

Next Door Nepal: Whose dam is it, anyway?

The debate in Nepal a week before the first round of elections to the provincial assemblies and federal parliament, interestingly, is centred on an administrative decision of the government, not the electoral scenario.

The cabinet recently decided to annul the 1200-MW Budhi Gandaki Hydro project contract awarded to the Chinese firm Gejuwa, citing lack of transparency in the deal made by the Pushpa Kamal Dahal-led government in May. Ironically, the Nepali Congress, which took the call to cancel the contract, was part of the Dahal government. Energy minister Kamal Thapa said the government was following the instruction of a parliamentary committee that had disapproved the deal on the ground of lack of “transparency”.

The annulment of the contract three weeks prior to the formation of the new government, expectedly, has triggered a debate. The country’s rich hydropower resource has, of late, attracted the Chinese, as much as the Indians, who had wanted a monopoly over it. Speculation in sections of the Indian media that the cancelled project may now go to an Indian company adds an element of mystery to the development.

India’s past failures in completing hydropower projects on time has discredited its image as a reliable partner in Kathmandu. China entered Nepal’s hydropower sector, challenging India’s monopoly, only about a decade ago. This was after political changes in Nepal became unmanageable and chaotic and Beijing began to get suspicious about the role of New Delhi and western powers in the country’s internal politics. During his second visit to Nepal as prime minister, [Narendra Modi](#) promised that projects taken up by India will be completed on time. The promise was never translated into action.

On the day the Gejuwa deal was scrapped, the investment board of the government extended the deadline for “financial closure” of two other major hydroprojects undertaken by Indian companies — the 900MW Upper Karnali undertaken by GMR and Arun Three undertaken by Sutlej Jal Vidhyut Ltd. Given that Nepal’s major electoral contestants bear pro-India and pro-China tags — the Nepali Congress of Prime Minister Sher Bahadur Deuba is perceived to be pro-India while the left alliance is seen as pro-China — the decisions on hydro projects have given credence to the alleged influence of external forces in decision-making in Kathmandu. K.P. Oli, the prime ministerial candidate of the left alliance, which includes the Communist Party of Nepal-Unified Marxist Leninist and the CPN (Maoist Centre), said the decision on Gejuwa would be reversed if the alliance was elected to office. Clearly, the competing interests of its giant neighbours will continue to cast their shadow over Nepal’s future politics and development.

China has not yet reacted to the cancellation of the Budhi Gandaki deal, but it seems unfazed. Less than a week after the government decision, China’s Three Gorges International Corporation signed a deal with the Nepal Electricity Authority to form a joint venture company to develop the 750MW West Seti Project in a time-bound manner. In the current scenario of default, one country’s failure becomes a success for another while Nepal reels in the dark. The much-talked about Mahakali project that was signed between Nepal and India way back in 1996 has not moved an inch as the two sides are still to finalise the detailed project report. As most projects remain in limbo, power brokers and commission agents lobby on behalf of competing firms for the termination or transfer of contracts.

The delays in the execution of projects and the external interference on the country’s development agenda have infuriated a section of policy makers, including some politicians, who insist that the government must undertake some projects as a means to enhance national pride and implement

them in a time-bound manner. This vision has entered national planning and government policies. The impact is visible in the planning and building of highways, but it has not percolated to the hydropower sector. The fact also remains that projects are delayed because of corruption in the award of contracts, the blame for which lies with politicians.

Interestingly, none of the major parties — the Nepali Congress, CPN-UML and the Maoists — have raised the issue of corruption or the lack of transparency and accountability in government decisions in their manifestos, indicating a convergence of interest and method.

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