



**USAID**  
FROM THE AMERICAN PEOPLE

Trip Report

# WEST SETI HYDROPOWER PROJECT - Nepal

Site Visit:

June 1 – 18, 2009

Prepared by:

Leslie Johnston

*Nepal – West Seti Hydropower Project*

**Trip Report - June 1 – 18, 2009**

Prepared by Leslie Johnston

USAID/Washington, EGAT/ESP

USAID/Washington traveled to Nepal to meet with stakeholders about the West Seti hydropower project (WSHP) as part of USAID's due diligence efforts under the International Financial Institutions Act, Title XIII, Section 1303(a)(3), to review multilateral development bank (MDB) projects with potential adverse environmental and social impacts.

This report summarizes information obtained from meetings with stakeholders in Kathmandu, meetings with project-affected community members in five villages within the proposed reservoir site to be resettled, three communities downstream of the dam site, and meetings in the Terai, the proposed resettlement area. The meetings focused primarily on the environmental and social aspects of the project, with particular attention paid to the relationship of peoples' livelihoods to the West Seti River.

Comments included herein are based on meetings with stakeholders or documents in the public domain and do not reflect the views of USAID or the United States Government (USG); not all comments have been substantiated by USAID.

This report is divided into the following sections:

**Section 1. Development Context**

**Section 2. Project-affected Communities – Reservoir Area**

**Section 3. Project-affected Communities – Downstream Area**

**Section 4. Resettlement Area**

**Section 5. Environmental issues**

**Section 1. Development Context**

In November 2006, a comprehensive peace agreement (CPA) was signed between Nepal's government and the Maoist rebels, declaring an end to the 10-year civil war which killed over 13,000 people. The CPA paved the way for inclusion of the Maoists into mainstream politics and charted a course towards elections for a constituent assembly following formation of an interim legislature and government, which included the Maoists.

In May 2009, a new government was formed after Maoist chief Pushpa Kamal Dahal resigned because Nepal's President blocked his controversial move to remove the army chief. The current government has been having difficulties forming its cabinet and becoming functional.

The Maoists have claimed that they will very soon form a “national unity government.” The Maoists have the political clout, money, and numbers to bring any part of the country to a standstill at any time. A recent example was the bund in Kathmandu Valley on June 15<sup>th</sup>, 2009.

For Nepal to become a stable country, two major issues still outstanding from the peace agreement need to be resolved – the writing of a new constitution and the integration of the People’s Liberation Army. It is unclear what kind of federal constitution the parties want. The division into the various autonomous federal states is to be based on ethnicity, religion, language, and geographical location – which could prove difficult, as Nepal has 103 ethnic groups and 93 languages.

### **Political dynamics**

The most frequently asked question concerning this project is “What are the benefits to Nepal?”

*External factors:* Stakeholders who are not supportive of this project are not opposed to dams in general but to the perceived/actual imbalance of the costs and benefits of the project to Nepal. Examples repeatedly cited are: (1) the project’s agreement to sell electricity to India at 3-4 cents whereas Nepal is purchasing electricity from India at 9-10 cents, and (2) the fact that Nepal continues to experience cycles of load-shedding in Kathmandu from 16 to 18 hours a day.

To these stakeholders, it is clear that there are downstream benefits of the project to India and that Nepal should be paid for these benefits. The Columbia River Treaty was cited as an example of the general type of agreement that should be concluded with India, under which India would pay for water storage, water regulation for irrigation, and flood control. The argument was made that Nepal needs to assert its rights to the use of the water by putting a value on it – otherwise, India will be able to claim prior use. The point was also raised that reportedly, Indian politics would not allow for payment of these types of services since politicians are elected in part on the basis of arguing for free electricity and water.

There is widespread belief that India is trying to influence the Government of Nepal (GoN) to construct the WSHP. Earlier this summer (2009), India was drawing criticism from the protesting Maoists; there is a danger that these protests will develop into anti-Indian protests. The Foreign Secretary of India visited Nepal on the June 16 and 17, ostensibly to give “a boost to the ongoing peace process,” but his visit was actually perceived by many as a visit to bolster the current Madhav Nepal regime.

*Internal factors:*

- As mentioned above, Nepal is rewriting its constitution based on federalism. Some stakeholders stated that the project should wait until after the constitution is finalized so states can exercise control and consent over natural resources (e.g. water) within their areas.
- There is a question over whether the project agreement needs to be ratified by two-thirds of the Parliament – which has never occurred. A recent Supreme Court decision, made by a subdivision of the Court, reportedly stated that it did not need Parliamentary ratification. The West Seti Hydro (WSH) does not believe that this decision will be

reviewed, since only a small percentage of cases are approved for review, whereas NGOs/civil society believe there is a possibility it will be reviewed, since the plaintiffs had 65 days to appeal for the entire bench to decide the issue. The point was also raised that after overthrowing the King, the GoN's Finance Minister signed an agreement with the Asian Development Bank (ADB) for a \$45 million loan for the West Seti project. Parliament has not looked into this.

