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DONORS' REJECTION OF GOVERNANCE AND HUMAN RIGHTS
Two Case Studies of Hydropower and Water Supply Projects in Nepal

Gopal Siwakoti 'Chintan'

Background

Nepal is the most beautiful country in the world. Its peoples are among the richest in cultural diversity and the best in resource management, through community ownership and the local, ethnic and indigenous practices. If properly used, the 23 million people of this country could have all they want. They have Mt. Everest and many other top mountains of the world to attract tourism, the huge amount of freshwater resources, the flora and fauna, the most fertile valleys and the plains for agriculture and animal husbandry, wildlife and natural ecosystems. But it is now regarded as the poorest in the world – very hard to believe! Nepal was made poor and is being made the poorest!!

The era of economic dependence and poverty began with Nepal's defeat in a war with the British East India Company, followed by an 'illegal' Soogauli Treaty in 1816 BC. As a result, Nepal lost its huge fertile land and the rivers from Darjeeling in the East to Kumau-Gadhawal in the West. The British began to recruit the large number of Nepali youth to its army, as the brave mountain fighters, known as the *Gurkhas*.¹ As of today, hundreds of thousands of the *Gurkhas* have either given their lives or suffered injuries in the two World Wars and other regional conflicts from Far East to Falklands, though still treated as virtual mercenaries. The export of these youth from the rural areas of Nepal, is linked to widespread poverty and their migration to towns and the socio-cultural disintegration of these various ethnic communities. Nepal is now known for its continuing export of the youth, either as security guards and British soldiers, or migrant workers in many countries, where they are treated as slaves or severely exploited. The hills and paddy fields are now turning into deserts. All the productive forces have flown either to cities or abroad. Nepalis never got a chance to develop themselves, but rely on the sympathy of donors even for a small hospital or drinking water supply.

As a result, Nepal at present is on the verge of collapse, both due to chronic poverty and a Maoist civil war. It began in 1996, with demand for rapid democratization and drastic land reforms.² Even the World Bank has recently recognised this fact, by describing the Maoist insurgency as "clearly a political movement with a firm political philosophy". The Bank has further blamed "[h]orizontal inequality and social exclusion" as well as the "[f]ailure of governance".³ What it does not mention is its own, as well as other donors' responsibility, for the creation of such situations, due to the imposition of severe aid conditionalities in favour of economic liberalization and privatization in a feudal-agrarian society like Nepal. Now more aid is coming

1 The 'Gurkhas' or 'Gorkhals' are named after the old Gurkha Kingdom in the western region of Nepal. It is now Nepal's one of the 75 districts.

2 Upreti, B R (Dr.), "Forty point demands of the Maoists", THE PRICE OF NEGLECT: FROM RESOURCE CONFLICT TO MAOIST INSURGENCY IN THE HIMALAYAN KINGDOM, Bhrikuti Academic Publications (2004), Kathmandu, p. 368.

3 The World Bank, Nepal: Country Assistance Strategy, 2004-2007, Report No. 26509-NEP, Washington, DC (2004), p. 9.

in a form of military assistance and arms supply, rather than addressing the root causes of the Maoist conflict and other problems.⁴

In the five decades of international aid in Nepal, development never meant something local managed by and for Nepalis but a complete dependency syndrome. It always meant a project run by foreigners, with no transparency and accountability regarding outcomes. Aid has also been virtually immune from any public scrutiny or criticism. Various studies clearly show that foreign aid mainly benefited the local feudal-lords and elites, such as the monarchy, the Royal family and their relatives, including the army, the rich, the corrupt and powerful. Nepal's acceptance of globalisation and joining the World Trade Organisation, has made the country just a dumping ground for foreign goods. Huge national resources – both human and natural will be gradually sold out. These days, Nepal receives foreign loan and assistance not to build its economy but to destroy it, including the dismantling of public institutions and community systems.

