

WAFED Comments and Responses to ADB to Its Responses to WAFED's Letter of 27 June 2003

#	WAFED Concerns	Responses from ADB	WAFED Comments and Responses to ADB
1	<p>a) Adequacy of documents and information provided to the local people during the feasibility study, Environmental Impact Assessment (EIA) process and project implementation</p> <p>b) Proper information center at the project site or in the Kathmandu where one can access basic and critical project documents and information</p>	<p>a) The Project has used various methods of consultation/information during the EIA phase. First, a public notice was published in Nepali and English newspapers on 6 October 1999. The Notice sought opinions and suggestions from all concerned people on the scope of EIA. Second, several workshops were held at local and central level. Local level workshops were held between August and December 1999, where large number of stakeholders including beneficiaries, adversely affected people, and VDC/DDC representatives participated. At the central level, NGO Coordination meetings were organized during 1999-2000. Third, several formal and informal meetings and workshops were held locally throughout the EIA process. Fourth, around 1,137 households (HH) affected due to land acquisition were interviewed, and their concerns have been studied and incorporated in the EIA and Resettlement Plan (RP). Finally, the Government had sought suggestions and opinion of concerned people on the draft EIA report before approval of the EIA report. The summary EIA was translated into Nepali and provided to all the affected VDCs and municipalities in the Melamchi and Kathmandu Valleys during the same period. (Source: EIA 2000, Vol. 1, Chapter 10; Resettlement Plan, Vol. 1, Chapter 1, page 12). ADB welcomes your specific suggestions to further improve information dissemination.</p> <p>b) A Project Library has been set up in the MWSDB office in Kathmandu to serve as Public Information Center (PIC). Principle project documents are available in the library. Interested parties can read those documents in the library or request copies by paying a nominal fee. MWSDB also has its own website (http://www.melamchiwater.org) that provides various project-related information. Reports available online include: <i>Environmental Management Plan</i>; <i>Irrigation Water Uses in the Melamchi River</i>; <i>Flow Variation in the Melamchi River</i>; <i>Policy and Organizational Structure for Public Involvement Approach</i>; and <i>Executive Summary of EIA Report</i>. Other reports will be made public as they become available.</p>	<p>a) The main question here is the content of the notice. Publishing a notice in newspapers does not mean that it reaches to all the people concerned. The statement to say that "opinions and suggestions from all concerned people on the scope of EIA" were recorded and/or taken into account is completely incorrect. This can never be the case, at least in Nepal in general, and in Melamchi Valley in particular due to illiteracy and the lack of means of communications. Regarding various workshops and meetings as mentioned, the main problem here is the process and conduct of these activities. These workshops and meetings were organised mainly for the sake of formality or the composition of the stakeholders who participated was inadequate, selective and biased. Most of the critical groups or the innocent people had a rare chance to express their concerns. WAFED has cross-verified these facts. More seriously and more importantly, the problem has been the lack of incorporation of suggestions and recommendations of these workshops and meetings. Some of the local people and groups who had participated in these workshops and meetings have recently come to WAFED and said that their issues and concerns were never reflected properly and that no appropriate solutions were found or negotiated. Therefore, the mere reliance on the existing EIA 2000 just does not satisfy the ADB's own internal compliance keeping the issues of other major concerns a side. The fundamental issue is whether the ADB and the government have sought free and prior informed consents from the peoples of the Kathmandu and the Melamchi Valleys or not and they have not.</p> <p>b) First of all, the setting up of such a library is very recent and even today most of the critical project documents are simply not available there, e.g. cost-benefit analysis and studies on available options. More importantly, WAFED's main concern is not whether it can have access to these documents in Kathmandu or through access to Internet and web site. The question is whether such accessibility is available to the local affected peoples and at local levels also in a language that they can understand. The timing of such accesses to information and documents is another important factor which has grossly prevented people from understanding the project and expressing their critical opinions and making comments. There had been</p>

