

बुलाक मञ्चुषा २१३५, ६० न्युप्लाजा मार्ग, पुनर्वासिजक, काठमाडौं, नेपाल  
फोन: ४४२९७४९ • फ्याक्स: ०१-४४९९६९०

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जल तथा ऊर्जा  
उपभोक्ता महासंघ नेपाल

Water & Energy Users'  
Federation - Nepal

5 December 2003

Mr. Yoshihiro Iwasaki  
Director General  
South Asia Department  
Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
0401 Metro Manila  
Philippines

Dear Mr. Iwasaki:

1. First of all, I am happy to acknowledge the receipt of your letter(s) dated 27 July and also 21 August (by Edward M. Haugh, JR, Director, Social Sectors Division) and 14 November (Thevakumar Kandiah, Director, Energy Division) 2003 as a response to my open letter dated 27 June which was addressed to the President of the ADB and to the Secretary, Ministry of Water Resources, His Majesty's Government of Nepal. These exchanges of letters relate to issues and concerns as regards to Kali Gandaki 'A' Hydroelectric Project (KGA) and Melamchi Water Supply Project (MWSP).

2. This letter that I am writing today is about the MWSP. I will be writing to Thevakumar Kandiah, Director, Energy Division, separately as our response to KGA and various critical issues still to be investigated and resolved before its final closure as well as before its any inauguration by His Majesty the King. Please note that this idea of having inauguration by the King has been widely regarded here as a manipulation of Nepal's fragile political situation in seeking legitimacy in KGA and the ADB's rush through Nepal Electricity Authority (NEA) for cover up and impunity of various corruption charges and cost-over-run. At least, we believe that the ADB President should not be engaged in any inauguration business until all the previous commitments are fully met and the findings of the recent mission are fully implemented by the ADB and NEA, including the appropriate resolution of the overpayment scandal of five billion Nepali rupees to the construction company – the Impregilo. For your information, this case of corruption is under the consideration of the Supreme Court. I serve as lawyer on behalf of the applicant – the chairperson of Kali Gandaki 'A' Affected Concerned Committee.

3. Regarding the MWSP, I have enclosed herewith a document in matrix that has three sections: i) WAFED Concerns, ii) Responses from ADB, and iii) WAFED Comments and Responses to ADB. We sincerely believe that there are still a lot of issues and problems that need to be resolved before making any further decisions regarding the MWSP and other drinking water-related project(s) for the Kathmandu Valley.

4. WAFED would like to propose that we do not limit our concerns and responses in mere exchanges of letters and e-mails but go beyond that. At the minimum, WAFED would like to sincerely request the ADB that it sends a high-level fact-finding/study mission as in the case of KGA to study all the unresolved and unanswered issues relating to the MWSP. Additionally, WAFED would also like strongly demand for a scientific/expert meeting on the issue of water sharing/right, the effects of inter-basin diversion and the analysis of the past studies on alternatives, as well as new independent study if necessary, before any further actions are taken. Most important among these studies would be a comprehensive options assessment, which ADB management has no doubt undertaken, but has not been shared with the affected communities and concerned groups.

5. We also note that the Kathmandu Valley Water Services Sector Development Program (Project Loan), a project which would rely heavily on water being brought from Melamchi to Kathmandu Valley, is scheduled for Board approval sometime this week. We call on the Board to suspend approval of this loan until such time as the issues and problems we have raised with regard to MWSP have been adequately resolved. As we have already noted, we are in the process of taking legal and other measures to withhold the MWSP in its current form, and without the MWSP, it is doubtful that this Kathmandu project would be a success.

6. We must say that the past performance of the ADB officials and the missions has been very top-down and non-transparent, and has therefore led to less than adequate results as we had expected after the series of gross scandals and bad performance in the KGA as lessons learned.

7. You had asked me whether my letter of 27 June should be treated as a formal letter of complaint for an inspection. I declined hoping that those issues and problems raised in my letter would be properly resolved. Since this has not been the case also I do not see so much hope in resolving these issues properly, now we are seriously considering in bringing a formal complaint before the inspection. Our decision on the filing of such a complaint will mainly depend on how you and your other concerned departmental heads and officials will respond to our concerns and requests as referred to the attached document in matrix.

8. I am looking forward to hearing your positive response before any further decisions are made by the Board regarding the ADB loan to MWSP or any other water-related projects.

Sincerely yours,

Gopal Siwakoti 'Chintan'  
Co-ordinator

Also endorsed by

Ram Bahadur Khadka  
Representative,  
Melamchi Local Concerned Group

Cc: Mr. B.P. Acharya, Secretary, Ministry of Finance, HMG  
Mr Kishor Babu Aryal, Secretary, Ministry of Water Resources, HMG  
Dr. Janak Lal Karmacharya, Managing Director, NEA  
Dhruva Bahadur Shrestha, Executive Director, Melamchi Water Supply  
Development Board  
Members of the Board of Executive Directors, ADB  
Thevakumar Kandiah, Director, Energy Division, South Asia Department, ADB  
Edward M. Haugh, JR, Director, Social Services Division, South Asia  
Department  
Ms K. Julian, Officer in-Charge, Nepal Resident Mission  
Various other co-financing agencies