



EXTREMELY URGENT

April 19, 2004

To

Asian Development Bank (ADB)
Japan Bank for International Cooperation (JBIC)
Norwegian Agency for International Development (NORAD)
Swedish International Development Cooperation Agency (SIDA)
Nordic Development Fund (NDF)
Organisation of Petroleum Exporting Countries (OPEC)
Government of Japan
c/o Asian Development Bank
Country Office, Kamaladi
Kathmandu

Cc:

His Majesty's Government of Nepal
Melamchi All the donors and lenders of Melamchi Water Supply Project (MWSDB)

**Ref: Issues of concerns for the Joint Review Mission
(April 19-27, 2004 in Kathmandu)**

Dear Sirs and Madams,

First of all, we are happy to inform you that there have been some active communications with the Melamchi Water Supply Development Board (MWSDB) and Asian Development Bank (ADB) regarding local and national issues of concern associated with Melamchi Water Supply Project (MWSP). I also would like to remind you that some, if not all, of these communications have been sent to other donors and lenders of MWSP, e.g. JBIC, NORAD, but none of these donors acknowledged the communications or expressed their firm interests in engaging with the affected communities and concerned groups to address the MWSP-related issues and problems in a proper and timely manner.

We are taking this opportunity to remind you again of our issues and concerns which we hope will be adequately discussed and addressed during the on-going JRM

meeting. We also hope that the meeting will offer us a chance to hold an open dialogue with you either on April 25 in the afternoon or anytime before the forthcoming meeting of Nepal Development Forum to be held in Kathmandu on May 5-6 in Kathmandu. For your information, we are also holding a public meeting about NDF on May 2 to discuss the real development issues for Nepal as they have largely been undermined or by-passed by the donors/lenders in the past. Regarding your proposed meeting with non-governmental organisations (NGOs) on April 22, (the details of which we have yet to receive) the allocation of 90 minutes time will not be sufficient. We are therefore submitting this memorandum for your further consideration and we hope that more time can be allotted for a dialogue with NGOs.

Issues of local concern

There have been many delegations, petitions and correspondence with the MWSP and ADB but we are simply not happy with the way that our concerns and demands have been handled. We appreciate the openness for meetings and discussions, but they have completely failed to address the fundamental problems with regards to:

- a. access to critical project documents and information in a timely manner and in local language(s);
- b. effective and meaningful participation and consultation;
- c. adequate Environmental Impact Assessment and mitigation plans, including participatory, representative and comprehensive locally-managed and implemented Social Upliftment Programme (the most unpopular SUP);
- d. complete denial of re-EIA of some of the affected and would be affected areas, e.g. the displacement of Chanaute Bazaar and the agricultural land of Palchowk VDC 4;
- e. adequate compensation and resettlement, including community forests and *guthi* lands;
- f. local employment with skill training;
- g. incorporation of ethnic and indigenous peoples rights and interests in EIA and mitigation plans, e.g. addressing the root-causes of trafficking from Tamang community;
- h. guarantee of adequate water flow for agriculture, *ghattas*, mills, electricity, fishery and ecosystems – the issue of local water right; and
- i. legitimate and satisfactory arrangements for benefits-sharing.

If you would seriously address these problems then we would like to invite you all in an intensive public meeting/interaction/questions and answers session in Melamchi Bazaar on April 23 – the day of your field trip in Melamchi Valley.

Issues of national concern

Back in Kathmandu Valley, there are ever more serious problems that the MWSP, ADB and other donors/lenders need to urgently address. There has been no adequate response despite some dialogue and communications in the past 10 months. The outright rejection by Mr. Keichi Tamaki, Team Leader of MWSP from the ADB, at a Sunday Forum organised by WAFED on April 18 in Kathmandu, the potentials and alternatives to water management and supply through proper groundwater re-

charging and collection and rainwater harvesting, stating that they are neither "appropriate" and "possible" nor "economic". *In the interest of transparency, we need to see all those scientific studies and their findings that Mr. Tamaki has based his "no option" remarks before we can believe them! At the moment we are being asked to have blind faith in the ADB, something that those of us with experience with the institution are not inclined towards. Furthermore, this attitude undermines the findings of Nepali experts and engineers who are more knowledgeable about Nepal and more accountable to Nepalis than any so called "world class" consultants .*

The other disturbing remarks that Mr. Tamaki made during his presentation at Sunday Forum include:

- a. privatisation of Kathmandu water supply "services" from the Nepal Water Supply Corporation (NWSC) – *without supporting the cheaper, better and more democratic alternatives, e.g. supporting the autonomy and efficiency of NWSC, strengthening the role of Kathmandu Valley municipalities, local co-operatives etc.*
- b. creation of a Kathmandu Valley Water Authority which will slowly/gradually lead to the dismantling of NWSC – *the main agenda of global water mafia;*
- c. pricing of drinking water for commercial purposes in the name of "cost recovery" and the abolition of subsidies – *as if there will be total eradication of poverty in Kathmandu Valley;* and
- d. serious undermining of the value of technical and institutional leakages which is estimated up to and/over 70% – *one important source of existing water recovery.*

Mr. Tamaki basically insisted that no one should bother about any of these alternatives and just go ahead with MWSP blindly -- does not matter how and when!! This is totally unacceptable by any standards.