	<p>c) Adequacy of documents or information kits produced by the project for wider public dissemination, especially in the Nepali language</p>	<p>ADB would like to know if you have experienced any difficulty accessing these documents and information.</p> <p>c) Various documents have been prepared in the Nepali language, including Executive Summary of EIA, MWSDB Resettlement Policy, EIA Scoping Document, Kathmandu Valley Water Supply and Sanitation Strategy, and Melamchi Water Supply Project Introduction and Annual Progress Report for the year 2057/2058. These documents are available in the PIC/library. Further, a leaflet outlining project components and MWSDB's resettlement policy was widely distributed locally during the feasibility study and preparation of Resettlement Plan. The MWSDB website also contains Nepali section that provides various project-related information in Nepali language, including Executive Summary of EIA. A new brochure (in English and Nepali) on MWSP is currently being prepared. This brochure will be used for the consultation sessions on the Kathmandu Valley Water Management Support Project, which is an integral part of MWSP. ADB would be happy to make copies of the brochure available. Several consultations on reforms in Kathmandu water management are planned over the next few months.</p>	<p>serious difficulties in getting even these documents in the past. There has been some slight change in the attitude only after WAFED's open criticisms and the challenge made in its letter of 27 June.</p> <p>c) The main problems are also the same here as mentioned above. WAFED has seen these booklets and leaflets and the information provided there are more technical or superficial than critical and substantial. These are simply not adequate to form one's own informed consent to the Project in any manner. Regarding the "several" consultations being "planned over the next few months", there has been one in which WAFED was also invited to participate. The fundamental problem with this consultation was that they were very short, just half a day, in which most of the time was spent on telling the status of the project and how well it is going on. There was no sufficient time for discussion and no critical discussions were permitted. It was like a press conference where the organizers talk and the participants have a chance to ask some questions and clarifications at the end. More importantly, this consultation was organised on different dates for different sets of people from Kathmandu on 27 August-3 September 2003. It prevented real dialogue and discussion among those who are concerned since they were arbitrarily listed for different dates. Many important points were raised and recommendations were made for "real" consultations in this "consultation" but no follow up to this as to date.</p>
2	<p>a) Whether sufficient consultation was carried out/ information given to the local/affected people on the Resettlement Plan and Social Upliftment Programme (SUP)</p>	<p>a) The affected people have been informed and consulted on the Resettlement Plan in various ways. First, the MWSDB Resettlement Policy has been distributed to each VDC in the Melamchi Valley during the preparation of resettlement plan. Second, the local people are being consulted during survey of land acquisition, when affected land parcels are identified and measured. Third, once the decisions are made to acquire particular land parcels, the respective landowners are informed through a Notice which is published in daily newspapers. Fourth, the Compensation Determination Committee (CDC) consults representatives of affected people before fixing the compensation rates. Fifth, project staff stationed in Melamchi Field Office inform the affected people on their compensation and other benefits, assist in filing request to MWSDB, if any, and provide other information as requested by the local residents. Finally, if affected people have any grievances, resettlement staff visit the land acquisition sites and meet concerned people to address the issues.</p>	<p>a) There were no proper consultations on issues related to just compensation and resettlement. It looks nice to say that they were informed, consulted and paid or resettled, but the reality is totally different. These people were just forced to accept the dislocation arbitrarily and accept the money involuntarily. There are some who got more compensation than the others which also has created tensions and divisions among the local affected peoples – the divide and rule policy at work! Some families have been denied of any compensation when their land or houses were closely linked to the road thus directly and seriously affected. The resettlement plan largely existed only in paper and the people had been given no better choice in the earlier stage when main decisions were made and compensation fixed or paid. The problem here is also about transparency and democratic decision-making and the whole process itself. People are just compelled to accept the decisions almost without any chance for objections and corrections.</p>

