

*Controversies Continue to Plague the Melamchi Water Supply Project***Background**

Six years after its conception, the Melamchi Water Supply Project (MWSP), the Asian Development Bank's pet project in Sindhupalchowk District, Nepal, is still mired in controversy. Three of the project's original funding agencies---the World Bank, Swedish International Development Agency (SIDA) and Norwegian Agency for Development (NORAD) ---had pulled out in the last three years brought about by several pressing issues. In fact, the water project has been on the donors' priority list in the last two decades but was never pursued due to conflict of interests among donors, mainly between the World Bank and the ADB.¹

Envisioned by the Bank and its co-financiers to solve the chronic water shortage in Kathmandu Valley, the project is supposed to improve the health and well being of some two million inhabitants of the Valley. Attached to the MWSP is a Social Upliftment Programme (SUP) designed to promote the socio-economic well-being of people covered by 14 Village Development Committees in Melamchi Valley. A pre-condition of the ADB to fund the project is the privatization of the Nepal Water Supply Corporation (NWSC).

The inter-basin river project will divert 170 million liters of water per day from Melamchi River to Kathmandu through a 26.5 kilometer tunnel. ADB's loan is US\$120 million of the initial project cost amounting to US\$464 million. The cost later escalated to US\$531 million in 2005.

In 2002, World Bank withdrew from MWSP citing the following reasons: (1) important options have not been explored to utilize the water resources within the valley; (2) the need to fix the distribution system first; and (3) MWSP would only benefit the richest five percent of the population.

In 2004, the ADB's Special Project Facilitator (SPF) received a complaint from the Water and Energy User's Federation-Nepal (WAFED) and three other affected individuals regarding MWSP's non-compliance in the following areas: access to information, environmental impact assessment, land acquisition, compensation and resettlement, the rights of indigenous people, the social uplift programme, and agriculture and forestry. After its investigation, the SPF concluded that there was no evidence of serious or systematic non-compliance with ADB policies in terms of design and implementation.² In effect, the report also dismissed the complaint saying it was filed not so much to resolve the specifics of the complainants' charges, but to actually question MWSP's compliance with ADB policies and reopen the debate on changing the process of project consultation and participation.

In 2005, SIDA and NORAD quit the project, citing their dissatisfaction with the progress of the project and the ADB, as well as, concerns about Nepal's unstable political situation following the February Royal Palace coup. After the political turnover in 2006, Norway revised its funding support to Nepal except for the MWSP. Norway's decision to withdraw from the project is linked to the recently endorsed Soria Moria Declaration on International Policy that restricts Norwegian aid to projects and/or programs that promote liberalization or privatization.

In July 2006, Melamchi works in Sindhupalchowk district were suspended for several days after locals padlocked half a dozen offices of the project after officials failed to meet their demands

¹ "Donors' Rejection of Governance and Human Rights: Two Case Studies of Hydropower and Water Supply Projects in Nepal," Gopal Siwakoti 'Chintan', The Reality of Report 2004.

² Report of the Special Project Facilitator on Melamchi Water Supply Project Nepal, ADB, 2004.

for employment. The ADB has announced that it will continue funding the project despite "minor hurdles in the construction process".

Project Impacts and Other Issues

Various studies, including those conducted by the ADB, clearly show that the MWSP is not necessarily the best option, since there are several other options within Kathmandu Valley. The Bank and other donors have conveniently ignored these. Given the Kathmandu's population growth rate, no river would be able to meet the water supply demand of its people. Huge groundwater resources is yet to be explored/regulated while the large potential of rain harvesting, and management of ponds and streams around the Bagmati River Basin are yet to be tapped.

Another highly sensitive issue is the price of potable water which will become very costly once a foreign private operator or private management handles the water supply system. There is no provision yet on how water will be made available to more than 30 percent of the poor population of the valley. The prescription of the Bank and its co-financiers is towards the dismantling of the Nepal Water Supply Corporation in favor of foreign private companies.

As regards public participation and consultation provision of the Environmental Impact Assessment (EIA), there has been a lack of transparency and democratic process involved in the implementation of the road survey, land acquisition, compensation, resettlement, and the SUP. Locals, including the ethnic Tamang communities, want the SUP to be thoroughly discussed, designed and implemented with their full consent.

Environmental

The project is not environmentally sound. The construction of the tunnel in between the mountain will cause irreparable loss to the surrounding environment. The prescribed release of 0.4 cubic meters per second of water in the river after diversion is insufficient to sustain present and future water demand of Melamchi Valley. It is not yet clear whether there is any budget for comprehensive environmental mitigation plans.

Social

The MWSP has also failed to identify the amount of water that will be required in the Melamchi Valley by the local people for their livelihoods and ecosystems. The reduction of existing water flow will lead to the closure of hundreds of existing irrigation canals and ghattas (traditional water mills), including those funded by ADB loans. Water mill workers, fishing farmers such as the Majhi ethnic community and other locals will lose their traditional occupation. Moreover, the issue of guaranteed provisions for skill development training and employment for the locals has caused conflicts between the locals and the contractors. In principle, there is a provision for a minimum 30 percent of jobs to locals during construction.

A potential major conflict over water right among affected communities also looms ahead. People in the Melamchi Valley are also demanding a share of the profits in the form of a levy for their freely supplied water to Kathmandu.