One of the main reasons for the failure of the parliamentary system over the 14 years has been the virtual domination of international aid agencies and bi-lateral donors. The 'sovereign' Parliament and elected governments remained largely as the agents of the foreign interest lobby, never allowed to determine Nepal's own needs and priorities. There are even cases of the government denying to the Parliament and even the Supreme Court, the release of secret dealings and agreements with the International Financial Institutions. The spirit of democratic governance⁵ was taken over by donors-driven corporate governance: human rights and the rule of law with corporate rules. As a result, Nepal's adoption of a democratic constitution and laws, as well as the ratification of dozens of major international human rights and environmental instruments, remained totally ineffective, as governments have always been compelled to comply with donors' pre-conditions and corporate obligations.

Recent experiences show how donors are mostly responsible for leading Nepal to its current state of economic mess and political chaos. The Maoist armed uprising that first began in February 1996 is widely regarded as the result of mockery of elections and 'sovereign' Parliament that failed to address chronic poverty, the failure of political commitment due to destructive lending conditionalities and the militarisation of the state, including the Palace. What Nepal really needed after the democratic change of 1990, was actual democratization and the decentralization of political power as well as economic resources. But on the contrary, post-1990 democratically elected governments became the virtual agents or tools of corporate governance. All the rhetoric of 'good governance' was in fact defined by donors, going against the very fundamental principles of human rights-based democratic governance.

In this context, the following two cases provide the most interesting examples of how the donors inability to respect their own policies and procedures in promoting good governance and human rights. They also provide some details of how the people and communities who are supposed to be the targets of development, are denied access to their own resources, and benefits. The first case of Kali Gandaki 'A' is a story of why the donors do not want to learn lessons from their mistakes. The second case, of the Melamchi River diversion, is about how local resources are transferred, against the will of the local people who own it, and about how cheaper and better available alternatives to water supply in another basin - the Kathmandu Valley - are bypassed.

Kali Gandaki 'A' Hydroelectric Project

4 The US, UK, Belgium and India are the main countries providing military assistance and exporting arms to Nepal. These have been grossly misused by the neo-autocratic King and the Royal Nepal Army over the past two years, to cross all the democratic and revolutionary forces.

⁵ See for details, O S Saasa, G C Gurdian, Z Tadesse & G Siwakoti 'Chintan', "Democratic Governance", IMPROVING THE EFFECTIVENESS OF FINNISH DEVELOPMENT COOPERATION: PERSPECTIVES FROM THE SOUTH, Ministry of Foreign Affairs of Finland, Helsinki (2003), pp. 137-167 & 178-180.

The Kali Gandaki 'A' (KGA) is Nepal's largest hydroelectric project, 144 MW, built in the western region of Nepal with conditional loans from the Asian Development Bank (ADB) and the Japanese Overseas Economic Co-operation Fund (OECF), now Japan Bank for International Cooperation (JBIC). Began in 1997 and completed in 2002, this project is considered as costly, compared to the original forecast. The reasons are the delays, the cost-over-run and corruption. The notorious Italian Impregilo SPA company was the main contractor.

The implementation of the KGA was the result of the cancellation of Arun III Hydroelectric Project by the World Bank in August 1995.⁶ Activists and experts had presented the KGA as a better alternative to Arun III and a cheaper one. But the cost escalated from US \$250 to US \$360 millions by the time of completion. The civil construction cost was increased by 67%. The ADB, instead of supporting cost reduction measures, was mainly concerned to ensure compliance with its conditionalities and increases in the electricity tariff.⁷ At present, Nepal has one of the highest tariff rates in the world.

Struggle for access to information

The Arun III campaign represented a major shift in development the debate in Nepal. It was the first big campaign that questioned the transparency and accountability in a foreign-funded project. In Arun III, the struggle for access to project documents and information was won both at the level of Supreme Court and World Bank's Inspection Panel in the first-ever filed case in October 1994 in which the author was one of the main claimants. The Court's landmark decision, has clear guidelines and procedures for seeking and receiving information on any issues of public interest, including development projects, as provided for article 16 of the 1990 Constitution of Nepal.⁸

Despite these achievements, the fight for the right to information on the KGA was not so different from Arun III, except on the accessibility of a loan agreement and the Environmental Impact Assessment (EIA) reports. Even then, these documents had no use to local people, as they were all in English, except for some small informatory booklets. Most interestingly, none of these documents were available during the time of decisions. The availability of basic project documents and information, for example, the feasibility studies, cost-benefit analysis and EIA reports, as well as copies of contracts, are crucial for any critical debate and decision-making. But this has never as yet happened. The reality is that these documents are not available even after the completion of the project.