	<p>b) Appropriate processes followed for the formation of Local Consultative Group</p> <p>c) Local Consultative Group not sufficiently consulted in decision-making processes or involved in any specific tasks</p> <p>d) Need for alternative plans for re-establishing such consultative groups, until local elections are held</p> <p>e) Sufficient involvement of local concerned groups or communities</p>	<p>During the formulation of SUP program, several local consultations were held in several VDCs in the Melamchi Valley to discuss the MDS and SUP. Further, meetings were also held at the district and central level, including NGO Workshops and Public Hearings. The SUP consultants, mobilized from March 2003, will continue this consultation process to update the SUP. The SUP includes regular consultation and information sharing with the local residents. Local NGOs will be hired to implement most of the SUP components, particularly for social mobilization. ADB would like to hear any specific suggestions on how the consultation processes could be further improved.</p> <p>b) The Local Consultative Group (LCG) comprised VDC Chairperson, VDC members from each Ward, two representatives (1 male and 1 female) from project-affected families (PAFs), and representatives from local schools and health centers. While VDC Chairperson and Ward members were legally elected people, PAFs' representatives were also chosen through community meetings held at local level.</p> <p>c) The Local Consultative Groups (LCGs) have been mobilized for various purposes. The LCGs were consulted during the survey of land acquisition and project affected people, including assessment of losses for the Main Access Road. The LCG representatives are consulted by the CDC before determination of the compensation rates. These groups play an important role in disseminating information to the affected people and in filing grievances to MWSDB on compensation issues. However, the absence of locally elected bodies has affected effectiveness of these LCGs.</p> <p>d) The Project is exploring measures to reorganize new LCGs given the current absence of local elected officials nationwide. At present, pre-existing LCGs are informally consulted, including their representation in the Community Issues Resolution Committee at the Project level to resolve the local problems.</p> <p>e) The Project has been holding periodic meetings with NGOs and concerned groups in Kathmandu. The Project has also started to meet local concern groups in the Melamchi Valley. For example, MWSDB and Project staff participated in a meeting locally organized by Melamchi Concern Group in</p>	<p>The design and implementation of SUP has been the most ridiculous aspect to this whole project and about hoe decisions are or will be made with regards to local development and benefits. In a two day consultation meeting organised by WAFED in 5-6 September 2003 and local concerned group at Melamchi Bazar flatly rejected the existing SUP in front of the SUP officials and consultants and they had to run away. It also has been rejected by a delegation of the local people and concerned groups, including VDC/DDC officials in another meeting held at ADB office in Kathmandu on June 12. Its main problem is a total failure in addressing and incorporating local needs and priorities and most of the money to be spent for consultants, very typical!</p> <p>b) WAFED knows about this, but the point is what mandate and authorities that these LCGs were provided for. We have received complaints tht they were simply used for the justification of the project rather than allow them to take critical decisions on critical issues of local concerns.</p> <p>c) There are always options for doing things differently and in a better way. If the ADB and the government are open and transparent in the Melamchi Valley for the recognition and realization of the rights of the local affected people then forming the most representative consultative groups with adequate power in decision-making is never a problem even in the absence of local elected bodies. It is the intention and honesty that matter the most and the political and administrative jargons and excuses.</p> <p>d) WAFED is very much looking forward to this. The problem that needs to be addressed is also about the root causes of the problems and adequate solutions then just engaging the LCGs in resolving local disputes that are unnecessarily created by the Project at different point of time.</p> <p>e) This is where the problem is, the Project to start meeting with local concerned groups just NOW when everything has already been decided almost unilaterally. Again, the most important thing about these meetings in Kathmandu or Melamchi is not about the number of 'meetings' but the process, the contents and the</p>
