



Report on the West Seti Hydroelectric Project and ADB Policy Violations

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INTRODUCTION

The West Seti Hydroelectric Project is a 750 MW dam project in western Nepal (located in Baitadi, Bajhang, Dadeldhura and Doti Districts), which has been planned by an Australian company, Snowy Mountains Engineering Corporation (SMEC). The estimated project cost is 1.2 billion dollars, and the project is expected to receive loans and political guarantees by Asian Development Bank (ADB), Multilateral Investment Guarantee Agency (MIGA), Export and Import Bank of China, Bank of China, Infrastructure Leasing and Export Corporation (India), Industrial Bank of China, China Export and Credit Insurance Corporation (SINOSURE). All the electricity produced will be transferred to India by the Power Trade Corporation (PTC). As a royalty, 10 % of the produced electricity (or equivalent cash) is expected to be provided to the Government of Nepal. This project has been set under Category A, as per the ADB Environment Policy, and the first Environmental Assessment (EIA) report was carried out in 1999. According to the EIA, 1,160 families (9,096 people) will be displaced due to the project. This EIA is currently under revision by SMEC, and is expected to be



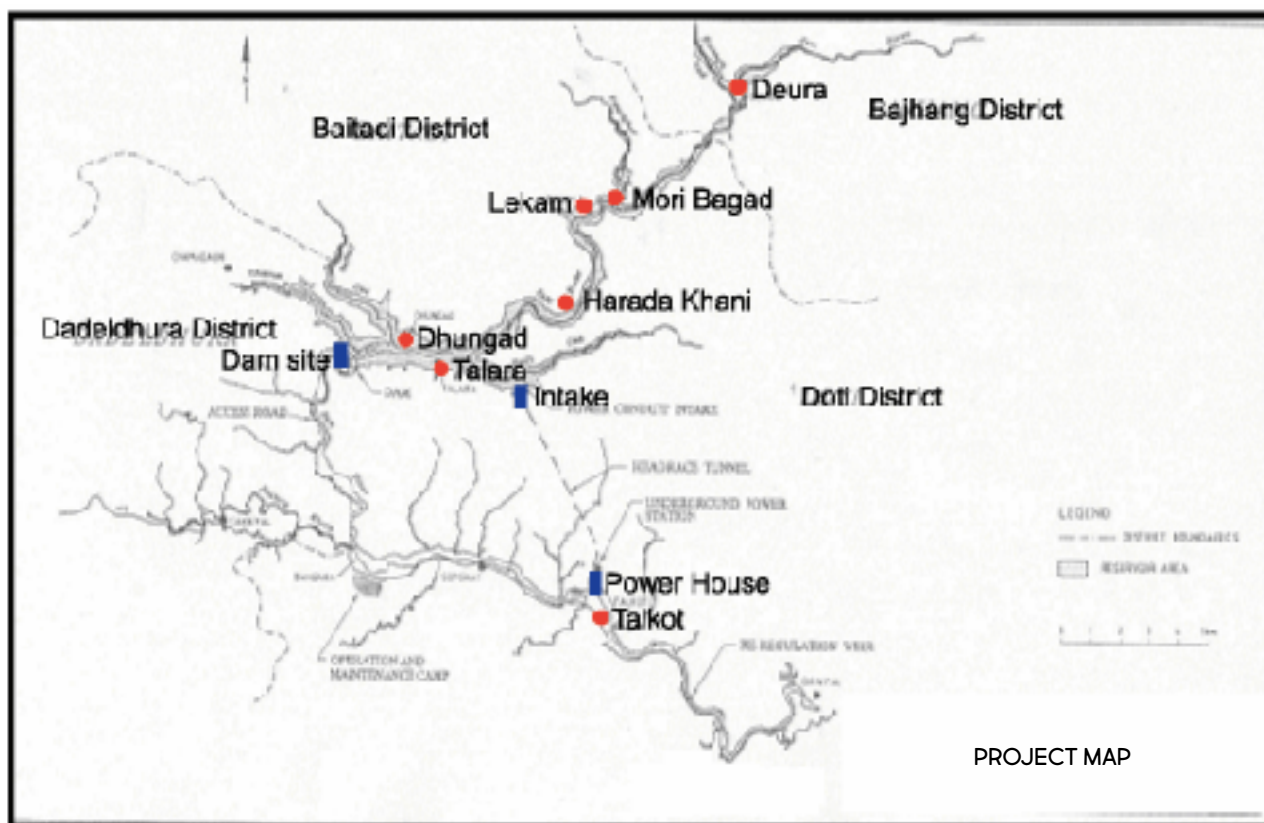
publicly available 120 days prior to the ADB Board approval (ADB Board approval is expected on December 20, 2007).⁴ Between July 6 to 15, 2007, Ratan Bhandari (Water and Energy Users' Federation Nepal, WAFED) and Yuki Tanabe (JACSES) jointly visited affected areas of the West Seti Hydroelectric Project (Deura, Mori Bagad, Lekam, Harada Khani, Dhungad, Talara and Talkot) and resettlement sites in Kailali District (Sandepani, Lamki and Narayanpur).

