



ANNUAL REPORT

FY 2075/76 (2018/19)

Millennium Challenge Account Nepal Development Board



Message from the Executive Director



It is my pleasure to present Millennium Challenge Account Nepal Development Board's (MCA-Nepal) Annual Report for the Fiscal Year 2075/76 covering the period from 16 July 2018 to 15 July 2019. The report has been prepared to include overall financial reporting done for the Government of Nepal, projects updates submitted to the Board of Directors and organizational status as of the ending date.

The past fiscal year has been crucial to MCA-Nepal with its formation and various decisions taken for planning and execution of the Compact. By the end of the fiscal year, two Conditions Precedent were fulfilled i.e. the declaration of the Electricity Transmission Project of the Compact as a National Pride Project and the formation of the Electricity Regulatory Commission in Nepal.

I would like to take the opportunity to acknowledge the continuous support and guidance of the Ministry of Finance, Government of Nepal including contribution of all stakeholders who are supporting the Compact directly or indirectly. I am thankful for the leadership and guidance provided by the Secretary of the Ministry of Finance in his role as the chairperson of the MCA-Nepal Board. I would also like to thank all members of the Board for providing their oversight in the implementation of the Compact. A special note of thanks to the Ministry of Energy, Water Resource and Irrigation, and Department of Electricity Development; the Ministry of Physical Infrastructure and Transport, and Department of Road and Roads Board Nepal; the Ministry of Land Management, Cooperatives and Poverty Alleviation; the Ministry of Forest and Environment, for their guidance and support.

I highly appreciate the immense support provided by the District Administration Office as well as other relevant district offices of Nuwakot district.

I would also like to thank Millennium Challenge Corporation for their financial as well as continuous technical support.

Finally, I would like to express my gratitude to the MCA-Nepal team, MCC team, experts, advisors, technical partners and consultants for all of their hard work and efforts that resulted in the achievements in the past year.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Khadga Bahadur Bisht'.

Khadga Bahadur Bisht
Executive Director
MCA- Nepal

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List of Abbreviations

ADB	Asian Development Bank
BOD	Board of Directors
CP/CPs	Conditions Precedent
DFID	Department for International Development
DoED	Department of Electricity Development
DoR	Department of Roads
DoTM	Department of Transport Management
ED	Executive Director
EIA	Environmental Impact Assessment
EIF	Entry Into Force
ERC	Electricity Regulatory Commission
ETP	Electricity Transmission Project
FDR	Full Depth Recycling
FGD	Focused Group Discussion
FWD	Falling Weight Deflectometer
FY	Fiscal Year
GoN	Government of Nepal
JICA	Japan International Cooperation Agency
MCA	Millennium Challenge Account
MCC	Millennium Challenge Corporation
MoEWRI	Ministry of Energy, Water Resources and Irrigation
MoF	Ministry of Finance
MoFE	Ministry of Forests and Environment
MoLJPA	Ministry of Law, Justice and Parliamentary Affairs
MoPIT	Ministry of Physical Infrastructure and Transport
NEA	Nepal Electricity Authority
OMCN	Office of Millennium Challenge Nepal
PAP	Project Affected Person
PIA	Project Implementation Agreement
PCA	Project Cooperation Agreement
RBN	Roads Board Nepal
RMP	Road Maintenance Project
SS	Sub Station
TL	Transmission Line

Section 1: Overview of MCA-Nepal Development Board

1.1 Organizational Description

Millennium Challenge Account Nepal (MCA-Nepal) is a Government of Nepal (GoN) agency formed under the Development Board Act 2013 BS (1956 AD) in order to manage a USD 630 million program co-funded by US Government's Millennium Challenge Corporation (MCC) Compact of USD 500 million and the remaining USD 130 million by Government of Nepal. The program aims to increase the availability and reliability of electricity, maintain road quality and facilitate power trade between Nepal and the region to help spur investments and accelerate economic growth. The Electricity Transmission Project, a national pride project and the Road Maintenance Project are two projects under the program.

