

Nepal reinstates \$2.5bn hydropower deal with Chinese firm

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Nepal has reinstated a deal with a Chinese state-owned company to build a \$2.5 billion hydroelectric plant scrapped by the previous government,

officials confirmed Monday, as the new pro-Beijing administration seeks massive infrastructure investment.

The agreement with the China Gezhouba Group Corporation (CGGC) to construct Nepal's largest hydro plant was abruptly cancelled by the outgoing government just weeks before a general election late last year.

"The decision to scrap the agreement with the Chinese company by the previous government was taken without any grounds," information minister Gokul Baskota told AFP.

"We decided to correct that, because Nepal doesn't have the capacity to build such a big project and funding is also challenging."

The long-mooted 1,200 megawatt Budhi-Gandaki plant would nearly double Nepal's hydropower production. The impoverished landlocked country suffers chronic energy shortages and is forced to buy electricity from neighbouring India.

Beijing has been lobbying the new Communist government in Kathmandu to restore the contract since it took office in February, Baskota said.

Nepal wants the project to be part of the One Belt, One Road Initiative (OBOR), China's massive infrastructure drive at the centre of the Asian giant's push to expand its global influence. Nepal signed up to the plan in May 2017.

Critics say the contract should have been open for international bidding and warned of the risks of Chinese loans.

Awarding such a lucrative contract in an opaque manner risked inflating the cost of the project "leading to a heavy national debt burden", tweeted

former finance minister Ram Sharan Mahat.

Water-rich Nepal has a mountain river system that could make it an energy-producing powerhouse, but failure to develop its hydropower sector has weighed heavily on its ailing economy.

Nepal has awarded contracts for its mega hydropower projects to its two giant neighbours, rivals India and China, but construction has been slow.

Construction finally began on the \$1.4 billion India-backed Arun Three hydropower plant earlier this year, 26 years after it was first proposed.

CGGC is currently building three smaller hydropower [plants](#) in Nepal and has completed one other, though critics have complained that these projects have run over time and budget.

Another Chinese firm, Three Gorges International Corporation, recently pulled out of a 750 megawatt [hydropower project](#), citing financial concerns.

Crucial infrastructure development in Nepal has flagged in the years of political paralysis that followed the end of the Maoist insurgency in 2006 and the overthrow of the monarchy two years later.

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