- Another procedural issue that was raised was that the signed MOU violates Nepal law, since permission was given by the Ministry of Forestry to take the transmission line through Suklaphanta National Reserve before the EIA was developed.
- The previous GoN established a 10,000 MW Commission to review hydropower development in Nepal. Its draft report recommended that GoN renegotiate with WSHP to develop power for Nepal.
- Stakeholders raised the issue that the GoN was neglecting its responsibilities to Nepali citizens by depending on the project to bring development amenities (e.g. roads) into Western Nepal. They believe that the GoN should be the entity that builds the roads etc. regardless of what projects are proposed or planned.

In August 2009, Nepal's parliamentary Public Accounts Committee reported that the proposed agreement between the GoN and WSH is "extremely objectionable" and has instructed the GoN not to reach any agreement until the Committee arrives at a decision. Key issues cited regarding the agreement include a provision that British law is applicable for any disputes and that the GoN is liable for compensation if there is disturbance, strike or other obstructions with the project.

### **Hydropower potential**

Nepal's potential for hydropower development is viewed as one of the few major development options available to the country. The total potential of hydropower is estimated to be approximately 83,000 MW, of which approximately 43,000 MW are considered economically viable. By the end of 2002 only 527.5 MW had been installed.

There is no consensus as to which development path Nepal should take with its hydropower development. The options discussed are either export-oriented and/or internally directed for national development. There are stakeholders who believe that Nepal needs the electricity for its own development, as many of its products (herbs/medicinal) are going to India/China for further value-added processing. This discussion continues to be complicated by the turmoil that Nepal has been going through for more than a decade, including its changing governments.

### **West Seti Hydropower Project**

West Seti hydropower project (WSHP) is located in the Middle Mountains on the Seti River, 82 km upstream of the confluence of the Seti and Karnali rivers, forming part of the Ganges basin in Nepal's Far-Western Development Region. The WSHP was conceived about 12-15 years ago by the French government, which provided the funds to conduct a feasibility study. The site was desirable since it already had a small access road, combined with the ability of the proposed reservoir to store water. The latter point was considered an important component since there are few storage sites suitable to the Nepal power system.

The project is a build-own-operate-transfer scheme, with West Seti Hydro holding a 30-year license that will provide 25 years of electrical generation before full ownership is transferred to the GoN. The project is a 750 MW facility designed to generate and export large quantities of energy to India under a Power Purchase Agreement with PTC (India) Limited. The facility comprises a 195 m concrete-faced rock-filled dam, 2,060 hectare reservoir area, 6.7 km headrace tunnel, an underground power station, 620 m tailrace tunnel, 20.3 km permanent access roads, and a 132.5 km - 400 kV double-circuit transmission line in Nepal connecting to a transmission line at the border going to the Atamanda substation in Uttar Pradesh (India). The project construction contract was recently awarded to a Chinese company and the power purchase agreement with India was reportedly finalized in June 2009.

In 2008, the Nepal Department of Electricity requested and obtained a revised project agreement in 2008 to enable the GoN to receive 10% of the electricity produced free of charge from the project in lieu of the original agreement of 10% of project revenues. An additional 8 MW riparian release power station is to be constructed at the base of the dam to provide energy to local communities.

The project is classified as an environmental category A. The Environmental and Social Impact Assessment (ESIA) for the project was initially prepared between 1996 and 2000. In 2007, an ESIA was prepared for the project transmission line, in addition to a cumulative impact assessment and disaster mitigation plan, and all costs were updated. However, as a consequence of public opposition to the proposed routing of the transmission line within Nepal, the project sponsor is undertaking a new ESIA with a significantly different route.

*Consultations:* WSH has restarted its consultation process following the end of the civil war, during which project activities had been for the most part suspended. A number of committees have been set up for specific issues involving compensation. Four Information Centers have been established in villages upstream and downstream of the dam site to provide information to the stakeholders and hear their concerns. During the visit of the areas, USAID met with the Centers' staff. In these meetings, it was clear that staff are fully aware of the issues being raised by project-affected communities. Areas of discussion included the following:

- Employment – local villagers' desire to be priority hires and receive the requisite training.
- Consultations – there are stakeholders who want the EIA and Resettlement Plan translated into Nepali.
- Compensation – people are afraid as to whether they will be compensated or end up landless.
- Cremation – there is a significant reliance on the river for religious festivals and life cycle/rites of passage ceremonies, including cremation.
- Social Services –project-affected communities are requesting access to drinking water, hospital/clinics, schools.

Based on consultations to date, there is general support for the project throughout the villages. However, there is a group of stakeholders in the reservoir area that is not opposed to the project, who are demanding extensive compensation. Final details of the compensation still need to be determined and there needs to be a platform where all stakeholders, including the GoN, are represented in the consultation and compensation processes.

*Resettlement:* In the original study, households (HH) specifically asked for relocation to Kailali District and follow-up questionnaires have shown that their preferences have not changed over time. To accommodate the HH that will need to be resettled, the project plans to purchase land from private landowners willing to sell. WSH acknowledges that the political context in the Terai is different than it was 10-15 years ago when resettlement plans were initially being developed. WSH is fully aware that Tharu organizations have publicly stated that the Tharu do not want the resettlement to occur in the Terai; WSH is therefore looking for other land options. Currently, they are exploring the option of replacement land in the hills, however, because of the limited availability of this land, this will probably not be an adequate solution to the issue of resettlement.

*Project oversight:* At this point there are several entities providing project oversight.