1.2 Board of Directors

MCA-Nepal is governed by an Executive Board, chaired by the Secretary of the Ministry of Finance. The Joint Secretary of Ministry of Physical Infrastructure and Transport; Joint Secretary of Ministry of Energy, Water Resources and Irrigation; and Managing Director of Nepal Electricity Authority are other members in the Board. Similarly one representative each from the private sector and civil society are also included in the Board whereas the Executive Director of MCA-Nepal is the Member Secretary of the Board.

Name	Title	Board Title
Dr. Rajan Khanal	Secretary, Ministry of Finance	Chairman
Mr. Gopal Prasad Sigdel	Joint Secretary, Ministry of Physical Infrastructure and Transport	Member
Mr. Nabin Raj Singh	Joint Secretary, Ministry of Energy, Water Resources and Irrigation	Member
Mr. Kul Man Ghising	Managing Director, Nepal Electricity Authority (NEA)	Member
Mr. Kumar Pandey	Executive Chairman, National Hydropower Company	Member (Representing Private Sector)
Mr. Prateek Pradhan	Editor-in-Chief, Baahrakhari Media	Member (Representing Civil Society until 19 March 2019)
Mr. Khadga Bahadur Bisht	Executive Director, MCA-Nepal	Member Secretary

1.3 Board Meeting Highlights

In the Fiscal Year 2075-2076, 11 Board Meetings were held. Agendas and decisions of the Board are presented in the table below:

Board Meeting No.	Date	Major Agendas
2nd Meeting	03/08/2018	<ol style="list-style-type: none">1. Approval of the appointment criteria for appointment of Executive Director.2. Approval of MCA-Nepal Employees Administration Bylaws 2075.3. Request for designation of the Electricity Transmission Project as National Pride Project.4. Approval of Budget — Government of Nepal's contribution.
3rd Meeting	04/09/2018	<ol style="list-style-type: none">1. Approval of the form of Employment Agreement.2. Approval of the Integrated Annual Budget for MCA-Nepal with respect to the government contribution as well as MCC Compact Funding for the period of July 2018 to September 2019.3. Approval of the seal of MCA-Nepal.4. Approval of inclusion of the Item Management Information System and Related Services in the Procurement Plan Version 2.8 and amendment to be made in the Procurement Plan Version 2.8.

4th Meeting	23/9/2018	1. Decision to constitute a committee to review and advise the Ministry of Finance to negotiate and finalize the "Program Implementation Agreement" with MCC.
5th Meeting	27/11/2018	1. Decision on the selection memorandum, offer and salary negotiation for various positions of MCA-Nepal including the appointment of Executive Director.
6th Meeting	28/12/2018	1. Appointment of the Executive Director of MCA-Nepal and other employees.
7th Meeting	13/01/2019	1. Decision on the selection memorandum, offer and salary negotiation for various positions of MCA-Nepal such as IT Specialist- Software and Hardware, Communication Specialist, Financial Specialist, etc. 2. Extension of contract for recruitment services.
8th Meeting	8/02/2019	1. Decision on the selection memorandum, offer and salary negotiation for various positions of MCA-Nepal such as Deputy Executive Director-Management, Deputy Executive Director-Project Delivery etc.
9th Meeting	03/03/2019	1. Decision on the selection memorandum, offer and salary negotiation for various positions of MCA-Nepal such as Chief Legal Officer, Project Manager- Transmission Lines, Quality Assurance Manager- Social Inclusion/Resettlement etc. 2. Approval of the MCA-Nepal organogram and the qualification criteria for other staff positions. 3. Approval of MCA-Nepal Internal Conduct of Business By laws (Governance By laws).
10th Meeting	31/03/2019	1. Approval of assignment of material agreement (Procurement Agent Agreement, Fiscal Agent Agreement, and Bank & Financial Services Agreement) signed by Office of the Millennium Challenge Nepal (OMCN) to MCA-Nepal. 2. Approval of the resignation tendered by a board member representing civil society. 3. Approval of the selection process for the selection of Board Member, representing civil society and private sector. 4. Approval of the authority to sign and certify MCA-Nepal Board minutes by the Chairperson and Executive Director. 5. Request for the participation of MCA-Nepal representative in the meeting of Joint Steering Committee (JSC) and Joint Working Group (JWG) formed by Government of Nepal and Government of India. 6. Approval of qualification criteria for additional number of positions at MCA-Nepal.
11th Meeting	28/04/2019	1. Approval of the selection memorandum for the position of Chief Financial Officer, the authority to the new salary negotiation committee to initiate the salary negotiation with candidates, and the finalization of the selected candidate.
12th Meeting	11/6/2019	1. Approval for a respective Board member to act as a facilitator to execute the signing of Project Cooperation Agreement. 2. The committee report on Project Implementation Agreement (PIA) to be negotiated with MCC. 3. Approval of the amendment on the Procurement Plan and approval of the recommendation to award the bid to a successful bidder in the procurement of Falling Weight Deflectometer (FWD).

