

Date: September 17, 2010

To: Special Project Facilitator
Asian Development Bank
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Dear Special Project Facilitator,

Greetings from Kyrgyz Republic.

We, members of Water Users Association (WUA) and communities from Kyzyl-Kyshtak Ail Okmoty (Kara Suu rayon (province), Osh oblast (district)), Sary Kolot Ail Okmoty (Kara Suu rayon, Osh oblast), Barpy Ail Okmoty (Suzak rayon, Djalalabat oblast) and Atabekov Ail Okmoty (Suzak rayon, Djalalabat oblast) in Kyrgyzstan Republic, hereby submit this complaint letter to you as the Special Project Facilitator for immediate action accordingly. The name and addresses are attached at the end of the letter.

We are, directly and adversely affected by the ADB- assisted project "Southern Agricultural Area Development" project (SAADP) Project number: 31196, Loan number: 2314-KGZ In Kyrgyz Republic.

The said Project objective is sustainable increase in farm profitability and cash flow which will be achieved through the project outcomes of increased farm productivity and increased marketing of produce for the beneficiary communities. Total farm outputs will be increased by improving yield and quality through improved advisory services and access to farm inputs, machinery services and credit. The percentage of farm output entering the market will be increased by reducing the risks associated with cash crops and livestock production and marketing. The long-term sustainability of the production systems will be assured by reducing erosion, water-logging and salination through improved irrigation and drainage infrastructure, improved soil and water management practices and investment in management of pastures, sloping lands and forests.

The direct and material harm is the result of an act or omission of ADB in the course of the formulation, processing and implementation of this project. The acts or omissions that we believe are the responsibility of ADB which include the following:

Corruption and mismanagement of funds. While the major beneficiaries (we) Water Users Associations were not informed about the project developments, ordinary peasants didn't hear about the project and its objectives at all. The Bishkek based NGO 'Center Interbilim', with NGO Forum on ADB on behalf of us (affected people) sent the letter in early September 2009 to the Deputy Minister Mr. D.Kenjebaev in Ministry of Agriculture and Prime-Minister with the request to provide required information about the project, why the project has been stopped, how the money were used during two years after its approval in 2007 by the ADB Board and what are the modalities for paying back the money to Bank.

But we never received any response from either.

This shall not be considered as 'only' a case of information disclosure. As there is no information to the major stakeholder of the project, WUAs contribute \$ 1.9 m to the total project cost of \$ 31.2 million we asked for information to look into if the project was implemented in accordance with the ADB policies or agreement.

After, intimidating and threatening call by the staffs of the Project Implementation Unit over our seeking information on the project, the Interbilim received one response from the Ministry of Agriculture in 1 st October 2009. The response was not satisfactory as the response never answered the major questions we raised. The two page long response contained project objectives, its components and scope which are also available in ADB webpage as well. However, the response letter revealed in one line at the end of the letter that the project money was used for energy needs of the country. The

letter also informed us that the funding of the SAAD project was transmitted for funding prior needs of energy safety of 2008-2009 according to the decision of Kyrgyz Government in November 2008.

While before, Ms. Cholpon Mambetova, from local ADB Resident Mission in Kyrgyz Republic, in her letter dated by June 15, 2009, mentioned that cancellation of SAADP was requested by the Kyrgyz Government because of poor implementation of the project activities.

We also hear that the ADB is making an assessment of Kyrgyzstan's Agriculture sector for future financial support.

Different answers from different public institutions (ADB and Government) forced us to write this letter. While the country is affecting from continues turmoil and new discoveries of corruption schemes and public money mismanagement, we request OSPF to help us to understand the situation around SAADP.

There is a high possibility of mismanagement of ADB funds in this project. We know that in 2008-2009, Kyrgyzstan has received urgent financial support from World Bank, EBRD and Russia for energy needs. But at the same time, we came to know from our energy experts that our country for Bishkek Heating Plant bought mazut \$391 per one tonne, while gas was bought at \$284 for 1130 meter³ (which is equivalent to 1 tonne of mazut). How come such mismanagement of funds can be allowed by development banks? We are sure that Agriculture project allocated funds were also spent inappropriately for such expenses. We need to know, how those money were spent. So far, we couldn't receive any answer.

As a result, the project beneficiaries (we) were kept in dark about the money transferred to energy requirement as well as the cancellation of the project.

Due to project delay and mismanagement of funds, we are facing irrigation problems and many peasants failed to have water in time for their lands, which leads to less productivity of the harvest.

Poor condition of irrigation system has continued to cause: Water losses; Ineffective water management; Landslides which cause water logging.

In the village Jany-Jer (Kyzyl Kyshtak Ail Okmoty, Kara Suu rayon, Osh oblast), the usual roads were perennially waterlogged as there was no bridge. Inhabitants of Kyzyl Kyshtak Ail Okmoty had to solve problems with channel Kyzk Bairak immediately. Since the channel was narrow, water spilled over and washed the road away. Thus, local administration mobilized own resources to broaden the channel Kyzyl Bairak. But this activity is still not safe. Households located near the channel are not safe from flood.

In Barpy and Atabek Ail Okmotus (Suzak rayon, Djalalabat oblast) irrigation is very poor in most of the villages (Besh Moinok, Tash Moinok, Kypchak, Boz chychkan). People have to walk long distances to get water for irrigating their fields. There is no watering schedule and it causes inconveniences for farmers. Because of the lack of the irrigation system, there is a big water loss. However when the farmers need water, there is no water available.

We are in a very difficult situation here.

