

Source: My Republica; 20 Dec, 2014

## **IFC to invest ten percent share in Upper Karnali**

The International Finance Corporation (IFC) is to invest ten percent share in the Upper Karnali Hydropower Project.

An agreement towards that end is taking place between the project promoter Grandhi Mallikarjuna Rao Group (GMR) and IFC on coming Monday.

IFC country manager for Nepal Kyle Kelhofer called on Finance Minister Dr Ram Sharan Mahat Friday and informed him about the Corporation decision to own the project share. On the occasion, Minister Mahat was assured that the project would see no lack of resources, the Ministry said.

Other projects such as Upper Arun, Kabeli and Upper Trishuli-1 are in the list of IFC investment, it is learnt. RSS

Minister Acharya assures of human rights-friendly constitution

Biratnagar, Dec 20: Minister for Forest and Soil Conservation Mahesh Acharya has assured that a new constitution would guarantee human rights, democracy, peace and judicial rights of the people.

In his address to an interaction program on the 'constitution with human rights' organized by Human Rights and Peace Society in Biratnagar Saturday, Minister Acharya said a new constitution would also ensure the rights of women, children and the aged citizens.

Talking about suggestions received regarding the form of governance in a new constitution, he said most of the members in the Constitutional-Political Dialogue and Consensus Committee have voiced in favor of the parliamentary system.

Minister Acharya who represents the Nepali Congress in the coalition government further claimed that many political parties are in favour of the seven province-based federalism.

CPN (UML) district chairman Mahesh Regmi stressed that political parties should join their hands for drafting a human rights-friendly constitution to prevent the country from going to regression.

National Human Rights Commission (NHRC) eastern regional director Koshraj Neupane, NC district secretary Yadu Bista, Chief District Officer Ganesh Raj Karki, Muslim Association central member Guljar Khan and Amnesty International general secretary Dik Prasad Ghimire were among those putting their views at the programme presided over by society Chairperson Dilli Ghimire. RSS

Source: My Republica; 20 Dec, 2014

## **Govt rejects ADB's pick for Tanahun Hydro consultant**

**RUDRA PANGENI**

*Cites lack of experience*

**KATHMANDU, Dec 19** :The government has refused to appoint the consultant selected by the Asian Development Bank (ADB) for project supervision at the US\$ 505 million storage-type Tanahun Hydropower Project, faulting the evaluation process as well as the Request for Proposal (RFP) document, the latter for missing out essential qualifications.

Energy Minister Radha Gyawali took the decision on Wednesday, bringing to an end the indecision and wrangling for about six months following two separate review committee reports on the selection process. Officials at the Ministry of Energy (MoE) say the minister's decision states that the government, acting on the basis of a review carried out as directed by the Commission for the Investigation of Abuse of Authority (CIAA) and a review committee report prepared by MoE Joint Secretary Keshav Dhvaj Adhikari, could not agree with the evaluation by ADB.

Following complaints filed by the locals of Tanahun against the ADB selection, the CIAA in July had asked MoE to review the recommendation to select a joint venture of Lahmeyer International of Germany and Manitoba Hydro International of Canada.

Adhikari's review committee found the evaluation system unfair, favoring only the JV of Lahmeyer and Manitoba over the Kansai-NEWJEC JV, the second in line in the selection process.

Sources at MoE say that the Project Administration Manual agreed between ADB and MoE stressed prioritizing those experienced in sediment flushing and sluicing, a specially required feature of the project. However, this was missing in the selection criteria and RFP.

Officials said that Lahmeyer and Manitoba have no experience in sediment flushing and sluicing. A joint committee formed by the Ministry of Finance (MoF) and comprising retired government officials Birendra Bahadur Deuja and Dinkar Sharma and representatives of the ADB also found mistakes in the selection process.

The decision will be forwarded to ADB through MoF. In response to Republica's query on a response to MoE's decision, Minister for Finance Ram Sharan Mahat said the decision is yet to be received.

In an earlier decision sent to MoF in October, MoE had asked MoF to find alternative sources of funding for the project if ADB funds are not provided. The government had signed a loan agreement with ADB for US\$ 150 million in February, 2013 and the co-financers are Japan International Corporation Agency (JICA), the European Investment Bank (EIB) and the Abu Dhabi Fund for Development (ADFD).

The project is being developed by Tanahun Hydropower Limited (THL), a subsidiary of Nepal Electricity Authority (NEA).

MoE has decided to start fresh consultant selection, a process which was expected to be completed in May last year, and the delay is sure to result in cost overruns.

In an email response to Republica on the government's decision, ADB's senior External Relations Officer Binita Shah Khadka said, "We have not heard from the Government of Nepal on their official decision." ADB further stated, "We are hopeful that this very important project will move forward. The project, we believe, is key to developing Nepal's vast potential for hydropower and helping to generate clean, year-round electricity when the country is reeling under severe power shortage."

Source: The Kathmandu Post; 20 Dec, 2014

# Minister revokes process of appointing Tanahu consultant

December 20, 2014 Categories [Development](#)

KATHMANDU, Dec 20

Energy Minister Radha Kumari Gyawali has revoked the process of appointing consultant for the 140-MW Tanahu reservoir-based hydropower project after second-rated Kansai Electric Company Limited of Japan looked set to not get appointed. Minister Gyawali, speaking to Karobar confirmed revocation of the process and decision to start a new process, but did not divulge the reasons for revocation.

