

REPORT
OF THE
SPECIAL PROJECT FACILITATOR
ON
MELAMCHI WATER SUPPLY PROJECT
NEPAL

ADB Loan 1820-NEP(SF) (21 December 2000)

**(Review and Assessment of the Complaint Received on
3 May 2004)**

June 2004

CONTENTS

	Page
Executive Summary	(i)
A. Project Overview	1
B. Nature of the Complaint	1
C. Initial Determination of Eligibility	2
D. Position of the Complainants	3
E. SPF's Assessment	4
F. Detailed Position of Complainants and SPF's Recommendations	5
G. Discussion of the Seven Issues	9
H. Conclusions	10
I. The Implementation Environment	11
J. Improving Implementation	12

APPENDIXES

1. Location Map	16
2. Letter of Complaint	17
3. Additional Information Submitted to Special Project Facilitator	23
4. List of Documents Requested by Mr. Gopal Siwakoti 'Chintan'	25

SUPPLEMENTARY APPENDIX (available upon request)

Attachments to Letter of Complaint

1. ADB Meeting – 12 Jun Press Release
2. Letter to ADB and the Government of Nepal of 27 Jun 2003
3. Matrix of ADB Response to 27 Jun 2003 Letter
4. Letter to ADB of 15 Dec 2003
5. Matrix of WAFED Response to ADB Letter of 15 Dec 2003
6. Press Release by Melamchi Group – 13 Jan 2004
7. Joint Letter to ADB of 29 Mar 2004
8. IWMI Study on Melamchi Water Sharing of Apr 2002
9. Memo to the Joint Review Mission of 19 Apr 2004
10. Letter in Nepali to WARC on Melamchi Meeting – 22 Apr 2004, Hotel Malla
11. Response by K. Tamaki/ADB of 21Apr04 to WAFED Request of 19Apr04
12. Response by ADB and donors of 27Apr04 to WAFED letter of 19Apr04

ABBREVIATIONS

ADB	Asian Development Bank
CIRT	community issues resolution team
EIA	environmental impact assessment
EIRT	environment issues resolution team
JRM	joint review mission
MAR	main access road
MWSDB	Melamchi Water Supply Development Board
MWSP	Melamchi Water Supply Project
NRM	Nepal Resident Mission
OSPF	Office of the Special Project Facilitator
SPF	Special Project Facilitator
SUP	social uplift program
VDC	village development committee
WAFED	Water and Energy Users' Federation-Nepal

A. Project Overview

1. The Melamchi Water Supply Project (MWSP) [Loan 1820-NEP(SF)] was approved by the Asian Development Bank (ADB) on 21 December 2000. It is a large and complex project that aims to provide a sustainable supply of potable water to the Kathmandu Valley region. The project design provides for the diversion of water from the Melamchi River in Sindulpalchowk District through a 26-kilometer tunnel. The main infrastructure components consist of the Melamchi diversion scheme, a water treatment plant, the bulk distribution system, distribution networks, a groundwater well-field, and access roads related to the diversion scheme (see Location Map in Appendix 1). The executing agency for the Project is the Melamchi Water Supply Development Board (MWSDB) of the Government of Nepal.

2. The Project includes a Social Uplift Program (SUP), designed to promote the socioeconomic wellbeing of people living in areas covered by 14 Village Development Committees (VDCs) in the Melamchi Valley.

3. There is a wide array of consultant services for project implementation in the areas of project management, physical infrastructure, social and environmental concerns, public relations and institutional reform.

4. The estimated total project cost of \$464 million is financed by the Government of Nepal and seven co-financiers.¹ ADB's loan amounts to \$120 million.

5. A key conditionality attached to the external funding for the Project stipulates that the Government agree to charge an appropriate levy on water from the Project from Kathmandu residents for the benefit of the residents of Melamchi Valley.

6. Construction activity is currently confined to the main access road (MAR) and other branch roads from the MAR to the location of the proposed pipeline. The MAR construction, which is financed by the Government, started several years before the donor-financed project. Project implementation is still at a very early stage.

