

Nepal's Mega-dam Is a Mirage

The Budi Gandaki project will be Nepal's biggest and displace 50,000 people

By [Ramesh Bhushal](#)

Asia-Pacific Research, March 02, 2021

[The Third Pole](#) 20 February 2021

Region: [South Asia](#)

Theme: [Economy](#), [Politics](#)

All Global Research articles **can be read in 27 languages by activating the “Translate Website”** drop down menu on the top banner of our home page (Desktop version).

Plans to build Nepal's biggest hydropower project was been delayed by politics and compensation issues for 10 years, but is now held up because the Chinese contractor is incommunicado.

The 263-m high dam on the Budi Gandaki River will be the world's tenth tallest, and impound a reservoir 45km long displacing 50,000 people, to generate 1.200MW of electricity. But the \$2.5 billion project is in doubt because of delays and doubts about its viability.

The project, situated 60km northwest of Kathmandu, was supposed to be completed by 2022. It had been cancelled and revived several times by successive governments, but has been stuck for the past year because of the pandemic.

The China Gezhouba Group Corporation (CGGC) was awarded the main construction contract in 2018, but has not shown up for the past year.

“We have repeatedly tried to communicate with the company, but it has not responded clearly. We cannot say whether they are in or out, it is between somewhere and nowhere,” said Gokarna Raj Panta at the Ministry of Water Resources, Energy and Irrigation in Kathmandu.

‘Between somewhere and nowhere’ is also a fitting description of the lives of the people of the Budi Gandaki Valley whose homes, farms and livelihoods will be submerged by what will be Nepal's largest reservoir.

However, at the project office in Siurenitar near the proposed dam site there is frantic activity. Phones are ringing constantly, and staff are busy taking calls from those asking about their compensation claims.

“The first priority is land acquisition and we have already paid out Rs33 billion as compensation,” said Krishna Bahadur Karki who heads the project's

compensation and resettlement unit. Another Rs20 billion is earmarked for reimbursement for homes, livestock, trees and other assets.

The government froze land dealings in 2013 along the valley, but in anticipation of jobs and economic activity new roads and towns have sprung up in a district tht has seen dramatic depopulation due to outmigration.

Ghare Gurung runs a roadside metal workshop outlet 40km north of the dam site. He bought this small patch in Arkhet using money saved from working in Malaysia. He got Rs120,000 compensation for it.

“Now they have been saying that a 10% depreciation cost would be applied for our infrastructure. If it happens, then I need to pay them instead of receiving money,” he said.

Besides submergence of the main valley, the reservoir will put another 22km of land along the Aankhu Khola tributary under water.



Gyanu Maya Shrestha sells snacks from a small stall by the Aankhu Khola in Hepne of Dhading district, and is worried about her future.

The April 2015 earthquake destroyed her home and her animal shed, killing her buffaloes, oxen, and goats. Before the quake, officials from the project had assessed both structures. “After the earthquake, they inspected it again, and now say they will reduce the compensation,” says Shrestha.

The response from project officials was that the pre-earthquake inspection was for the environmental impact assessment (EIA) report, not compensation. While many other quake-hit communities have built new houses, people along these two rivers have not.

Krishna Majhi lives in unregistered land at Gumti village, 10km from the proposed dam. In 2017, the government had agreed to compensate structures on unregistered land. Till now, no payments have been made.

Krishna uses part of his earthquake-damaged house as a kitchen but has spent five years living in a makeshift structure. “Even a small earthquake would now be enough to kill us, and we cannot dismantle it because we need to show it to the project for compensation,” he said.



Many promises were made to locals to persuade them to hand over their land, including of resettlement. They were asked to fill forms saying where they wanted to be resettled and what facilities they needed.

“We were told that new villages will be built in the slopes above the reservoir we would be provided all facilities. But we have heard nothing since, all these

years they tricked us,” said Sushil Dharel, from Khahare on the Ankhu Khola.

Back at the compensation office, Karki says he can understand the frustration of the people, but adds, “The compensation amount is many times higher than the government rates, and there are rules. There are also people who have received millions in compensation and bought houses in Kathmandu.”

Indeed, while some have done well from compensation payouts, the majority are from poorer communities without political clout or access. They resent the way the authorities downplay their problems.

“Our field is irrigable, there is a market nearby and we can produce three crops a year. I can’t buy a piece of land in the city with our project compensation, how do I make a living there?” asks Pampha Khadka from Khahare, bursting into tears.

Government officials in Kathmandu do not have any clearer answers on resettlement, but say the details need to be ironed out.

“We have drafted a resettlement policy, but there isn’t clarity on the modality of project implementation. Unless it is finalised, resettlement is not possible,” said Gokarna Raj Panta at Nepal’s Ministry of Water Resources, Energy and Irrigation.