The GoN has established a Project Steering Committee (PSC) and a Project Task Force (PTF). The Steering Committee is chaired by a member of National Planning Commission and members are Secretaries from various ministries, including, finance, agriculture and cooperatives, home, water resources, land reform and management, forest and soil conservation, environment, science and technology. The Project Task Force is a joint secretary level body working more at technical level. Director of Department of Electricity Development (DOED) is the member secretary of PSC. A Senior Divisional Engineer from DOED is the member secretary of PTF.

*Panel of Experts:* WSH recently hired a panel of three experts to focus initially on social issues such as compensation. As these experts are from the western part of Nepal it is felt that they have a solid understanding of the region. The possibility of international experts was not ruled out but WSH felt it was important to initially acquire experts who know the area. These experts also advise the PTF.

## **Section 2. Project-affected Communities – Reservoir area**

Based on discussions with a wide range of stakeholders from the five reservoir area villages visited, there are two general positions concerning the project.

- The first position is general support for the project, given an adequate compensation package. In-depth discussions reveal that a key reason for wanting the project and the ability to move is the absence of GoN investment for developing the area once the project was identified approximately 15 years ago. As a result, many interviewees felt that they have been left behind in the development process and moving is their only chance to improve their livelihoods. One group stated that 30-35 years ago their village was a gateway into western Nepal but now it has become a backwater, and day by day they are becoming more backward due to the lack of roads and services. Most stakeholders expressed frustration that it was taking so long for the project to be implemented, given the absence of development in their area. The lack of investment by the GoN has also contributed to the lack of NGO investment in the area. In discussions with several groups of women, including Dalit, it was found that the populations are less sure about being resettled. Their concerns range from security to having access to forests for non-timber forest products and the cash-based economy of the Terai. One group of four women also noted that their men would not be very happy to move. Another group stated that they were very disappointed to be leaving their homes, but

see the move as helping the country and increasing their chances to get local employment. It was stated a number of times that if the GoN had invested in the development of the area over the past years, their present situation would be different.

- The second position is to not support the project in its current form. The stakeholders who do not want the project to go forward made it clear that they were not against hydropower per se but that the project as it is does not benefit Nepal. They also stated that the EIA needs to be translated into Nepali before they could even consider supporting the project.

Villagers' livelihood strategies are based on a lowland/upland agriculture system – growing rice in the lowlands, maize and dahl in the uplands – complemented by collection of non-timber forest products and fishing. Fisheries were identified as an important component of their livelihood strategies. Many households fish for subsistence and will sell any left-over fish. One community stated that a household could make 10,000 – 40,000 RP/year selling fish. Although they fish year-round the main fishing season is in the winter, from November to May. Approximately 5-10% of the population depends on the fisheries in the West Seti valley. School children also depend on selling fish to cover school expenses.

Community forests are recognized and governed by communities which have developed their own set of regulations over the use of forest products. A number of products are gathered for both subsistence and for income generation, which include sal wood, a variety of medicinal plants, and chuiry to produce ghee, which can earn a family up to 2,000 RP/20 liters. Villagers are also able to catch wild game (pig and deer) in the forests.

*Resettlement issues:* Of the 2,421 households (18,269 persons) directly affected by the project, 1,393 households will be resettled from the reservoir area and downstream project sites. The majority of the households support resettlement in the Terai. The households that will be resettled will face reduced access to both non-timber forest products and fisheries. Most stakeholders were positive about moving to the Terai since they believe the Terai can provide them with services and opportunities not presently available to them. However, they expressed concern that the Terai is a market-based economy and their expenses will be much greater there than where they currently live. This will be especially difficult for the Dalits, who make up about 5-10% of the population; have been historically, economically and socially marginalized; and depend on the higher castes for employment. In addition to depending on non-Dalits, they also rely on non-timber forest products, timber, wildlife and fish. Dalit women want to make sure their children get a better life with more opportunities than they currently have – otherwise, the move will be very difficult. The only problem they raised about their current situation was that their community is not connected to a head road. They voiced concern that the Terai will be very commercial and they will have to make many changes in their lifestyle, such as buying soap, dressing better, etc. Some members of their community have never seen transportation vehicles, and they will have to adjust to these kinds of changes and new experiences. Non-Dalits expressed concern for the wellbeing of the Dalits in any resettlement and voiced the view that they should be made better off than they are now. Consequently, they are asking for an adequate compensation package – one that takes into consideration the loss of both lowland and highland agriculture lands, and access to forests and rivers – for Dalits as well as for themselves.

There is a strong desire to see the resettlement land prior to moving and to have a voice in its selection. There is the perception that the land chosen will be close to the Indian border or close to riverbanks, which is not acceptable, and that the villages that are the last to relocate will have a poorer selection of land. The process of land allocation needs to be carried out in an equitable manner. Each village wants to stay as a unit in the Terai due to their culture, language, and religion. There are stakeholders that would prefer to stay in the middle mountains but since there is no land available they understand that they will have to resettle in the Terai. Likewise, there are some stakeholders who voiced a preference for cash compensation. Stakeholders who depend significantly on fisheries are very concerned about moving to an area without fishing opportunities.

