Arun III*: Nepal's Controversial Hydroelectric Project

Nepal's greatest hydroelectric project proposal of US $764 millions, financing of which is proposed by the World Bank and other sources, has raised a lot of controversy in recent months owing to questions about its cost-effectiveness,† shape, and size, but especially because of environmental and social concerns, denial of alternatives§, lending conditions, and lack of any popular participation in its design and foreseen implementation. In March of this year, the Nepal Supreme Court delivered a positive landmark decision — petitioned by the undersigned and Dr Rajesh Gautam, a human rights academic — requiring the Nepali Government to disclose all information and documents regarding the project: also requesting the Court's recognition of such development matters as subject to its jurisdiction and scrutiny as public-interest litigation according to the Constitution of Nepal.

Under heavy pressure from national and international NGOs to allow them to present their arguments before its Management, the Bank held a meeting in June 1994 to start such a process. The following are the main issues and concerns that are being raised by the Arun Concerned Group, the Alliance for Energy, INHURED International, and other NGOs/INGOs, with the Government of Nepal, the world-be lenders, and the international community. (A Public Commission on Arun III, formed under the chairmanship of a former Supreme Court Acting Chief Justice, is also investigating the merits and demerits of the project under physical threats and harassment.)

Fundamental Issues: (a) with a current price-tag of $764 millions, the Arun III scheme would cost as much as the entire national budget of Nepal for one year — a major financial commitment far beyond Nepal's limited resources; (b) the scheme would cost $3,800 per installed kilowatt (private companies in Nepal can build, and indeed are building, small and medium-sized hydropower schemes [up to 60MW] at half that rate); (c) investing in Arun III means putting all Nepal's hydropower investment possibilities in one project (this makes it a high-risk option and provides no answer to Nepal's problems of the necessary road and resettlement); (d) political stability in the country will be threatened if the electricity tariff has to be increased to the level that is being insisted on by the World Bank for this project to go ahead; (e) there has not been enough preparation for detailed planning of the mitigation measures needed to counter the adverse environmental impacts of the proposed access road; (f) public participation and access to information, including Environmental Impact Assessment, both at the local level in the affected areas and at the national level, has been insufficient; (g) the engineering and management capability to build such a large project as Arun III does not yet exist in the country, which means that the entire scheme would have to be implemented by foreign contractors; (h) given Nepal's current development status and priorities, Arun III could do more to damage than enhance the country's overall development prospects; and (i) there have been no agreements with China on riparian issues or with India on power sale, if any.

Alternative Approaches: (a) to focus on schemes that use and enhance the country's existing capability; (b) to invest in building up local capability, in both the public and private sectors; (c) to switch to a decentralized model of power production that would ensure a sharing of risks among a number of schemes, and would promote local management and control of projects; (d) to remove the barriers to private-sector investment and create an environment which would be conducive to sustainable economic growth, industrial maturity, and expansion of private enterprises; and (e) to adopt an evolutionary approach to hydropower development whereby the industry would move ahead in manageable steps, taking on larger and more ambitious projects as its capability grows and matures.

Our Demands of the Government and Lenders: (a) investigation of violations of the World Bank's Information Policy and operational procedures by the Bank's Management; (b) due study of issues and concerns raised by NGOs, particularly of environmental impact assessments and mitigation measures as well as alternatives to Arun III; (c) review of compliance with the Bank's policy, guidelines, and standards, relating to the project as well as the obligations of a borrowing country, and access to information; (d) ensurance of full debate and approval of the project in the next session of the full Nepali Parliament before any decision regarding the would-be lenders; (e) due respect for the decisions of the Supreme Court of Nepal on access to information and regarding the exercise of current internal and international democratic processes; and (f) resolution of any further issues relating to the life and sustainability of the proposed project, such as riparian issues with China, energy alternatives, glacial damage, and impacts on the social sectors and local cultural values.

Conclusion: Technically, Arun III may be a practicable project; but it must not be implemented without a full investigation of available alternatives, and revision of lending conditions if the Government of Nepal and the lenders are seriously committed to lastingly sustainable development.

*The third possible hydropower site among the six that have been identified and counted from the north to the south of the Arun Valley which runs practically through Nepal.

†Per unit cost of electricity to be generated from Arun III would be one of the most expensive in the world in view of the very high cost of power production.

§ In 1992, Arun III has been listed as the 8th by the government out of 20 such projects on a priority basis, but no adequate consideration has been given to alternatives to Arun III at this time.

GOPAL SIWAKOTI, *Executive Director*
International Institute for Human Rights, Environment & Development (INHURED International)
PO Box 2125
Kathmandu
Nepal.

The Foundation for Environmental Awareness

Having taught at the Maharaja Sayajirao University of Baroda and carried out intensive and extensive field studies in the Indian subcontinent for more than three decades, the undersigned has spearheaded or actively supported environmental and conservation endeavours, campaigns, and crusades, initially in his individual

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