Local agents had been lobbying intensively to revoke the process. Their pressure may have yielded results for them but it has created uncertainty about the project that has already been delayed by two years. Joint Secretary at the policy division of the ministry Keshav Dhwoj Adhikari had proposed to appoint Kansai by internally evaluating the bidders. The Arun III Project had been aborted around two decades ago due to Minister Gyawali's party CPN-UML and Tanahu may now face the same fate.

The Asian Development Bank (ADB) had earlier selected a joint venture of Lahmeyer International (Germany) and Manitoba (Canada). Promoter Tanahu Hydropower Limited in May had even issued letter of intent to Lahmeyer, held a round of dialogue with it and asked to manage staffers. The government had initiated the project to reduce load-shedding during the dry season, and investment has already been arranged for the project. Apart from the ADB the Japan International Cooperation Agency (JICA) and the European Investment Bank have already signed loan agreements. Promoter Tanahu has already applied with the Nepal Electricity Authority (NEA), that is building project through promoter Tnaahu Hydropower Limited, for power purchase agreement (PPA).

Promoter Tanahu Hydropower plans to complete the project by the end of 2020. Bids for civil, electromechanical and hydromechanical contracts can only be invited after appointment of consultant. The Policies and Programs for the current fiscal year states start of civil construction. The estimated cost of the project is Rs 45 billion. The ADB has lent US\$ 27 million (around Rs 2.75 billion) for procurement of consultancy service. It has signed investment agreement worth Rs 15 billion for the project. Cost of the project has already increased by Rs 5 billion due to delay, and it will rise more with further delay. The ADB has yet to comment on revocation of the process of appointing consultant. It has already warned of stopping assistance if its evaluation is ignored. There can be problem in investment for the project due to that. Tanahu Hydropower Limited earlier had aimed to complete contract agreement by January 21, 2014, send the consultant to work in February and start work by March, as per the amended working schedule. The project was earlier scheduled to be completed by 2018 and was later rescheduled for 2020. This date will also be affected.

Director of Tanahu Sunil Kumar Dhungel has been rendered redundant with the Energy Ministry interfering in the process of appointing consultant that promoter Tanahu was to do. The ministry's interference is against the Public Procurement Act provision that allows the office concerned to take decision about the project. The Public Procurement Monitoring Office has

already written to the ministry informing that the project chief can take decision following rumors that the decision can be delayed due to interference of higher authorities.

Major lender ADB had earlier met top officials of the Energy Ministry, Finance Ministry and promoter Tanahu Hydropower Limited and requested them to appoint the consultant by October end after the project did not move forward for eight months. The ADB had stated that its assessment has included all the issues raised by the government including that of sediment flushing. The dispute about appointment of consultant between the government and ADB had escalated after reassessment was done against agreement under supervision of the project in a way that will lead to a different result. The Commission for Investigation of Abuse of Authority (CIAA) has already initiated investigation after the side not being appointed consultant lodged complaint.

The ADB itself had invited bids and selected consultant as per loan agreement. It had reassessed the evaluation report after controversy about the process and has been stating that its evaluation is right. The Energy Ministry, Finance Ministry and ADB had appointed a separate independent expert group after escalation of dispute and the group had also found that the ADB's evaluation was right. The ADB had selected a joint venture of Lahmeyer International (Germany) and Manitoba (Canada) on the basis of financial and technical offers from among the bidders as per its procurement guidelines.

### **Lawmakers seek minister's resignation**

Lawmakers from Tanahu have demanded resignation of Minister Gyawali claiming she has revoked the process of appointing consultant for the project under influence of hydro mafia. Organizing a joint press conference on Saturday they have accused her of putting the project's future in uncertainty revoking the process at a time when the process of appointing consultant was moving forward after seeing that her interest will not be served.

Accusing her of betraying the state and people of Tanahu the lawmakers including Shankar Bhandari, Dhruva Wagle, Janak Raj Joshi, Ram Chandra Pokharel, Jhul Bahadur Ale, Asha Koirala and Shiva Lal Thapa urged Prime Minister Sushil Koirala to dismiss Minister Gyawali immediately.

Source: My Republica; 22 Dec, 2014

## **HIDCL appoints CIT as IPO issue manager**

Hydropower Investment and Development Company Limited (HIDCL) has appointed Citizen Investment Trust (CIT) as an issue manager for its initial public offering (IPO) of its Rs 2 billion worth 20 million units of shares.

CEO of HIDCL Deepak Rauniyar and CIT's Executive Director Ram Krishna Pokharel signed an agreement to this effect on Sunday. CIT also has ensured sale of 10 million units of shares in the agreement.

The company's issued capital will be Rs 10 billion. The company established for mobilizing funds from domestic and international resources to fund medium sized and big hydropower projects and transmission lines has so far co-financed a total of six hydropower projects with capacities ranging from 23.5 MW to 82 MW.

Rauniyar said they have completed the necessary process for filing application at the Securities Board of Nepal (Sebon) for issuing IPO. The expected date of IPO issuance depends on the time taken to acquire permission from Sebon.

The government has invested Rs 5 billion, Rastriya Beema Sasthan, Citizen Investment Trust and Employee's Provident Fund Rs 1 billion each and remaining Rs 2 billion is allotted for the general public.

