

CGGC claims govt cannot scrap Budhigandaki deal unilaterally

The China Gezhouba Group Corporation (CGGC) has claimed that the government's decision to scrap the Budhigandaki Hydropower project deal in a unilateral manner is against the set conditions in the memorandum of understanding signed with the Chinese company.

Writing a letter to the Ministry of Energy (MoE), a copy of which was also sent to the Prime Minister's Office, Yuan Zhixiong, Nepal representative of CGGC, has claimed that the government had to give the company a notice 30 days before taking the decision as per the provision of the MoU.

Citing that the MoU is a legal document and the government needs to abide by the provisions, the Chinese company indirectly signalled that they might take a legal recourse.

"Any party may terminate the MoU, with reasons, at any time by giving a 30-day advance written notice to the party," the letter written to the MoE states. "The government has the right to scrap the deal with reasons but no notice was furnished to us as per the MoU."

The incumbent government had scrapped the Budhigandaki deal through a Cabinet-level decision on November 13 following instruction of the House panels to scrap the deal that was signed by the earlier government led by Maoists Centre Chairman Pushpa Kamal Dahal.

A joint meeting of the Finance Committee and Agriculture and Water Resources Committee of then Legislature-Parliament had instructed the government to scrap the deal with the Chinese company. The joint meeting had cited that the Dahal-led government, which was a caretaker government, had handpicked the Chinese company to award the contract of the 1200-megawatt Budhigandaki project under EPCF (engineering, procurement, construction and financing) contract, thus breaching the set standards of competitive bidding.

Moreover, the meeting had also pointed out that there were still no guidelines for EPCF contract in Nepal. After the deal with the Chinese company was scrapped, the Ministry of Energy recently handed over the project to Nepal Electricity Authority (NEA).

Meanwhile, the government's decision to scrap the agreement with the Chinese firm has widened the political rift between the Left alliance and Nepali Congress and its allies. Chairman of CPN-UML KP Sharma Oli had urged the government to revert the decision to scrap the deal. The deal was signed by then energy minister Janardan Sharma and Lv Zexiang, president of CGGC Beijing, in the presence of then prime minister Dahal and Ambassador of China to Nepal Yu Hong on June 4.

The CGGC, in its letter to the MoE, has also mentioned that the MoU with the CGGC had been endorsed by the Cabinet meeting of August 15 led by Prime Minister Sher Bahadur Deuba and it had decided to put the project under Belt and Road Initiative (BRI) of the government of China. The government of China has a policy to assist projects initiated under the BRI through the government and China-sponsored Asian Infrastructure Investment Bank.

Source: The Himalayan Times, November 29, 2017