Public consultation/participation

Holding of public consultation meetings is fundamental to ensure effective and meaningful participation by local/affected people in any project. This is also the most important element when it comes to practicing good governance.

Unlike in Arun III, some public meetings were held at the KGA project sites and in a Five Star hotel in Kathmandu. The local participants at these meetings were all selected under the influence of project officials. Activists were prevented from attending local meetings and presenting their views. Those who made attempts to distribute printed information, had to face both verbal and physical abuse and

6 See, "The Shelving of Arun III in Eastern Nepal", Encyclopedia of Sustainability: Successful Campaigning against Large Dams, Both ENDS, Amsterdam at www.bothends.org, and also, "Nepal: Arun III Proposed Hydroelectric Project & Restructuring of IDA Credit-2029", Inspection Panel Investigation Report, The Inspection Panel, Washington, DC, 1995.

7 To know more about the ADB, see, The Asian Development Bank: In Its Own Words, an analysis of project audit reports for Indonesia Pakistan, and Sri Lanka, SG Fried, S Lawrence & R Gregory, Environmental Defense, Washington, DC (2003); and Focus on the Global South, An Overview of the ADB's Decision Making Processes and Policies: Good Governance or Bad Management, Bangkok (2002) at www.focusweb.org

8 See, also for various WAFED activities, www.wafed-nepal.org

harassment. The project had also recruited some local politicians and leaders, to systematically attack critics and blindly defend the project. The ADB officials present in these meetings remained silent.

The issue of local benefits

During the time of decision on the project loan, the ADB and the then OECF officials were accompanied by ministers and Members of Parliament to the project site and garlanded with flowers. Local people were provided sweets and drinks for attending and 'donors', ministers and politicians promised everything imaginable to the local people. It was out of the question to raise any critical voice in such a situation. The project officials were even engaged in creating pseudo local groups and arranging fake letters of support to the ADB. Later on, some local thugs were used to spy on local people and suppress their voice.

The local people were brutally suppressed when they began to demand the promised jobs and effective implementation of social and environmental mitigation plans. There was also an incident where an unemployed youth who had joined the protesting crowd was killed by police in the Impregilo office compound.⁹ About 32 local people demanding jobs were charged under the Public Offense Act by the local authority. They were set free upon the deposit of their personal property for bail. The charges were dropped only after the completion of the project. The formation of independent unions was virtually banned and genuine union leaders were fired for their activities. The local traditional village women were exposed to vulgar western culture and life-style and were offered only the low-level and low-paid household work at the residence of Impregilo masters. No letters of appointments or contracts were given to workers and labourers in accordance with the Nepal Labour Act. Hiring and firing were the terms and conditions for them, in violation of all domestic and international labour laws and standards. Minimum basic pay and benefits were also denied. The Head of Impregilo once said to the author, that it had no obligations to respect any domestic, international or the ADB rules and regulations on such matters.

On the other hand, the displaced people had no choice but to accept whatever money was made available for compensation. There was, and still is, no provision for the true representation of affected people in the land acquisition and compensation processes. The *Bote* indigenous peoples were provided neither proper resettlement nor guaranteed jobs. Instead, they had to lose their traditional livelihoods permanently. The planned income-generation programmes were also not adequately implemented.

Several public meetings and protests were organised by local people against the NEA, the Impregilo and the ADB during the construction period. The people even complained that ADB officials were hiding from them to avoid complaints, and that they were largely relying on inaccurate internal reports to judge project performance. These reports were never made public for comments, despite requests. The activists and media people were also prevented from meeting local people and visiting the project sites. In some cases, armed police were used to arrest and expel them from the area. Local people believed that the local administrative and police officials were paid bribes on a regular basis, to give 'protection' to the project. As a result, at the later stage, the KGA sites were virtually turned into security zones.