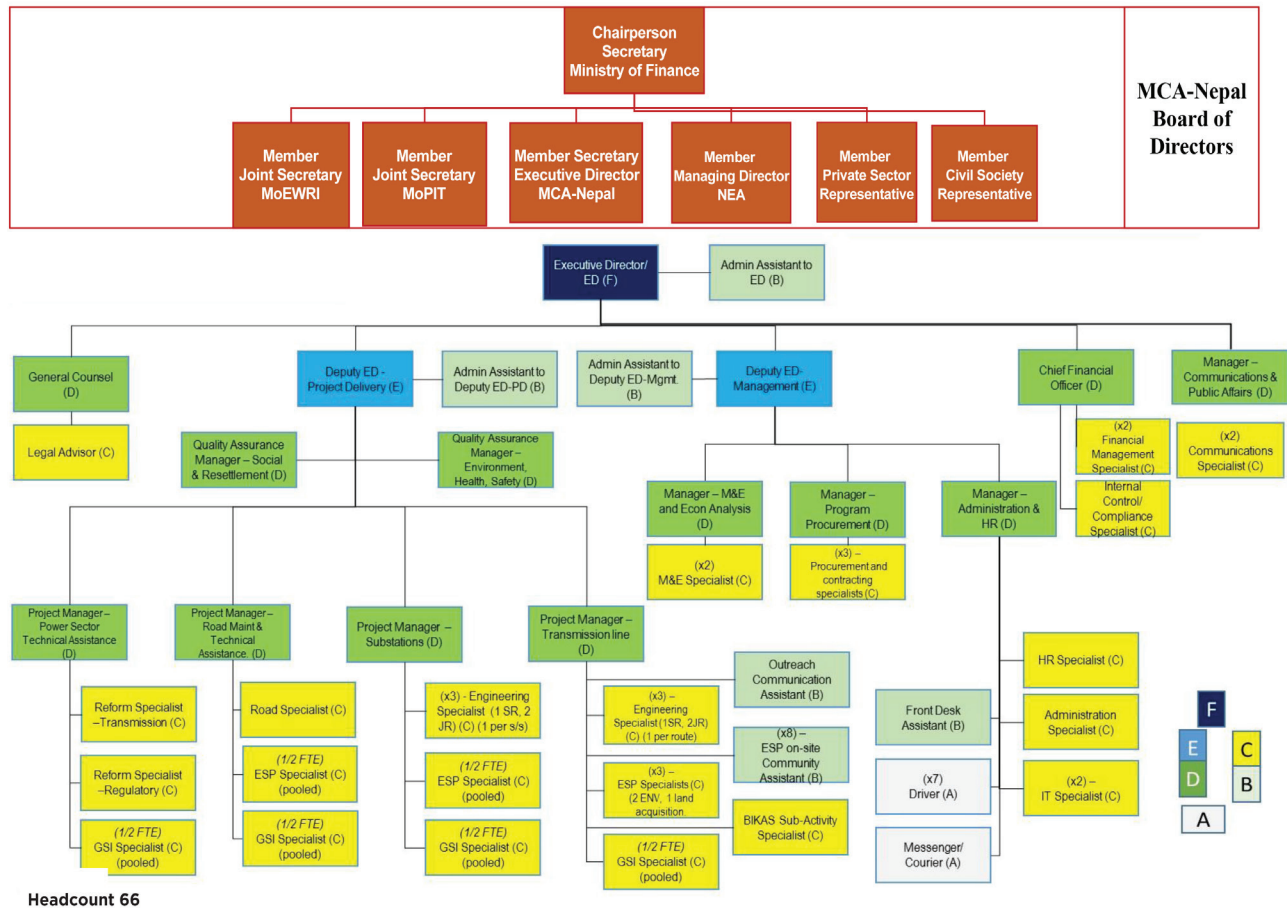


Mr. Khadga B. Bisht being welcomed as the Executive Director of MCA-Nepal by Mr. Troy Kofroth, Resident Country Director-Nepal, MCC on 11 February 2019.



Mr. Khadga B. Bisht on his first day (11 February 2019) in MCA-Nepal office.

1.4 Organization Chart



Section 2: Projects

2.1 Electricity Transmission Project

Nepal suffers from some of the worst electrical shortages in South Asia, with the nation's power grid meeting only half of the country's future electricity demand. The Electricity Transmission Project (ETP) is designed to increase domestic electricity consumption by improving the availability and reliability of electricity in the nation's grid, increase economic investment as a result of more reliable electricity and increase national government revenues from the export of power. The Electricity Transmission Project, a National Pride Project, will build around 314 km of 400 kV electricity transmission lines and three substations, and provide technical assistance for the power sector in Nepal. The selection of the route for the transmission line and its capacity are based on Nepal's approved transmission master plan.

2.1.1 Environmental Impact Assessment

An Environmental Impact Assessment (EIA) study is being conducted as per the Environmental Act and Rule of the Government of Nepal, to assess impacts of the ETP on environment (physical, biological, and socio-economic and cultural) and devise measures to enhance positive impacts and minimize adverse impacts. The ETP affects 3 provinces, 10 districts, one sub-metropolis, 11 municipalities and 18 rural municipalities. Among them, 112 community forests and 8 leasehold forests are included. Around 