

Source: My Republica; 16 August, 2014

NEA faces mounting losses due to increased electricity import

The Nepal Electricity Authority has suffered huge losses even as electricity tariff was reviewed in the fiscal year 2011/12. Increasing import of electricity has been blamed as a major reason driving annual losses to Rs 5.70 billion in the fiscal year 2013/14 up from Rs 4.56 billion the previous fiscal year.

NEA imported Rs 1.07 billion units of electricity worth around Rs 8.25 billion from India in the last fiscal year, it had imported only Rs 790 million units worth around Rs 6 billion in the fiscal year 2012/13.

“Increasing electricity import is the major reason for mounting annual losses,” Lekhanath Koirala, NEA’s acting deputy managing director, told Republica.

“We are selling electricity at lower rates and the only way to improve the situation is to adjust electricity tariffs with the cost NEA pays to India and other independent power producers for electricity,” added Koirala. Nepal imports electricity at an average rate of IRs 5.25 (NRs 8.4) per unit. The per unit retail rate of the electricity of NEA is Rs 8.04 per unit. Nepal imports up to 200 megawatts of electricity from India during the dry season.



Though rich in water resources, the country is becoming more dependent on India for electricity, which has widened the country's trade deficit, experts say. "Had there been cross-border transmission lines, we would have been importing up to 400 megawatts of electricity during the dry months widening the trade deficit with India," said Sher Singh Bhat, spokesperson of NEA. The cost of fossil fuel import has already surpassed the country's total commodity export.

Net loss of NEA stood at Rs 8.55 billion in 2011/2012 and Rs 6.51 billion in 2010/11. It may be noted that NEA's accumulated losses amounting to Rs 27 billion was written off by the government a year ago. NEA's losses in the fiscal year 2012/13 had been halved after 20 percent hike in electricity tariffs.

“However, half of NEA’s losses results from provisioning for pension and gratuity of the employees,” claimed Koirala. He also complained that the government had promised to compensate for losses incurred while importing electricity from India but the finance ministry only disbursed around Rs 1 billion in this fiscal year as government’s equity in the NEA.

Other measures had also been planned to bring down NEA’s losses. But it also failed to reduce electricity leakage. Of the total loss, 25.11 percent of NEA’s losses resulted due to technical reasons in the fiscal of 2012/13. A total of 23.50 megawatts of electricity was connected to the national grid in the fiscal year 2013/14. NEA is marking its 29th anniversary on Sunday.

Source: The Himalayan Times; 17 August, 2014

'Those against PTA signing levelled various charges against us by pitching one-sided views'

RUPAK D SHARMA

*During Indian Prime Minister Narendra Modi's visit to Nepal earlier this month, both the countries had agreed to conclude power trade agreement within 45 days. Based on this agreement, India has sent an invitation to Nepal to hold secretary-level talks. PTA is considered crucial for Nepal as it would allow the country to import electricity when generation here falls, while giving the leeway to export power when there is a surplus. However, Nepal's decision to sign the pact had earlier landed in controversy after some claimed India was trying to dictate certain terms and conditions. **Rupak D Sharma of The Himalayan Times caught up with Energy Minister Radha Kumari Gyawali** to discuss the issue and other problems faced by the domestic power sector.*

The draft of the power trade agreement (PTA) forwarded by the Indian side had created quite a stir, isn't it?

India had sent the draft of the PTA earlier this year based on the document we had forwarded in 2010. As per the international practice, we had not disclosed the content of the draft agreement provided to us by India. But we were holding discussions in the ministry on the provisions incorporated by the Indian side. While these discussions were going on, some elements, who were against the signing of the PTA, levelled various charges against us by pitching one-sided views. However, we did not retaliate, as the government cannot be as inconsiderate as those who were totally against us. We wanted to seal the deal as it would benefit both the countries. Without this agreement we cannot provide the vast Indian and regional market the hydroelectricity that can be generated here. So we want to enter into this agreement with India.

India has now sent an invitation for secretary-level talks. Have you proposed a date for the meet?

India had sent the invitation for the talks when I was visiting Bangladesh. It had sent the invitation based on a minute signed by both the countries during Indian External Affairs Minister Sushma Swaraj's visit to Nepal. We will soon send a team to India.

When are you planning to send the team?

We haven't fixed a date yet. But we will do it soon.

Nepal had made some amendments to the PTA draft forwarded by India. How has India responded to the revised draft?

We haven't heard anything from the Indian side. But I am meeting with the Indian ambassador to Nepal this week to discuss the issue.