B. Nature of the Complaint

7. On 3 May 2004, the Special Project Facilitator (SPF) received, through e-mail, a complaint regarding MWSP. The letter and the attachments to the complaint are included in Appendix 2. The complaint requests the investigation of policy non-compliance on seven issues of concern:

Issue 1: Access to Information

That the information flow has been restricted, not enough information has been available in Nepali, and that there has been little public participation in the decision making and project design process.

¹ ADB, Japan Bank for International Cooperation, Norwegian Agency for International Cooperation, Swedish International Development Cooperation Agency, OPEC Fund for International Development, Nordic Development Fund, and the Government of Japan.

Issue 2: Environmental Impact Assessment (EIA)

That the EIA has methodological flaws, ignores some of the environmental impacts of the project, and has inadequate mitigation plans.

Issue 3: Land Acquisition, Compensation and Resettlement

That the land acquisition, compensation and resettlement processes have been arbitrary and that people have not been given enough time to move. In addition the complainants state that the project 'intentionally' failed to assess all the direct and indirect impacts upon the residents.

Issue 4: Indigenous Peoples

That the rights of the indigenous people have been denied.

Issue 5: Social Uplift Program

That the SUP has been designed with the inadequate involvement of local people and therefore fails to address local needs.

Issue 6: Agriculture

That the project seriously affects agriculture in the Melamchi Valley. The complaint also claims that there was inadequate investigation of the downstream impacts upon agriculture of the river diversion.

Issue 7: Forestry

That the project has had a serious impact on community forests by paying too little attention to the need for access and management of the forests.

8. The complaint also indicates the remedies expected by the complainants.
9. The four complainants, Mr. Gopal Siwakoti 'Chintan', Mr. Hasta Pandit, Mr. Ram Bahadur Khadka and Mr. Pitambar Bhandari have claimed to be 'directly affected individuals and groups' in the Melamchi and Kathmandu valleys, representing the 'wide interests of the people and communities adversely affected by the project'. The complainants have made representations to the Government of Nepal, the Asian Development Bank (ADB) and other financiers in the past regarding the design of the MWSP and its impact upon the people and the environment. In the opinion of the complainants, they have not received satisfactory responses to the points they raised.
10. The complaints made are general in nature and required further investigation in the field.

C. Initial Determination of Eligibility

11. An initial assessment of the eligibility of the complaint and the complainants as 'materially and adversely affected' people, or their representatives, was made prior to the visit to Nepal of SPF through extensive document research and interviews with a range

of concerned parties. On the basis of this research there appeared to be, at least for some of the issues of complaint, prima face evidence that there may be cause for concern and the further involvement of SPF:

12. The aide memoire of the Joint Review Mission (JRM) of the Government of Nepal and the donors states:

'JRM noted that there were serious environmental problems associated with the construction contracts. This is partly due to the fact that environmental, social and occupational safety issues have not been adequately addressed in the earlier contracts, while in later contracts these issues are largely ignored by the contractors.'

(Paragraph 27. Aide memoire, JRM. 29th September 2003)

13. A special review² of the project undertaken as a result of the report of the JRM noted the following with regard to social issues:

'the land compensation process has been very controversial and has thus contributed to the delays in several project components'

'a comprehensive Social Uplift Program has been made. The program has been seriously delayed and the lack of communication between the Melamchi Water Supply Development Board and the affected people has been heavily criticized'

14. The ADB Project Performance Report noted similar concerns (12 February 2004). All three documents above note that actions are being taken, or are proposed, to improve the situation.

15. Interviews with ADB staff and consultants directly involved in MWSP confirmed that there are issues of concern in the social and environmental components of the project.

16. Ideally, a field visit would have been desirable to determine the eligibility of the complaint, particularly given the general nature of the issues raised and the lack of clarity surrounding the nature of the affect of the project upon the complainants and their right to represent adversely affected people. However, since ADB had previously recognized that these complainants could speak on behalf of project affected people and in view of the persistent nature of the social and environmental difficulties, it was decided that the complaint was eligible for consideration under Step 4 of the Accountability Mechanism.

D. Position of the Complainants

17. Notwithstanding the eligibility of the complaint, the following statements, made in the letter of complaint to SPF, make the starting position of the complainants very clear:

'it is also our full understanding that the issues and problems related to the Bank's policy violations and any satisfactory remedies through meetings,

² Review of the MWSP. Sweco Groner, and the Centre for Economic Development and Administration, Tribhuvan University. March 2004.

correspondence and any facilitation by your office will not result to our satisfaction and policy compliance as it appears now.'