The ADB back in Manila knew all of these incidents, but never bothered to make inquiries about them. The complaints made by the local Village Development Committee officials and other groups were either ignored or poorly addressed. It was only after a detailed complaint, by the Water and Energy Users' Federation-Nepal (WAFED) to the ADB in June 2003, that a high-level mission was sent to study the problems. The Mission responded to WAFED in November, confessing that there had been serious violations of ADB policies, and mitigation plans, and promising compliance as soon as possible. The Mission also has agreed in a January 2004 meeting, to continuously monitor post-project impacts and develop

⁹ Telephone interview with Bed Prakash Bhattarai, Co-ordinator, Kali Gandaki 'A' Affected Concerned Committee. March 13, 2004.

mitigation plans, as and when required. If done, this will be something of a positive development in such projects.

Melamchi Water Supply Project

The Melamchi Water Supply Project (MWSP) is the first inter-basin river diversion project planned for the supply of drinking water for about two million people living in Kathmandu Valley, the capital of Nepal. The MWSP has been on the political agenda and donors' priority list for about two decades, but had never been pursued because of conflict of interests among the donors – mainly between the World Bank¹⁰ and the ADB. The World Bank decided to pull out from the MWSP in 2002, for some very simple reasons: "that important options have not been explored to utilize the water resources within the valley", because of the need to fix the distribution system first and even then, because the MWSP would only benefit the richest 5% of the population, at the cost of other needs and priorities.¹¹ Now the ADB is leading the project, with the Japanese Bank for International Co-operation (JBIC), Japan International Cooperation Agency (JICA), the Swedish International Development Co-operation (SIDA), the Norwegian Agency for Development (NORAD), the Nordic Development Fund (NDF), the OPEC-Fund, and the Norwegian NORPLAN as a consultant.

The main political issue related to the MWSP is whether it is the best option for drinking water supply for the capital. If so then how should it be done? So far various studies, including those conducted by the ADB, clearly show that the MWSP is not necessarily the best option, since there exist several other options within the Kathmandu Valley. These include the groundwater resources, rainwater harvesting and best management practice over the existing river and stream source. Another best technical option is the rehabilitation of existing infrastructure, which is regarded as the main reason that up to 70% of the loss existing water supply is lost due to leakages and inefficiency. However, decisions have already been made to implement the MWSP at any cost, and without regard to fundamental issues of how the new policies and institutions will be set up, at what price and in what way water will be supplied to the population of Kathmandu.

ADB taking a big chance

After the repeated failures of the World Bank on the cancelled Arun III project, on the KGA, and in pulling out of the MWSP, the ADB is taking a big chance in monopolising Nepal's huge water and energy sector investment. Despite its gross failures in implementing its various policies on issues like information, public participation, environment, compensation, resettlement and indigenous peoples, the ADB is doing all it can to undermine existing public institutions and the associated welfare policies of government in water, energy and other social sectors. The ADB's main objective in the MWSP is guided by the aim of bringing in foreign private management for water supply systems. If all goes well for the ADB and other donors, in bringing the country into the international water mafia network, then Nepal will face the collapse of its public institutions, and their moral strength and skills, for example the Nepal Water Supply Corporation, which has a duty to provide a safe and clean drinking water as a public service.

It is quite interesting to see how countries like Norway and Sweden, so well known for their social welfare system and democratic values, can take a different approach when it comes to the investing and operating for profit in other countries. One can feel a shame for NORAD and SIDA in this regard. They have not shown any interest, and have not even acknowledged the issues raised by the local groups in the Melamchi Valley or by WAFED in Kathmandu. The same goes to the JBIC, unless it is specifically

10 To know more about the World Bank's equally disturbing policies, see, "Water Resources Sector Strategy: Strategic Directions for World Bank Management", The World Bank, Washington, DC (2003) and "Gambling with People's Lives: What the World Bank's New "High-Risk/High-Reward" Strategy Means for the Poor and the Environment", a report by Environmental Defense, Friends of the Earth & International Rivers Network (2003).

11 "The answer is no", an interview with the World Bank President Ken Ohashi, *The Nepali Times*, July 19, 2002, Lalitpur, p. 1.

challenged under the newly developed complaint procedures. There seems to be a collective vested interest in dismantling of Nepal's public water authority, diverting development needs and priorities and creating a good environment for foreign corporations. It is quite unfortunate, that even the Nordic countries, instead of sharing their rich experiences in public service and social welfare, unhesitatingly join the international financial and water mafia for the benefit of their national companies and investment agencies.