Regarding various policy, legal and institutional matters associated with the just and smooth implementation of the MWSP, the MWSDB is aiming to do ALL through the Royal Ordinance and/or flawed bureaucratic decisions. The donors/lenders also seem happy with it as long as their financial and economic interests are met. How can you even think of implementing such a large scale project, having tremendous impacts on the day to day survival of poor populations and the huge debt burden on Nepal, in the complete absence of elected, democratic and accountable governmental/public institutions from local to national levels! Are you in favour of creating and supporting a Burma-style "democracy" (also known as a military junta) in Nepal? We hope not, and we hope you realize that these projects severely undermine the work of those struggling for a democratic Nepal.

What is even more tragic and surprising is the Nordic countries, who claim to be more concerned with human rights and environmental issues than their Southern European and American counterparts, do all this for a country like Nepal in collaboration with the powerful global corporate institutions like the ADB and JBIC. It seems that 'greed' and 'profit' are the only *mantras* that count in today's global business, and not the ideals and values of democracy, the people's welfare, the rule of rule and human rights!

We have seen various studies by the ADB and JBIC on the huge potential of optimisation of existing water resources/options in Kathmandu Valley and the uncertainty of economic return of the MWSP. We also have seen NORAD's recent evaluation of the MWSP where it says that "MWSDB is not capable to manage an infrastructure project of MWSP's magnitude" in which it is right, but it surprisingly suggests the "Use of more international experts ... to strengthen MWSDB staff". Is it really the problem and also the solution? Such findings must be subject to public scrutiny and debate, rather than being accepted as the Bible.

Finally, we would like to say that the people, the consumers, of Kathmandu Valley are put more in dark than the residents of Melamchi Valley. The MWSDB and the donors/lenders have simply failed to adequately inform and convince them about the way that they are managing the existing water in Kathmandu Valley, and the way that the MWSP is being imposed on them with no clear idea of when, how and at what cost the Melamchi water comes in their kitchen! But the people in Kathmandu Valley are also rising slowly.

Our main demands

We are not saying that MWSP should not come. We are also not saying that it should come as the only alternative. What we are saying is:

- a. to optimise the existing water resources/options first;
- b. assist the government and MWSDB to take more pro-people and right-based approach, instead of commercial approach to drinking water supply;
- c. explore the joint collaboration of NWSC and the Kathmandu Valley's five municipalities for water supply as a social good and not commercial commodity for profit;
- d. meet demands of the people of Melamchi Valley for their overall development since we are taking their most precious resources free of cost;
- e. assessments studies and hold a scientific workshop to seek consensus on the best option for water supply; and
- f. employ foreign consultants and/or use foreign goods and materials only when they are not available in Nepal.

Our main focus of concerns is on the objective and the process, and not the project as such. Our concerns and campaigns have a long history from Arun III to Kali Gandaki A and others, in terms of all the fundamental issues as mentioned above. It is also about development philosophy and perspective that we differ.

What can we do!

We can do a lot to make sure that our voices are heard. We have no hesitation to present our arguments and alternatives as a challenge that the people of Nepal, the people of Melamchi and Kathmandu Valleys for this matter, believe and support. The need in Kathmandu Valley is the availability of 'drinking water' in an affordable price and with the principles of social justice. The same goes to the Melamchi Valley where their water needs are fully respected as well and development benefit justly shared. We just do not want the repetition of Kali Gandaki A in the case of MWSP – from

the 'killer' FIDIC contract model that encourages corruption and increases the cost with gross disregards to local social and environmental obligations and compliance.

If we are not satisfied then we will consider the following actions as the situation compels us to do:

- a. approaching the courts of Nepal for adequate compensation and resettlement to the guarantee of water right and development benefits in the Melamchi Valley;
- b. filing claims before the ADB and JBIC mechanisms;
- c. using the anti-corruption unit of the ADB for the investigation of any irregularities;
- d. campaign in Nordic countries for their failure of what they believe and practice at home due to their legal mandate as well as public scrutiny;
- e. opposing the lending conditionalities and tied-aid that are negative and severe in MWSP for Nepal;
- f. monitoring every single events and incidents of irregularities, non-compliance and violations of appropriate project terms and conditions, the ADB and JBIC policies and Nepali laws, including relevant international treaty obligations; and
- g. promoting the best options and practices for the utilisation of water resources in Kathmandu Valley as well as supporting the MWSP in above terms.

We really hope that you will take the issues and proposed solutions seriously during the JRM meeting and let us know of your final Aide Memoire. Failing to do so will have serious consequences.

Please also let us know whether you could come to our meetings that we are planning to organise for and with you in Melamchi Bazaar on April 23 and in Kathmandu on April 25 as mentioned above.

We are glad that you are meeting in Kathmandu. Otherwise we would have no easy access to get to you and express our concerns for the betterment of our country first and the donors/lenders second as they deserve – unlike the past!

Please note that we are distributing this memorandum to the press as well as to all our friends and allies nationally and internationally.

Sincerely,

Gopal Siwakoti 'Chintan', Co-ordinator, WAFED
and Convenor, NGO Forum on ADB, Manila, Philippines

Hasta Pandit, Melamchi Local Concern Group

Ram Bahadur Khadka, WAFED Melamchi Branch

Pitambar Bhandari
Chairperson, Federation of Community Forest Users' Nepal (FECOFUN),
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