50% of the Transmission Line (TL) route covers forest/government lands. The land requirement for Ratmate Sub-Station (SS) is around 19.79 hectares, tower foundations is around 78.5 hectares, and Right of Way (RoW) is around 1,359 hectares. Approximately 150 households are under the RoW. One paragliding center in the TL route and one brick chimney in the proposed land for Ratmate SS need to be relocated. The Project Affected Person(PAP) estimation for SS activities is around 500. Around 30 households may have to be relocated in Ratmate SS area. The PAP estimation for TL is in progress.

Current Progress:

- EIA scoping meetings were held in 31 affected municipalities and rural municipalities during September-October 2018 and is so far the largest by any project in Nepal.
- EIA scoping and Terms of Reference (ToR) were approved by the Ministry of Forests and Environment (MoFE).
- EIA baseline surveys were conducted.
- Municipality level consultation meetings were held in June 2019 in all affected municipalities to discuss preliminary findings of the EIA and the final alignment of the ETP transmission line.



A scoping meeting conducted at Nisdi Rural Municipality, Palpa District on 9 October 2018.



An FGD conducted with women at Belkotgadi Municipality, Nuwakot District on 25 January 2019 for ETP baseline survey.

2.1.2 Transmission Line Activity

The Transmission Line activity will focus on the construction of around 314 km of high voltage (400kV) transmission lines in Nepal, equivalent to one-third the length of the country. It will also support MCA Partnership Program activities, which will include targeted rural electrification efforts through off-grid solutions and community empowerment programs.