Issues of local concerns

As in the case of KGA, the people in the Melamchi Valley have been fighting for access to basic project documents for years, but without any significant achievement. A little information has recently become available in Nepali, as a result of massive public campaigns and dialogue with the ADB and MWSP officials. But this Nepali information and English language documents even if fully available, are basically useless, since all decisions have already been made on the project. As regards public participation and consultation as required for the EIA, the road survey, the land acquisition, compensation and resettlement; the development and the implementation of the Social Upliftment Programme (SUP),¹² there has been a complete lack of transparency and democratic process. Even the inputs and suggestions provided by local people during meetings, have never been properly considered or incorporated into project documents and programmes - making these exercises mere formalities. The local people have totally rejected the SUP as prepared by NORPLAN, endorsed by the ADB and implemented by the MWSP as inaccurate, inadequate and imposed by the consultants. People in the Melamchi Valley want to see the SUP thoroughly discussed, designed and implemented with their full consent, according to local needs and priorities, including the inclusion of social and economic programmes for the poor *Tamang* communities, who are known for the sale of their daughters and/or tolerance in trafficking, due to poverty and illiteracy. It is yet to be clear whether there is any budget for comprehensive environmental mitigation plans.

The MWSP has also failed to satisfy local people in terms of how much water will be required in the Melamchi Valley for their livelihoods and ecosystems, and how much water will really be available for diversion. This is an important issue because it is vital to maintain a minimum adequate flow of water needed to sustaining existing irrigation for the most fertile agricultural land, the *ghattas* (traditional water mills) and other priorities, including the needs of future generations. The existing EIA is full of flaws. It does not take into account a vast range of indirect economic and social impacts. The reduction in the existing flow of water will lead to the closure of hundreds of *ghattas* and irrigation canals, including those funded by ADB loans. There will be electricity loss in some villages, and many will become unemployed due to the collapse of cottage industries. There is also no adequate study of, or income generation programme for, over 50 *Majhi* families – a fish-dependent ethnic group. There is going to be a major conflict in the future over water right, if these issues are not settled properly, and now. People in the Melamchi Valley are also demanding a major share of the profits from their freely supplied water for the people of Kathmandu Valley. This would be a levy to fund local development and mitigate any future impacts. The proposed provision of minimum of 0.4 cubic meter (400 liters)/second of water flow may in any case not be adequate for Kathmandu's needs - questioning the credibility of the whole scheme.¹³

The other issues of local concern include the need for effective and guaranteed provisions for skill development training and employment for the locals, and either little or no use of technicians and labourers from outside. This issue has already generated anger between local people and contractors. In principle, there is a provision for a minimum 30% of local jobs during construction. There is also a fear that Royal

12 SUP-identified five key areas of activities are: local income generation, health, education, electrification and buffer-zone management with the budget of about US \$6 million. It is a separate component from the EIP mitigation plans. It was prepared and is being supervised by NORPLAN.

13 See for details, M. Bhattarai, D. Pant & D. Molden, Socio-Economics and Hydrological Impacts of Intersectoral and Interbasin Water Transfer Decision: Melamchi Water Transfer Project in Nepal, selected paper presented at "Asian Irrigation in Transition-Responding to the Challenges Ahead", April 22-23, 2002 at Asian Institute of Technology, Bangkok, Thailand.

Nepal Army may be used to suppress local voices, due to the installation of new army barracks in the area, at cost to the project. However, the MWSP and the ADB have denied this. Let us hope they are correct.

Denial of alternatives to water supply in Kathmandu

The most important question that the MWSP, the ADB and other donors, have not dared to discuss publicly is the existence of much better, cheaper and easier solutions for water supply in Kathmandu. In the first place, no rivers can meet the demand for water supply in the capital, if the population continues to grow at its current pace. The centralisation of Nepal's scarce resources, illegal migration from India, and the influx of hundreds of thousands of people from Maoist conflict areas, all contribute to Kathmandu's population growth. Secondly, huge groundwater resources already exist, but are yet to be explored and regulated. Furthermore, there is large potential for rainwater harvesting, and better management of existing surface water from ponds and streams around the Bagmati River basin. Thirdly, adequate water could be saved by rehabilitating old supply infrastructure and addressing other technical/institutional leakages. So the problem is not the lack of alternatives, but the denial of these alternatives due to the big project psyche and the role of the water mafias.

