

Melamchi is Dead Unable to continue after June 30: ADB

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KATHMANDU, May 22 - Six years after entering construction, Melamchi, the country's largest development project, met a sad demise Tuesday, with the Asian Development Bank (ADB), the project's principal donor, saying it cannot extend its loan commitment to the project.

"As it stands now, it would not be possible to carry on with project activities, with the project closing on 30 June 2007. In such difficult circumstances, it is now for the government to decide how it wishes to proceed," said ADB in a statement issued Tuesday, a day after withdrawal by UK firm Severn Trent Water International (STWI) of a contract bid to manage Kathmandu Valley's water supply.

Appointment of a management contractor was a critical covenant in ADB's funding commitment to the project. After Minister of Physical Planning and Works Hisila Yami halted the contract award on May 8, the bank had repeatedly urged the government to award it, stating that without it the bank would be unable to extend its funding commitment. A cabinet meeting in the previous government had decided to award the contract to STWI, which was the sole bidder.

"A key provision of the loan agreement signed between the Government of Nepal and ADB on 24 January 2001 was that the restructuring of Nepal Water Supply Corporation and award of a private sector management contract for delivery of water services under competitive procedures must be completed prior to initiation of civil works contracting for the construction of the diversion tunnel from Melamchi Valley to Kathmandu," the bank said in the statement.

This provision of the loan agreement recognized that the chronic water shortages affecting Kathmandu are caused not only by lack of supply infrastructure and bulk water resources, but also by poor management of water services, the Bank has added in the statement.

"The signing of the private management contract was the very last stage of a long process to achieve the agreed institutional reform for efficient utilization of Melamchi's water. This long process, which has required six years of effort, cannot be completed now that the water utility operator is unable to obtain approval from the Government to sign the duly negotiated contract and the final bid validity has been withdrawn on 15 May 2007 (after nine extensions made since March 2006)," the bank has further said.

Melamchi project, which was scaled down from the original estimated cost of US \$ 464 million to US \$ 350 million in March this year, was designed to supply 170 million liters of water daily from Melamchi River in Sindhupalchowk district to Sundarijal in Kathmandu through a 26.5-km diversion tunnel. ADB had committed US \$ 165 million to the project.

The daily demand of water in Kathmandu Valley is 250 million liters, while the supply is less than one-third the demand.

Source: The Kathmandu Post Daily, 23 May 2007. (www.ekantipur.com)

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