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3	<p>a) Need for discussion in the EIA of assessment processes undertaken</p> <p>b) EIA should include directly affected or would be affected paddy fields on the reverse side of the river (in Duwachaur and Palchok VDCs).</p>	<p>a) The EIA process has been summarized in the methodology section of the EIA report. Similarly, the public consultation process has been summarized in Chapter 10 of the EIA report.</p> <p>b) The EIA has considered construction waste and spoil tips and includes adequate mitigating measures such as managed/controlled disposal of these. These mitigating measures have been incorporated in construction contracts to be followed by the contractors. Therefore, flooding on either side of the river due to dumping of construction waste and spoil tips is not expected to arise. However, MWSDB has committed that it would provide compensation for unanticipated effects/damage that arise during the construction. The resettlement plan also includes a provision that compensation will be paid for all losses retroactively, if any damage occurs to private property as a result of construction works.</p>	<p>a) The preparation of EIA report in the absence of the availability of critical project documents and information in a timely manner and in local language does not mean anything.</p> <p>b) WAFED is positive about this statement and would like to see that it is made part of the EIA report and that this is ensured in writing to the local people. Many good things are said in Nepal in any development project about how good will it be when it the implementation begins but all the unexpected and unimaginable problems of failures and non-compliances take place during this period making people more helpless and vulnerable, and sometime by the use of security forces or the corrupt local administrations. Kali Gandaki 'A' provides a living example for this and we have raised these issues in the 27 June letter.</p>
4	c) Need to undertake a comprehensive assessment of water requirement for the Melamchi Valley in the EIA	c) This issue was studied in the EIA, which concluded that a minimum 400 liters per second water flow from Melamchi Intake would be required to meet all present and future water needs in the Melamchi Valley. The Project has been following up on this study during the Project implementation, including regular monitoring of water flows at several places in the Melamchi River. Two study reports are publicly available on the MWSDB website, including <i>Irrigation Water Uses in the Melamchi River, and Flow Variation in the Melamchi River</i> .	c) This is one of the most important issues that WAFED, the local people and the groups are concerned with. WAFED demands that a good meeting of scientists and experts is organised to discuss the water-sharing and water right issues and that this issue is resolved permanently and adequately with the conduct of comprehensive option assessments.
5	<p>a) Should have a clear forecast of how much water will really be needed for Kathmandu in 10, 20, 30 or 50 years' time</p> <p>b) Need for a clearly defined</p>	<p>a) There are several earlier studies estimating future water demands including the one carried out by Nippon Koei for the preparation of the Melamchi Water Supply Project (MWSP). Other major studies are listed in the Program Document of MWSP and available at the MWSDB library. These studies indicate a significant shortage of bulk water in the medium to long run. While future water demand estimates may vary slightly in the studies undertaken, ADB believes that all of these studies clearly justify the Project.</p> <p>b) Due to the still continuing absence of elected local officials</p>	<p>a) As far as the previous studies are concerned, they are still not available to those concerned and not all of them are available in the library. The fundamental question here and the WAFED's demand is for a scientific workshop with the timely availability of all these studies as mentioned above before the ADB "believes that they "clearly justify" the Project. WAFED's concern is that there have been no proper study and analysis of option assessments to Melamchi and that there are better options for better and cheaper drinking water supply for Kathmandu Valley. We ask the ADB and the government to counter-challenge this position with substantial arguments and documents.</p> <p>b) WAFED never believes that the absence of local bodies for</p>

	legally binding document to be in place between the locals of the Melamchi Valley and the Kathmandu Valley, before any further commissioning of the project, to avoid potential water-sharing conflicts	nationwide, the process of establishing the so-called inter-basin water transfer levy agreement is delayed. ADB recognizes the importance of such an agreement and is assisting the Government in reaching an early agreement on this.	such an agreement on levy is ever a problem. The ADB and the government can simply agree on the terms and conditions to be agreeable also to the local people and publish them in Nepal Gazette or sign an agreement with the Ministry of Local Development and/or other appropriate agencies.