'We therefore, would like to request you to thoroughly investigate the above claims and provide us with satisfactory solutions. But at the same time, we firmly believe that some of the issues and problems of the Bank's policy violations in the MWSP are beyond the capacity of the SPF'

18. The lead complainant, Mr. Gopal Siwakoti 'Chintan', representing the Water and Energy Users' Federation-Nepal (WAFED), has issued a note clarifying the position of the complainants (Appendix 3). *It is against this background that SPF's assessment of the complaint was undertaken.*

E. SPF's Assessment

19. Extensive discussions during the assessment process focused upon two critical areas:³

- (i) The extent to which the claims made by the complainants have any substance; and
- (ii) Independent of the complaint, the efficiency and effectiveness of project implementation.

20. In general, SPF's discussions indicate a genuine willingness on the part of the Government to implement the project in line with ADB policies and a dedication to the implementation of the resettlement plans, the EIA, the SUP and the various forms of planned mitigation measures. There is commitment to project success. However, in the current environment, not only must those responsible for the Project work to deliver the intended impacts, they must also be *seen* to be working towards that end. Improvements in communications and participation are required (see Section J below).

21. Discussions at Nepal also focused upon the scientific and social reports which form the basis of the complaints made by Mr. Siwakoti on behalf of WAFED. It is not the function of the Office of the Special Project Facilitator (OSPF) to comment upon the rigor of the science involved in the project design, to attempt to 'second guess' the experts involved in the various investigations and planning processes, nor to reopen the debate on the original project design. However, it is clear, to the objective outsider, that the professional staff, in both Manila and Nepal, are committed to the science and design of the Project, believing that the necessary processes and the appropriate checks and balances are present in all aspects of the investigation and planning. They see no serious flaws in the protocols or the scientific method used to make the assessments and to develop the Project in accordance with the policies and procedures of the Government and the donors.

³ Assessment in the field was carried out by N.P. Samarasingha, Special Project Facilitator and L. McMillan, Consultant from 7-16 June 2004. K. Oswald, Senior Project Facilitation Specialist; R. Robidillo-Ortega, Consultation Coordination Officer; and G. San Agustin, Executive Assistant provided support at ADB headquarters.

22. An essential aspect of the situation surrounding the complaint centers on perceptions of what constitutes appropriate, high quality research, feasibility study, design work and participation. The position of the complainants is not necessarily that there are serious scientific flaws in the process. Their position, rightly or wrongly, is that there was insufficient public discussion and consultation during project design, particularly regarding other possible options for providing water to the Kathmandu Valley. They are more concerned with the *processes of decision making and consultation* adopted by ADB and the other institutions involved than they are with the specifics of the complaints. Resolving the current complaint therefore, from the point of view of the complainants, requires revisiting of the original planning and decision making. While the individual complaints and complainants require proper attention, it is clear that the documentation has been filed to attempt to open a *process debate* with ADB regarding all projects of this size in Nepal in general and MWSP in particular.

F. Detailed Position of Complainants and SPF's Recommendations

23. Each complainant was interviewed regarding their situation as potentially adversely and materially affected people. The following paragraphs summarize the conclusions and recommendations of SPF as a result of the discussions. Where recommendations and actions are offered, these have been discussed with the complainants and a solution reached, subject to review where shown.

1. Complainant: Mr. Gopal Siwakoti 'Chintan'

Complainant's Position: "Co-ordinator, WAFED and affected person in the Kathmandu Valley"

Nature of the Complaint

Mr. Siwakoti accepts that he is not personally and materially affected by the project. He has submitted no claims. His issues are general in nature and revolve around the availability of information and the participative process. His detailed position is shown at Appendix 3. His concerns are on the broad issues discussed at G. below. As noted above, and stated in detail in Appendix 3, Mr. Siwakoti's intention is to use the compliance review process to attempt to open a public debate on the merits of MWSP. He wishes to discuss, in open forum, with all parties concerned, the relative merits of MWSP and other potential options in solving the water problems of Kathmandu. His requests for information are in furtherance of this aim. Through SPF, and, if necessary, through ADB's compliance review process, he intends to attempt to force a public debate with the senior management of ADB and other donors/funding sources. As such, the specifics of his complaint are a means to an end.