Current Progress:

- The TL route has been finalized near New Butwal Sub-Station with NEA's cooperation.
- The number of towers required has been identified and estimated to be around 859.
- The geo-technical investigation is completed and the TL alignment is being finalized.
- The ground survey and pegging activities are in progress due to which there are some requests from locals to move few of the tower locations.
- The TL detailed design has been submitted and concerns are being addressed by MCA-Nepal.
- The preparation of technical specification, tender documents and cost estimates are in progress.



Soil testing being conducted at Benighat-5 of Dhading district, a site along the route of transmission tower construction on 27 February 2019.

2.1.3 Sub-Stations Activity

The Sub-Stations activity will construct three sub-stations, which will help transform power from one voltage level to another for further transmission or distribution to customers in addition to serving as pooling hubs for generators. The locations for the three substations are in Ratmate, Damauli and New Butwal. The New Butwal sub-station in Ramnagar near Butwal will be the starting point for the second cross-border transmission line to facilitate electricity trade with India.

Current Progress:

Ratmate Sub-Station

- The sub-station layout has been finalized
- The Section 6 notice has been published for land marking.
- The pegging of boundary and land survey are ongoing.
- The Resettlement Action Plan (RAP) survey plan has been finalized.
- The field survey is being planned from 16 September 2019.
- A stakeholder consultation program is being planned at Nuwakot District on 18 July 2019.

Damauli Sub-Station

- NEA is in the final stage of the process of acquiring land for sub-station.

2.1.4 Power Sector Technical Assistance Activity

The Power Sector Technical Assistance (TA) activity will help strengthen the performance of Nepal's power sector institutions, including the Electricity Regulatory Commission (ERC) and the Nepal Electricity Authority (NEA). It aims to support the established independent electricity sector regulator, as well as build capacity through technical assistance to help bring transparency, efficiency, and competition into Nepal's power sector. Compact funding will be used to embed experts within ERC to improve ERC's skills in rule making, dispute resolution, and economic and technical regulation and will support to achieve the following key objectives:

- Establish ERC as an effective operational stakeholder in Nepal's power sector with necessary skills and tools.
- Develop and recommend social equity in tariff pricing methodology to ensure affordability and access.
- Support the financial viability of the power sector for consistent, transparent and robust tariff filing process
- Support establishing and monitoring of customer service standards and link performance to regulatory outcomes for improved technical performance.
- Support ERC to enhance Nepal's power sector potential with policy and regulation that encourages increased competition, more robust sector planning and growth, and effective power trading.
- Support ERC to establish high standards in key regulatory frameworks.

Technical Assistance to NEA will focus on support to establishing an improved process and decision-making framework for the transmission business to strengthen network development, operations and maintenance practices.

Current Progress:

Technical Assistance to NEA

- A need assessment is being carried out to prepare a recommendation report that identifies areas and tasks for technical assistance to help develop the technical and managerial capacity of NEA, and assess risk associated with inadequate transmission network capacity to deliver increased power flow resulting from the ETP.
- Workshops are being planned to discuss issues related to system planning, network development, asset management, system operations, market operations, sector financing and utility management.

Regulatory Support to ERC and NEA

- Needs assessment are being carried out to support activities, prepare regulatory risks and opportunities analysis in ERC and understand NEA's readiness for regulatory works.
- Outreach events will be organized in Kathmandu and Delhi based on the Technical Assistance Recommendation Report that will specify activities and areas for technical assistance to ERC and NEA.

2.2. Road Maintenance Project

Nepal's trade and business bear high cost of transportation due to poor road quality, under-performing trucking industry, and inadequate road coverage. Road maintenance has suffered from inadequate resources and practices not consistent with international best practices. The Road Maintenance Project (RMP) aims to maintain road quality across the strategic road network, reduce road maintenance costs, and improve road quality to reduce the cost of transportation and encourage growth in businesses. The Road Maintenance Project will enhance current practices in the maintenance of up to 305 km of Nepal's strategic roads network and will provide technical assistance to the Department of Roads (DoR) and Roads Board Nepal. Maintenance interventions will include pavement improvement techniques and include safety enhancement features.

