, have as benign an impact on the environment as possible, and increase living standards of the people affected.

Yet such "good" dams often have higher costs, so while the bank moves cautiously, it risks losing projects to countries like China and India, which are willing to export their dam-building expertise without all the strings attached.

The Nam Theun 2 project has been in the planning stages for about a decade and a half. While the project will now go ahead with World Bank financing, the Laotian government has made it clear that it doesn't need such headaches: for future projects it will look to a neighbor, probably Vietnam, for help.

John Briscoe, senior water adviser for the bank in New Delhi, said that elaborate planning and preparation like that undertaken for Nam Theun 2 spur great

resentment in developing countries, which see hypocrisy in societies that built huge, often destructive dams in their own countries but want poorer countries to adhere to environmental and social safeguards.

"You've got to find a way of doing these things in a practical way," Mr. Briscoe added. "You're never ever going to do one of these in which every single person is going to say, 'This is good for me.'"

Because of the social and environmental problems caused by many dams -- the Kariba, for instance, has restricted the growth of the Zambezi delta, sharply reducing fisheries in Mozambique -- there has been a widespread belief, in the developed world at least, that a large dam should be a project of last resort.

And for those dams that get the go-ahead, a World Commission on Dams, established with the bank's blessing, recommended in 2000 a far more public process for deciding environmental and social issues, like the resettlement of displaced people.

"In the past the bank had been guilty of trying to pretend we could solve every problem and had every answer," said Peter Stephens, regional communications manager for the World Bank in Singapore. Now, he said, "instead of trying to define the public debate and narrow it, we've tried to hear people's concerns."

In the case of Nam Theun 2, a project intended to provide Laos, one of the poorest countries in Asia, with a source of foreign exchange through the sale of electricity to Thailand, this more open process has pleased some experts.

"It's by far the best thought-out of any project I've ever heard of," said Lee M. Talbot, a professor of environmental science at George Mason University and a consultant who advised the bank on Nam Theun 2. "I'm not a lover of dams, but I feel very strongly that this dam probably will be the one that has the real possibility of being successful from an environmental and social point of view."

But others are far from satisfied. Anti-dam organizations say that despite the bank's claims, the decision-making process was not open, given that it was conducted in a closed Communist society. "When you're talking about some kind of participatory process, how do you have it in that kind of society?" said Aviva Imhof, campaigns director for the **International Rivers Network**, an anti-dam group based in Berkeley, Calif.

International Rivers Network has other problems with the project, and with most dams. In particular, said Patrick McCully, the group's executive director, the people most directly affected by a dam, those displaced by a reservoir and others who live downstream, are seldom consulted.

Mr. McCully said that many dams have had disastrous consequences, and that less costly and smaller-scale alternatives -- like rainwater harvesting, in which rain is captured in tanks and used to recharge groundwater -- need to be explored. Even the World Commission on Dams, while not going as far as to condemn most dams, in its final report pointed out that "an unacceptable and often unnecessary price has been paid" in social and environmental terms.

For Thayer Scudder, an emeritus professor at the California Institute of Technology

and a former member of the commission, Nam Theun 2 is one dam that should be built. "If Laos is going to alleviate the poverty of its country, what option was there to this project?" said Dr. Scudder, an expert on resettlement issues who consulted on the project for the bank. "I think there weren't many other major options."

But even Dr. Scudder, with more than 50 years experience in dam projects all over the world, says that in most cases, a big dam is not the answer. "The potential of large dams is not being realized," he said. And certain costs, like those sure to arise when reservoirs silt up and dams must be decommissioned, have never been factored into dam economics, he said.

But major dam-building countries like China and India, which together have more than 50 percent of the roughly 45,000 dams over 50 feet high in the world, will continue to plug up their rivers. Despite international protests and pressure, China, for example, went ahead with its mammoth Three Gorges Dam, which will displace more than a million people, while India has faced violent protests against a multi-dam project on the Narmada, a river that is sacred to Hindus.

But these are countries facing severe problems of supplying water to growing urban populations and industries, Dr. Scudder said, and dams are a short-term answer. "And that is the tragedy," he said.