The villages of the middle mountains will face two major changes from resettlement in the Terai – adjusting to differences in climate and adapting to a new economic model. The temperature and climate is hotter and drier in the Terai than their traditional climate. In addition, the traditional economy in the West Seti Valley provides access to free services such as water, forest products, and fish. The people without land and employment depend on villagers and these free services but the Terai, as a cash-based economy, lacks these free traditional services.

During discussions, a number of stakeholders raised the issue that there are a number of landless people residing throughout the valley. One community stated that there were approximately 35 HH without land and 15% without a house or land. Another community raised the issue of the hardships of resettlement on the elder members of their community. In one community it is estimated that 25-30% of their members are between the age of 50-60 and 15-20% over the age of 60.

The stakeholders proposed several types of assistance to mitigate the stresses of resettlement. These include well-developed infrastructure, cremation facilities, roads, schools, health posts, electricity, and access water. It has also been suggested that families be given insurance to cover family members who die during the resettlement. Several discussion groups raised concerns over their children's transitioning to new schools and thought counseling – for both children and parents – would be appropriate.

A number of stakeholders are aware that the Tharu Organizations (indigenous peoples of the Terai) have publicly come out in opposition to the resettlement of their households from the reservoir area to the Terai.

*Consultations:* Many stakeholders do not feel that there has been adequate consultation concerning the project ESIA or during development of the resettlement plan. Although there have been a number of visits by WSH, these visits were not viewed as consultations, but rather perceived as WSH talking to them about their program. In recent meetings with WSH, the stakeholders were told that with the new investors, such information and consultations concerning the project will be conducted in a new way. A group of stakeholders stated that the GoN needs to take a more active role in the project and the Prime Minister and Secretary of Ministry of Water Resources should come to the reservoir site to meet with the affected villagers.

There is also the impression that WSH consults less with the local people than it does with officials and leaders. This creates the feeling that local peoples' views are not being heard. Another issue raised was the high turnover of WSH personnel visiting the communities, which

led to a lack of continuity and accountability. One group of stakeholders said that there was a lot of misinformation – and the Project hadn't even begun – resulting in a high level of frustration. Some of the stakeholders have still not been informed of certain aspects of the project and need more information.

To date, only the summary EIA has been translated into Nepali. WSH has told communities that the resettlement plan would be translated into Nepali within six months. Several communities have asked for the full EIA to be translated into Nepali. One community said that until they receive the full EIA translated into Nepali they will not allow the establishment of a WSH Information Center.

Another concern was the issue of Chinese contractors; they have heard of similar projects where work was initially promised for local labor but later the Chinese said there were not enough skilled local workers so Chinese workers were brought in to work on the project. There is overwhelming desire for local people to be hired and, if necessary, to be trained for specific jobs.

*Compensation package:* Stakeholders want the compensation package to be fair, reflect international standards, and be properly delivered. There is a fear of being betrayed and being given land that is not productive, which would make the people in essence landless. The potential of conflict, were this to happen, was raised during discussions. Communities are requesting land compensation that ranges between 1:3 and 1:7. These ratios, although not systematically derived, are based on the land that will be submerged in addition to other aspects of their environment that they will lose – such as upland areas where maize and dahl grow; community forests (food, medicinal plants); water resources, including fisheries; and flood timber. (Flood timber is what the river brings during the monsoon and provides fuel for a substantial period of time so the villagers do not have to cut trees.) However, the point was raised that it is not enough to simply give land in the Terai – that land must be irrigated and productive. Since fertilizers will have to be purchased for Terai land, the people need to be sure that wherever they are they can make a living. A number of stakeholders stated that they are expecting the amount of land will be complemented by other amenities such as rivers and forests. In addition, stakeholders would like to be relocated close to a road and/or highway crossing. It was made clear during discussions that there were still stakeholders who were not informed about the specifics of the resettlement or their compensation package.

There are tensions between a number of stakeholders and WSH concerning the land compensation ratio. These stakeholders feel that WSH is dismissing their concerns about the reason for proposing such ratios and WSH reportedly said the demands were above international standards and were unrealistic. To date, no technical expertise has been sent to determine what a proper ratio might be. Many stakeholders interviewed felt this would be a good idea and WSH seemed responsive to the idea. One group noted that they had raised the issue of an evaluation team with the ADB during their March visit, but ADB did not commit to doing a scientific evaluation, stating they were there to listen to people's views.

Several groups commented that relationships with the project had been good in the past, but they have deteriorated over time. The reason given for this change was that communities have presented their compensation demands and WSH said they were unrealistic without asking why certain demands were being made. This tension is reflected in actions such as burning down

the Information Center in Moribuger, blocking the road for two hours, and removing ADB tents during their site visit.

When USAID asked to see the list of demands we were requested to ask WSH for a copy. The demands range from compensation to reducing the height of the dam to mitigate the impact and number of households having to be resettled. As a number of the demands are reportedly addressed to the GoN, it is not possible for WSH to respond to those specific demands.

The issue of the project's overall benefits to Nepal was raised. One view put forward was that the project was good for Nepal and would promote development in the area, although several groups of stakeholders felt that the GoN should be given a greater percentage than 10% free produced electricity and that at least 80% of the revenues received by the GoN should come back to West Seti for development. The area needs infrastructure facilities such as education and health, especially for the communities that will be left behind and will not be resettled. One group suggested that the displaced persons should have an equity share in the project.

