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Date: 21 May 2007

To:

Country Director
Asian Development Bank
Nepal Resident Mission, Kamaladi, Kathmandu

CC:

Honorable Minister Hisila Yami
Ministry of Physical Planning and Works
Singha Durbar, Kathmandu, Nepal

Honorable Minister Ram Saran Mahat
Ministry of Finance
Singha Durbar, Kathmandu, Nepal

Mr. Poorna Kadariya
Act. Secretary
Ministry of Physical Planning and Works
Singha Durbar, Kathmandu, Nepal

Mr. Haruhiko Kuroda
President
Asian Development Bank
Manila, Philippines

Executive Director
NGO Forum on ADB
Manila, Philippines

Sub.: **STOP Severn Trent doing the same mistake in Kathmandu!**

Dear Sir/Madam,

Recent news reports in Nepali media have highlighted ADB's unwanted pressure on the government of Nepal and the new Minister of Physical Planning and Works who is reviewing the situation regarding the handing over of the management of Kathmandu Valley's water supply to Seven Trent Water International (STWI) in order to ensure that the interests of the Nepalese people are protected. We appreciate ADB's concern and support for the well-being of the Nepalese people but strongly oppose ADB imposing conditionality that may not be in the interest of Nepalese people in exchange. We request ADB to respect the rights of a sovereign people of a sovereign country to make decisions that is in the interest of the country.

We have several serious concerns regarding the current process of handing over of the management of Kathmandu Valley's water supply to STWI, which we have stated in previous meetings with the ADB and the government of Nepal. These include the following:

- STWI has a very bad reputation regarding corruption and poor performance in other countries such as Trinidad & Tobago and Guyana. How can we be assured that this will not happen in Kathmandu? Given its track record elsewhere Nepal will probably end up paying dearly for STWI's unsatisfactory services. Why was STWI selected in a bidding process that involved only one bidder? How can a private party in the absence of competition be efficient?
- There has been very little transparency and public participation in the process of selecting STWI. This is against ADB's report on Asian Water Supplies which states, "Openness, transparency, and strong public regulatory oversight are fundamental requirements in any efforts to shift the public responsibility for providing clean water to private entities." So, what is wrong if the Minister wants to consult experts, representatives of political parties and the general public before making any decision?
- Water is an essential service and every person has the right to its access to, and that the delivery of such must remain in public hands. In recent years, there is increasing realization based on real life experiences in various developing countries that the approach of privatizing essential services such as water has not delivered the promise of delivery of efficient, affordable and safe water. The Philippines is a case in point. Private companies now running water distribution system there have raised the rates by as much as 550% and 750% higher than the original tariffs. Water is becoming inaccessible to poor people against the hallowed poverty reduction objective policy of the ADB. In the present case ADB is violating its own policy and guidelines. UNDP's Human Development Report 2006 also states that "Private involvement is not the bright line between successes and failure in water provision. Nor is it a guarantor of market efficiency. Water provision through a network is a natural monopoly, reducing the scope for efficiency gains through competition and making effective regulation to secure consumer interests an imperative."

We strongly support and appreciate Minister Hisila Yami's decisions to postpone the contract award and to discuss the matter once again at a cabinet meeting, owing to the concerns over the background of the management contractor. As the government Nepal is the rightful institution to take decision on the issue, we call upon ADB to stop pressuring the government in making hasty decisions that are against the interest of Nepal and Nepali people. We call upon ADB to cooperate with the government in taking an objective assessment of the current situation to ensure that quality of services of drinking water and sanitation in Kathmandu is improved in a manner that ensure that public participation, accountability and transparency.

Thanking you.

Lajana Manadhar
President