Meetings and interviews with more than 200 local people (total) were held in these areas. This short report has been made to spell out people's concerns regarding the project and violations of ADB policies.

PROBLEMS

The followings facts and views came up in the field research:

1. **Violation on Information Disclosure:** Although full EIA report and resettlement plan will soon be completed, drafts of the EIA report and resettlement plan have never been disclosed to the affected people in the project site. This is a clear violation of ADB Public Communication Policy (Para 78 and 82). In addition, a local resident claims that the SMEC rejected his request to make information on the project's environment issues available.
2. **Inadequate Consultation:** ADB requires project sponsors to hold consultations so that the views of the groups to be affected by the project are taken into account adequately in the design of the project and environment mitigation measures (ADB Environmental Policy,⁷ Para 63). However, affected people complained that the SMEC staff only explained at the series of meetings with affected people, and affected people could not raise their voices and questions regarding the project. This is a clear violation of the ADB Environmental Policy.
3. **No Free, Prior and Informed Consent (FPIC):** Most of the affected people expressed their concerns and disagreements concerning the West Seti Hydroelectric Project. In fact, West



Seti Concern Group (a broader local affected committee) sent a letter to Haruhiko Kuroda, the President of ADB on July 15, in order to request ADB to reconsider its finance the project. It is clear that there is no “free, prior and informed consent” as required in the Recommendations of World Commission on Dam⁸ (ADB supports the Recommendations).

4. **Deception on People’s Consent:** Local people claimed that they signed a participant list at a meeting with SMEC staff. However, SMEC staff forged this paper as an evidence of people’s consent to the project. SMEC failed to follow basic ethical standards in this project.
5. **Livelihood Losses:** ADB requires project sponsors to ensure that economic and social future of displaced people will generally be “at least favorable” with the project as without it (ADB Involuntary Resettlement Policy, Para 34 (iii)). However, livelihood in resettlement sites in Kailali District in Terai is significantly different from that in the submerged area. Terai is a southern plane area, and has biodiversity less than the submerged area. Therefore, there is a high possibility that affected people would lose many natural products such as edible wild plants, fruits and

vegetable oil. It is difficult to improve their livelihood without these natural products, and this is a violation of the ADB Involuntary Resettlement Policy.

6. **Community Disintegration:** ADB requires project sponsors to ensure that resettlers are integrated economically and socially into host communities so that adverse impacts on host communities are minimized. However, resettlement lands in Kailali District in Terai are widely interspersed. Therefore, there is a high possibility that extending communities would be distracted, and this is a violation of the ADB Involuntary Resettlement Policy. According to the ADB website,¹⁰ Board approval is expected on December 20, 2007. However, as described above, there are many violations of ADB Environmental Policy, Involuntary Resettlement Policy and Public Communication Policy as well as Recommendations of World Commission on Dam, and it is difficult to meet most of these requirements by the approval date. Therefore, ADB should not finance the West Seti Hydroelectric Project, and address the lack of basic social and environmental consideration to the project sponsor.

CONCLUSION

According to the ADB website, Board approval is expected on December 20, 2007. However, as described above, there are many violations of ADB Environmental Policy, Involuntary Resettlement Policy and Public Communication Policy as well as Recommendations of World Commission on Dam, and it is difficult to meet most of these requirements by the approval date. Therefore, ADB should not finance the West Seti Hydroelectric Project, and address the lack of basic social and environmental consideration to the project sponsor.

SOURCES

1. The Kathmandu Post, May 20, 2007
2. The Himalayan Times Daily, June 26, 2007
3. Winrock International Nepal, The Potential of Generating CDM Revenue from Hydropower Exported by West Seti Hydroelectric Project, <http://www.adb.org/Clean-Energy/documents/NEP-FS-West-Seti-Hydroelectric.pdf>
4. ADB, Project Information Document, <http://www.adb.org/Documents/PIDs/41055013.asp>
5. Minutes of these meetings are recorded in Nepalese by the West Seti Concerned Group which is a broader local affected committee and consists of 28 representatives from 4 districts.
6. ADB, Public Communication Policy, <http://www.adb.org/Documents/Policies/PCP/default.asp>
7. ADB, Environmental Policy, <http://www.adb.org/Documents/Policies/Environment/default.asp>
8. International Rivers Network, IRN and the World Commission on Dam, <http://www.irn.org/wcd/>
9. ADB, Involuntary Resettlement Policy, http://www.adb.org/Documents/Policies/Involuntary_Resettlement/default.asp
10. ADB, Project Information Document, <http://www.adb.org/Documents/PIDs/41055013.asp>