



SOUTH ASIA DEPARTMENT
Social Sectors Division

28 July 2004

To: **Special Project Facilitator, OSF**

Through: OIC/Deputy Director General, SARD *WLS 30/7*

From: Director, SASS *[Signature]*

Subject: **Loan 1820-NEP: Melamchi Water Supply Project**
—Response to Report of the Special Project Facilitator on the Review and Assessment of the Complaint Filed by Water & Energy Users' Federation-Nepal (WAFED)

This refers to the report on the findings and recommendations of the Special Project Facilitator (SPF) on the Consultation Phase undertaken in response to a complaint made against the Melamchi Water Supply Project (MWSP) [Loan 1820-NEP]. SARD has reviewed the report and has the following comments:

(i) We have noted that after undertaking broad discussions with all parties involved in MWSP, including civil societies and other stakeholders, SPF found a high level of support for the Project. Additionally, we noted from the report that there is some dissatisfaction on the pace of the implementation of the social uplift program (SUP) and resolution of disputes, particularly on compensation cases that are under consideration. Taking this into consideration, SASS will supervise EA's implementation of the SUP more rigorously. EA has been requested to regularly submit to ADB, in addition to monthly reports of status of land acquisitions and resettlement, a separate monitoring report on dispute resolutions and post-relocation status of all displaced people under the Project.

(ii) We are pleased that SPF concluded that there is no evidence of serious or systematic non-compliance with ADB policies in terms of the design and implementation of MWSP, and that there is substantial evidence of additional effort and dedication being applied by ADB, other donors and the Implementing Agency, the Melamchi Water Supply Development Board (MWSDB), to ensure not only compliance, but fairness and equity in very difficult and often dangerous working conditions.

(iii) We acknowledge that there is room for improvement in the Project. In this regard, based on SPF's recommendations, the attached Action Plan was prepared and discussed with MWSDB on 5 July 2004. SASS, in collaboration with NRM, is closely monitoring the implementation of this Action Plan to ensure that each activity listed therein is fulfilled on or before the agreed target due date.

Attachment: a/s

cc: The President
Chief Advisor to the President
HK/mpe

Follow-up Action Plan on the Recommendations of Special Project Facilitator
(Discussed with Mr. S. Sharma, SED/MWSDB, on 5 July 2004)

A. Recommendations Concerning the Claims

S. N.	Actions	Suggested Date by SPF	MWSDB Target
1	Provide Mr. Siwakoti with feasibility study reports: Binnie & Partners 1988; Stanley & Associates 1990; SMEC 1992; Acres International 2004.	Within 3 months	31 July 2004
2.	Provide Mr. Pandit with report on irrigation water use in Melamchi valley.	Within 1 month	15 July 2004 (MWSDB confirmed that they have already given a copy of the report to Mr. Pandit)
3.	Finalize the claim of Mr. Bhandari	With priority	30 August 2004
4.	Clearing Mr. Khadka's canal in Chanaute		November 2004 (After monsoon)

B. Recommendations Concerning Project Implementation

S. N.	Actions	Suggested Date by SPF	MWSDB Target
	<i>Communication & Participation</i>		
5	Review of the public relations policy and terms of reference to widen the scope. Incorporation of measurable results focus.	Over a reasonable time period	November 2004 (A month after mobilization of PR consultants)
6	Training for MWSDB management in communications skills focusing particularly on two-way communication with all stakeholders.		A training plan will be finalized by PMC by August 2004 (MWSDB expects ADB's direct support on this)
7	Training of MWSDB staff in the operation of participatory mechanisms of project planning and implementation.		A plan to re-activate LCGs is underway
8	Review of the operations of steering groups, ensuring that they incorporate all stakeholders.		Annually, starting January- April 2005 dry season
9	Scientific measurements, e.g. river volume, are taken with the participation of community representatives.		
	<i>Visibility (in the MV)</i>		
10	Senior management must show in the Melamchi Valley (MV)		Monthly visit to Melamchi by senior staff

11	Regular visits to the MV by technical officials of MWSDB; Work of CIRT and EIRT is enhanced (including delegation of more authority to them).		CIRT and EIRT will expedite their work. More presence of MWSDB staff immediately following monsoon.
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S. N.	Actions	Suggested Date by SPF	MWSDB Target
12	Development of a result focus in management and participation	Over a reasonable time period	Continuous process, the training will further support this
13	Immediate improvement in the living conditions for the MWSDB officials in the MV.		September 2004
	<i>Decision Making</i>		
14	Internal discussions are held to clarify about decision-making authority (within MWSDB organization). External facilitation.		31 July 2004
15	Creation of clear job descriptions and result based targets setting for all staff.		15 August 2004
16	Clear separation of roles of Executive Director (ED) and Board of Directors (BoD). Delegation of authority to Executive Director.		The authority has been recently delegated to ED.
17	An enhanced role for the management consultant, covering "management issues".		PMC's contract variation will be submitted to BoD by August 2004
	<i>Building Management Capacity</i>		
18	Senior management to study a model project.		September 2004 (MWSDB expects ADB's direct support on this since foreign tour can not be undertaken through loan funds due to CIAA directives)
19	Extending the role of management consultant to mentoring and coaching.		PMC's contract variation will be submitted to BoD by August 2004