Several stakeholder groups felt that the ADB should take responsibility for sustainable development of the displaced communities and all those affected in the hills after project completion.

*Reservoir Hillside residents:* There are a number of HH/communities that will continue living in the hills above the villages that are designated for resettlement. USAID was not able to interview any of these residents so the following information was collected from local villagers who interact with them. Reportedly, this group has not been involved in any of the consultations and the information concerning their livelihoods is superficial.

One community estimated that there were approximately 300 HH in their area. For these households, the nearest market is Deura; when Deura is gone, their nearest market will be 4-5 hours away, which will pose a difficulty for about 200 HH that use the Deura market. Their closest health clinic is also in Deura. Another community further downstream estimated 100 hillside households in their area. As the land on the hillside is not as productive as it is in the valley, there is concern about the impacts on their livelihoods since they depend on the lower villages for food such as rice and fish. River material – sand/pebbles – is also collected for house construction. These households will lose their access to schools, markets, and clinics that are located in villages that will be relocated. In addition, some of them sharecrop on land of people who will be resettled. Stakeholders who will be resettled stated that infrastructure facilities – e.g. education and health – need to be provided for these people. Several stakeholders recommended that a permanent irrigation system be provided for this group of people. Finally, social linkages will change with the change in the landscape, further isolating many households in many ways.

Stakeholders in Kathmandu stated that the ADB/WSH needs to look more closely at the impacts on reservoir hillside households/communities above the inundation line. Areas that need to be looked at more closely included the social impacts of mass migration out of the reservoir area on the households that stay behind.

Reportedly, there are a number of forest areas that will be inundated by the reservoir. Villagers stated that this will affect the following wards: Riayal VDC – Wards #2, 3, 4, and 5 and

Dangaji VDC – Wards # 4, 5, and 7, because there are no forests close to these wards. Another forest, Dansa Dobo, was also cited as being impacted by the project, affecting about 2,000 HH.

### **Section 3. Project-affected Communities – Downstream**

Communities downstream of the dam are, in general, supportive of the project, largely due to the lack of development by the GoN in their areas. Concerns expressed include the impact of the reduced flow of West Seti on fisheries, agriculture, water supply and microclimate; security issues associated with the increased number of workers into the area; economic stability following construction activities; and dam failure. Dam failure was raised as a significant concern by a majority of groups because of the seismicity of the area and the height of the dam. Similar to the upstream area, there is frustration that the project has taken so long to get started.

Livelihoods in the downstream area are based on agriculture and fisheries. Due to the prohibitively high costs of irrigation, vegetables are not grown in the region, unlike areas upstream. The majority of households fish for food and income. One group stated that a household can get 25-30,000 RP/month from fishing. Several communities experience food insecurity because of dependence on rainfed agriculture or limited access to land. These communities depend on fishing for food or income to purchase food. One community said they depend on fish for sustenance four months out of the year. Households that do not own land primarily depend on fishing, but also work the land of others. Additional sources of household income include remittances from family members working in India and selling sand and aggregate from the Seti River.

All stakeholders raised their concern about how the low water levels will impact their cremation practices. WSH is discussing options such as electric cremation processes.

*Consultations/Compensation:* Tensions between stakeholders and WSH are increasing due to lack of knowledge about the type and amount of planned individual compensation and the lack of response from WSH to a list of 32-42 demands forwarded to the WSH by the downstream communities. The list is the same list referred to by the upstream communities. In fact, members of one community refused to meet with USAID, stating that WSH had asked questions and has all of their information. Stakeholders want their demands met before construction begins.

One community expressed concern over the amount of land that will be used for roads and other infrastructure work associated with the dam construction. They have a number of community forests and are concerned that the construction workers will exploit their forest. Communities also want to make sure that the very sacred cremation sites along the river are not impacted by the project.

Members of one community felt that the WSH should have categorized the downstream area as a Category A, similar to communities in the reservoir area, and not category C. Their primary argument for this change is that if the dam breaks their village would be inundated and ruined.

During the monsoons, the villages get trees/timber from the floods. This provides a 6-7 month supply of firewood for 95% of the households. When the dam stops this supply of wood there will be increased deforestation on the hills as people look elsewhere for fuelwood. It was estimated that some of this wood is of high quality that can be used for furniture and wood collection can bring in 5-6 million RP/year.

There is concern that prices for market goods will go up as a result of increased demand with the immigration of construction workers.

Communities' requests include the following:

- Access to alternative drinking water supplies: WSH team recently visited several communities to look for alternative water supplies.
- The livelihood activities that are developed by the project need to be sustainable when the construction activities are finished. Alternative livelihoods need to be developed to replace the impact of loss of fisheries since the majority of the HH fish for subsistence as well as for income generation. Options cited were: the establishment of fishponds, marketing medicinal plants, and building furniture or other products since bamboo is abundant.
- An irrigation system provided for agricultural land: Since without irrigation it will be extremely difficult to live because of the reduced water flow.
- Greater access to schools and health posts/clinics.
- Local labor given priority for construction jobs. At least one group said there would be conflict if this is not fulfilled. The following example was provided to explain how this request could be met: If there is a transportation contract, then small-scale contracts could be developed to supply porters, mobilize labor, supplying gravel/sand and drivers. Youth are educated up to 10+2, but since there are no employment opportunities for them, at least 70% go to India for work.
- Additional police posts established to help with the increased migration of workers.
- Monetary support provided to communities to hire staff to patrol community forests to make sure they are not illegally exploited by outside project workers.
- Electricity provided to households at no cost since the cooling effect of the river will be lost and fans will be required.
- Training provided for HIV/AIDS awareness and protection.
- Insurance provided for laborers in case an accident occurs and they are laid off, work for a period of time, disabled or killed.
- Economic assistance provided for local people if they are not able to work on the project.
- Construction carried out so there is timely completion of commitments, an emergency preparedness plan established, and construction camp set up in the area.
- In the absence of flood wood, provisions should be made for working with communities to fulfill their fuelwood needs and maintain surrounding forests.

