



Overview of MCC and Compact in Nepal

MCC IS A U.S. GOVERNMENT AGENCY THAT GIVES GRANTS TO INCREASE ECONOMIC GROWTH AND REDUCE POVERTY

Focused Mandate: Reduce poverty through economic growth

Corporate Structure: Led by a governing public/private Board of Directors

- Secretary of State Mike Pompeo (chair)
- Secretary of Treasury Steven T. Mnuchin (vice chair)
- U.S. Trade Representative Robert E. Lightizer
- USAID Administrator Mark Green
- MCC Chief Executive Officer
- 4 private sector members

Two Types of MCC-Funded Programs:

Compact Programs (5-year grants)

- Average grant - \$360 Million USD

Threshold Programs (2-3 year grants)

- Average grant - \$23 million USD



MCC IS A UNIQUE DONOR THAT EMPHASIZES COUNTRY OWNERSHIP AND FOCUSES ON IMPACT

- **Competitive Selection:** MCC's Board selects countries based on performance on 20 independent and transparent policy indicators (e.g., political rights, control of corruption, gender in the economy)

- **Country-led Solutions:** MCC countries identify priorities for sustainable economic growth and poverty reduction; develop investment proposals in broad consultation within society

- **Country-led Implementation:** Upon compact signing, MCC countries establish local entity to manage and oversee all aspects of implementation, using MCC funds. MCA-Nepal is the implementing agency

- **Focus on Results:** MCC only funds projects that are expected to have demonstrable impact on economic growth.
 - Methodical approach to project selection
 - Rigorous tracking and evaluation of projects

MCC IS SELECTIVE AND IS CURRENTLY ONLY WORKING WITH 18 COUNTRIES ON A COMPACT



* Indonesia compact closed on April 2, 2018

REASONS TO DO BUSINESS ON AN MCC COMPACT

- Payments **directly from the U.S. Treasury** to the Contractor's account
- Emphasis on **best value** (quality, not just lowest price)
- Strict **5-year timeline** for Compact completion
- **Transparent and fair international competition** (following MCC procurement guidelines and managed by external Procurement Agent, under MCC oversight)
- Emphasis on **past performance and references**
- Evaluation and selection **by technical experts**
- Compact **fully funded** at outset





An Introductory Presentation on the MCC Nepal Compact

Nepal Compact Highlights

- MCC and the Government of Nepal entered into a Compact to help facilitate poverty reduction through economic growth in the amount of **\$500 million USD**.
- The **Millennium Challenge Account-Nepal (MCA-Nepal)** has been established as the legal and accountable entity in Nepal.
- As such, **MCA-Nepal is responsible for implementation** of the Compact.
- **MCA-Nepal will procure all goods, works, and services** funded under the Compact using the MCC Program Procurement Guidelines,
- and will enter into contracts and administer all such contracts.
- All program **disbursements must be made within five years** of entry- into-force (EIF) of the Compact, which is scheduled for June 2020.



Nepal Compact Projects

The Electricity Transmission (ETP)



The Road Maintenance Project (RMP)



Nepal Compact Projects



Electricity Transmission Project (ETP)