Increase of Market for farm output. One of the main problems still remains **monopolized markets**. Thus, the farmers depend on the market prices. Farmers cannot sell their crops in the markets, because there are no options for them. They have to sell for cheaper prices to the dealers. Producing farm products has been very expensive (land and water tax, vehicle and other agricultural service fees). Local farmers have very small income. For instance, people sell water melon for 10-30 Som (Kyrgyz currency) per piece and dealers sell them per 50-70 Som per piece. Same with the Corn, while original price for one kilogram corn is 5-6 Som the final market value is 8-12 Som per KG.

There is no clear water supply. In the villages of project site, inhabitants do not have clean water for drinking and sanitation. People use dirty water from the rivers. In Jany Jer village (Kyzyl Kyshtak Ail Okmoty, Kara Suu rayon, Osh oblast) people bring clear water from the neighboring village. In village Sary Kolot of Kara Suu rayon in Osh oblast, clear water supply has stopped 2-3 months before (in May 2009). The reason is the inhabitants never paid their debt. Since then, they drink water from channels and irrigation ditches.

Awareness of people about the project is very poor. Local inhabitants have no information about the planned project. We are, local leaders (Ail Bashchys) and WUA members, we have problems that were to be resolved with the implementation of project components which supposed to be constructed or rehabilitated. But As we have less knowledge about the budget of the project and its status as of now, we can't address such issues. Besides, communities (inhabitants) have no idea about the project. According to the words of WUA members and local leaders, public hearings were conducted where people informed about the potential project and people agreed to pay the loan back in certain years (there are minutes of the public hearings documentation which states the willingness of people to start this project and readiness to pay the loan back). During these public hearings, inhabitants discussed loan repaying schedule. It was discussed that yearly inhabitants will start repaying the loan together with the water tax (Approximate amount of the sum would make from 500 KGS up to 850 KGS (Kyrgyz Currency SOM) annually for each household).

Mr Adybyali Japarov - Leader of the WUA Vorukh Ali (Sary Kolot Ail Okmoty, Kara Suu rayon, Osh oblast) came to know that the project was stopped due to conflict between ADB and WB. But, he did not know other details. If this is the nature of awareness among the real project beneficiary, then the Bank has failed to maximize their effort to inform all.

Head of the Bek Abad Suu WUA Abdykerim Abdyjaparov even did not know the budget amount of the project implemented in his area. Before the commencement of Agricultural project, they applied for grant/credit amounting 33million Kyrgyz SOM for irrigation system reconstruction to other donor agency. Later staff from Regional department for WUA support named Djailoobek (the family name is unknown) came to the people and apologized that the project will not be implemented in this Ail Okmoty, because the funding was directed to another project. Later, this Ail Okmoty was informed that there will be another possibility to do reconstruction in the irrigation system with the help of ADB Agriculture project.

Our rights and interests that have been, directly affected materially and adversely by this project include the following:

- Right to information
- Right to clear drinking water and healthy food
- Right to economic development
- Accesses to people for economic resources
- Rights of people to participate in decision making processes.

We came to know, that project allocated money was spent to energy sector, while we were not informed in appropriate way. We seek the following outcome and remedies through the help of the Special Project Facilitator:

- We need full information about finance flow from the beginning till date and why project allocated fund didn't reach project beneficiaries;
- Now we are engaged in drafting the same project, but with the less funds and project activities, which means we will have less benefit from the project. There is no appropriate consultation with people as why the changed in project objectives, scope and outcome.
- We need full information, why and who took decision about using agriculture allocated funds to energy sector, without discussing with us. And we would like to know how that money was spent and why ADB didn't make audit of the project. We need audit of the project.
- Who will be responsible for misimplementation of the project and losses of benefit due to delay of the project?
- We need full information about the project and project activities and how they were implemented before project has been cancelled.
- If ADB is going to give new funds for the project, what mechanisms will be used to protect project beneficiaries, their rights and losses?

We have previously made a 'good faith' effort to address our problems with the ADB operations Department, PIU and Kyrgyz Government. We submit the following facts with supporting documents: project site pictures, our correspondence with ADB management and Kyrgyz Government so far.

We authorize the Special Project Facilitator to publicly release this information in this complaint.

We request to consider Ms Asel Kuttubaeva and Ms Nazgul Keldibekova, International Center "Interbilim" and Ms Maya Eralieva, NGO Forum on ADB as our representatives to file this complaint.

Please do keep contact with them for further discussion on our complaint.
Their contact details as bellow:

Ms Asel Kuttubaeva and Ms Nazgul Keldibekova,
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Bishkek, Kyrgyz Republic, Razzakov st.16/2; tel/fax: (+996) 312 300-283, 300-284 and
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Signatures:

Names:

Addresses:

Other Contact Information:

Telephone

Fax

Email

1. Raimov Zakir - local community leader in Kyzyl-Kyshtak Ail Okmoty (Kara Suu rayon, Osh oblast) where Myrza Aji WUA is located
2. Borubaev Shakirdjan - ex head of Myrza Aji WUA (Kyzyl-Kyshtak Ail Okmoty)
3. Adbybali Japarov - head of Vorukh Ali WUA (Sary Kolot Ail Okmoty, Kara Suu rayon, Osh oblast)
4. Nasyr Jumaev -head of water management department (Kampyr Abbat water canal) in Barpy Ail Okmoty (Suzak rayon, Djalalabat oblast)
5. Amiraev Eldos - head of Changet Suu WUA in Barpy Ail Okmoty (Suzak rayon, Djalalabat oblast)
6. Adbykerim Abdyjaparov - head of Bek Abad Suu WUA in Atabekov Ail Okmoty Suzak rayon, Djalalabat oblast)