Current Progress:

- The RMP Kick Off meet is planned for August 2019 and will see the participation of representatives from Department of Roads (DoR), Roads Board Nepal (RBN), MoPIT, MoF, MoLJPA, DoTM, World Bank, ADB, DFID, JICA, Nepal Engineers Association. Participants will be introduced to new pavement improvement technologies, such as Full Depth Recycling (FDR) and Superpave asphalt concrete, which follows the principle of recycling existing pavement material.
- The detailed assessment for the entire length of the pilot project has been carried out and submitted to the DoR and the MoPIT.
- Outreach events with an objective to inform potential construction and service providing organizations about upcoming procurement opportunities have been planned for August 2019 in Kathmandu and November 2019 in Delhi.
- The Project Cooperation Agreement with the DoR and the RBN are in the stage of finalization.

Section 3: Financial Statement

The Government of Nepal’s Office of the Auditor General (OAG) as the constitutional body conducts the audit of MCA-Nepal Development Board. The OAG completed the audit of MCA-Nepal Development Board for FY 2074/75.

The expenditure summary for FY 2075/76 is as follows:

(Figures are in NPR)

Expenses by Project Activity	GoN	MCC	Total
Electricity Transmission Project	-	553,662,652	553,662,652
Road Maintenance Project	-	-	-
Monitoring & Evaluation	-	-	-
Program Management	9,396,502	335,426,120	344,822,622
Total	9,396,502	889,088,772	898,485,274
Expenses by Recurring/Capital	GoN	MCC	Total
Recurring Expenses	4,868,569	314,632,475	319,501,044
Capital Expenses	4,527,934	574,456,297	578,984,230
Total	9,396,502	889,088,772	898,485,274

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४. फल्लुवाँट हुन बाँकी पेशकी

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माथिक वर्गेट रु	११,०००,०००	१,०००,०००,०००	१०१,०००,०००
निम्नानु रु	१,६८६,४११	११,१३२,४४४	१२,८१८,८५५
खर्च रु	१,६८६,४११	११,१३२,४४४	१२,८१८,८५५
बाकी रु	१,११३,५८८	१,६८६,५६४,४४४	१,६८७,६७८,०३२
पेशी बाकी रु			
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संज्ञा: अनुसूचित जाति अनुसूचित जाति १९५५-५६ व
संज्ञा: अनुसूचित जाति अनुसूचित जाति १९५५-५६ व

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१. बिक्रीको नाम र ठेगाना
२. बैंक खाता अनुसार बाँकी र....
३. सम्पत्ति वा ब्रह्मानी हुन बाँकी बिक्रीको रकम र

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दत्तः ॐ नमः शिवाय
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१. बैंक खाता नं.
४ पॉस्टल हून पोस्टी वेरकी
क विगत वार्षिक वर्षसम्बन्धी:
ख वस वार्षिक वर्षको:
जम्मा र

म्याङ भाषाको पैङकी ४
म्याङ नम्राभाषाको पैङकी ४

रुनु गर्नेको मही
नाम पुष्पकान्त अधिकारी
दर्जा प्रमुख शिब अधिकृत
मिति

श्विभूत मनेको मही
नाम श्रद्धम बहादुर बिष्ट
दर्जा भार्यवागी निर्देशक
भिति

कोष तथा लेखा नियन्त्रक कार्यालय बखामहत बाट प्रमाणित			
बजेट	नेपाल सरकार	रा. वि. वि. बजेट (शेड्युल प्रमाणित)	ग्रन्थ
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बचत रु.	४,२४०,१११	२,४१,११,२४०	४,२४०,१११
बाजी रु.	१,१२५,१३२,०००	२,४१,११,२४०	१,१२५,१३२,०००
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Millennium Challenge Account Development Board

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