What does the draft of the PTA forwarded by Nepali side include?

We haven't disclosed the content of the draft agreement to any one so far. But it basically paves the way for cross-border trading of electricity and development of cross-border transmission lines. However, we do not want the agreement to deal with the issue of power generation as proposed by India. Once the deal is sealed, it will attract more foreign investment, including Indian, to the domestic power sector. We are also hopeful the agreement will encourage Nepali and Indian investors — private and public — to invest in the power sector of each other's country on mutually agreed terms and on conditions that domestic laws approve of such investments.

The draft of the PTA forwarded by Nepal was prepared by political parties. Doesn't the practice of engaging politicians while preparing draft agreements undermine the government's role?

No, it has not undermined the government's role because the draft of the PTA prepared by the three-member political panel (comprising leaders of Nepali Congress, CPN-UML and UCPN Maoist) was originally designed by the Ministry of Energy. The political panel had only endorsed what the ministry had prepared. The document prepared by the ministry had also excluded the part of power generation from the draft agreement.

It is said that new draft of PTA prepared by Nepal incorporates a provision on sub-regional grid connectivity, which, if approved, will allow the country to export power to Bangladesh and even Pakistan. There are rumours that India is not very happy with this clause. Is it true?

Actually, that provision was included in previous drafts as well. A SAARC level meeting held in Kathmandu had delved into the issue of harmonising policies, rules and regulations in South Asia for the development of the power sector. During this meet, issues of bilateral, sub-regional and regional power trade were also discussed. So, the issue of regional power trade is not new. However, I cannot confirm the rumours that you heard that India is not happy about the provision on sub-regional power trade, as I have not heard from the Indian side since we forwarded the draft. But the message relayed by two senior Indian leaders (Modi and Swaraj) suggests that India is willing to extend all support for Nepal's economic development. So, we should not politicise the issue. Instead, we should try to further deepen our relationship with India for development of energy sector. Energy sector's development is crucial for migration of the country from grouping of least development countries to that of developing nations.

One of the hotly-debated issues in the hydro sector currently is the use of US dollar as the principle currency while entering into power purchase agreements (PPA). Recently, you also said the government is against the practice of signing dollar-denominated PPAs.

Yes, I did make that remark. This is because of our past experience. We are currently purchasing electricity from Khimti and Bhotekoshi hydro projects in US dollars and selling it in Nepali rupees. (Since the time of signing those agreements, the value of Nepali rupee has nosedived.) Because of this, Nepal Electricity Authority (NEA) is incurring losses to the tune of billions of

rupees every year. Even though these deals were creating financial burden, we agreed to purchase electricity in dollar terms with Super Six hydro projects (50MW Mewa, 15MW Maya, 24MW Solu, 82MW Lower Solu, 16MW Singiti and 24MW Khare). It is now time we develop a proper criteria for signing dollar-denominated PPAs so that we can be selective. In this regard, we have formed a committee which will lay recommendations on the pros and cons of purchasing power in dollars. Having said that, I do not want to offend investors as well, as most of them want to sign dollar-denominated PPAs. So, we are considering on signing dollar-denominated PPAs till the time investors pay back their loans and purchasing electricity in Nepali rupees after that period. But we have not decided on it yet.

You had also engaged in talks with developers of Khimti hydro project to review the PPA, isn't it?

Yes, I held discussions on it soon after I took office. During that time, I also raised the issue of imposing 50 per cent extra on power they sell in excess of the quantity mentioned in the PPA. I have asked them to give me a proposal which could create a win-win situation for both parties. Recently, I also held discussions with the Norwegian ambassador on the matter. So, we will soon be reviewing the PPA with Khimti project.

One major problem seen in the power sector is delay in construction of transmission lines. How is the ministry planning to deal with the issue?

Yes, development of transmission lines is as crucial as power generation, as we won't be able to reap any benefit from power generated by hydroelectric plants unless we are able to evacuate it. In this regard, we will soon be separating transmission division from NEA. Although there are plans to unbundle generation and distribution parts from power company, separation of transmission division will be given first priority. So, development of transmission lines is as important for us as power generation.

By when will you be disintegrating the transmission part from NEA?

We have already started the work. But I can't give you an exact timetable. The new body will be under a separate management, but it won't be autonomous.

Source: The Himalayan Times; 19 August, 2014

Light at the end of tunnel for 140MW Tanahun project

Rupak D Sharma

The uncertainty over implementation of the 140-megawatt Tanahun Hydropower Project may be over as early as this week, as the Ministry of Energy (MoE) is about to complete reviewing bids of firms that have expressed interest to work as project supervision consultant.