The company had earned a net profit of Rs 430 million in the fiscal year. Process for receiving US \$80 million as soft loan from Asian Development Bank has already begun. HIDCL was formed in 2011.



Source: Karobar; 22 Dec, 2014

## **IFC to make 10% equity investment in Upper Karnali**

The International Finance Corporation (IFC) InfraVentures under the World Bank (WB) will make 10 percent equity investment on the proposed 900 MW Upper Karnali Hydropower Project and two big 400 KV transmission lines.

The IFC, that has earlier made 10 percent equity investment on 600 MW Upper Marsyangdi Hydropower Project, has signed joint development agreement (JDA) with promoter of Upper Karnali, GMR Group, India, for equity investment on three projects. The amount to be invested by IFC, however, has not been revealed. The IFC will now invest in four electricity projects including Upper Marsyangdi. Construction of the much-awaited Upper Karnali looks set to move ahead with signing of this agreement.

The IFC will also arrange requisite loan investment for the four projects apart from 10 percent equity. Estimated cost of these four projects is around Rs 500 billion. Promoters themselves will construct two big 400 KV transmission lines in Karnali and Marsyangdi corridors to export electricity generated by Upper Karnali and Upper Marsyangdi. Two separate development companies have also been formed for the two projects. Country Director of GMR Harvind Mocha says discussions are being held with investors of different countries to bring investment for Upper Karnali. GMR is currently holding discussions with Electricite de France.

GMR has already signed Project Development Agreement (PDA) with the Investment Board (IB) for Upper Karnali while PDA for Upper Marsyangdi will also be signed soon. GMR says Upper Karnali will reduce green house gas emission by two million tons a year. Nepal will also receive 12 percent of free energy and 27 percent of free equity from the project. Nepal will receive benefits worth Rs 431 billion in 25 years from Upper Karnali, according to IB. GMR plans to make investment arrangements and complete all pre-construction works including market arrangement for electricity within the next two years, and start generation within seven years.

Source: Karobar; 22 Dec, 2014

## **ADB dissatisfied with revocation of Tanahu process**

Major investor of the 140-MW Tanahu reservoir-based hydropower project, Asian Development Bank (ADB), has expressed dissatisfaction over revocation of the process of appointing consultant for the project by Energy Minister Radha Kumari Gyawali. It has clarified that joint venture of Lahmeyer International (Germany) and Manitoba (Canada) was selected as per its procurement guidelines and the Public Procurement Act of Nepal.

A top ADB official in Nepal said the ADB is holding discussions with finance and energy ministries about the matter even though the process of appointing consultant has been revoked. Stating that the Energy Ministry has yet to officially inform about the matter, the official said the ADB is waiting for a positive decision. The official added that the ADB has yet to decide whether to pull back from the project if the process were revoked. Finance Minister Dr Ram Sharan Mahat has also expressed dissatisfaction over revocation of the process. “Revoking the process is a serious issue. We have been studying/analyzing about it and will reveal our views about it soon,” he said.

The ADB claimed that Lahmeyer has not been selected by considering only one aspect. “Lahmeyer has been selected as its proposal was better than that of Kansai Electric Power Inc (Japan),” the official reasoned. “Lahmeyer was the best on an average even though Kansai was better on sediment flushing,” the official added. The ADB has already stated that its assessment had included all the issues raised by the government including that of sediment flushing. The ADB itself had done reassessment after dispute about appointment of consultant. The official pointed that a separate independent expert group appointed by the Energy Ministry, Finance Ministry and ADB after escalation of dispute had also found that the ADB’s evaluation was right. The ADB said cost of the project has already increased by Rs 10 billion due to delay.

An ADB team had met CPN-UML Chairman KP Oli a few days ago to talk about the process of appointing consultant. Oli had also told the team that the process should not be revoked and the process should move forward addressing the weaknesses. Minister Gyawali had revoked the process as second-rated Kansai could not be appointed. Joint Secretary at the policy division of the ministry Keshav Dhwoj Adhikari has helped her in the decision. Adhikari had internally assessed the bids and proposed in favor of Kansai by evaluating only on the basis of sediment flushing.

The Japan International Cooperation Agency (JICA) and the European Investment Bank are also set to step back should the ADB decide to withdraw from the project. The ADB has already stated that it will not invest in the project if decision is not taken as per its evaluation. Promoter Tanahu Hydropower Limited in May had even issued letter of intent to Lahmeyer, held a round of dialogue with it and asked to manage staffers. It has held staffers for the project. It can move the International Court of Arbitration for claims if the process is revoked.

Bids for civil, electromechanical and hydromechanical contracts can only be invited after appointment of consultant. The Policies and Programs for the current fiscal year states start of civil construction. The ADB has already lent US\$ 27 million (around Rs 2.75 billion) for procurement of consultancy service. The project has already been delayed by two years. Tanahu Hydropower Limited earlier had aimed to complete contract agreement by January 21, 2014,

send the consultant to work in February and start work by March, as per the amended working schedule. The project was earlier scheduled to be completed by 2018 and was later rescheduled for 2020. This date will also be affected.

Director of Tanahu Sunil Kumar Dhungel has been rendered redundant with the Energy Ministry interfering in the process of appointing consultant that promoter Tanahu was to do. The ministry's interference is against the Public Procurement Act provision that allows the office concerned to take decision about the project. The Public Procurement Monitoring Office has already written to the ministry informing that the project chief can take decision following rumors that the decision can be delayed due to interference of higher authorities.