6	<p>a) Melamchi Valley people not informed about the project till the construction of the access roads began</p> <p>b) Access road being constructed through the most fertile land in the Valley which could easily be avoided by taking the road through alternative routes in different places.</p> <p>c) Project needs to apply universal criteria for all those who were equally affected/displaced by road construction</p>	<p>a) There was prior consultation as explained in 1 and 2 above.</p> <p>b) The road from Melamchi Pul Bazar to Akashe Pul (16km) was aligned and already excavated by the Department of Roads in the past. This road was a general road and was not specifically intended for the Melamchi Project. The Melamchi Project has largely followed this already existing alignment and design to build the current road. The remaining 2km from Akashe Pul to Timbu was properly studied by the Melamchi Project to take the most appropriate route.</p> <p>c) The Resettlement Policy for the MWSP has set criteria for entitlements and compensation, which are also applied for the road construction. So far as different size of road width is concerned, road design has tried to reduce land acquisition requirements as well as displacement of houses along the access roads. As per this strategy, the width of the road in some places has been maintained to a minimum where the road passes through the existing settlement.</p>	<p>a) This is not true at all and we can discuss further about it to review the past performance for lessons learned since many decisions are already made.</p> <p>b) This has been a very serious problem. The bad effects of the black-top road can never be compared with the locally used dust road in terms of effects on the land, agriculture and environment. The effects of the black top road will also be more destructive and unhealthy for the local residents from noise pollution to the loss of agricultural land. Different routes could be used for such a permanent road nearby but it was a big mistake.</p> <p>c) The policy of resettlement in Melamchi is certainly considered a good beginning for Nepal which is yet to be provided for in Nepali laws. The main problem is the implementation of this policy in Melamchi Valley and there are still rooms for improvement and post facto corrections. The issue of length and width of the road is something that needs to be dealt with the local people to their satisfaction.</p>
7	<p>a) The affected people should be provided with the choice of land or cash adequate for resettlement in a new place</p> <p>b) Sufficient time should be given for the displaced to leave their houses, from the date of</p>	<p>a) When affected people were asked compensation options during preparation of the resettlement plan, the majority of the respondents opted for cash compensation. Therefore, the Project has provided cash compensation for the affected people in lieu of their land and/or other properties. The land compensation rates have been fixed in consultation with the affected people. These compensation rates are several times higher than the existing government rates. The Compensation Determination Committee (CDC) decides the VDC-wise compensation rates based on the assessment of quality of land, proximity to roads, existing government rates and recent land transaction rates within the VDC.</p> <p>b) In line with the legal requirements, the affected house-owners have been given 35 days from the receipt of compensation for relocation from their original place. The</p>	<p>a) The displaced people and families were never properly informed about the difference and the effects of cash compensation and resettlement. Even today, no resettlement plans and sites are adequately developed and proposed. People definitely ask for cash compensation in a situation of uncertainties and bad management. This is not true at all that the rates have been fixed in consultation and with the consent of the affected people. The rates were just imposed and they also have been discriminatory. The rates are higher than the government rates but the government rates are never for such displacement but for the purpose of land taxation. It should not be mixed up or all in future projects will become landless.</p> <p>b) But the problem is where and how to find a proper resettlement place. These people needed the help and support from the Project but it did not happen. This problem has to be</p>

	<p>public notification</p> <p>c) People feel threats from the project of the use of army</p>	<p>Project has provided the affected households with displacement allowances equivalent to 270 days wages so that they could manage transitional arrangements such as renting living space until their new houses are built.</p> <p>c) We recognize that the security personnel have been installed in the project area for ensuring security of the project effort. We have no knowledge of abuses by these personnel in the project area; however, if we receive any complaints of alleged abuses we would refer them to the Government. It may be noted that providing security for development activities throughout the country is the responsibility of the Government.</p>	<p>dealt with on case by case basis. WAFED would like to see it in action which could also provide a model for the future.</p> <p>c) This is something that has been done also in the background of the on-going Maoist armed insurgency, but WAFED would like to receive a guarantee that the police like in Kali Gandaki 'A' and the army will never be used for any harassment or actions to the local people who raise their voices critically and this will be the case if and when more problems arise during the implementation.</p>