Once the revision is complete, the ministry will select a preferred bidder, which will be responsible for supporting Tanahun Hydropower Limited, a special purpose vehicle created to implement the hydropower project, in the areas of project administration and design, engineering services, contracting, management control, procurement and other technical aspects.

“If things go according to plan, we will be able to wrap up the process of evaluating bids within next three to four days. Based on these assessments, we will appoint a project supervision consultant,” MoE Joint Secretary Keshab Dhoj Adhikari told The Himalayan Times. The consultant will be hired for a period of 147 months.

The consultant selection process for the largest ever reservoir type hydro project in the country had begun in July 2013, with the Asian Development Bank (ADB), one of the major financiers of the project, seeking expressions of interest from interested domestic and international firms. Six international parties were shortlisted through this process.

Following this, the ADB issued request for proposals and five of the six parties submitted bids. Of these firms, a joint venture between Lahmeyer International of Germany and Manitoba Hydro of Canada was picked as the preferred bidder.

While the ADB was preparing to hand over the contract to the joint venture, the Commission for Investigation of Abuse of Authority (CIAA) received a complaint, which mentioned of 'flaws in the consultant selection process'.

Based on this complaint, the CIAA told the ministry to review the bids submitted by the parties that were shortlisted.

"We issued the instruction as we were not satisfied with the bid evaluation process. The evaluation process was not transparent either," CIAA Spokesperson Shreedhar Sapkota said.

The CIAA had intervened in the matter based on two issues raised by the complainant.

First, the ADB had no right to select the consultant as the project was being built through loan extended by the multilateral donor agency, not grant. This meant the recipient of the loan, or the government in this case, should be responsible for selection of consultants, not the ADB.

The ADB's Guidelines on the Use of Consultants also states: "Normally, the borrower is responsible for the selection, engagement and supervision of loan-financed consultants, and ADB is responsible for the selection, engagement and supervision of TA (technical assistance) grant-financed consultants."

Although this is the normal practice, there is a caveat, as the guideline further says that 'specific rules and procedures to be followed for employing consultants depend on the circumstances of the particular case'.

This implies the ADB can select consultants for loan-financed projects if the nature of the project is complex; and the multilateral donor agency has engaged in such processes in other countries in the region.

Based on this provision, the ADB had entered into an agreement with Tanahun Hydropower Limited and assumed the responsibility of selecting the project supervision consultant.

“We had agreed to help Tanahun Hydropower Limited in consultant selection process because the government had made a request in this regard,” an ADB source said, adding, “There is an aide-mémoire on it, which has been confirmed by the Ministry of Finance.” However, the pact signed with the special purpose vehicle came under scrutiny, as the company had not signed a subsidiary loan agreement with the government. Because of this, many government officials are not willing to recognise Tanahun Hydropower Limited as a state entity.

Another issue raised by the complainant was that the consultant, which was selected as the preferred bidder by the ADB, ‘did not have adequate experience in sediment flushing’.

As per the terms of reference issued by the ADB, ‘specific experience’ in sediment management, such as sediment flushing and desanding, was one of the major criteria for selection of consultant.

“Yes, adequate experience in sediment management is one of the criteria. But it’s not the only criterion, because the project we’re talking about is by far the largest every reservoir-type hydro project in the country. So, other aspects like international exposure, safeguard experience, and expertise in maintenance and operation should also be taken into consideration while selecting the consultant,” the ADB source said.

The project is being built at a cost of \$505 million (approximately Rs 49.25 billion), of which \$470 million will go towards building the hydropower plant and \$35 million towards transmission and rural electrification components. Other

financiers of the project are the government, Japan International Cooperation Agency and European Investment Bank.

Source: My Republica; 19 August, 2014

Energy ministry told to table energy bills at the earliest

RUDRA PANGENI

The Agriculture and Water Resources Committee of legislature-parliament on Tuesday directed the Ministry of Energy (MoE) to table Electricity Bill and Electricity Regulatory Bill in the parliament at the earliest.

The Electricity Bill will replace the Electricity Act 1992 which is outdated, while the Electricity Regulatory Bill envisages forming a regulatory agency to regulate electricity prices by monitoring the cost of energy production, power purchase agreement, and transmission and distribution costs.

The government had tabled both the bills in the legislature-parliament before the house was dissolved in 2012. Lawmakers had made different suggestions on the bills. But they remained stuck at the legislative committee of the parliament with the dissolution of the Constituent Assembly.