On a larger scale, the MWSP has unwittingly promoted social injustice. While the project will benefit only 10 percent of country's population, the burden of debt will be shouldered by all Nepalis. More than 70 percent of the country's tenth five-year budget on water and sanitation has been solely allocated to the MWSP.

Project Violations

Access to Information

Claimants didn't have access to critical information and documents such as EIA, feasibility studies, options assessments, cost-benefit analysis, lending conditionalities, and agreement with donors/lenders, specifically in local Nepali language before the project was finalized. Few documents were provided after the official claim was made in the OSPF of the ADB, but these were largely insufficient. Critical documents like cost-benefits analysis, lending agreement and conditionalities have still not been disclosed by MWSP.

There was lack of meaningful public consultation. The project did not make sincere attempts to inform local people. It also did not make public the documents and information in time. Because of pressure from WAFED and the local people, MWSP was forced to release few documents.

Environmental

The EIA failed to study and incorporate all the environmental/ecological impacts of MWSP on the local ecology and people's livelihoods. The suggested mitigation plan is also grossly inadequate.

As far as forest issues are concerned, the project has been causing serious impacts in some of Melamchi's community managed forests. The current problem is the lack of adequate arrangement for the continuing access and management of these forests.

In terms of agriculture impacts, the project has seriously affected Melamchi's agricultural system due to the construction of access roads through the most fertile land. The loss of small and large scale irrigation canals after the diversion of the river has impacted adversely on food security, as well as on local ecology and biodiversity. There is also a question of inadequate investigation on the downstream impacts of the river diversion to the long-standing agricultural lands of the indigenous people and others in Melamchi Valley.

Involuntary Resettlement

The land acquisition, compensation and resettlement process and related activities have been grossly arbitrary. There has also been no reasonable offer for resettlement. Not only did MWSP also failed to assess all the direct and indirect impacts of its activities, it likewise failed to provide adequate compensation and relocation (i.e. displacement of ghettas or water mills, and electricity-run economic activities.)

Meantime, the Social Uplift Program has been grossly criticized and rejected by the claimants and other affected communities in Melamchi Valley. The program has failed to address the local needs, priorities and democratic process. It also failed to include the most economically and socially neglected and marginalized communities and integrate them into the local development activities; and the trafficking-prone Tamang communities that suffer from worsening social and economic conditions and cultural exploitation.

Indigenous Peoples

There has been a gross denial of the rights and interests of IPS who have been directly and indirectly affected by the project. They include the Majhis (traditional fishermen/women) in the downstream as well as the majority Tamang communities in Melamchi Valley.

ADB's Denial

True to form, the Bank has denied all these accusations and has maintained that the vast majority of affected people is supportive of MWSP and is satisfied with the compensation received notwithstanding the slow process. In terms of information flow, the ADB said improvements have been implemented. Apart from available documents in Nepali, the project has undertaken workshops and consultation meetings. Three hundred of the 328 cases related to land acquisition, compensation and resettlement have been settled. A significant part of the SUP budget has been allocated to uplift the socially disadvantaged sections of the population, including women and ethnic groups.

The Bank has further claimed that mitigation of environmental and agricultural damage caused by access road construction is ongoing. Rigorous monitoring of water flow in the Melamchi River is ongoing with a view to ensuring adequate water for agriculture and irrigation. Forests and residents in four of the seven communities affected by the project have already been taken care of. Newly created conflict response teams operate regularly in the Melamchi Valley and have handled grievances.

Lessons to Learn

Despite the Bank's so-called efforts to mitigate the negative environmental and social impacts of MWSP, the project has failed to satisfactorily resolve/address its many controversial issues, concerns and problems. According to WAFED-Nepal, which has represented a large number of project-affected families over the years, the Bank and its co-proponents need to recognize the rights of and adhere to the basic human rights (civil, political, economic, social, cultural and environmental rights) of the Nepali people with regard to the Melamchi Water Supply Project. The group has asked the MWSP proponents to stop funding the project in view of its enormous social, environmental, and economic repercussions that are beyond mitigation.

The Bank must ensure that all persons directly and indirectly affected by the project would be properly compensated. All affected families and stakeholders, including NGOs critical to the project, must be involved in every public consultation and decision-making process. Relative to this, the Bank needs to re-examine its present accountability mechanism, which tends to be too bureaucratic and unfriendly to project-affected individuals/families.

Likewise, there is a need to redo the EIA with active participation of the people for the following reasons: (1) the site for the water tunnel is located in a seismic region. Natural disasters such as earthquakes and landslides will become frequent and intense once the construction work begins; (2) the prescribed release of water in the river after diversion will be insufficient to sustain the present and future water demand of Melamchi Valley.

Moreover, the outdated and failed privatization of public water utilities will not ensure adequate and safe water to all. Instead, the collaboration between the Nepal Water Supply Corporation and the five municipalities in Kathmandu Valley will be a model public-public partnership in water supply management and development.

Above all, the Bank and its co-financiers should consider empirically verified better and cheaper alternatives to MWSP in Kathmandu Valley. Rain-water harvesting, judicious use of ground water and better management of existing surface water sources like streams and ponds around Kathmandu are the good alternatives to meet the water demand of its populace. These alternatives must be harnessed to supply water at a reasonable cost. The Nepalese government should support cheaper, quicker, and better water supply alternatives within the Kathmandu valley, and thus, put a stop to the MWSP.