

## Briefing for the 41<sup>st</sup> Annual Meeting of the Asian Development Bank: West Seti Hydroelectric Project (Nepal)



The West Seti Hydroelectric Project is a 750 MW hydropower project located at western Nepal. Its construction contract has been awarded to Snowy Mountains Engineering Corporation (SMEC, an Australian company). The estimated project cost is 1.2 billion US-Dollars, and the project is expected to receive loans and political guarantees from the Asian Development Bank (ADB), the Export and Import Bank of China, the Bank of China, the Infrastructure Leasing and Export Corporation

(India), the Industrial Bank of China and China Export and Credit Insurance Corporation (SINOSURE). All the electricity produced will be exported to India by the Power Trading Corporation (PTC). As a royalty, 10 % of the produced electricity would be provided to the Government of Nepal. According to the Environmental Impact Assessment (EIA) report, 12,914 people will be resettled by the project. The ADB's Board is planning to discuss the project in September 2008.<sup>1</sup> The ADB should not finance the West Seti Hydroelectric Project, because the following social and environmental issues are not taken into account in the project design and implementation;

1. **Displacement:** People's lifestyle in the proposed resettlement site in Terai is significantly different from that will be submerged. Terai is a southern plain area, and has less biodiversity than the submerged area. However, according to the Resettlement Plan of the project, losses of natural products such as edible wild plants, fruits, vegetable oil and fish will be altered to land compensation, and the project sponsor will not provide realistic options like trees and fishery farms around the resettlement sites. Therefore, there is a high possibility that displaced people will not be able to maintain their lifestyle and livelihood. It would be a violation of the ADB Involuntary Resettlement Policy, since its Para 34 (iii) 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.
2. **Environment Impact:** Bardia National Park is located 140km downstream, and many wildlife species such as gharial, crocodile, barasingha and Ganges river dolphin are living around the area. The project will alter the monthly flow between minus 15% (July) to plus 18% (February), and it would cause changes of reproductive and migratory patterns of these wildlife species. However, the Bardia National Park is not included in the scope of EIA.
3. **Information Disclosure:** Completed versions of EIA Report and Resettlement Plan are currently available on the project website.<sup>2</sup> However, the affected people have never seen any draft EIA Report and draft Resettlement Plan. This is a violation of ADB Public Communication Policy (Para 78 and 82).
4. **Consultation:** Many affected people expressed their concerns and disagreements with the 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, 2007, in order to request ADB to reconsider its finance for the project. It is clear that there is a lack of consultation with affected people in the project.
5. **Accountability:** ADB submitted a notification to the letter submitted by West Seti Concern Group dated July 15, 2007, but they have never responded to their concerns and issues. There is a serious lack of accountability as an international public institution.
6. **Legal Issue:** SMEC and PTC have already signed a power purchase agreement (PPA). According to the article 156 of the Interim Constitution of Nepal, there is a clear provision for the mandatory ratification of such agreements by two third majorities of the legislative parliament of Nepal, but this has not been done.

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<sup>1</sup> ADB, Project Information Document, <http://www.adb.org/Projects/project.asp?id=41055>

<sup>2</sup> West Seti Hydro, <http://wsh.com.np/documents.php>