The ADB itself had invited bids and selected consultant as per loan agreement. It had reassessed the evaluation report after controversy about the process and has been stating that its evaluation is right.

Source: The Himalayan Times; 22 Dec, 2014

## **HIDCL to issue shares worth Rs two billion**

Hydroelectricity Investment and Development Company Ltd (HIDCL) has appointed Citizen Investment Trust (CIT) as its issue manager to float ordinary shares worth Rs two billion. An agreement in this regard was signed on Sunday.

After the initial public offering of 20 million units of shares worth Rs two billion, HIDCL's paid-up capital will rise to Rs 10 billion. The agreement was signed between Ram Krishna Pokhrel, executive director of HIDCL and CEO of CIT Deepak Rauniyar.

HIDCL has authorised capital of Rs 50 billion and its issued capital stands at Rs 10 million. The company has investment of Rs eight billion from promoters including Ministry of Finance, Ministry of Energy, Ministry of Law and Justice, Rastriya Beema Sansthan and Employees Provident Fund. The company was established three years ago by the government to mobilise funds for investment in large scale hydropower projects.

The company so far has completed financial closure of five hydropower projects as a consortium partner with banks and it is soon slated to complete the closure process of yet another project, according to HIDCL. These projects have power generation capacity ranging from 23.5 MW to 82 MW. Mristi Khola (42 MW), Lower Solu (82 MW), Khani Khola (30 MW), Dordi (27 MW), and Solu Khola (23.5 MW) are some hydropower projects in which HIDCL has investment.

The company has 14 per cent share investment in Power Transmission Company Ltd. In a bid to increase its investment capacity, it is also preparing to take \$80 million (equivalent to Rs five billion) loan from the Asian Development Bank at subsidised interest rate. The state-owned company will also handle \$40 million provided by the World Bank to Kabeli-A hydropower project (37.6 MW).

Source: The Kathmandu Post; 22 Dec, 2014

## **Insuring investment abroad**

Political risk insurance; Structuring finance with guarantees

Hydroelectric Investment and Development Company Limited (HIDCL) is all set to do its initial public offering (IPO) worth Rs 2 billion.

It will be the largest IPO in the country.

The state-owned company, established with the objective of financing hydropower projects, signed an agreement on Sunday with Citizen Investment Trust (CIT) appointing it as the issue manager.

HIDCL has a paid-up capital of Rs 10 billion. Its promoters have invested Rs 8 billion. The Finance, Energy and Law ministries and the Office of the Financial Comptroller General have poured Rs 5 billion while the Employees Provident Fund, Rastriya Beema Sansthan and Citizen Investment Trust have invested Rs 3 billion.

HIDCL has made financing pledges amounting to Rs 3 billion to six hydro projects including the 42 MW Mristi Khola, 82 MW Lower Solu, 30 MW Khani Khola, 27 MW Dordi, 25 MW Kabeli B1 and 23.5 MW Solu Khola. All of them are scheduled to be completed by 2017.

Meanwhile, HIDCL has asked the government to give it hydropower projects with a capacity of up to 100 MW saying that it was capable of financing schemes of that size.

The company currently holds resources amounting to Rs 9 billion, and none of this money has been spent on any hydro project. It has invested a certain amount in Power Transmission Company Nepal (PTCN) in which it has a 14 percent stake.

Source: The Kathmandu Post; 22 Dec, 2014

# NEA asks WB to pull out of project

## *Khimti-Dhalkebar power line*

The Nepal Electricity Authority (NEA) has written to the World Bank (WB) requesting it to pull out of the Khimti-Dhalkebar Transmission Line Project as it has been immobile for a very long time.

The WB-funded project remains unfinished more than a decade after construction started. The proposed power line is 75 km long and has a capacity of 220 kV.

The NEA has asked the WB to withdraw from the project by December. It said that it would take the project ahead by using different measures after locals of Sindhuli disrupted construction work over land compensation disputes.

Locals had demanded compensation of Rs 100 million for 3.6 hectares of land in the path of the transmission line during the visit of WB Country Director Johannes Zutt to the project site in March.

The project has erected 180 of the 188 planned transmission towers. The eight unfinished electricity pylons lie on a 3.5-km stretch. Their stalled construction has delayed the entire project.

“The WB has its own conditional guidelines. They have a provision of respecting the values of locals in all the projects they are involved in,” said Mukesh Kafle, managing director of the NEA. “We are planning to use our own measures to expedite the construction of the transmission line after the WB pulls out.”

According to Kafle, the WB will respond after getting clearance from its legal department at its headquarters in the US. The NEA believes that the construction of the transmission line should be rushed using all available means. “The issue of transmission lines will turn into a bigger challenge within a few years, and hence it is important that their construction matches the pace of hydropower development that is going on currently in Nepal,” Kafle said.

The NEA has targeted completing the project by July 2015. Since a majority of the locals have agreed to the compensation package and received their money as per the country’s legal framework, Kafle said that it would not be a big problem to convince the rest. “If things move as per our expectation, the project will be completed within the stipulated time frame.”

According to NEA officials, the Khimti-Dhalkebar transmission line will reduce system loss by slashing the supply distance to eastern Nepal from the present 300 km to 75 km.

The electricity generated by the 60 MW Khimti Hydropower Project and the 45 MW Bhotekoshi Hydropower Project is presently being routed to eastern Nepal through [Kathmandu](#) and Hetauda.