As regards the role of Mr. Siwakoti in the complaints made by the other three complainants, he initially agreed to visit the Melamchi Valley to discuss the complaint in the presence of Melamchi residents, but during the visit of SPF changed his decision and did not accompany SPF to the field. No reason was given for the change. WAFED was represented in the Melamchi Valley only by Mr. Ram Bahadur Khadka, a complainant. Regarding the eligibility of Mr. Siwakoti to represent the interests of the people of the Melamchi Valley, SPF

was presented with no further evidence, other than a claim by Mr. Siwakoti to have a further 180 cases which he could bring to the attention of ADB.⁴

Recommendation

The recommendation of SPF is that Mr. Siwakoti be provided with access to ADB-owned documents and the reports on the provision of water to the Kathmandu Valley by Binnie and Partners UK 1988, Stanley and Associates 1990, Snowy Mountains Engineering Corporation, Australia 1992 and Acres International, Canada.⁵ Both the Nepal Resident Mission (NRM) of ADB and MWSDB insist that these documents have been available publicly for some time and that WAFED and its associated organizations have received copies. Whether this is true or not, it is the recommendation of SPF that MWSDB, supported by NRM, proactively provide Mr. Siwakoti with all relevant project documentation. Where the documents do not belong to ADB, SPF recommends that both NRM and MWSDB provide Mr. Siwakoti with all possible assistance in obtaining copies of the documentation.

SPF and the relevant operational departments of ADB, together with NRM and MWSDB, have a responsibility to monitor the flow of documentation to Mr. Siwakoti to ensure he receives access to all information in accordance with ADB policies. All parties have agreed to this role. Mr. Siwakoti should maintain communication with SPF, monitoring the information situation and informing SPF of any violations. Mr. Siwakoti has agreed to allow a period of three months to pass to allow for improvements in document flow before taking any further action. After three months, a review of the flow of information should be held by all parties involved.

2. Complainant: Mr. Hasta Pandit

Complainant's Position: "Representative, Melamchi Local Concern Group and affected person/family. Ichowk VDC 6, Melamchi Valley."

Complaint

Mr. Pandit's complaint is general in nature. His claim is that he has not received the report on irrigation and water flow below the tunnel intake on the Melamchi River. In particular, he wants to understand the projections for water flow and usage in the rice fields below the point where water is drawn off.

In addition, Mr. Pandit would like to receive, in writing, a *guarantee* that there will be sufficient water for irrigation below the pipeline. Provision of such a guarantee is beyond the terms of reference of SPF. However, it was pointed out to Mr. Pandit that the Project provides for such guarantees. MWSP should

⁴ On 22 June 2004, Mr. Siwakoti forwarded claims on behalf of five additional claimants. These claims will be processed separately.

⁵ See Appendix 4 for e-mail letter from Mr. Siwakoti received on 22 June 2004 for the list of documents.

make sure, through its communications and community liaison activities that people in the Melamchi Valley are aware of the guarantees provided.

Recommendation

The recommendation of SPF, discussed and agreed with Mr. Pandit, is that Mr. Pandit will be given full access to the reports regarding irrigation. This recommendation is made despite the insistence of both NRM and MWSDB that the reports have been made available to him and to related organizations several times.

MWSDB has agreed to copy the relevant reports and to inform Mr. Pandit of their availability. Mr. Pandit will collect the documents by arrangement from MWSDB or NRM. NRM would oversee and verify the transfer of documents, which should take place within one month, depending upon Mr. Pandit's availability. As was the case with Mr. Siwakoti, general progress towards information sharing should be assessed at the end of three months.

3. Complainant: Mr. Pitambar Bhandari

Complainant's Position: "Chairperson, Federation of Community Forest Users Nepal, Sindhupalchowk District Branch. Kiul VDC 3, Melamchi Valley".