8	<p>a) How are the local people benefiting from the Project?</p> <p>b) Local people's demands of 10% sharing of benefits as per the Local Autonomous Act should be addressed and this issue of benefit sharing to be legally formalized.</p>	<p>a) There are several ways that MWSP can benefit the local residents in the Melamchi Valley. Affected people will be given priority in skills training and employment in the project construction works. The local residents will be assisted through the SUP program, which aims at sustainable development and poverty alleviation in the 14 VDCs of Melamchi Valley. The SUP pursues holistic and participatory development approach and consists of 5 different components, including Income Generation and Community Development; Rural Electrification; Health; Education; and Buffer Zone Development. The local residents, community organizations, and NGOs will be involved while implementing all these program components. Further, there is a provision of levy from water consumers of Kathmandu to the Melamchi Valley residents once the Melamchi water starts flowing to Kathmandu. The water levy will allow valley residents to capture benefits from the water flow that would otherwise simply flow downstream.</p> <p>b) Inter-basin water transfer levy, which is already in the Project framework, is an equivalent of profit sharing. ADB is assisting the Government in reaching an early agreement on this.</p>	<p>a) This aspect is very crucial. So far there has been no skill training and no employment in practice by the contractors. The practice has already been seen as bringing the construction workers from outside. There is not even a forecast or public notice about how many work forces of what kinds and capacities will be needed for the Project so that the local people could prepare themselves in advance. They need time for it and the skill training should have been there already for some years by now. The SUP as a local development/benefit programme is going to be a disaster, even worse than in Kali Gandaki 'A', if it is implemented in its current forms and style. It is simply the most unholistic, non-transparent and grossly manipulative top-down programme. It must be revised NOW and by complying with all the criteria and guidelines of decision-making and priority-setting. The SUP designers and the managers also have a lot of vested interests as it seems. They have not been listening to and incorporating any suggestions for its overall reform.</p> <p>b) We want to see levy plan in action. Such a levy must first reach to the benefit of the directly affected peoples and the communities. The examples from other projects are not very encouraging, e.g. Kali Gandaki 'A'.</p>
9	<p>a) Adverse impact of the Project on irrigation canals and local water mills.</p>	<p>a) Irrigation Canals. The EIA has concluded that the existing irrigation canals will not be affected in terms of water availability. However, the EIA has expected that some structure improvement works may be required due to the reduced flow in the river after the river diversion. MWSDB will undertake mitigation activities in this respect under the Environmental Management Program.</p>	<p>a) WAFED believes that the promises made here are actually implemented in practice and that ADB takes all the costs burden on its own for any loss of irrigation canals that are constructed from its loans. Even the government cannot and should not bear such a burden on the Nepali taxpayers. Any economic and opportunity loss from the loss of the canals should also be properly compensated.</p>

	b) Need for a clear and strict legal provision for the regular supply of water and proper compensation to these mills for their future income-loss	<p>Water Mills. Quite a number of water mills operate on tributaries upstream of the Melamchi River and, therefore, will not be affected at all. The EIA has considered the impacts on water mills operating by the Melamchi water. The minimum riparian flow of 400 liters per second at the intake site, which increases thanks to contribution from tributaries downstream, is expected to ensure that these mills can be operated as they are now. However, the Project has a policy to compensate any damage, including displacement of water mills, due to any unexpected event. There are also opportunities to switch the power source over to electricity after the Rural Electrification Program is implemented.</p> <p>b) Please see the response to Question 9 (a) above.</p>	<p>WAFED would like to see the resolution of water mills-related problems on a case by case basis whenever the problem arises, and/or offer other alternatives as promised here.</p> <p>b) Please also refer to the WAFED comments above.</p>
10	Need for consultation with the people in Kathmandu Valley about what is actually happening in the Melamchi Valley and the related issues of their concerns	A number of consultation sessions have been held to date to keep concerned NGOs and civil society well informed. NGO Forum on Kathmandu Valley Urban Water and Sanitation has been playing an important key role in this regard. The latest session was held on 25 June 2003. Intensive consultation sessions are planned over the coming several months starting in late August.	These meetings in Kathmandu have been largely of public-relations and NGO-project type. WAFED has no problem with that but the meetings and the consultations we are talking about here is fully well-prepared, open and well-represented one by all the concerned experts and groups. The last consultations were not intensive at all. Please also refer to 1c above.