"Lawmakers had given dozens of suggestions on the bills. But those suggestions couldn't be incorporated in the bills because of the reluctance of the then energy minister," Gagan Thapa, member of the Agriculture and Water Resources Committee, said.

Thapa was the member of the legislative committee of the parliament which was dissolved in 2012.

"I wonder why the MoE officials are reluctant to forward the bills to the parliament. These bills can be milestone for the development of energy sector," he added.

Officials say lawmakers had divided opinions on energy export in 2012. Now they unanimously agree that energy export is necessary for the national economy.

COMMITTEE SEEKS ALL DOCUMENTS RELATED TO PTA

The parliamentary Agriculture and Water Resources Committee has requested the Ministry of Energy to submit all the documents related to Power Trade Agreement (PTA) with India, including the one that the government recently sent to India as a response to a proposal document that India sent in June.

The government was forced to stop a technical team of MoE from flying to New Delhi for holding preparatory dialogue for PTA after content of the proposal document sent by India was leaked media. This halted the process to sign PTA with India.

The committee also has asked the ministry to provide a bilateral energy trading agreement that Nepal signed in 1997 and another proposal for PTA sent to India by Nepal in 2010. It also sought information on the progress in PTA with the Minister for Energy Radha Kumari Gyawali and Energy Secretary Rajendra Kishore Kshatri.

India has requested the energy ministry to send its technical team to New Delhi for discussing the content of PTA.

In the run up to the visit of Indian Prime Minister Narendra Modi, the committee had directed the government to sign PTA with India by safeguarding national interest.

The committee also has decided to invite vice-chairman of National Planning Commission Gobinda Raj Pokharel and officials of the Investment Board Nepal on Thursday to discuss on the content of Power Development Agreement (PDA) document for Upper Karnali Hydropower Project. A committee led by Pokharel is currently reviewing the document to make necessary suggestion to the government before signing agreement with project developer GMR.

‘Upper Karnali will affect downstream projects’

KATHMANDU (REPUBLICA): Minister for Irrigation N P Saud told the Agriculture and Water Resources Committee on Tuesday that his ministry has raised two important issues regarding the PDA of Upper Karnali (900 MW).

"Peaking project will badly affect downstream irrigation projects during dry months as the water flow in the downstream will be far lower than 322 cumec (cubic meter per second)," Saud said.

Ranijamara-Kularia Irrigation Project, Rajapur Irrigation Project and Surya Patuwa Irrigation Project are the downstream projects. As per the project design, they will be affected if water flow is lower than 322 cumec. "Investment-friendly decisions will not necessarily secure national interests," he said, adding that decision makers should sign the deal only after studying the consequences.

Source: Gorkhapatra online; 20 August, 2014

Energy minister says pta can not be made public

Energy Minister Radha Gyawali has called on lawmakers to understand the difficulty in making public full details of the Power Trade Agreement (PTA) to be signed with India as it was in the phase of talks.

She made this remark as lawmakers demanded full details of the PTA with India for studies prior to discussion, in today's meeting of the Agriculture and Water Resources Committee of the parliament.

Stating that the PTA with India will be in national interest, she said it would not be proper to make public fully the agreement between two countries as per international laws.

She said PDA, however, was not under her ministry and that her ministry was serious on completing transmission lines in time.

In the meeting, Irrigation Minister Narayan Prakash Saud informed about the effects in dry season to irrigation projects in Ranijamara Kulariya, Rajapur and Surya Patuwa downstream of the Upper Karnali Hydel Project.

More discussion should be held on the impacts of the project as it is in reservoir model, he said.

Senior member of the Committee Amrit Kumar Bohara said August 21 has been fixed for more discussions on PTA and PDA and Recommendation Committee headed by NPC Vice Chairman Govind Pokhrel and Investment Board will be invited in the next meeting.

Source: The Himalayan Times; 21 August, 2014

Don't make haste to sign PTA, PDA with India: Ten Left parties Won't ink any deal that will hamper national interest, says prime minister

Leaders of ten fringe left parties submitted a memorandum to Prime Minister Sushil Koirala today urging him not to sign the Power Trade Agreement and Project Development agreement with India in a hurry.

Handing over the memorandum at the PM's official residence in Baluwatar, General Secretary of CPN-Maoist Ram Bahadur Thapa urged the government to halt the process of PTA and PDA with India and seek national consensus in this period of transition even if it is an agreement in the interest of the nation. He said the government should take initiative to build hydropower projects that could fulfil the needs of the country, .

