

# Policy Issues and Discourses in Implementing Melamchi Water Transfer Project in Nepal

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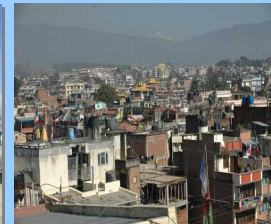
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## 1. INTRODUCTION

**Background:** Taking a case study from Melamchi Water Transfer Project in Nepal, this poster presents concerns and policy discourses on intersectoral water transfer decisions. Because of the huge infrastructural investment requirement and the need for wider public support, a large-scale intersectoral decision like the Melamchi project is politically charged and a highly debated public issue. The unstable political situation in Nepal over the few years also added further complexities to the project implementation. Learning from this study will have global significance in planning and managing intersectoral water transfer decisions.

**Project description:** The Melamchi project is a comprehensive intersectoral and inter-basin water transfer project designed to meet the long-term water demand of Kathmandu. In its full-scale operation, through a 26 km long tunnel, it plans to divert about 6 m<sup>3</sup>/sec of water from the Melamchi River to Kathmandu city. The total project cost was estimated at US\$464 million in 2000 when the financial closure was done with a group of donors led by the Asian Development Bank. The project should have been completed by now. In early 2008, the target date for completion has been moved forward to 2013 with a reduced budget of US\$317 million (a 32% reduction).



## 2. OBJECTIVE



To assess major concerns, policy discourses, and local perceptions in the implementation of the Melamchi water transfer project and city water supply in Nepal.

## 3. METHODOLOGY

- Review of project documents, media publications, and past studies.
- Consultations with personnel of the Melamchi project and the city water supply agency.
- Focus groups discussion, key informant interviews, field-site observations and surveys of selected more than a two hundred households in Kathmandu and in the community at project intake site.

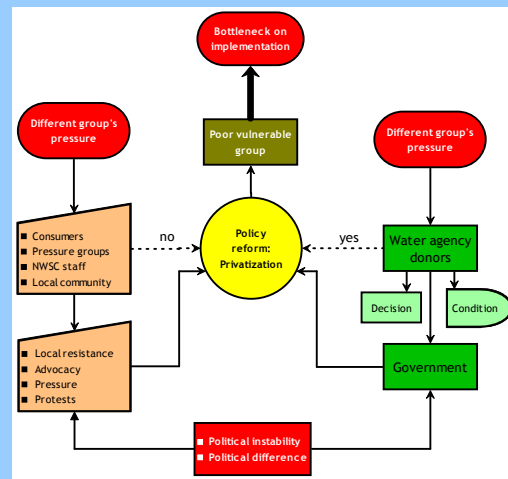


Fig 1. Key issues, actors and processes involved in project implementation

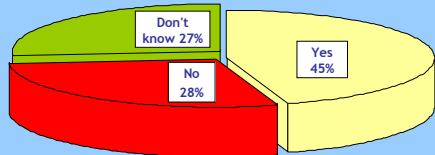


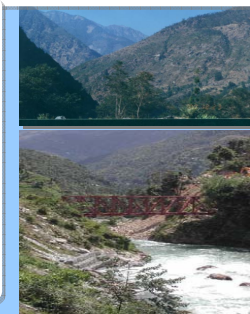
Fig 2. Household perceptions for privatization of city water systems in Kathmandu city (Survey in 2006)

## 4. RESULTS AND DISCUSSION

- Despite financial closure in 2000, the project activities are in moving at very slow pace largely because of the weakness of implementing public agency, overpoliticization of the project, and frequent changes of government in Nepal (Fig 1). The need to privatize the water supply system in Kathmandu, a condition set by the donors for funding, has become a contentious issue for project implementation now.
- Several local pressure groups (NGOs) are against privatization of the city water supply system because of a fear of price hike and introduction of multinational firms to manage the water supply. In 2007, a management contract with a UK-based company "Severn Trent Water International" was canceled because of opposition from various civil society groups and local stakeholders. Ordinary city residents, however are not as critical of privatization of the city water supply scheme (see Fig 2).
- During 2004-07, the project activities halted due to weak institutional capacity for managing an international contract for construction of access road in the project site; the work has now resumed after re-tender and renegotiations with donors (Fig 1). With approval of ADB/Manila, the project package has been redesigned now and with a reduced cost estimate of US\$317 million.
- Privatization of city water is a controversial issue everywhere, hence donors (and development banks) need to be more considerate and accommodating when dealing with such contentious and politically charged policy issue. This is again more important in a country with ineffective governance and weak water institutions.

## 5. CONCLUSION AND IMPLICATIONS

- § Water privatization is a critical public policy issue which needs to be handled in a more pragmatic way.
- § The institutional capacity of implementing sectoral agencies needs to be taken into account when designing such a large-scale project; this was a major shortcoming in the case of the Melamchi project.
- § Several controversies could have been avoided by a well planned public relation effort; by maintaining more transparency in the project operation; and by better participation of local stakeholders in major project decisions.
- § Wider public support is a must for implementing such a large-scale water transfer project.



## REFERENCES

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