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Upper Karnali Hydro Project: Stakeholders sharply divided

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Local stakeholders of the Upper Karnali Hydropower Project are sharply divided over the project's development by India's GMR-ITD consortium.

Some former administrators, hydropower experts and fringe communist parties have started protests demanding termination of agreement signed with the Indian developer, while another group supporting the company has also become active.

Moreover, political leaders involved in vandalising field offices of the project in 2011 have turned its supporters after receiving employment and construction contracts.

"We have no belief in the protests," said Jiwan Thapa of Ramagad, Dailekh. "The support and protests only intend to fulfil vested interests. The locals have put their blind faith in the protestors without understanding the ground reality."

There are a dozen institutions connected with the project and they are either in favour of project development by Indian company or against it. Both the sides have launched campaigns.

The project gained momentum after the government and GMR signed Project Development Agreement (PDA) with Investment Board Nepal in September 2014. After the PDA was signed, some locals of project area started a "Save Upper Karnali" protest campaign demanding termination of the agreement.

Bharat Bahadur Shahi, chairman of the protest campaign, accused the reservoir project, whose actual capacity is 4,180MW, is being downsized to 900MW. "Nepal's future depends upon the Upper Karnali. The project potential is being killed by offering the project works to the Indian company for peanuts," Shahi said. "We have started the campaign demanding termination of the 'anti-national' agreement."

Former administrators, water resource experts and professors along with cadres of Rastriya Janamorcha and CPN-Maoist ran a campaign against the agreement in project-affected areas two weeks ago.

"Giving Upper Karnali to foreigners is like offering them 'diamonds of a crown'," said Former Water Resource Secretary Dwarika Nath Dhungel. "This is the least costly project among those studied, so the government should build it on its own."

Dhungel demanded a parliamentary-level discussion over Upper Karnali. "Revisions should be made to develop the project at its optimum potential," said Dhungel. "If not so, then the agreement should be scrapped and project should be developed with domestic investment."

But CPN (UML) Lawmaker Nirmal Subedi said the locals are in favour of the development of the project by GMR despite objection by a few parties. "People to be affected by the project have demanded its early completion as well as infrastructure development in the area," he said.

Kamal Pageni, a member of the Parliamentary Water Resource Committee who recently visited the Upper Karnali site, said he found the locals wanting this project to be developed at the earliest.

"Although the development of the project by the government is possible, it has been awarded to an Indian company through a global tender, and it is difficult to revoke the decision," he said.

As per the agreement between IBN and GMR, Nepal will hold a 27 percent free stake and get 12 percent electricity supply from the project being built to export electricity to India. It has been claimed the government would accumulate benefits worth Rs300 billion through taxes, charges, electricity and shares apart from employment to more than 2000 skilled and unskilled workers.

The PDA states GMR should start construction from June 30, 2016, and finish it by June, 2021. The estimated cost of the project stands at Rs140billion.

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Land acquisition process to complete in 6 months

Upper karnali hydel project

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The long-planned Upper Karnali Hydropower Project has moved a step ahead as locals who will be displaced by the power plant and the project's developer have agreed to complete the land acquisition process within six months.

A meeting held on Monday between residents and GMR Upper Karnali Hydropower, the company that will be building the 900 MW project, ended on a positive note. Locals agreed to lower their land compensation claim significantly and the company also increased its offer slightly to reduce the gap between the two figures.

Locals agreed to accept Rs1 million per ropani, a sharp drop from their earlier demand for Rs1.5 million. "However, the company representatives who attended the meeting said they were not authorized to make a deal," said Bam Bahadur BC, a local leader involved in the negotiations. "Instead, they offered Rs760,000 per ropani, a slight increment from the Rs750,000 they had offered earlier."

The two parties have decided to organize the next meeting very soon and also invite representatives from Investment Board Nepal (IBN) and company officials who have the authority to make decisions. "We have agreed to hold another round of talks and sign the agreement within a month," said BC. "Also, we have agreed to complete the land acquisition process within six months."

Apart from the amount of the compensation payment for the land that will be acquired by the project, locals have agreed to the resettlement action plan proposed by the developer.

Land acquisition has been one of the major headaches for developers of hydropower projects as they have to complete the land acquisition before the financial closure.

In September 2014, the government and GMR India signed a project development agreement (PDA) for the construction of the project with the stipulation that the financial closure had to be completed by September 2016.

A couple of months ago, a project appraisal team of the Asian Development Bank (ADB), International Finance Corporation (IFC), International Bank for Reconstruction and Development (IBRD), Commonwealth Development Corporation (CDC), DEG, a subsidiary of the German Development Bank, Japan International Cooperation Agency (JICA) and OPEC Fund for International Development (OFID) held a tripartite meeting with IBN and GMR in Kathmandu.

Multiple sources have confirmed that the lenders have pledged a loan of more than \$1 billion to finance the project. "If the land acquisition process is completed within a few months, it will not take much time for the construction of the project," said an IBN source.

The project area is spread over three districts—Surkhet, Dailekh and Achham in western Nepal. The developer will give 27 percent of the shares to the government and the country will also receive 12 percent (108 MW) of the total energy produced for free.

Similarly, the project is expected to provide jobs to more than 2,000 people and the government is projected to earn Rs300 billion in financial benefits. The project will be acquiring 48.85 hectares of private land and 207.75 hectares of government-owned land. It will affect an estimated 239 households.

