

Donors Conditions! Making Melamchi Costly!!

The US\$ 464 million dollar Melamchi Water Supply Project (MWSP) is co-financed by the Asian Development Bank, Japan Bank for International Cooperation (JBIC), the Government of Japan, and Norwegian Agency for Development (NORAD), Nordic Development Fund (NDF), the Swedish International Development Agency and the Oil and Petroleum Exporting Countries-Fund (OPEC-Fund). The respective share of these financiers on the project and targeted activities are shown in the table below. The revised cost of the project is US\$ 531 million in 2005. The project is yet to fill the cost to meet the increasing cost and the gaps created after the withdrawals from Norway and Sweden unless it is revived!

Financiers	Amount in US\$ million	Loan or Grant	Purpose
ADB	120	Loan	<ul style="list-style-type: none"> • Bulk Distribution System • Social Upliftment Programme • Environment Monitoring Programme (EMP)
The World Bank*	80	Loan	
JBIC	52	Loan	Water Treatment Plant
NORAD	28	Grant	<ul style="list-style-type: none"> • Melamchi Diversion Scheme (20.5 km tunnel) • EMP
SIDA	25	Both Loan and Grant	<ul style="list-style-type: none"> • Melamchi Diversion Scheme • EMP
NDF	9	Loan	Supervision
OPEC-Fund	14	Loan	Audit Access Road and Upgrading Road
The Japan Government	18	Grant	Manohara Ground Water project
The Government of Nepal	118		Main Access Road
Total	464		

* The World Bank pulled out of the project. The deficit was make up by the ADB.

The conditionalities:

1. ADB, NORAD and SIDA have made a pre-condition for the private management of Kathmandu water supply system for their co-financing.
2. The NORAD and SIDA support could be utilized only for the construction of the 26.5 km long diversion tunnel. The tunnel construction contract can be awarded only to the Swedish and Norwegian joint venture company

3. The NDF support is to be utilized only to supervise the construction work of the tunnel. The consultant for the supervision work can only be from member countries of the Nordic Development Fund.
4. The formation of *Kathmandu Valley Water Authority, Water Utility Operator* and *National Water Regulatory Board* is an essential part of the private management before the tunnel construction.

Source: Deshantar Weekly, 2061/02/17 B.S. (May 30, 2004)

These pre-conditions have made the cost of the project so high that Nepal simply cannot afford and so as the consumers when Melamchi water is available. This cost can be heavily reduced by giving priority opportunity to equally competitive Nepali consultants and construction agencies or companies. The *Full Cost Recovery Principle* is neither affordable nor acceptable to most of the poor water users in Kathmandu Valley.

The imposition of a pre-condition for private management of water supply and the pre-selected contractors and consultants are some examples how foreign aid and loans are used to destroy a country and its resources for unethical profit.

For more information, please contact:



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