*Downstream of power house:* About 11,000 additional people downstream of the power house will be affected to varying degrees due to the permanent reduction in the flow of the Seti River

and the increases and decreases in the flow of the river due to discharges from the power house. The impacts will range from the loss of fisheries to unpredictable effects on agriculture.

#### **Section 4. Resettlement Area**

The proposed area for resettlement is based on the purchase of private land holdings in the Terai. The Terai is the homeland of the Tharu, Nepal's oldest indigenous peoples. Ever since malaria was eradicated in the 1950/60's, the GoN has been clearing the forests and resettling hill people into the Terai. Over time, this has resulted in the social and economic marginalization of the Tharu.

*Private land holdings:* Most of the private land holders live in Kathmandu. There are two differing opinions as to whether there are forced settlements on these lands which will have to be resolved. All stakeholders agree that sharecroppers reside on the land and will have to be resettled, which is or could be a problem. There is no accurate data on the number of sharecroppers that would need to be resettled, the majority of which are Tharu. During the conflict, private land was occupied by the Maoists and reportedly, many still occupy the land.

*Tharu opposition to WSH resettlement:* The Tharu indigenous peoples organizations have publicly voiced their opposition to having the WSH-affected villages resettle to the Terai. For example, the Tharu Welfare Society (TWS) is one of Nepal's oldest indigenous rights organizations with more than 11,000 members in all 24 districts of the Terai. TWS is not against development or the West Seti hydro project, but believes that resettlement must occur in the hills. In meetings, it was stressed that the Tharu organizations would never support resettlement of the hill people and that their position would not change over time or regardless of how many visitors came to discuss the issue with them. The Tharu people perceive themselves as becoming a minority in their own native land which will result in the loss of their native language, culture, and identity. Based on past experiences, the Tharu fear that the hill people will occupy more of their land and they will be pushed onto more marginalized land with less access to facilities/services.

Other issues that complicate the proposed resettlement include:

- Nepal's rewriting of its constitution: Over 70 Tharu NGOs have organized to propose an indigenous Tharu state – "Tharot." The Tharu have become a strong political entity over the past years. In March 2009, there was a region-wide strike, which effectively shut down most of the Terai region, launched by the Tharu communities in support of the Tharu's right to self-determination, their cultural identity, and control over their land.
- The GoN promised to provide the kamaiyas (freed bonded laborers) with land and housing. The peace process resulted in an agreement to return the land seized by the landless sharecroppers during the Maoist insurgency to the former landowners pending a national process of agrarian reform and promised resettlement for the kamaiyas. For a substantial number of kamaiyas – estimated between 50-100,000 in the Terai's five districts – this promise has not been fulfilled. The proposed WSH resettlement districts, Kalilali and Bardia, have the largest population of unsettled kamaiyas. For Kalilali District, it is estimated that their numbers are between 20-30,000. To date, 15-20% of the kamaiyas have received good land and another 20-25% have received land on river banks,

which leaves the remaining percentage without land but reportedly with a land certificate. It was stressed that the kamaiya have never forcibly occupied private land and are living on public land such as Dhangadhi's old airport. The fact that the GoN has not fulfilled its promise to provide housing and land is complicated by reports that the amount of land to be given to each kamaiya household is less than what is being discussed under the WSH resettlement plan. Tharu organizations believe that the kamaiyas need to be given land and houses before any land is provided for the WSH resettlement plan.

In discussions with Tharu representatives and individuals the following issues were raised:

- Actions that are being taken by the GoN and the project sponsor are culturally and politically in violation of the UN Declaration of Indigenous Peoples Rights. They are also a violation of the International Labour Organization (ILO) 169 Convention, of which the GoN is a member.
- Most of the project information is coming from outsiders. Consultations have not been held with Tharu concerning resettlement by either the project sponsor or the GoN prior to making any decisions. There might have been some people approached by WSH but the Tharu organization – Tharu Indigenous Peoples Society – has not been contacted. It was recommended that consultations needed to be conducted with all parties involved at the same time instead of in individual meetings.
- Project documentation on the resettlement plan has not been made available in the Terai or in local languages. Not all Tharu understand Nepali and many are illiterate, so just having documentation in the Tharu language will not be sufficient.
- The resettlement of 30-40,000 WSHP project-affected people into the Terai prior to the national land reform and providing for the kamaiyas will be problematic for a number of reasons. As this land is already occupied by either sharecroppers or landless Maoists, it is estimated that 20-35,000 households will be immediately impacted and forced to relocate.
- Concern that the immigration of hill people will bring increased exploitation of forests, including community forests, and there is no GoN mechanism to control exploitation. Several discussants raised the lack of the ability of the Department Forest Office (DFO) to curb deforestation, which also contributes to their ability to generate revenue by selling dead trees. This concern is based on the past 30 years of experience of hill people migrating to the Terai.
- Fear that the increased population will bring increases in unemployment and crime, such as robberies.
- The perception that the hill people have greater access to political entities at all levels of government and Tharu political access will continue to erode and be marginalized.
- The belief that if the Tharu accept WSHP resettlement households for this project it will become a model for other hydropower projects to resettle project-affected people in the Terai. There are other hydropower projects that are being planned – e.g., in Karnali.
- Concern that private landowners are trying to sell their land before the land reform process is finished, which would limit any effective reform process.

