
Highest irregularities observed in PHPA-I: AAR 2020-21

July 3, 2022

Among the six hydropower projects in the country, Punatsangchhu Hydroelectric Project Authority (PHPA-I) had the highest irregularities in the annual audit report (AAR) 2020-21 with a reported amount of Nu 1,920.237 million (M), this was reported during the joint sitting of the ongoing session by the Public Account Committee's (PAC) Chairperson, Dil Maya Rai, National Assembly Member for Tashichholing Constituency on 29 June.

The PAC recommended that the geological conditions of the right bank dam area are seen as the main impediments, so irregularities pertaining to dam site development may be considered for dropping if the barrage option gets through.

National Council (NC) member from Chhukha Dzongkhag, Sangay Dorji, said that he is not satisfied with the considering for dropping of the irregularities if barrage option gets through.

He said that though the committee had done several stakeholder consultation and field hearing, he however said that if there is change in the site of location, he opined that it must be fixed accountable.

He said, "We trust on the hydro, but if prolong for the completion, it would affect to our country." He also said that PAC needs to discuss further.

According to the PAC, PHPA-I Management had 22 observations as of last visit of PAC in August 2021. By 5 January, this year, the management had resolved 17 observations leaving only five unresolved.

Dil Maya Rai said that the mentioned five observations were found mostly pertaining to policy changes and conflict in calculations due to difference in the contract terms.

She said the decision for relocation of dam resulting in cost and time over run; payment for materials without certainty of its use in the dam construction; incorrect computation of labour wages; net wages were computed in place of basic; had allowed price variation on the contract Amount without adjusting the 10 percent advance thereby benefiting the contractor and incorrect rate analysis; rates allowed to the contractor was higher than the applicable rate.

On the Royal Audit Authority (RAA) and PHPA-I to come to a consensus to resolve the remaining irregularities as some of the observations are of policy issue and are seen carrying on for more than five years now.

If there is an opportunity to resolved, Member from Punakha Dzongkhag, Lhaki Dolma said that will it take this many of years. She said, if there is an opportunity, would have been resolved all irregularities.

Similarly, NC member from Gasa, Dorji Khandu said that the reason for delaying of completion of the PHPA-I, the issue arises because of no proper accountability. "Henceforth, it is time to fix the accountability either to executive board or to authority."

If not, he said that if delaying for a year, it causes revenue loss to a minimum of Nu 365-M.

If considered for dropping of the irregularities, he said that who is going to bear the losses that incurred until now, and on what basis this should be considered for dropping.

“Are we setting a right precedent,” In near future, if similar project comes, there will be similar issues, he said that PAC should clarify to the house.

PAC Chairperson said that the delaying in the completion was due to geological issues which is beyond their control.

The reason to dropped or the PHPA-I and RAA to resolve consensus to remaining irregularities. “Whenever we visit, the raising issues on irregularities and the observation was the same,” said the Chairperson.

Meanwhile, hydropower borrowing constituted 73.40 percent amounting to Nu162,359.048-M of the total external debt in the Financial Year (FY) 2020-21. Although it looks a big amount, it is a self-liquidating loan and the mega infrastructure development that it requires incurs huge expenses too.

After a lengthy deliberation on the issue, the Joint Sitting endorsed both the recommendations through a majority show of hands.

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