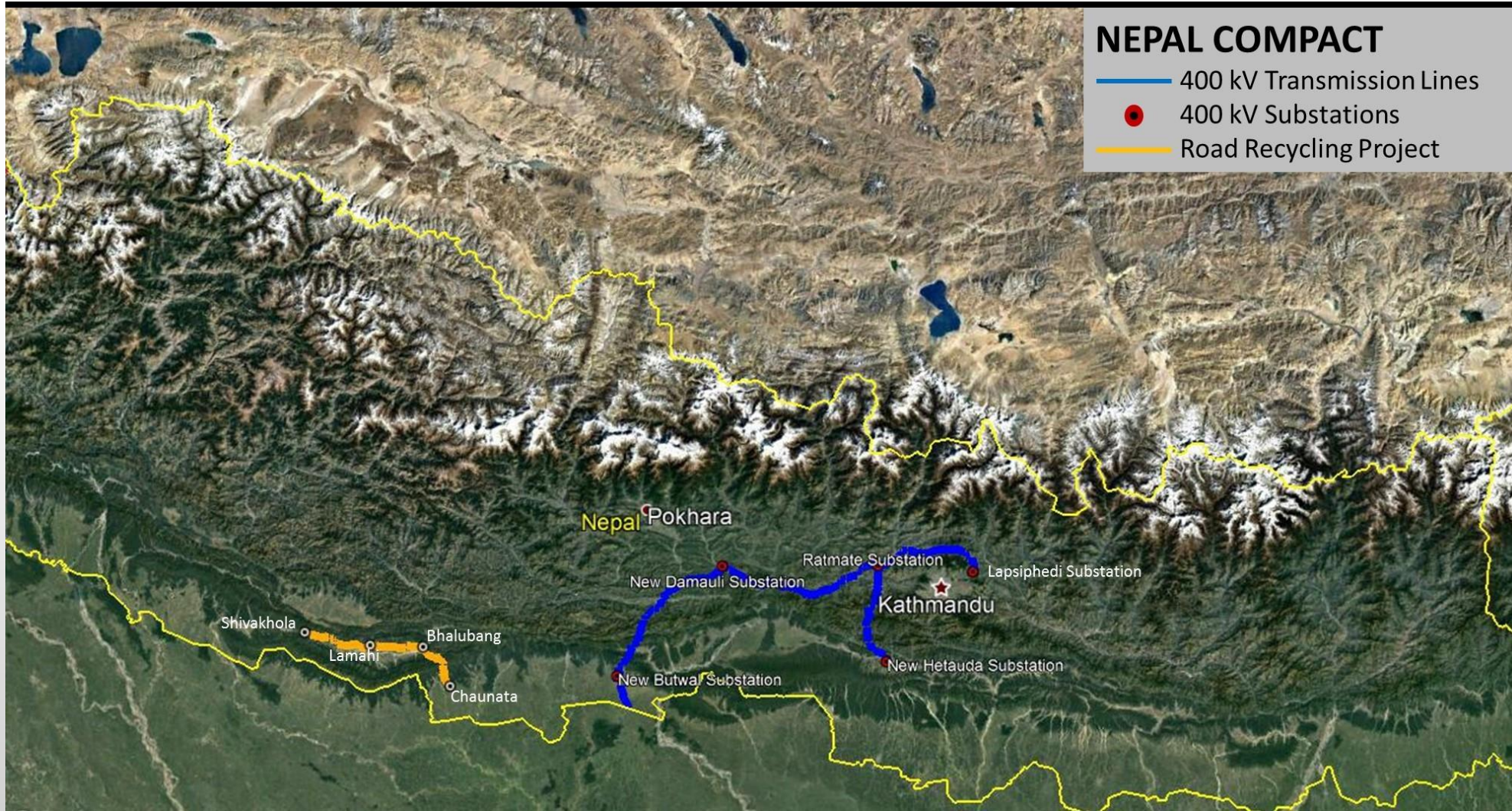
- Approx. \$398M value
- Consists of 4 Activities:
 1. Transmission Lines Activity (including Partnerships Program);
 2. Substations Activity;
 3. Power Sector Technical Assistance (TA) Activity; and
 4. Program Management and Technical Oversight Activity

Road Maintenance Project (RMP)

- Approx. \$52M value
- Consists of 2 Activities:
 1. Strategic Road Maintenance Works Activity (including pavement recycling and a matching fund to finance new periodic maintenance works); and
 2. Technical Assistance Activity

GON is also contributing \$130M to the compact's projects

Map of Approved Projects



Projects under the Compact: ETP



- The objective of the Electricity Transmission Project (ETP) is to increase electricity consumption by improving the availability and reliability of electricity supply in Nepal's electricity grid and by facilitating power trade:
 - Investment in Nepal's transmission network by **constructing transmission lines and three substations to expand the high voltage transmission backbone** inside Nepal and support increased supply of electricity to consumers, allowing more efficient movement of electricity across the grid, with lower technical losses, such that supply is better able to meet demand
 - Investments in **cross-border interconnection by constructing Nepal side of a second cross-border transmission line with India** to facilitate increased electricity export when domestic generation exceeds domestic demand in the rainy season, and increased electricity import when domestic generation is at its lowest in the dry season
 - **Provide Technical Assistance (TA)** to improve sustainability of the power sector and the infrastructure investments by enabling Nepal Electricity Authority (NEA) to operate, manage, and maintain the new 400kV system and to newly established Electricity Regulatory Commission
- The increase of electricity in Nepal's grid is expected to allow consumers to use more electricity to meet their energy needs and incur less expenditures per unit of energy consumed than experienced currently.