Even if the Melamchi is considered the only suitable option, the MWSP together with the ADB and JBIC have a duty to consult the public and national experts. It is still not too late to do this, since the major project construction work is yet to begin. Recent studies by donors simply cannot be ignored, even if the opinion of the Nepali experts and activists are to be ignored. For example, the February 2003 JBIC study clearly says that the "improvement of the [existing] distribution network, even if it is implemented alone, can deliver a better service to customers by distributing the existing water resources through the improved distribution system. Further, by reducing water losses it should be possible to offer more hours of service to customers in areas where the distribution system has not been improved."¹⁴

Privatisation first!

There is another highly sensitive issue of equity and social justice in the proposed water supply system in Kathmandu. The water is going to be very costly. Bringing in a foreign private operator or private management will add extra costs unnecessarily.. There is no provision yet on whether and how water will be made available to more than 30% of the population who are poor, and live in slums, with no income. The connection charge is also going to be high "to suppress demand and subsidise consumption tariffs". Many will not be able to pay the connection charge, unless it is paid on an installment basis or included in the tariffs.¹⁵

The problem with the ADB and other donors, is that they are not very interested in supporting and building local capacity for water supply at an affordable price. Options could range from collaboration among the five municipalities in the Kathmandu Valley, to the involvement of local private sector organisations and the communities. Local cooperatives could also play a part. But this is simply not the objective of the donors. Their prescription is to force Nepal towards privatization and the gradual dismantling of the Nepal Water Supply Corporation in favour of foreign companies. The ADB is becoming flexible regarding absolute privatisation, due to strong opposition from within and outside the government. It is now proposing a public-private partnership, through an international management contract, as in the case of Nepali banks. But the ultimate result will be the same – the sale of water for 'profit' in place of 'service' and virtual collapse of public utilities and their duties. What Nepal really needs is the reform in the existing Nepal Water Supply

14 For details, see, "Special Assistance for Project Implementation (SAPI) on Melamchi Water Supply Project", February 2003, p. S 2-3, SAPI Team for Japan Bank for International Cooperation (JBIC), Kathmandu; "Optimizing Water Use in Kathmandu Valley Project (Inception Report)", Ministry of Physical Planning and Works, April 2002, Kathmandu; and other related documents.

15 A Etherington, J Wicken & D Bajracharya, "Preparing for Private Sector Management of Kathmandu Urban Water Supply (Discussion Paper, Draft), September 2002, p. 15.

Corporation, with full autonomy from donors and the government, as well as the involvement of local municipalities, the private sectors and the communities as cooperatives. The NWSP currently lacks institutional autonomy and needed resources. What is also important is the philosophy and approach to water as a 'social good' and as a 'human right', and not as an 'economic commodity' for corporate profit.¹⁶ One also needs to take into account the very strong social, cultural and religious perceptions in Nepali society which mean that water is valued as a free gift of the nature, and not something that can be privatised and commercialised for profit and at unreasonable cost.

Comparative findings

These two case studies cover Nepal's most widely debated donors-driven development projects – one is completed and the other is in process. Based on the above details, some comparative findings may be drawn out on how international aid agencies operate in Nepal and other countries:

1. Right to timely and adequate information

The right to information is a human right under the International Covenant on Civil and Political Rights, This is also a most fundamental right under the Constitution of Nepal, which has also been widely expanded in various public interest cases. The Final Report of the World Commission on Dams¹⁷ is another international document that has emphasized on the need of free and prior informed consent of the local peoples and the indigenous communities, in all water and energy development projects.

2. Right to meaningful public participation

The free and prior informed consent of the majority of stakeholders must be seen as evidence of effective and meaningful public participation.