Thapa said if the private sector was to be involved, the government should adopt the model of Chilime and Tamakoshi; and if foreign companies were to be involved, the deal should ensure that the power produced first met the internal demand.

The ten fringe left parties also demanded that the government ensure the rights of local people by providing appropriate number of project shares and ensured their rights on both the upper and lower parts of the river.

Koirala told the delegation his government would never sign any power agreement that would hamper national interest. He urged fringe parties to help the government in its initiative to develop the country through cooperation and consensus. He said peace and stability were essential for the country's development.

Source: My Republica; 22 August, 2014

House panel tells govt to sign PDA on time

Parliament's Committee on Agriculture and Water Resources has directed the government to sign the Project Development Agreement (PDA) with the developer of the Upper Karnali Hydroelectric Project within the given timeframe.

The committee has instructed the authorities concerned to ensure that the rights and concerns of local communities and national interests are not undermined while signing the deal.

"Sign the deal while ensuring local people's security, rehabilitation, employment, their compensation, allocation of project shares to the locals and local infrastructural development," states the decision taken by the committee at its meeting on Thursday. "Also, make sure that there is no adverse impact from the mega project on the environment and on irrigation projects being run downstream of the hydroelectric project."

The energy ministry was supposed to sign the PDA of the 900-megawatt hydroelectric project with Indian developer GMR Energy Limited during Indian Prime Minister Narendra Modi's visit to Nepal earlier this month.

Failing to sign the deal, the prime ministers of the two countries then directed the concerned authorities to conclude negotiations on the PDA between the Investment Board of Nepal and GMR Group of India within 45 days. The project is situated in western Nepal.



In its decision, the committee has also directed the government to make a long-term projection of Nepal's domestic needs, study the possibility of energy supply from other projects and ensure that Nepal will get its share of power from the project.

Similarly, the committee drew the government's attention toward incurring minimum risk for the Nepal side as per international criteria under the concept of force majeure that may be invoked during project development.

Earlier, Minister for Energy Radha Gyawali and her ministry were widely criticized for failing to finalize

the PDA in time for the Modi visit.

During the visit, Prime Minister Sushil Koirala and his Indian counterpart emphasized that tapping projects of this size would be a major catalyst for the development of Nepal's hydropower potential. They also expressed a desire for early conclusion of three other PDAs, namely, for Arun III, Upper Marsyangdi and Tamakoshi III.

GMR bagged the project through international competitive bidding and the project will be developed on the Build, Own, Operate and Transfer (BOOT) model.

Source: My Republica; 22 August, 2014
PPA amendment: Vital for govt spending

PUSHPA RAJ ACHARYA

When the government's guide to procuring goods and services was enacted in 2007, the law's authors had envisioned getting rid of corruption and 'hooliganism' and making the bidding process more effective. But the Public Procurement Act (PPA), 2007, created its own set of logjams and has not only not managed to get rid of 'hooliganism' but also cut down the quality of goods bought and chased away potential bidders.

The act is one of the factors causing low capital expenditure in the country, which was 3.2 percent of gross domestic product (GDP) in Fiscal Year 2013/14. There are a host of issues surrounding the procurement of government goods and services for activities such as construction, building, and vehicle purchases, among others.

The problem of low expenditure performance has worsened to such an extent that actual capital expenditure was just 75 percent of what was planned for last year, according to the Ministry of Finance.

Troubled by the low amount as well as quality of capital expenditure, parliamentarians have accelerated the addressing of the core issues by revising the Public Procurement Act (PPA) and the associated rules.

This is of vital importance to the country, given its massive infrastructure needs, financing for which stands between 9-12 percent of GDP.

The government recently announced that it would amend the Public Procurement Act and Public Procurement Rules, 2007, for expediting development projects by easing a lengthy procurement process.

The act, which was launched in 2007 with the objective of financial transparency and the effectiveness in bidding process, has itself become a barrier for timely completion of projects due to procurement issues.

The government has learned of so many problems after the implementation which it had not envisioned during formulation of the Public Procurement Act.

Now, on the initiation of the Ministry of Finance and the Finance Committee of the Legislature Parliament, the act is under the process being amendment. But why does the government feel the requirement of amending in Public Procurement Act?

AWARD THE LOWEST BIDDER

The existing Procurement Act has provisioned awarding of a bid to the lowest bidder no matter what. This has become a major problem for completion of development projects.