*Community forest user groups (CFUG):* Although USAID did not have a chance to meet with local community forest user groups, we obtained the following information from entities working closely with these groups. Since there have not been any consultations with these groups a number of questions are being raised. The groups want to know more about the project and how the resettlement will impact CFUG and their role over community forests. They are also questioning how this will impact biodiversity, and their social and cultural conditions. Their level of knowledge about the project is extremely limited; therefore, it is impossible for them to know how to influence the project and/or have their concerns heard. EIA consultants have interviewed these groups for the project documents but have never consulted with them or provided them with information.

The resulting transmission line EIA does not represent the real concerns of the local people as it was not developed with their participation. There was no process for the EIA recommendations to be developed with public consultations. Guidelines need to be developed by both MOEST and VDC that would make the recommendations legitimate, since there have been no elected local leaders – who would normally represent the local people and be held accountable by them – for the last several years. The issue of the VDC secretary’s participation is highly questionable since he was not allowed to go to the village sites during most of the project preparation time because the insurgency was at its highest.

Local CFUG are not able to discuss project issues on a level playing field with the project sponsor. These groups need training and capacity building to be able to advocate for their rights. Local people feel they will always be neglected and feel humiliated when the project sponsor or GoN are talking to them. There is no two-way dialogue between the parties.

*Local GoN:* Several local government offices were not aware of the WSHP or resettlement plans in their District. They were also not aware of the EIA associated with the transmission line and said that the information had to be provided to specific offices, such as DFO, so the DFO could send its recommendation to the Ministry of Forest prior to EIA approval.

There is an issue with illegal access to land referred to as “land mafia,” whereby money is collected from landowners under the guise that it will be registered under their names and it is not.

Although people are still not 100% confident in the political system/peace process, in the past year or so they have started buying land. During the conflict years, land was not being sold and people did not want to return to their villages. Currently, land is being sold mainly by local people who had migrated from the hills years earlier. Land is being bought primarily by hill people. If the land to be sold is occupied, the occupiers cannot be forcibly removed because of security issues and the instability of the political system. Land that was occupied during the Maoist period has not been returned to its proper owner. There is also a large number of sharecroppers on private land who will have to leave when the land is sold, unless they are able to work out an arrangement with the new owner.

*Potential conflict:* Discussions with a wide range of stakeholders raised the potential of caste conflict. The hill people are mainly Chetri and Brahim and there is a long history of these castes exploiting the Tharu. This is also complicated by the tensions associated with wanting a Tharu state. There are also issues with India – Nepalis living along the Nepal-India border are

being forced to migrate from the border. This is a relatively new issue and may result in increased migration into western Terai.

## Section 5. Environment issues

The following issues were raised in discussions with stakeholders:

- *Climate change:* The ESIA states that the West Seti is a glacial fed river. There are 42 major glaciers; 8 glacial lakes along Suni Gad and Gnat Khola, with surface areas from 500 m<sup>2</sup> to 800,000 m<sup>2</sup> within its watershed. There have been 22 breached former lakes, of which two are recent.

Since western Nepal is drier than eastern Nepal, its glaciers aren't as large as those in the east. As a consequence, the glaciers in western Nepal may have passed the threshold of increased melt, similar to Afghanistan and Pakistan. Consequently, these smaller glaciers are melting faster and, with increased winter temperatures, snow is melting instead of forming ice.

To better understand glacier melt and the impact of West Seti flow, the following information needs to be collected:

- Satellite monitoring of amounts of snow/ice, amount of glacier melt, depth of glacier.
- Climatic projections need to be able to understand future hydrology.
- Since glacier-fed rivers carry more sediment, which results in increased maintenance cost due to the need to replace the turbine, loss of storage capacity, comprehensive sediment measurements are required.
- Increased monitoring of glacial lakes which can form within a relatively short period of time. Their behavior has to be examined to see if they are growing rapidly or slowly and to assess the triggering mechanisms for failure, such as unstable slopes/landslides. There is a need to assess the inter-stability of the moran – the holding lake – taking into consideration the volume of the lake and hydrostatic pressure.
- *Cultural significance of Seti River:* The Seti River is used for a wide variety of activities. Because the dominant religion in Nepal is Hinduism, there is a significant reliance on the river for religious festivals and life cycle/rites of passage ceremonies, including cremation. In the downstream areas, the river is used as a water source during the dry season.
- *Transmission line:*
  - *Churia Hills* - “The Churia Hills are the thread of the necklace.” The Churia Hills are considered to be a very fragile ecosystem and geologically unstable. The Hills provide for a very critical stretch of land for ecosystem services – maintaining water table (groundwater discharge), biodiversity, siltation, and soil erosion. The Churia Hills provide a migratory corridor for wildlife movement between Nepali and Indian national parks/reserves.
  - *Suklaphanta Wildlife Reserve* – This is the only forest reserve connection to the Churia Hills which provides forest access to India. The legal extension of Suklaphanta Wildlife Reserve was based on tiger movements to the Churia Hills and