The ETP has 3 Components



312 km of Transmission Lines



3 Substations



Technical Assistance to NEA and Nepal ERC



➤ Outputs and Outcomes

- 300 km of 400 kV lines added
 - 3,920 MW transmission capacity
 - 3,290 MVA substation capacity
 - TX losses reduced: 4.82% to 1.9%
- Regional integration and trade at scale
 - Exports: 3.3 to 2,896 GWh
 - Cons/cap: 133 ➔ **394** ➔ **500 kWh**

Projects under the Compact: RMP



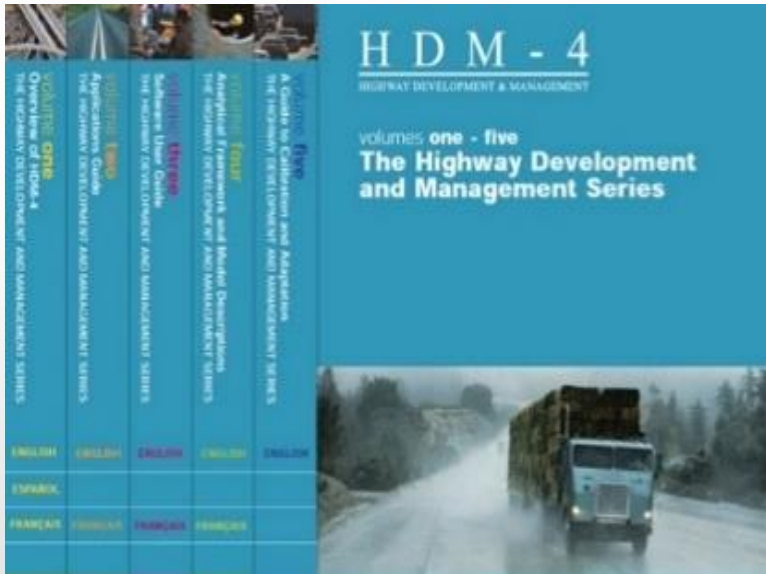
- The objective of the Road Maintenance Project (RMP) is to maintain road quality across the Strategic Road Network (SRN):
 - Provide **TA related to road maintenance planning, assessment, and implementation** to strengthen the Department of Roads' (DoR) and Roads Board Nepal's (RBN) capacity to plan and execute routine and periodic maintenance.
 - Reinforced through a learning-by-doing approach to **conducting maintenance on selected segments of the SRN**
 - ✓ Maintenance work will reduce road roughness and associated vehicle operating costs
 - ✓ Funds will be applied using a matching scheme aimed at incentivizing allocation and expenditure of greater amounts of road maintenance resources
- By equipping the DoR with the data, skills, and experience necessary to plan and implement road maintenance, combined with an increased level of funding under an improved road maintenance funding regime, it is expected that the SRN will be adequately maintained and road quality will not deteriorate.