The completion of the Khimti-Dhalkebar transmission line is also important to evacuate the energy generated by the 456 MW Upper Tamakoshi Hydropower Project. More than 70 percent of the construction work at the Upper Tamakoshi project has been completed. The national pride project is expected to be finished by July 2016.

Since the NEA has also been facing problems from locals to construct a substation to dispatch energy generated by the hydel project, Kafle said that they were planning to add a bay in Khimti to transmit the energy.

Source: The Rising Nepal; 22 Dec, 2014

## **PM directs Energy Ministry to continue Tanahu Seti Project consultant license**

Kathmandu, Dec 23: Prime Minister Sushil Koirala has asked the Energy Ministry for immediately starting the works of the 140-megawatt Tanahu Seti Hydropower Project.

In his discussions with the Deputy Prime Ministers, ministers and Nepali Congress and CPN (UML) top leaders at his official residence in Baluwatar today, the PM stated there is no alternative to immediately commencing project works to address the acute energy crisis being faced by the country and directed Energy Minister Radha Gyawali to take a step towards that end.

It has been reported that the project investor Asian Development Bank (ADB) is discontent with the government (Energy Ministry)'s decision of rescinding the license of project supervision consultant and coming up with a new process for awarding the license to a new company. The Ministry on December 19 announced the repeal of the license of project consulting firm Lahmeyer International, a Germany-based company.

The discussions were possible due to initiation of Nepali Congress Vice President Ramchandra Poudel and DPMs Bamdev Gautam and Prakashman Singh, Finance Minister Dr Ram Sharan Mahat, Congress senior leader Sher Bahadur Deuba, General Secretary Krishna Prasad Sitaula, CPN (UML) Chairman KP Oli, senior leader Jhalanath Khanal, Finance Secretary Suman Prasad Sharma, Energy Secretary Rajendra Kishore Chhetri and Joint Secretary Keshabdhvaj Adhikari were present in the discussions.

The Energy Ministry cancelled the Lahmeyer's license citing no work progress and lack of required qualification.

During the discussion, the PM directed the Energy Minister to go with its earlier decision and not to allow unnecessary disputes to the project, bearing in mind the country's international relations.

The Prime Minister has issued directives in connection with moving forward the Tanahun Seti Hydroelectricity Project.

"Environment should be created for the German company Lahmeyer International to carry out its works keeping in mind the directives of the Commission for the Investigation of Abuse of

Authority (CIAA) and the need to take the investors into confidence," NC Vice-president Ram Chandra Poudel, who was present in the discussions, quoted the Prime Minister as saying in the meeting.

Japan International Cooperation Agency (JICA), the European Investment Bank, among other international financial institutions, have expressed their commitment to invest in the project.

The local MPs have alleged that the license of the German company was scrapped through a ministerial level decision although the CIAA and an internal investigation committee formed by the Ministry of Energy stated in their reports that the German company itself was capable of carrying out the project works.

Although the Rs 50 billion project was targeted to complete in 2018, the project completion date has deferred by two years with the latest decision of the Ministry of Energy.

The government has already inked a loan agreement of 180 million US dollars with JICA on 13 March 2013 and 70 million US dollars with the European Investment Bank on 6 May 2013. The European Investment Bank has also given word for more investment. The shortfall amount would be managed by the Government of Nepal.

MPs representing Tanahun district have urged the Ministry of Energy to correct its decision immediately, saying the decision to remove the consulting firm was made abruptly.

The Ministry had already given the responsibility to start works on the project to the German company which was listed number one in the list of consulting firms. But the Kansai Electric Company, Japan which was listed as number two had been expressing its displeasure at this saying the selection process was faulty.

Source: My Republica; 25 Dec, 2014

## **Repair of damaged Bhotekoshi transmission line begins**

The repair of the damaged transmission line of the Upper Bhotekoshi Hydroelectricity Project has started Thursday.

The 45-megawatt project remained disrupted for the past five months, following damages to its four towers and the repair could not be carried out to the protest of local political parties who demanded 10 per cent project share to the locals.

The repair works got started with an agreement of allocating six per cent shares to the locals, power company General Manager Narendra Prajapati said.

The repair of four damaged towers is expected to complete within the next three weeks. The disruption of project led to an increment in the duration of power outage in the country by two hours, the Nepal Electricity Authority said. RSS

Source: My Republica; 25 Dec, 2014

### **ADB Manila concerned over delay in consultant selection**

Asian Development Bank headquarters in Manila has shown concern over the time taken by the government in contract negotiations with the consultant selected for the project.

Sources at the Ministry of Finance informed that MoF recently received a letter from ADB seeking a 'clear and affirmative decision' on the project from the Government of Nepal. Earlier, ADB officials in Kathmandu had said that the cancellation of the consultant selection was a deviation from the agreement signed between ADB and the Government of Nepal.

Source: My Republica; 25 Dec, 2014

## **Mahat writes to energy minister to rethink nixing consultant**

**RUDRA PANGENI**

**KATHMANDU, Dec 25:** In response to the cancellation of the consultant selection process for Tanahu Hydropower Project by Minister for Energy (MoE) Radha Gyawali, Minister for Finance Ram Sharan Mahat has decided to ask the former to reconsider the decision and has corresponded with MoE over the matter.