Complaint

Mr. Bhandari is claiming for damages to a canal and loss of earnings for his water-mill for a period commencing 1997 when road construction was the responsibility of the Melamchi Water Company (a company of the Government of Nepal which predates ADB involvement in the project). His land lies two kilometers upstream from Chanute Bazaar. He is further claiming that a landslide caused by road construction damaged forestry on his property and has filed an additional claim for compensation (May 2004). Mr. Bhandari's claim is complex as it involves estimates of lost income over several years which predates the involvement of ADB. The issue is further compounded by the agreement of the Melamchi Water Company to contract him to repair the damage to his canal and to provide him with the equipment to make the repairs. If carried out properly, these measures should have minimized the loss of earnings caused by the damage to the canal, thereby affecting the level of the claim. In addition, there is some evidence that the opening of another water-mill close to that of Mr. Bhandari may have contributed to his reduced earnings through increased commercial competition. If this is found to be true, it may not be the responsibility of the project to provide compensation.

Recommendation

Mr. Bhandari has received partial compensation amounting to NRs 592,832 (approximately \$8,300) for land from the project, although he is unhappy that the value allocated to his land was lower than in other areas. (The process of valuation was undertaken by a committee comprising both experts and local representatives). The claims for the canal, for lost income from the water-mill and for the landslide are under investigation by MWSDB.

As part of the normal processes, this complex claim would, in time, have been investigated and eventually settled. However, as a gesture of good faith, SPF has asked MWSDB to give priority to the claim and to expedite its processing. SPF will remain in close communication with both MWSDB and Mr. Bhandari to review progress.

4. Complainant: Mr. Ram Bahadur Khadka

Complainant's Position: "Representative, WAFED, Melamchi Branch and affected person/family. Palchowk VDC 4, Melamchi Valley."

Complaint

Mr. Khadka is claiming for *actual damages* to an irrigation canal which feeds his rice fields. Further, he is claiming for *anticipated damages* to his agricultural land which may be incurred as a result of falling rock caused by the eventual blasting of a large rock downstream from Chanute Bazaar on the opposite bank of Melamchi River.

Recommendation

Mr. Khadka's claim for damages caused to his canal was discussed with MWSDB and the project management consultant. The conclusion is that the canal is subject to a build up of silt and other matter which would occur during the normal course of events and is unaffected by the project.

The claim for compensation for land that may be flooded due to falling rock changing the direction of the river anticipates future adverse material affects. Mr. Khadka was assured that systems exist to investigate his complaints if future damage is incurred. Further, the blasting of the rock has been delayed for two years due to the activities of insurgents. There is no immediate prospect of blasting in the area downstream of Chanute Bazaar.

SPF has agreed with the project-managing consultant that, as a gesture of goodwill, Mr. Khadka's irrigation canal should be cleared. However, it is the opinion of the project management consultant that the canal, because of its position, will continue to silt up naturally every year. It is recommended that Mr. Khadka consider relocating the canal. NRM and MWSDB should continue to monitor the situation regarding the potential flooding of Mr. Khadka's land due to future blasting of the rock. If flooding occurs, there is an effective system for considering claims at that time.

G. Discussion of the Seven Issues

24. The allegations made on each of the seven issues are very general and are related more to the wider aims of the complainants than to a specific violation of ADB policy. *Other than the specifics of each individual complaint discussed above, the complainants provided no concrete evidence of systematic and serious non-compliance with ADB policy.* It is clear from SPF's discussions and from examination of

documentation that there is ongoing and considerable commitment to planning and mitigation work in each of the seven specified areas of complaint:

- (i) Improvements in information flow have been implemented, which will be further assisted by recommendations made in this report;
- (ii) There has been a wide ranging process of participation undertaken by MWSP including workshops and consultation meetings. This process will improve with further capacity building and any improvement in the security situation;
- (iii) Information is readily available in libraries in Kathmandu and Melamchi. The website contains relevant documents. Many documents are published in Nepali;
- (iv) Mitigation of environmental and agricultural damage caused by access road construction is ongoing;
- (v) The majority of the current land acquisition, compensation and resettlement cases have been settled. Three hundred of the 328 cases which have been carried over from the original government work on the MAR have been settled. The remainder, which are more complex, are receiving attention;
- (vi) The SUP is intended to provide for the general social uplift of the people in the Melamchi Valley. A significant part of the budget is exclusively for the uplift of socially disadvantaged sections of the population, including women and ethnic groups, with preference for education, training and scholarships being given to those groups. The SUP, as planned, provides significant benefits for both project affected and unaffected groups in the Melamchi Valley;
- (vii) Rigorous monitoring of water flow in the Melamchi river is ongoing with a view to ensuring adequate water for agriculture and irrigation;
- (viii) Forests and residents in four of the seven community forests affected by the project have already been taken care of. The remaining three are in progress; and
- (ix) Newly created conflict response teams, namely the Environment Issues Resolution Team (EIRT) and the Community Issues Resolution Team (CIRT) operate regularly in the Melamchi Valley and have handled grievances. These teams represent a significant innovation for MWSDB.

