

Andrew Norman
Managing Director
Severn Trent Water International
2308 Coventry Road
Birmingham
B26 3JZ

20 December 2006

Dear Mr Norman,

STWI in Nepal

I am writing to express the World Development Movement's (WDM) very strong concerns at your decision to undertake the privatised water contract in the Kathmandu Valley in Nepal.

Our concerns stem from a number of different issues which are set out below, alongside a series of questions to you.

Privatisation conditions

You will know that the Asian Development Bank (ADB) is the principal funder of the Melamchi Water Supply Project, of which the proposed privatisation of the Nepal Water Supply Corporation is part. Two loans with a combined value of US\$15 million have been made available by the ADB to fund restructuring of Nepalese water institutions and to fund the management contract.ⁱ WDM understands that the ADB, together with overseas aid agencies, have made the private management of the Kathmandu water supply system, a pre-condition of their co-financing.ⁱⁱ

Meanwhile, Nepal's Poverty Reduction Strategy Paper (PRSP), signed-off by the IMF and World Bank in May 2003, stated there would be "Private sector involvement in urban and semi-urban areas."ⁱⁱⁱ PRSPs are often cited as being 'country owned' although in fact they tend to reflect policy prescriptions that are commonly advocated by international financial institutions, including water privatisation. In a survey by WDM of 50 PRSPs, 62 per cent specifically included water privatisation or greater private sector involvement in water supply services.^{iv}

Is STWI aware of these privatisation conditions? Does STWI agree with WDM and campaigners in Nepal that they call into question the legitimacy of the water privatisation programme in Nepal?

Local political situation

You will know that there have been serious concerns over human rights in Nepal in recent years. Overall campaigners have found it difficult to publicly oppose the privatisation due to the crackdown on political dissent by the government of King Gyanendra. Gopal Siwakoti, Coordinator of the Water and

Energy Users' Federation-Nepal, was arrested and detained for several weeks in February 2006 after speaking at a public rally in Kathmandu on these issues.

In addition, the former premier and Nepalese Congress President Sher Bahadur Deuba and former minister Prakash Man Singh have been given jail sentences of two years and steep fines, along with several other senior officials, on charges of corruption relating to the Melamchi project.

Even though political reforms have now taken place in Nepal, and the King no longer runs the government, concerns remain.

Legislation has recently been passed to enable the NWSC privatisation to go ahead. "It will be unfortunate if the bills are passed without amendments," said Prakash Amatya, the executive director of NGO Forum of Urban Water and Sanitation, earlier this year.

Apparently even during the period of direct rule by the King, these bills were not enacted, even though privatisation was on the cards. Campaigners have expressed great concerns at the way in which this legislation has recently been passed, particularly the way in which attempts by water activists to have them discussed amongst stakeholders and policy-making bodies have apparently been ignored. "For over a year, we have been crying that the bills have problems and need to be discussed thoroughly before tabling," Director of the Nepal Water for Health (NEWAH), Umesh Pandey has said.

While four companies were originally short-listed for the management contract: Gelsenwasser, Biwater/Gauff, STWI and Saur, the other three did not submit final bids. Perhaps this reflects the fact that this process has been deeply controversial.

We understand also that the Norwegian government has halted its funding for the Melamchi project because of its concerns.

As of December 2006, six NGOs and consumer groups have recently filed public-interest litigation with the Supreme Court in Nepal, demanding the cancellation of this privatisation deal including the contract with STWI.

Is STWI aware that this project has been the subject of serious political controversy in Nepal? Does STWI think that the combined effect of externally-imposed conditions, human rights concerns, and limited legislative oversight, have created an appropriate business environment for STWI?

Concerns about privatisation

Overall, WDM shares many of the concerns expressed by Nepalese campaigners about whether water privatisation will deliver affordable water to the poor people of the Kathmandu Valley.

The water supply situation for the estimated 1.2 million urban residents of the Kathmandu Valley is poor for most of the year. Many households are not connected to the official water supply network. Most of those with such a connection receive an intermittent service of an hour or so a day, on alternate days in many areas, of very low pressure. Estimates of the number of unconnected poor households range from 30-43 per cent in the valley.^v

WDM's research and analysis shows that water privatisation, time and again, has failed to deliver clean, affordable, piped water to the poorest communities in developing countries. Communities have been told that water privatisation will bring efficiency gains and substantial new money not otherwise available, although these claims have rarely been borne out in practice.^{vi}

Nepalese campaigners have also argued that there has been a strong tradition of community management of water in Nepal, and they have argued that they, alongside the NWSC and local municipalities, could achieve the same aims with substantially reduced sums than those involved in this project.

Does STWI recognise that water privatisation has not lived up the hopes of aid donors to connect the poorest communities to piped water? What is the evidence which makes STWI think that this project will be different?

I look forward to hearing from you, in response to the questions set out above.

Yours sincerely,

Benedict Southworth
Director

ⁱ GWI. (2006). Global PPP project Tracker: Nepal Kathmandu. *Global Water Intelligence Vol. 7 Iss. 5*. May 2006. Oxford. Media Analytics.

ⁱⁱ Information supplied by WAFED

ⁱⁱⁱ National Planning Commission. (2003). *The Tenth Plan (Poverty Reduction Strategy Paper)*. His Majesty's Government of Nepal. Kathmandu. May 2003.

^{iv} WDM. (2006). *Out of Time*. World Development Movement. London. September 2006.

^v Information supplied by the Nepal NGO Forum

^{vi} WDM. (2006). *Pipe Dreams*. World Development Movement. London. March 2006.