Minister Mahat has taken exception to Gyawali's decision, saying that MoF was not consulted over the long-term impact and the possible effect on dealings with bilateral and multilateral donors.

Minister Gyawali on December 19 canceled the consultant selection process carried out by the Asian Development Bank (ADB), questioning the process and citing MoE's internal review committee and a directive of the Commission for Investigation of Abuse of Authority (CIAA). The decision threw the 140 MW project into uncertainty and donors have since shown serious concern over it.

MoF returned MoE's file a day after Prime Minister Sushil Koirala had a discussion with CPN-UML leaders, ministers and Nepali Congress leaders.

Madhu Marasini, joint secretary at MoF, said that the finance minister took the decision as canceling the selection process was a high-risk step that could lead to donors stepping back and throwing the project into uncertainty.

The decision was against the bilateral agreement with ADB, it would cause cost overruns in the course of a fresh selection process and there were also fear of donors walking away from the project, throwing into doubt progress in several areas including the US\$ 505 million project loan agreement.

ADB was asked to undertake the consultant selection in order to expedite the project. A joint review committee of the ADB, MoF and MoE formed to study the consultant selection process has stated that it did not find anything that calls into question the credibility of the ADB's process, and the CIAA also later changed its statement, suggesting that the same consultant could be picked.

ADB, the European Development Bank (EIB) and JICA are co-financers of the project developed by Tanahu Hydropower Limited, a subsidiary of Nepal Electricity Authority.

Following the cancellation decision, about a dozen lawmakers from Tanahu, the district where the project is located, have piled pressure on the government to consider the project's importance and act accordingly.

ADB had selected a joint venture of Lahmeyer International of Germany and Manitoba Hydro International of Canada and recommended it to the ministry for selection. But a directive from CIAA and an MoE internal review were taken as the basis for rejecting the selection, pointing out that the selected company lacked essential project-specific experience in sediment flush management.

Energy Secretary Rajendra Kishore Kshetri confirmed receipt of the decision and said they are yet to hold discussions on the MoF response as Minister Gyawali returned to Kathmandu from Butwal only on Wednesday evening.

Source: My Republica; 25 Dec, 2014

## **Energy inefficient**

### **Tanahun Hydropower Project**

Prime Minister Sushil Koirala has rightly (and perhaps successfully) intervened in what was quite an unnecessary row over the Tanahun Hydropower Project. The dispute over the appointment of consultants had been threatening to blow out of proportions as the trio of major financiers—the Asian Development Bank (ADB), the European Investment Bank (EIB) and Japan International Corporation Agency (JICA)—are reported to have given clear hints that they could pull out of the 140 MW storage project. This after Minister for Energy Radha Gyanwali decided to scrap ADB's appointment of a joint venture between Germany's Lahmeyer International and Canada's Manitoba Hydro as project consultants. Minister Gyanwali, apparently, wanted to appoint Japan's Kansai Electric Power Company as consultants instead. Her main gripe seems to have been with Lahmeyer's relative inexperience in sedimentation flushing, a key aspect of the project, among other unspecified 'anomalies' in the project cited by the minister. But since the contract had been awarded to Lahmeyer and co on their overall competence, the Energy Minister would have been better advised to first try sort out the issue with major financiers before exploring other options.

If Tanahun hydro agreement had fallen through, it would have send a troubling message to the international community. Notably, this is the first time EIB has been involved in a big project in Nepal. Scarred in its maiden attempt, it would have thought long and hard about returning here. This would not have sat well with the image of an investment-friendly destination that Nepal wants to convey to the international community. Moreover, the project had been in the works for the last five years. Minister Gyanwali's unilateral intervention risked not only the Rs 50 billion worth of investment but also five years of painstaking work to make it happen. The other problem was lack of transparency. Both Energy Ministry and major financiers have been reluctant to reveal the nitty-gritty of their agreement, thereby adding to suspicions of foul play. Greater transparency would have helped clear the air.

If there have been shortcomings, they should be investigated. But such investigations should be aimed at helping (rather than hindering) our development projects. International investors will come only if they believe the contract papers will be honored by Nepal, rather than chopped and changed midcourse without their knowledge. There has been a disturbing trend in Nepal of late. In every major bidding process, the bidder who loses out knocks the doors of either the court or the CIAA, which in turn issue interim orders asking the projects in question to be halted. Most of these allegations never pan out, and as such only contribute to time and cost overruns. Unless there is clear proof of wrongdoing, such projects of vital importance should be allowed to run unhindered. Otherwise, Nepal's development aspirations, graduation to a 'developing country' status by 2022 chief among them, will continue to be stymied. In the end, we hope that any misunderstanding between Energy Ministry and ADB has now been cleared and the project will come into operation by its scheduled 2020 completion.

Source: The Kathmandu Post; 25 Dec, 2014

# Energy Ministry asked to reconsider its decision

## *Tanahun hydro consultant row*

The Finance Ministry has asked the Energy Ministry to reconsider its decision to cancel the consultant appointment process of the Tanahun Hydropower Project.

It wrote to the Energy Ministry on Wednesday to do a rethink as its dispute with the Asian Development Bank, a key financier to the project, over the selection of a consultant has thrown the project into uncertainty. The financial closure of the 140 MW storage-type hydropower project has been concluded.

After Energy Minister Radha Gyawali decided to scrap the consultant appointment process and rejected the consultant chosen by the ADB, the project's future had become unsure.