Because of this provision, shadow companies are emerging due to rampant licensing to sub-contractors, according to Jay Ram Lamichhane, the president of the Federation of Contractors Association of Nepal (FCAN).

‘To the lowest bidder’ is the major reason for the inferior quality of work and the supply of inferior quality goods.

The provision also means that the executing agencies have no use for checking bidders’ profiles, track records and the practicality of the bid amount as they are compelled to award the contract to the lowest bidder as according to the rules ‘lowest is best’.

The concept of ‘lowest is best’ was not practical enough. Shadow companies of reputed contractors use the process to bid low rates and the shadow companies then pull out when the bids open. Then the executing agencies have an obligation to award to the second lowest bidder or publish bid a notice once again, which is ultimately hurting government’s capital expenditure.

LENGTHY PROCESS

The bidding process is too lengthy in Nepal. The act has provisioned a minimum of one month for bid submission. But it takes more than three months for the whole bidding process to finish. On one hand, the government is talking about e-bidding, which can be submitted from very few days from all over the country. This process, however, does not allow for actual submission through the internet. So it has become just a system of downloading forms. The government had also hoped e-bidding would cut down on ‘gangsters’ harassing bidders when they came to submit their bids. But since bidders have to come to the concerned offices anyway to submit the downloaded and filled forms, e-bidding has become ineffective in minimizing hooliganism.

LACK OF LIABILITY

Contractors are also ‘encouraged’ into doing inferior work because the act does not include a provision for them being liable for defects once the project is handed over to the government. It also does not provide for the concerned agency to inspect the quality of work when they take it over. The inspectors only measure if the work meets the number -- be it distance or number of goods. Once the contractor hands over projects like roads, irrigation canals, bridges or other development works, they will be immune from all liabilities. “If the construction work is found to be defective next day, we can’t make the contractor liable to rebuild that,” CP Mainali, a lawmaker and the convener of a panel formed by Finance Committee told Republica, adding “There should be a provision of a defect liability period to make contractor responsible for the quality of work.”

COST variation

There also a provision widely called cost variation which serves the interest of the contractors. The low cost bidding will be compensated by the variation, that is, contractors can add later increased cost owing to strikes, exchange rate change, and price adjustment of construction

materials and so on.

We can take the example of the Chameliya Hydropower Project. The cost of the project went much beyond the original estimate.

Normally, it costs Rs 150 million for generating a megawatt of hydropower, but the final cost of Chameliya reached Rs 500 million per megawatt because of cost variation.

Finance Minister Mahat, who initiated the legal reform, has emphasized the need for the act to restrict strikes in industrial as well as development project areas for efficiency of the development project because the increase in cost of development and delay in completion ultimately hits consumers.

Contractors have also been known to entice political groups or 'gangsters' to cause strikes and vandal the contractors' own offices at the project site so that they can increase costs allowed through variation.

MANAGING MOBILIZATION FUNDS

The government provides 20 percent of the total estimated amount as mobilization funds to the contractor after awarding contract. Most of the bidders flee after receiving the mobilization fee. Bidders who get the tender for crucial works have also flown after receiving mobilization funds. The Ministry of Industry awarded contracts to build road accesses and install power supply lines to Cement Industries, the government failed to complete the task in time because of the dishonesty of contractors, according to Dhruva Thapa, the president of Cement Industry Association.

Chief Secretary Lila Mani Poudel once said that mobilization funds should be released on installment rather than being provided in bulk, which might prevent contractors from escaping after receiving the mobilization fees.

PPA: HANGING ROPE FOR PUBLIC ENTERPRISES?

We can take the example of Nepal Telecom and the private sector run telecommunication service provider company Ncell which is aggressively expanding its market.

Ncell does not have go through much procedural hassle regarding procurement. But the Public Procurement Act of the government fastens Nepal Telecom, which is a government-owned company.

“The equipment that Ncell can easily procure in the desired time frame, Nepal Telecom cannot,” Bimal Wagley, the chairman of the Public Enterprise Directive Board, said.

“And then how can the public enterprises compete with private companies.” He suggests putting result-oriented provisions in the act rather than the present process oriented ones.

OVERSIGHT AGENCIES AND PPMO

The government formed a separate agency -- the Public Procurement Monitoring Office (PPMO). But the oversight agencies became more proactive than PPMO on procurement issues.

PPMO has not found its absolute role in the monitoring of public procurements.

Because of this, the executing agencies have shown unwillingness in prompt decision-making for the sake of completing development projects in time.

In this regard, the government should strengthen PPMO using the amendment. It has to clearly define the role of PPMO through the act.