H. Conclusions

25. This complaint has to be looked at from two perspectives. At a superficial level, there are four complainants who assert that they have been affected by the implementation of the project. The overt claims by each of the four individuals are discussed in F. above. *Each specific claim can be accommodated through the effective delivery of documentation or by expedited processing as recommended.*

26. At a more general level, as discussed above, the claims can be seen as merely the means to access the process of compliance review, not with any great hope or expectation that the individual claims will be found to be examples of policy non-compliance but as tools in opening a much wider debate on the legitimacy of MWSP as a key solution to the water problems of Kathmandu. As noted in para 21, SPF adopted the position that reopening the original debate went beyond the terms of reference for OSPF and that the focus of investigation should be upon the specifics of the complaints. As such, *while there are opportunities for improvement, there would appear to be no grounds for accepting claims of non-compliance in the implementation of the Project.* However, in identifying the potential need for performance improvement and by ensuring that all parties involved in implementing MWSP do so in the interests of the Nepali people, the four complainants have played a valuable role.

27. The provision of documentation is an important step in ensuring that civil society play its rightful role in project monitoring. If, after receipt and review of the documentation requested, the complainants, in particular Mr. Siwakoti of WAFED, still have cause for concern regarding project design and implementation, they should be free to bring their complaints to the attention of the Government of Nepal and the co financiers.

28. SPF's role with regard to the complaint could end after the recommended action is satisfactorily implemented.

I. The Implementation Environment

29. While there is no concrete evidence of serious non-compliance with policy which would precipitate investigation by the compliance review panel, there is scope for improvement in project implementation.

30. SPF's assessment of the complaints, therefore, also focused upon the progress and effectiveness of the implementation of the project. The operating environment within which implementation is taking place is difficult. This has, in the opinion of all parties concerned, produced major delays. These delays have given rise to a level of dissatisfaction with the project among certain groups which is reflected in the types of complaints being received.

31. In facilitating a solution to the current complaint, it was clear to SPF that addressing issues of capacity building in MWSDB is critical to project success. The project is at an early stage of implementation. Capacity and organizational shortcomings must be dealt with now if they are not to inhibit performance in the future as the project moves into more complex stages of implementation including major engineering works, further land acquisition and resettlement, the complex participative discussions regarding the water distribution system in Kathmandu and the further involvement of key stakeholders, including civil society. In particular, management systems, communication, participation, the delegation of authority and staff responsibility require improvement. The position adopted by SPF regarding management capacity is consistent with the final report of *Sweco Grøner AS and the Centre for Economic Development and Administration at Tribhuvan University, March 2004: "Review of the Melamchi Water Supply Project"*, which identified management capacity, structure, decision making processes, the membership and organization of the Board of Directors, and the lack of clarity in staff roles and responsibilities as clear barriers to performance improvement.

32. It is not the intention of OSPF to suggest wholesale solutions to the problems discussed above. However, in the interests of contributing to an immediate improvement in project implementation, a range of measures are discussed at J below. These measures are compatible with those of the report referred to above.

33. The critical operating environment factors from the point of view of implementation are:

34. *The continuing problem of security in the Melamchi Valley.* The takeover by insurgents of areas of Nepal through which the access roads and the tunnel will run, severely hampers progress. It is difficult to maintain good participative and implementation practices in an environment of personal risk. As a result of the security situation, the ability of MWSDB to make physical progress in the Melamchi Valley and to manage the perceptions of local people is very constrained. The lack of visible presence of senior officials of MWSDB results in a *perception of a lack of on-the-ground progress* on the part of some residents in the valley. However, in fairness to the position of MWSDB, it may be pointed out that the day before the visit of SPF to the Melamchi Valley a policeman was killed in an ambush attack on the MAR and in the past there have been attacks upon the contractor's camp using explosives. These incidents put the problems faced by MWSDB into context.