A day after Prime Minister Sushil Koirala intervened in the matter and directed that the issue be settled amicably, the Finance Ministry wrote to the Energy Ministry requesting that the donors who have already committed financing should not be discouraged.

“We have mentioned the reasons why the Energy Ministry should reconsider its decision,” said a senior official of the Finance Ministry. “Who will be responsible if the donors who have injected a huge amount turn away from the project?”

The Energy Ministry has confirmed that it received a letter from the Finance Ministry. “We have received a letter, but I have not gone through it yet as it arrived late,” said Keshav Dhowj Adhikari, joint secretary at the Energy Ministry.

The ADB along with the Japan International Cooperation Agency (JICA) and European Investment Bank (EIB) have pledged financing of around Rs 50 billion for the project.

Finance Ministry officials said that since the joint review committee which includes a representative from the Energy Ministry found no ground to question the ADB's selection, the Energy Ministry should reconsider its decision.

The ADB had selected a joint venture between Germany's Lahmeyer International and Canada's Manitoba Hydro, but the ministry wanted to award the contract to another bidder, Japan's Kansai Electric Power Company.

While the Energy Ministry questioned the ADB's selection citing the consultant's little experience in sedimentation flushing, the bank said its selection was based on holistic merits—the tendering process, construction supervision and operational maintenance which also embodies the component of sedimentation flushing.

A senior ADB official claimed that they had not made a mistake in the selection process, and that the joint review committee also found no fault in the evaluation process. The ADB has found no

reason to backtrack. On Tuesday, a senior ADB official told the Post that they would not want to think about the project implementation being further delayed or deviate from what the joint review committee concluded as tripartite consensus.

Before the joint review committee's decision, a study committee headed by the Energy Ministry's Joint Secretary Adhikari had concluded that the ADB's selection was faulty for rejecting a company having better experience in sedimentation flushing. Sedimentation flushing is a process of removing clay deposits in the reservoir.

The ADB said that the Energy Ministry took the decision to scrap the consultant appointment process based on what Adhikari's team had concluded rather than the findings of the joint review committee which is an independent body.

According to Finance Ministry officials, EIB recently wrote a letter supporting the ADB's position to the ministry, according to officials. Japanese Ambassador to Nepal Masashi Ogawa has also been actively involved in talks with government officials and politicians regarding the project.

Source: My Republica; 26 Dec, 2014

## Locals to get 6 pc share in Bhotekoshi Hydro

In a rarest practice of distributing project shares to local people 13 years after commencement of project operations, Bhotekoshi Power Company (BKPC) Private Limited has decided to provide a six percent share of the Upper Bhotekoshi Hydroelectric Project to the locals. The 45-MW project was developed with a majority foreign investment and started generation in 2001.

BKPC on Wednesday finally agreed to this effect with protesting local political leaders backed by lawmakers, clearing the way for reconnection of the electricity generated by the project located near Tatopani in Sindhupalchowk district. Local leaders of five political parties in September obstructed the laying of pylons for the transmission line which were swept away by the Jure landslide of August 2. They were demanding shares in the project.

Rounds of meetings and discussions were held between the local leaders and BKPC officials. The latter also sought support from Prime Minister Sushil Koirala and even some diplomatic missions time and again for resolving the issue. The company has said that it can reconnect the electricity within a few days.

BKPC will provide the shares free of cost at the rate of Rs 100 per share to a company formed by the local people. However, the details of the share distribution modality are yet to be set out, said CPN-UML leader Amrit Bohara, who is a lawmaker from the district.

The project is said to be one of the largest profit-making entities in the country as it is paid by the Nepal Electricity Authority in US dollars.

BKPC has also agreed to pay Rs 2.25 million each annually to Tatopani and Phulpingkatti VDCs, which are directly affected by the project. Likewise, seven other VDCs -- Marming, Gati, Maneshwara, Ramche, Dhuskun, Tekanpur and Pangretar -- will receive a lump sum of Rs 2.25 million in total every year from the project.

Speaking at a press meet held to make public the agreement on Thursday, Narendra Prajapati, general manager of BKPC, announced the details of the agreement.

At the press meet, Nepali Congress lawmaker Mohan Bahadur Basnet expressed happiness at being successful in providing project shares to local people. "This will help in the development of hydropower through local participation," added Basnet.

President of Independent Power Producers' Association Nepal (IPPAN) Khadga Bahadur Bistha said investors have been caught by surprise in being compelled to distribute shares to the locals after protests by them.

Bhotekoshi Power Company Private Limited is a joint venture between US and Nepali investors. It has invested US\$ 90 million in the project.

The government had been piling pressure on BKPC to revise the power purchase agreement (PPA) as electricity buyer state-run Nepal Electricity Authority has suffered a huge loss due to devaluation of the Nepali currency vis-à-vis the dollar. NEA had signed the PPA with Upper Bhotekoshi Hydropower Project at 6 cents per unit in 1997.

Separately, a study on PPAs in foreign currency, including the Upper Bhotekoshi Hydropower

Project, is under way at the Public Accounts Committee of parliament.

The Upper Bhotekoshi PPA is valid for 25 years from the commercial operation date of January 24, 2001. As per the agreement, 50 percent of the project assets will be transferred to NEA after 25 years of operation and the Government of Nepal will own the whole project after 40 years.

