

Kantipur Report

Prachanda, ADB reps to meet to pull Melamchi out of deep water

KATHMANDU, May 23 - Maoist Chairman Prachanda is set to meet Asian Development Bank (ADB) representatives on Wednesday after project contract award stalled by Maoist Minister for Physical Planning and Works Hisila Yami landed Nepal's mammoth Melamchi Water Project in troubled waters.

ADB, the project's principal donor, has said that it cannot extend its loan commitment to the project after June 30.

The UK firm Severn Trent Water International (STWI) – the sole bidder of the Melamchi water project -- had announced withdrawal of its bid on Monday, six days after the expiry of its ninth and final deadline to the government for award of the contract which was stalled by Minister Yami.

The meet comes a day after Prime Minister Girija Prasad Koirala maintained that Minister Yami must accept the ADB's conditions if the government is to release funds for PLA cantonment management and benefits in a meeting with the Maoist leadership.

Minister Yami has said that a decision regarding the resolution of the problems facing Melamchi project would be taken based on the outcome of today's meeting.

"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 STWI of a contract bid to manage Kathmandu Valley's water supply.

After Minister 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.

ADB is the largest donor to Melamchi project. Apart from its initial commitment of \$120 million, the bank had committed an additional \$45 million to Melamchi project in March this year when the project was scaled down from \$464 million to \$350 million owing to fund crunch.

ADB's funding commitment expires on June 30. Its extension depends solely on appointment of a management contractor for which STWI was sole bidder.

The bank's funding is meant for constructing a 26.5-km diversion tunnel from Melamchi River to Sundarijal in Kathmandu, which is the costliest component of the project. The Melamchi is designed to supply 170 million liters of water daily to Kathmandu Valley, which faces chronic water scarcity.

In a letter to Minister Yami on May 18, ADB Vice President Liqun Jin had expressed the bank's inability to extend any loan commitment to the Melamchi project after June-end 2007, if a management contractor was not appointed by then.

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