35. *The relative 'newness' of the requirements of managing a large, complex project to the officials of MWSDB. MWSDB management freely admit that they had little experience of running projects of this nature and complexity and that there was a very sharp learning curve in terms of both personal development and organizational systems. This learning curve is continuing.*

36. *The commitment of the project to honor claims for compensation which extend back in time to the original construction of the MAR which was under the control of the Government of Nepal and therefore not subject to ADB policies. The decision to accept claims for compensation/resettlement for actions carried out several years before ADB involvement illustrates the willingness of the project to be fair and equitable and to comply with the policies of ADB, but it increases the administrative task enormously, resulting in processing delays.*

37. *In many cases, the lack of legal paperwork by the claimants has delayed the processing of claims. While the intent is to maintain goodwill and community involvement in the project, the reality of maintaining the fairness and legality of the system has inevitably created delays.*

38. *These factors combine to create the perception that little is happening in terms of project implementation. The affected people and the general population that would benefit under the SUP and from additional employment, for some time, have been living with the promises of benefits to come with little evidence that they can expect action in the near future. From their perspective, the reality was that nothing tangible was happening—that the benefits would accrue in the future was still only a promise. Past experience on the part of some of the marginalized groups in the Melamchi Valley make them suspicious of, as yet, undelivered promises. The early shortcomings of MWSDB in terms of organizational capability and the operating environment in the Melamchi Valley created the conditions for others to interpret the perceived lack of activity as policy non-compliance.*

J. Improving Implementation

39. There is no doubt that if the security situation were to ease, reform of the operations of MWSDB would produce significant performance improvements in the delivery mechanisms of the project. Indeed, in spite of the organizational and operating environment difficulties, significant improvements in delivery are in progress or about to be launched: the vast majority of compensation claims have been processed and concluded; the SUP is launching initiatives in local services and infrastructure including ambulance services, nurseries and school sanitation. In environmental management, significant steps have been taken to mitigate or to repair environmental damage around the quarry and the MAR.

40. However, operating on the assumption that the security situation will not improve markedly in the short term, any further improvement in implementation must be generated by improvements in the capacity of MWSDB. Critically, these improvements must be implemented with well-defined results targets which are in the public domain, together with the changes in management decision making and behaviors which necessarily underpin this type of results focus. Giving MWSDB a results-based focus, open to public discussion, would go a long way to altering the perceptions held of MWSDB by sections of the population.

41. The critical issues for improvement and the development of a results focus, identified through discussions with MWSDB staff, consultants, NRM, civil society and the residents of the Melamchi Valley and Kathmandu are:

42. *Communication and Participation.* A critical role of communications in the management of a complex undertaking such as MWSP is the creation of 'meaning' for all stakeholder groups. Stakeholders must be given the information they require in a form that allows them to understand what the project 'means' to them. If project managers do not create 'meaning' for affected people, the affected people (and others) will create their own, often opposing, 'meaning' from the same published facts. Delays and a lack of presence in the Melamchi Valley have enabled this to happen with some groups. The only way to solve this problem is increased visibility, improved dialogue with all stakeholders, and a dedication to creating and managing real 'meaning'.

Recommendations:

- (i) *Review of the public relations policy and terms of reference to widen the scope. Incorporation of a measurable results focus;*
- (ii) *Training for MWSDB management in communication skills, focusing particularly on two-way communication with all stakeholders (both supportive and critical);*
- (iii) *Training of MWSDB staff in the operation of participatory mechanisms of project planning and implementation, following ADB models of participation developed by the Regional and Sustainable Development Department of ADB. These models have been given to staff of NRM for discussion with MWSDB;*
- (iv) *Review of the operation of steering groups, ensuring that they incorporate all stakeholders (for example women, local people etc); and*
- (v) *In the interests of transparency, scientific measurements, (for example, of river volume), should be taken with the participation of representatives of the community.*

43. *Visibility.* It is essential that means are found to further enhance visibility in the Melamchi Valley. There is a history of short-term involvement by officials in the valley which ends with changes in the security situation. In addition, allowances and living conditions provided for MWSDB officials in the Melamchi Valley are inadequate.