3. Environmental Impact Assessment and mitigation measures

The conduct of an EIA is the most important element in deciding whether a project is good or bad. The main problem with the EIA and the mitigation measures in the above studies, have been the complete lack of access to information and public participation. There was also a lack of recognition of local ownership with regards to the implementation of the mitigation measures.

Affected people and local communities should have adequate control and ownership over the EIA process and the development and implementation of mitigation plans. All the related costs should form part of the projects, including the mitigation of post-project impacts.

4. Compensation and resettlement

The compensation and resettlement measures in both of these projects have been both arbitrary and inadequate. Most of the compensation has been paid in cash with no offer of land for land compensation or resettlement. Melamchi is the first project in Nepal with a resettlement component under ADB policy. But no consideration has been given to guaranteeing at least the same living standards, , if not better standards, for people displaced by the project.

¹⁶ See, also, R Stavenhagen, "Needs, Rights and Social Development", Overarching Concerns, Paper Number 2, United Nations Research Institute for Social Development, Geneva (2003).

¹⁷ The World Commission on Dams, Dams and Development: A New Framework for Decision-Making, Earthscan Publications Ltd., London and Sterling, VA (2000), also at www.wcd.org

Affected people must be given the choice of cash or land. There must be adequate representation on decision-making bodies that decide the amount and methods of compensation and/or resettlement plans.

5. Sharing benefits

One of the negative aspects of the foreign-funded projects is the denial of benefits to local peoples and the communities upon which the success and the future of such projects lie.

Authorities should distribute the project benefits first to affected people and communities. Authorities also need to guarantee that a certain amount of profit is allocated to long-term local development and environmental mitigation, in addition to overall district or village-level development.

6. Freedom from destructive conditionalities

None of the above projects have come to Nepal without donors' overall vested interests reflected through severe lending conditionalities. They range from compulsory global procurement provision to tariff increase and privatisation. Conditionalities imposed in such infrastructure projects largely ignore the use of local resources and capacities also in respect of local needs and priorities. As a result, the projects become unnecessarily costly and also dependent on foreign donors and consultants throughout the project-cycle.

Conclusion and recommendations

The KGA and the MWSP cases show that no projects come to developing countries unless they meet the donors' framework, largely guided by economic globalisation and corporate rule. Internationally agreed frameworks for human rights and democratic governance are often ignored, as are domestic laws and regulations. Donors often disregard their own internal policies and operational procedures, weakening any accountability to local stakeholders. When the IFIs, adopt such policies and mechanisms, it is generally in response to public pressure, and mainly for cosmetic reasons.

What all these aid agencies need to honestly recognise is that no 'governance' can be 'good' without being 'democratic'. 'Good' and 'democratic' governance cannot be achieved without the full recognition and implementation basic human rights of all kinds (civil, political, economic, social, cultural as well as the right to environment and development). The violations of human rights principles and democratic frameworks by aid agencies will certainly bring more poverty and more debt, not the stated goals of national or local development. This is at the cost of undermining the national institutions that are the foundations of that society. These institutions are not always efficient and effective, but for reasons different from those projected by donors. Institutions have often become the victims of the unjust imperialist global economic system and trade liberalization. There are alternatives - to build local development and national prosperity through local ownership-based democratic development. Peoples and their communities are the best alternatives to globalisation and corporatisation. The lack of a human rights approach to development and aid management, will contribute to more violent conflicts, civil war and population movement. What we urgently need is more principle-based governance in the international aid system. It means no violations of the international human rights law, and no impunity to the negative consequences of wrong policies and related development crimes.

Nepalis can continue to be poor domestic servants in India, security guards in Hong Kong, Brunei and foreign ships and brave but badly exploited fighters in the British army. The rest of the Nepalis will be forced to live in more and more poverty and related conflicts. But this should never be the destiny of a prosperous and dignified country in the 21st century. The international development aid should primarily be for the recipient countries and their peoples, and not the corrupt local elites and international businesses.

'Chintan' is Co-ordinator of Water and Energy Users' Federation-Nepal (WAFED) and, Co-coordinator of South Asian Solidarity for Rivers and Peoples (SARP). This paper was prepared jointly with Neeru Shrestha, human rights lawyer and Director of Nepal Policy Institute (NPI) based in Kathmandu.