- to one of India's tiger reserves. A survey was recently completed showing that although the extension is very disturbed, tiger prey are present (spotted deer, blue bull). The tiger population has crashed due to tiger poaching, but the prey base is large enough for 30-35 tigers to survive easily once poaching issues are eliminated. There is good rhino habitat in the south but not in the north. WSH has decided to not put the transmission line through Suklaphanta Wildlife Reserve due to community opposition to the line in other community areas that it would transect.
- It was suggested to re-route the transmission line to the valley on the other side of the Churia Hills, which could possibly be less sensitive than the Churia Hills.
  - *Terai – deforestation*

The Terai are experiencing environmental problems as a consequence of increasing population density. The GoN has encouraged hill populations to migrate to the Terai over the past three decades. The result is a more dense Terai population, with 6-7 people/ha versus 1-3 people/ha in the hills, resulting in higher levels of deforestation associated with increased erosion.

Kalilia District is one of the most affected by forest encroachment. More than 20,000 ha of forest area have been encroached on within the past 20 years. Forest encroachment is a serious concern since about 50% of the population's livelihoods are involved with forest products. In the Kalilia District, there is limited DFO personnel. Therefore, the community forest associations are being used to protect the forests from encroachment.

- *Resettlement* – It is important to know where WSHP resettlements are going to be located – forest areas or areas close to forests? It is thought that hill people will go into the forest areas since this is where they come from and what they know. Therefore, resettlement areas must be far away from the forests – at least 2-5 km from forest boundary. If this does not happen then there could be conflict between the CFUG and Hill people. There is a concern that there is no land available, therefore the GoN will settle WSHP communities into forest areas.
- *Downstream* – The impacts of the project's reduced river flow downstream on endangered wildlife which depend on flood waters have not been assessed. Reportedly, 40-50% of the West Seti flow makes up the Karnali River flow. Downstream areas include the grasslands in Bardia National Park, where a small population of the greater one-horned rhino reside, and the extent of river habitat available to the endangered Ganges dolphin. Additionally, the impacts of fisheries, including several endangered species, and blockage of migratory routes, have only superficially been assessed.

## **Kathmandu NGOs/civil society**

Issues raised by this broad range of stakeholders include:

- **Project transparency:** Both the MOU and the agreement with India need to be made available to the public and project affected communities.

- Energy to Nepal: Questions were raised about how the figure of 10% free energy to Nepal from WSHP was arrived at and whether an assessment of electricity needs of Western Nepal was conducted.
- International standards: The project violates ADB information policy and Indigenous Peoples policy and World Commission on Dams guidelines.
- Livelihood options: The project needs to look at development through the human rights lens and make sure that basic human needs and rights are being met. It was stated that there are more livelihood options in West Seti than in the Terai because of the abundance of forest/rivers.
- WSH – Panel of Experts (POE): Concern was raised as to the individuals selected as well as the selection process for panel members. There should be an independent POE. Currently, this panel is not seen as independent because there is no representation from affected community/civil society/NGOs. There must be local representation.
- Need to have local investment in the WSHP to keep the money in Nepal. GoN has very weak negotiating capacity.
- Right to Information Act 2007 – This Act was raised since there are NGOs/community groups that do not have information concerning this project. The GoN is developing implementing regulations which all ministries will be required to follow. Consequently, people do not know they have this right or how to access it. Without information, it is difficult for people to represent their concerns.
- Communities are demanding an equity mechanism to be put in place to ensure benefit-sharing of the project,
- Participation by NGOs: Several NGOs discussed the difficulties participating in discussions on the project. They wanted to make sure that the following points were raised in discussions:
  - equity/governance issues
  - ensuring biodiversity is not impacted
- Several examples of hill people being resettled into the Terai were discussed; both hill and Tharu communities were not happy with the resettlement even after 2-3 decades of living there.

## GoN meetings

- Issues raised by stakeholders have been heard before and most have been addressed by WSH and ADB and are contained in the mitigation plan. All environmental/social impacts should be mitigated by the plan.
- Nepal is not in the position to buy all the power generated from the project. Only 800 MW is required for all of Nepal during peak operating periods.
- The time that is required for the project is a big problem. For the past three years, ADB has continued to give a time period for project approval and then push it back by at least six months. A \$50 million grant was provided by the ADB for the initial social works for the project area before project construction has even begun. ADB also has its own

social programs, in which the money will go to the GoN users' group. The modalities have not been determined for how this money will be spent.

- The policy of the GoN cannot ask for more energy than what is in GoN policy regulations. This is how the percentage of free energy was determined. After 35 years, the project will become an asset of the country. Fifty percent of the royalties will go to local government districts for community development works.
- The project will have six partners – GoN, WSH, ADB, India, China and the general public, which will have a percentage so local people can have shares.