10a	Alternatives or option assessments made before deciding on Melamchi as the best option for the drinking water in the Kathmandu valley should be discussed.	There were a number of good feasibility studies on the alternatives of bulk water supply for the Kathmandu Valley in the past, including the one done by Binnie and Partners in 1988 and another one done by Nippon Koei in 1989-90. At Project appraisal, ADB reviewed these previous studies and carried out its own economic feasibility analysis. Another ADB study, "Optimizing Water Use in Kathmandu Valley Project" which is nearing completion concludes again that in-valley bulk water supply alternatives are unlikely to be adequate in the long run.	Please also refer to 5b above. In addition, there should be NO any further decision on the part of the ADB on any loans, e.g. Kathmandu Drinking Water Supply Project, till the public release and acceptance of the on-going study on the "Optimizing Water Use in Kathmandu Valley Project" or it will be a total flaw. The information WAFED has received from an informal source is that the ADB is not willing to release this study. If this is the case then it certainly becomes a big problem for the smooth and successful implementation of Melamchi in the future.
10b	What are the major policy and institution-related problems in water management system in the Kathmandu Valley?	Establishing a reliable and efficient water utility with proper incentive framework is crucial for achieving better water supply service delivery. Other policy actions to address the current institutional problems include establishment of regulator, introduction of more efficient management through a performance-based management contract, levy agreement for the inter-basin water diversion, and groundwater licensing legislation.	This is a very crucial issue that needs much more larger discussion than just between WAFED and the ADB. In general sense, all public institutions are inefficient in Nepal so is the case for all donors so far we have experienced, including the ADB. It is not an isolated case only of water-related agencies. The problems are political and also the result of donors' bad lending conditionalities and their vested interests since the past.

10c	Is privatization of the Nepal Water Supply Corporation and the water itself a good idea to address the present "crisis" of drinking water?	The Government and the Donors believe that the currently proposed performance-based management contract for NWSC will have the best chance of success. This does not amount to privatization because the assets of the water utility will still stay with the Government and the ultimate responsibility of the water supply, including the determination of the tariffs, will remain under the Government. In essence, Kathmandu's water service remains as a public service, but with more accountable and efficient management.	This is not true at all. What the ADB is doing and pushing for is the gradual privatization of Nepal's water and water-related public agencies. The bringing of a foreign (only) private contractor is a privatisation. There is no need to be misled here. To say that the ownership and the responsibility also on tariff fixation lies on the government is just an example of doing the same business in a different way by manipulating the vulnerability of the government. And, if the water remains a public service then there will be no need of privatisation and a foreign company. Nepalis can do it.
10d	Who will be the private sector and what will be its <i>modus operandi</i>?	Competent and experienced international water supply operators will be invited to bid for the performance-based management contract. It is quite likely that Nepali counterpart professionals and firms will be required to make the scheme successful. Furthermore, the contract will include training program for the Nepali water utility staff.	We have seen the competence of all these water multinationals and their local agents from Manila to South Africa and Bolivia. There performance is for profit and only for profit – there is no question about it. What the ADB is doing in Melamchi is pushing for a bad project for a good profit for multinationals and sale the most expensive water to the consumers of the Kathmandu Valley without a choice and in the name of overcoming water problems.