Botched resettlement policies are not new in projects in Nepal. And in Budi Gandaki, too, there are problems. Some families have spent the money they got on parties, which means they will be homeless and landless if not resettled. Many have used payouts to meet their daily needs or pay debt, buy motorbikes or educate and marry off their children.

“I received about Rs100,000 for a piece of land. I spent Rs10,000 on my grandchildren and sent Rs 80,000 to my daughter in Kathmandu for her studies,” said Purna Bahadur Ale Magar from Arkhet.

According to the [environmental impact assessment](#), the reservoir will submerge 2,400 hectares of forests with 3.5 million trees of 38 species. The forests are home to 19 mammal species, 9 reptiles and 54 birds. They include 15 protected species, and there are five fish species on the IUCN red list, whose habitat will be disrupted.

There has not been much interest from environmental activists and civil society groups in Nepal.

“There was interest in the 1990s about the social and environmental costs of large hydro projects, but Budi Gandaki shows that there is no concern anymore,” says water resource expert Ajaya Dixit.

There is also cultural impact. Much of life in rural Nepal revolves around rivers, which are considered holy. The Budi Gandaki reservoir will submerge 44 cremation sites, 74 religious and 29 places of historic and cultural importance.



“Even if you raise genuine and serious concern, you are tagged as being anti-development. I think this has helped to instill fear at all levels and civil society has fallen prey to it,” he added.

The project will also undermine the region’s achievements in forest conservation. Some 1,500 hectares of community forests managed by 62 communities will be impacted by the reservoir. The Pashupati Community Forest in Majhitar is one of them, where locals are cutting trees before the waters start rising.

About 200m above the riverbank, Suresh Shah pointed out freshly cut tree stumps. “When I try to stop them, they say why do you care about these trees, we have lost everything,” he said. “Feelings of ownership had helped conserve the forest, but that is gone now.”

Karki, the project office manager, was unable to answer any questions on environmental issues, and his engineer was equally at a loss. “This is an issue which will be dealt with when construction starts. We have not thought about it and have not been advised on how to deal with it,” Karki said.

After the deadly flood on the Alkananda River in India this month that destroyed two hydro power projects and killed at least 100 people, concerns about the impact of the climate crisis also loom large. The Budi Gandaki watershed drains the eastern flanks of Himalchuli and Manaslu and the Ganesh Mssif to the east, which has many glacial lakes in danger of bursting.

Experts say it is very risky to build such a large and expensive projects directly downstream from mountains that are melting rapidly due to the climate emergency.

In Kathmandu, three successive governments in the last three years have made as many decisions to award or scrap the contract with China Gezhouba Group Corporation.

After pre-feasibility study in 1984, the project was sidelined till 2006, when it was opened to international bidders. No expressions of interest were received.

It was next revived in 2011, when Nepal’s power outages exceeded 12 hours per day. Once again, international companies showed no interest, so the government opted to make Budi Gandaki into a ‘national pride project’ – a development priority with a bigger budget from domestic resources.

In 2016, the Belgian multinational [Tractebel](#) completed a detailed design. The project was set to move ahead with local funds and management when China entered the picture in 2017.

A few days before leaving office, the Maoist party Prime Minister Pushpa Kamal Dahal’s cabinet awarded the project to China Gezhouba Group Corporation, without any bidding.

In November 2017, the incoming Nepali Congress-led government promptly scrapped the contract stating irregularities and lack of transparency. A court action followed. Nepal got another new government four months later, and K P Oli became prime minister who returned the project to China Gezhouba in September 2018.

Now the problem is that China Gezhoubu is showing little interest and failing to respond to Nepali government requests for information.

“It’s not that Chinese are less interested now. They are just waiting for a favourable time as there is political chaos in the country,” said Nepali hydro-economist [Ratna Sansar Shrestha](#).

In his view, China’s interest in Nepali hydro projects is limited to making money from construction contracts. “India has more interest in Nepal’s water as it depends on water that flows from the mountains for irrigating vast swathes of land in the Gangetic plains,” Shrestha explained.



Geopolitical friction

The Budi Gandaki feeds into the Gandaki, one of Nepal’s four main rivers. It flows into India’s Bihar state and eventually empties into the Ganges.

Nepal and India signed the 1959 [Gandak Treaty](#), which bars Nepal from upstream activities that would impact water flow in Bihar, where millions of hectares of farmland depend on waters from the Gandak (as Gandaki is known in India).

However, China’s growing influence in Nepal as the largest provider of foreign direct investment could lead to geopolitical friction, according to a [2018 report by the Asia Society](#).