The US\$ 90 million project was developed by a joint venture company of Nepali and American companies. Shareholders of BKPC include Himal International Energy Private Limited, Himal International Power Corp Private Limited, Tara Fund Pvt Limited and RDC of Nepal.

Source: **The Himalayan Times**; 26 Dec, 2014

## **Sindhupalchowk locals get 6pc stake in BKPC**

Locals of Sindhupalchowk district today allowed Bhote Koshi Power Company (BKPC) to start reconstruction works of transmission lines damaged or destroyed by floods and landslide, after they were extended six per cent stake in the company that operates a 45-megawatt hydroelectric project in the region.

The company had decided to extend shares after locals, backed by major political parties, launched agitations demanding as much as 35 per cent stake in the firm.

To build pressure on BKPC, locals, who had formed two struggle committees, obstructed works related to construction of seven transmission lines destroyed or damaged in August. Since then, the company has not been able to evacuate power that it is generating, increasing power cuts in the Valley by around an hour.

These developments had taken many by surprise, as the locals had never raised such demand since the company began operation around 14 years ago. Efforts were then made to push the locals to withdraw their demand, but they did not yield ground.

“To resolve the issue, we have decided to give away six per cent stake (1.2 million share units) in the company to people who were directly affected by the project and those living around the project site,” BKPC CEO Narendra Prajapati told a press conference held here today.

The market value of each of the share extended by BKPC stands at Rs 800 to Rs 1,200 based on different calculations, according to BKPC Chairman Siddhartha Shumsher Rana. However, the company is extending these shares to the locals at Rs 100 per unit.

To obtain these shares, locals will first have to undergo a scanning process launched jointly by the government and political parties, which will ascertain the applicants are genuine residents of the region. These locals, who are eligible for a stake in BKPC, then need to establish a firm. This is because BKPC is a private firm and equities in the company are held exclusively by institutional investors.

As per the demand made by locals, BKPC has also decided to give away Rs 2.25 million each to Tatopani and Phulpingkatti village development committees (VDCs) per year, as those VDCs were directly affected by the project. BKPC has also agreed to extend a lump sum of Rs 2.25 million to Marming, Gaati, Maneshwara, Ramche, Dhuskun, Tekanpur and Pangretaar VDCs per year.

Although these decisions will enable the firm to evacuate electricity to the grid and increase supply of energy to the Valley, they are also expected to encourage locals residing in the vicinity of other hydropower project sites to make similar demands, destabilising the entire hydro sector.

However, Rana said: “The decisions have kept the interest of investors and locals intact.” He added, decisions made jointly by the company, locals and political parties ‘may set a precedent’ in helping resolve such cases amicably.

Speaking on the occasion, CPN-UML lawmaker Amrit Bohara said that the decisions made by the company have protected the interest of locals, who were not aware of their rights on sharing benefits reaped through exploitation of natural resources at the time when the project was built.

Nepali Congress lawmaker Mohan Bahadur Basnet expressed similar view. “I think these decisions protect the rights of locals without dampening the spirits of investors,” he said

Source: The Kathmandu Post; 25 Dec, 2014

## **Bhotekoshi row resolved, locals to get 6pc shares**

Bhotekoshi Power Company has agreed to allot 6 percent shares to locals, ending a standoff that had prevented repair work at flood-damaged [Bhotekoshi Hydropower Project](#) from being conducted effectively immobilizing the plant.

Construction and maintenance of the transmission towers at the 45 MW project, which had been toppled by floods in August, resumed on Thursday morning following the deal between the project developer Bhotekoshi Power Company and representatives of five major political parties of Sindhupalchok district.

Apart from 6 percent of the stock, the company will give Rs 2.25 million each to two project-affected village development committees (VDC), Tatopani and Fulpinkatti. Seven other project-affected VDCs, Marming, Gati, Maneshwara, Ramche, Dhuskun, Tekanpur and Pangretar, will jointly receive Rs 2.25 million. The payments will be given on an annual basis. According to the company, the shares will be distributed at the face value of Rs 100 per share. The deal between the company and the political parties was made public in the presence of prominent leaders and district representatives of the Nepali Congress, CPN-UML, UCPN (Maoist), Rastriya

Prajatantra Party (RPP) and CPN-Maoist. Both the sides stated that the agreement marked a new beginning for the project and that with locals getting a stake in the project, there wouldn't be many issues in the days to come.

“Though 6 percent of the stock is less than what we had demanded, we are happy that the people will now own a part of the project,” CPN-UML leader Amrit Kumar Bohora said. “The project was constructed at a time when people were not

aware like they are now. The context has changed now, hence, the

issue over shares should not be hyped negatively.”

Similarly, NC leader Mohan Basnet said that the incident hadn't established a negative precedence, rather it had made it possible for a company operating for almost one and a half decades to give ownership to locals. “Since the people will now have a share, there won't be any problems from their side,” Basnet said.

Chairman of Bhotekoshi Power Company Siddhartha SJB Rana said that the interest of the investors as well as the locals had been taken in account while making the agreement.

“This might set a right precedence, and since such issues will be taken care of from now on, other projects might not suffer in a similar manner,” Rana added.

Project manager Narendra Prajapati said that since there was no legal procedure for a private company to issue shares, an appropriate legal mechanism would be worked out, and that the shares would be given to a company representing the residents of Sindhupalchok.

Once the project starts feeding energy to the national grid, load-shedding in Kathmandu will be slashed by one hour.