10e	Why are the donors rejecting the idea that the Melamchi water could be managed by the five municipalities of the Kathmandu valley as a public service rather than selling water as a commodity, and also run it in "profit" for cost recovery unlike the sole profit-motive of the transnational corporations?	<p>At the moment, the five municipalities lack experience in managing water supply services. It is, therefore, extremely risky to adopt such a municipal utility model and, thus, this model is not considered feasible in the medium-term for Kathmandu. However, distribution service licensing is being actively considered. Under this system, the distribution service within a particular neighborhood, previously unserved, could be carried out by the community itself or an entrusted service provider if all the residents agree to the arrangement and the community or service provider is proven capable of the task. In this case, the water utility will play the role of a bulk water supplier. Municipalities will also have a role on the Board of the water utility. Several successful examples of this type of provision exist in the Region.</p> <p>ADB believes that appropriate pricing of the water is crucial for sustainable water management. The establishment of a proper incentive framework based on a reward/penalty regime focusing on customer satisfaction is the most promising approach. ADB also believes that cost recovery is very important and it is inappropriate to subsidize the water for Kathmandu Valley residents by the tax monies paid by outside-valley population. In effect, the user should pay for the resource consumed.</p>	<p>These municipalities have all the experiences that they need to supply water and they have been doing it for generations in different forms at different point of times. The problem is the population growth in the Valley and the denial of the suppression of easily available options. They range from traditional to other forms of water uses and the resources and not the inter-basin water supply scheme for corporate profit. WAFED position is that the same existing Nepal Water Corporation should be strengthened in collaboration with the municipalities and/or publicly accountable bodies, and not the private sector. These institutions should have the total ownership from decision-making to profit sharing. A very simple formula – we can take conditionality-free loans or grants in our term with the guarantee of paying back them. We will have Nepali institutions to own the Project, manage the water and recover the cost. We can employ our own experts and consultants who are much more reliable and also affordable cost-wise.</p> <p>Water should be free if necessary as a human right. But it also should not mean that no reasonable and affordable prices to be paid to recover the cost. But the story is completely different here. The problem is the whole of taxpayers' money is already being subsidised for or diverted to Melamchi without proper option assessments. The Project will be a suicidal for the consumers of the Kathmandu Valley in particular and the whole of Nepal in general if it is implemented as it is.</p>

10f	What are the other lending conditions that Nepal will be obliged to comply with and what are the impacts that they would have in the overall economy of Nepal and debt servicing?	Key conditions include the establishment of new water utility, the establishment of regulator, signing for private sector involvement through a performance-based management contract, levy agreement for the inter-basin water diversion, and groundwater licensing legislation. ADB is assured of the project's continued economic and financial feasibility in the country's overall economy and with respect to the Government's debt servicing.	The condition of this privatisation in whatever form is not acceptable to WAFED. We need more discussion and better decisions. The whole idea of this inter-basin transfer is still questionable both in technical and financial/economic terms. Also the country is not in a position for any such guarantees in the current situation of virtual civil war, including in the Melamchi Valley, and the increasing debt burden – the result of bad lending policies of the past of the donors like the ADB and the World Bank.
-	ADB and the Nepali government need to apply the lessons learned from Kali Gandaki 'A.'	ADB and the Government have agreed to organize a Joint Seminar/Workshop on Lessons Learned from the KGA Project. A proposal has been prepared that proposes both KGA and MWSDB persons address these issues. This program was conceived of several months ago, and is planned for 2003.	WAFED has received some positive assurance for the corrections of past non-compliance and the post-project impacts and mitigations in Kali Gandaki 'A' through a letter dated 14 November 2003. The lessons learned should be organised before any critical decisions are made by the ADB and/or the Board relating to the Melamchi or any other drinking water supply projects for the Kathmandu Valley which are closely inter-linked.