The RMP has 2 Major Activities



1. Technical Assistance to
Department of Road/GoN

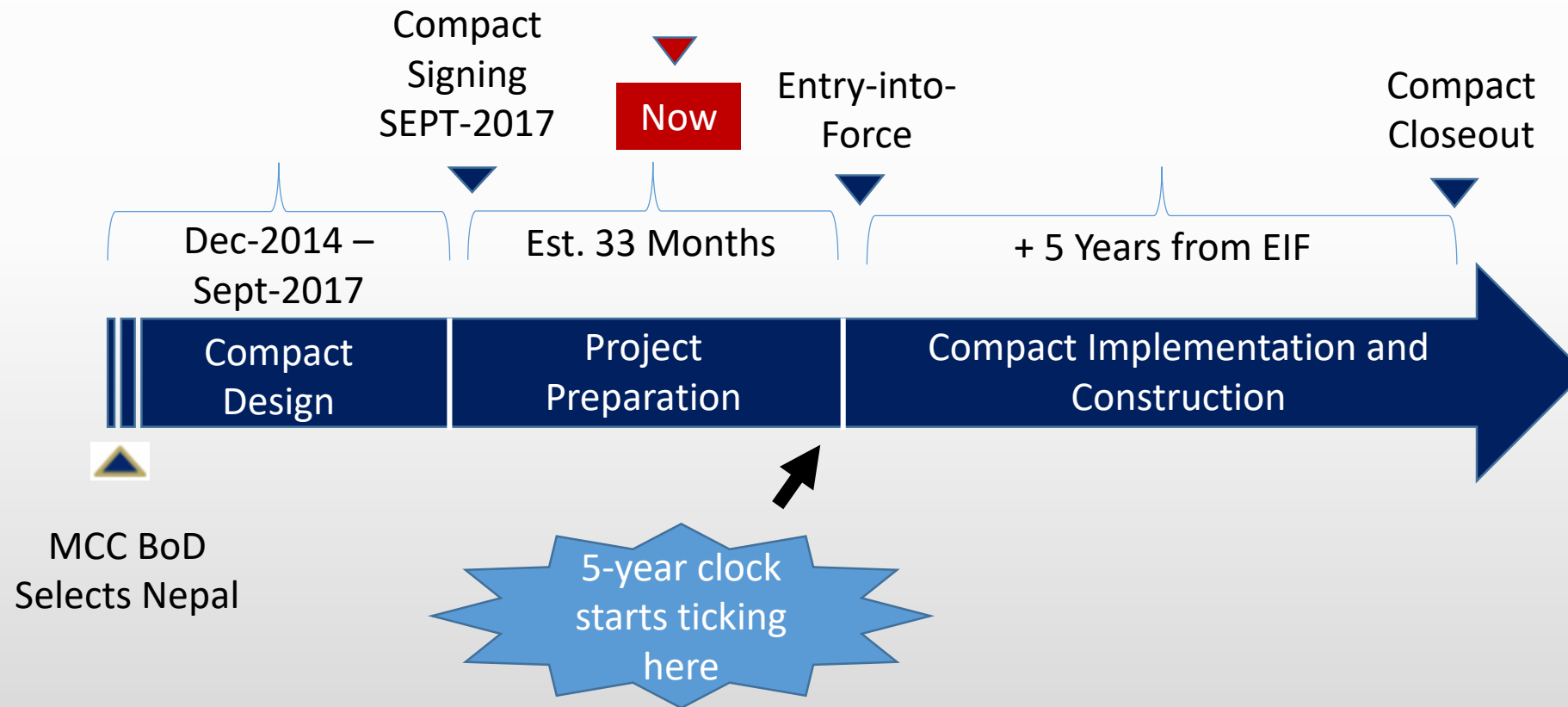
2. Enhanced road maintenance up to 305 km of
roads (based on incentive matching from GoN)



■ Outputs and Outcomes

- Improved road maintenance system
- Increased funding for road maintenance
- New maintenance system applied to 300 km of Strategic Roads Network

Timeline and Current Status



Entry into Force Date



- MCC's implementation method requires that enough time is allotted to the project preparatory phase so that all conditions for successful project delivery are met prior to the Entry into Force (EIF)
- Following EIF, all implementation activities must be completed within five-years, as there are no provisions for time extensions or cost increase

Some of the key Conditions to EIF are:

- Declaration of the Electricity Transmission Project as a National Pride Project - **Completed**
- Passage of legislation to create an Electricity Regulatory Commission - **Completed**
- Signing of a Project Implementation Agreement - **Completed**
- Completion of a plan in agreement with the Government of India for the cross-border transmission line from Butwal, Nepal to Gorakhpur, India - - **Agreement in Place**
- Site Access to all project construction sites with environmental impact assessment (EIA) approval and sufficient progress on land acquisition and forest clearance **In Progress**
- Ratification of the Compact agreement by the Parliament **In Progress**



Thanks.