Chinese firms recently built two other hydro projects in Nepal at Upper Marsyangdi A and Upper Madi, with a combined capacity of 75 MW. But both are run-of-the-river schemes, unlike Budi Gandaki which would be a gigantic reservoir.

Indian state owned and private firms have not built a power project in Nepal since the mid-1980s, although one is involved in large projects on the Arun River.

However, India is promoting cross-border trade in electricity as part of the nascent BBNI (Bangladesh, Bhutan, India, Nepal) regional sub-group in its sphere of influence. Both Nepal and Bhutan have objected to the Indian power ministry’s statement in December 2016 that electricity was a ‘strategic commodity’ so non-BBNI foreign powers could not be involved in the supply chain.

Shrestha says India is not concerned about China’s involvement in the Budi Gandaki project, whose power is solely for domestic use, and it views the reservoir positively.

“In general, India is not happy with Chinese companies being involved in Nepal’s hydropower, but in Budi Gandaki they are more than happy as India would get lean-season augmented flow for free,” he added.

India had said it was not interested in investing in or building the Budi Gandaki project, and withdrew from bilateral talks in the late 90s.

Another water expert, Dipak Gyawali says that the irrigation aspect has been completely ignored in designing Budi Gandaki.

Gyawali headed a review committee formed by the government to look at the design, and says: “About 100,000 hectares of land in Nawalparasi and Chitwan districts downstream could have benefitted in Nepal. The water that flows in dry months from the reservoir is not flowing water, it’s produced by submerging our land and through our investment. If India uses this water then we should get financial returns.”

Another problem Gyawali sees in this project is that it is located close to the epicenter of the 2015 earthquake and may not be able to withstand a future megaquake. “For a seismically active region like Nepal, rock filled dams are better than concrete double arch dams as proposed on the design,” he said.

But Laxmi Devkota, the former Chair of the Budi Gandaki Development Committee, claimed that it has been designed with a serious consideration for earthquake impacts and is within international seismic resistance parameters.

The many delays risk making the Budi Gandaki project financially unviable. Costs are plummeting for other renewables, such as solar and wind power, and emerging hydrogen energy technology.

According to the Asia Foundation [report](#), solar electricity tariffs in Rajasthan, India, fell from more than 19 cents per unit in 2010 to 3.6 cents, and wind energy was around 3.7 cents. Nepal’s hydropower costs 7 cents per unit to produce.

India, which is Nepal’s expected energy export market, is ramping up renewable energy capacity fast with 37 gigawatts of solar and 38 gigawatts in wind by 2020.

However, Budi Gandaki’s output is planned for domestic use so need not compete directly in the regional market. Nonetheless, the technical costs are making its value questionable, even for domestic use.

“If we can develop this project within five years then we will definitely save some money, but if it is the next 20 years then it would be a hotpot of corruption for politicians and bureaucrats. It looks like this project is losing its technical strength in terms of cost already,” said Dipendra Bhattarai, an energy expert.

[Who will buy Nepal’s hydropower?](#)

Finally, the daily power cuts that drove Nepal’s policymakers to revive the project in 2011 have ceased. Nepal doubled its electricity production from 700MW in 2010 to 1400 MW in 2014. Another 700MW is likely to be added in the next couple of years. However, Nepal has been importing about 600 megawatts from India in the dry, winter months (November to April) to meet peak demand as the smaller run-of-the-river projects struggle when water levels are low– one motivation to build a big reservoir.

The Budi Gandaki hydropower plant should have been completed by 2022. In 2015, the project cost was estimated at 2.5 billion— more than one fourth of Nepal’s total budget that year.

Says Laxmi Devkota of the project: “We have already lost about half a billion dollars in the last four years if we consider just 10% inflation rate. Another one and half billion dollars

could have been gained by selling electricity in the four years that were delayed. We are already on loss at total project cost amount."

*

Note to readers: please click the share buttons above or below. Forward this article to your email lists. Crosspost on your blog site, internet forums. etc.

All photos: NABIN BARAL / www.thethirdpole.net

The original source of this article is [The Third Pole](#)
Copyright © [Ramesh Bhushal](#), [The Third Pole](#), 2021

[Comment on Global Research Articles on our Facebook page](#)

[Become a Member of Global Research](#)

Articles by: **[Ramesh Bhushal](#)**

Disclaimer: The contents of this article are of sole responsibility of the author(s). Asia-Pacific Research will not be responsible for any inaccurate or incorrect statement in this article. Asia-Pacific Research grants permission to cross-post Asia-Pacific Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Asia-Pacific Research article. For publication of Asia-Pacific Research articles in print or other forms including commercial internet sites, contact: editors@asia-pacificresearch.com

www.asia-pacificresearch.com contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: editors@asia-pacificresearch.com