Recommendations:

- (i) *Senior management must show a presence in the Melamchi Valley at regular intervals. It is only by maintaining presence that people will learn to trust the actions and promises of the project and MWSDB. However, it is accepted that this recommendation may be difficult to implement in the current security situation;*
- (ii) *Regular visits to the Melamchi Valley must be undertaken by technical officials of MWSDB. It is not sufficient to leave the work of liaison to*

consultants or to lower ranking officials. People expect to be able to talk to officials who can make decisions and explain practices. The creation of the innovative EIRT and CIRT have made a significant recent contribution to the aim of raising visibility. Their work may be further enhanced by the delegation of more decision making authority;

- (iii) Development of a results focus in the management of participation and visibility; and*
- (iv) Immediate improvement, in advance of the establishment of the contractor's camp, in the expenses, security and living conditions for middle ranking MWSDB officials for visits to the Melamchi Valley.*

44. *Decision Making, Responsibility and Authority.* The culture of Nepal, with respect to decision making, responsibility and authority, is hierarchical, where decisions are traditionally taken by the most senior officials. A culture such as this can make the management of complex projects difficult. The hierarchical culture is particularly strong in government, from where the staff of MWSDB are drawn. More junior officials wait for direction from above, even when the most senior management have attempted to make it clear that they want to delegate responsibility for decision making. To date, from the perspective of project consultants working with MWSDB and the staff of NRM, there is evidence that despite the commitment of MWSDB senior management to devolved decision making, there remains a reluctance to assume responsibility at the lower levels. Project implementation would be accelerated if real decision making were to be devolved.

Recommendations:

- (i) For individuals to feel comfortable in accepting decision making responsibility there must be clarity regarding the extent of their decision making authority. Internal discussions are required to bring clarity to issues of decision making authority and responsibility and to enable officials to begin to exercise judgement and initiative. This process may benefit from external facilitation;*
- (ii) In line with the above discussions, MWSDB needs the immediate creation of clear job descriptions and results based target setting for all staff. If medium and long term improvements in the management of the project are to be achieved, an appropriate and transparent results focus should be developed in the operations of MWSDB. The results focus should provide indicators of performance for activities and for staff;*
- (iii) The need to clearly delegate authority is also present at the highest level of MWSDB. For the Executive Director to be able to take timely decisions there has to be a clear separation of the roles of the Executive Director and the Board of Directors, delegating to the Executive Director the ability to make high-level decisions that fall within policies set by the Board. This separation would result in faster decision making; and*
- (iv) An enhanced role for the managing consultants in the project, extending their brief to cover 'management issues' in the operation of MWSDB.*

45. *Building Management Capacity.* The management of MWSDB have experience of managing technical projects in Nepal. However, by their own analysis, they are inexperienced in managing a project which has a complex interaction of technical, social and environmental issues and which operates under a policy regime as rigorous as that of ADB. In a short time, MWSDB have learned quickly and have adjusted to the new realities, performing well enough to ensure compliance. They now need to consolidate their learning through facilitated planning, not of the *issues and technicalities of the project*, but of the *management processes* required to efficiently and effectively run all aspects of the work of MWSDB.

Recommendations:

- (i) *An effective way of raising competence levels in senior management is to study a model of good management operating in circumstances similar to those of MWSDB. Visiting and analysing the management of an ADB project similar in objectives and complexity to those of MWSP would produce a jump along the learning curve. ADB may wish to consider offering support for such a development initiative; and*
- (ii) *Extending the role of the project management consultants to include mentoring and coaching.*

46. As discussed above, in the following weeks and months there is potential for significant and tangible improvement in on-the-ground delivery of project benefits. This alone should make a significant contribution to improvement in community relations and perception of project effectiveness. The recommendations made above are intended, over a reasonable period, to build upon the implementation processes already developed by MWSDB.

47. Even at the risk of exceeding SPF's mandate, the above improvements, which are achievable, are recommended for consideration by MWSDB, the Government of Nepal, ADB, and the other co-financiers of the Project.