



# ANNUAL REPORT

FY 2076/2077 (2019/2020)

**Millennium Challenge Account Nepal Development Board**



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# MESSAGE FROM THE BOARD CHAIR



The Millennium Challenge Corporation (MCC) Nepal Compact program contains important projects to improve the country's economic status through the promotion of energy trade and the reduction of transportation costs. The program intends to increase the supply of electricity by extending transmission lines and improve road maintenance practices by incorporating the use of latest technologies. The objective is to transform the vision of achieving a well-balanced development into a reality by mobilizing available resources in an optimum, sustainable and effective manner. The Government of Nepal (GoN) has also declared the Electricity Transmission Project (ETP), one of two projects under the Compact program, as a national pride project.

The MCC Nepal Compact is currently in its preparatory phase and will be implemented with grant assistance from MCC, a donor agency of the US Government. The program will be an innovative exercise in Nepal's development endeavor, and will be executed through a joint fund of USD 630 million, where USD 500 million is contributed by MCC and USD 130 million by the GoN. The grant, received through Nepal's own initiation and an open global competition, will be mobilized in sectors identified by Nepal itself. The projects under the MCC grant have to be completed within a fixed period of five years after project enters into force. While support under the ETP investment will focus on the construction of an electricity transmission line along an important section of Nepal, the technology to be used for road maintenance under the Road Maintenance Project (RMP) will be new for Nepal. As all applicable international standards will be followed in the management and implementation of the development projects, the successful implementation of the projects will demonstrate Nepal's capacity for the highest level of performance.

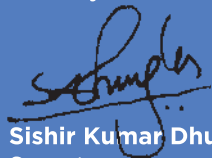
The ETP Project, through high capacity transmission line will support adequate electricity supply for consumer distribution in the major load centers and encourage private sector investment in electricity generation. The project will help increase domestic consumption of electricity and also create a conducive environment for energy trade. Likewise, the RMP will reduce transportation costs through the use of new technologies in road maintenance.

The MCC Compact agreement was signed in 2017, and a majority of the six Conditions Precedent (CPs) required to Entry Into Force (EIF) have been achieved, the achievement of key CPs related to parliamentary ratification of the agreement and access to project sites are awaited. The Millennium Challenge Account Nepal Development Board (MCA-Nepal), an entity formed by the GoN for the management and implementation of the program, continues to work on the preparatory tasks related to land acquisition and access to sites. The program has embraced a policy to adopt various alternative provisions to minimize negative impacts on biological, social and physical environment based on consultations with local communities.

The program will significantly contribute in the overall development of Nepal and I would like to thank MCC, all line agencies under the GoN, Nepal's civil society and private sector, and MCA-Nepal for their valuable contributions towards achieving the defined goals of the program. I anticipate the same cooperation in the days to come.

Finally, I express my best wishes for the program's successful implementation.

Thank you.



**Sishir Kumar Dhungana**  
Secretary  
Ministry of Finance  
Government of Nepal



# MESSAGE FROM THE EXECUTIVE DIRECTOR



It is my privilege to present the Millennium Challenge Account Nepal Development Board's (MCA-Nepal) Annual Report for the Fiscal Year 2076/77 BS. The report has been prepared to include overall financial reporting done for the Government of Nepal (GoN), project updates submitted to the MCA-Nepal Board of Directors ("Board"), and organizational status as of the ending date and covering the period from 16 July 2019 to 15 July 2020.

MCA-Nepal is in the final stage of preparatory works required for the implementation of its projects that aim 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. In the past fiscal year, major achievements were made in the preparatory phase. The Program Implementation Agreement (PIA), one of the Conditions Precedent (CP) to the Compact was signed by the GoN and the Millennium Challenge Corporation (MCC) representing the US Government. The governments of Nepal and India agreed to the financing and ownership framework that will govern the implementation of the New Butwal-Gorakhpur cross-border transmission line, which is an integral part of the Nepal Compact and a CP. A Compensation Fixation Committee was formed in Nuwakot under the Chairmanship of the Chief District Officer. Two outreach events in Nepal and India were held to inform potential construction and service providing organizations about upcoming procurement opportunities, and to ensure that the best contractors from around the world participate in the global bidding for the construction of the projects. Public hearings, which are a mandatory requirement in finalizing the environmental impact study of project areas, were conducted in 30 municipalities of 10 districts that will be affected by the Electricity Transmission Project, and recommendations were obtained from those municipalities to move ahead. Local level stakeholder consultations were conducted in all 30 municipalities, and district level stakeholder consultations were completed in Nuwakot, Sindhupalchowk and Nawalparasi (Bardaghat-SustaWest). MCA-Nepal expresses sincere appreciation to the GoN and MCC for their full support to help achieve all these important targets.

The Nepal Compact has outlined six primary CPs to be achieved as prerequisites before the Entry into Force (EIF). 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 start of implementation activities. Following EIF, all implementation activities must be completed within budget and within five years, as there are no provisions for time extension. Parliamentary ratification and access to site are the two major remaining conditions, along with finalization of the cross-border plan, before Nepal can access the funds allocated to implement the projects on time. The target EIF date for the implementation of the Compact was set for 30 June 2020. However this date was not achievable as progress in the preparatory phase was significantly hampered due to delays in parliamentary ratification of the Compact and the global COVID-19 pandemic. Despite these circumstances, MCA-Nepal, established under the Ministry of Finance (MoF) through Nepal's own legislative process as a Development Board, is committed to delivering the infrastructure projects under the Compact.

I would like to express my gratitude to the MoF and the GoN for their guidance and support in the past fiscal year. The leadership and direction provided by the Secretary of Finance in his role as the Chairperson of the MCA-Nepal Board has been significant. I would also like to thank all members of the Board for providing their oversight in the implementation of the Compact. The ongoing partnership with the Ministry of Energy, Water Resource and Irrigation, Department of Electricity Development, Ministry of Physical Infrastructure and Transport, Department of Roads, Roads Board Nepal, Ministry of Land Management, Cooperatives and Poverty Alleviation, and Ministry of Forest and Environment has helped determine the achievements of MCA-Nepal in the past year, and we look forward to continued collaboration in the coming years.

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

Yours sincerely,

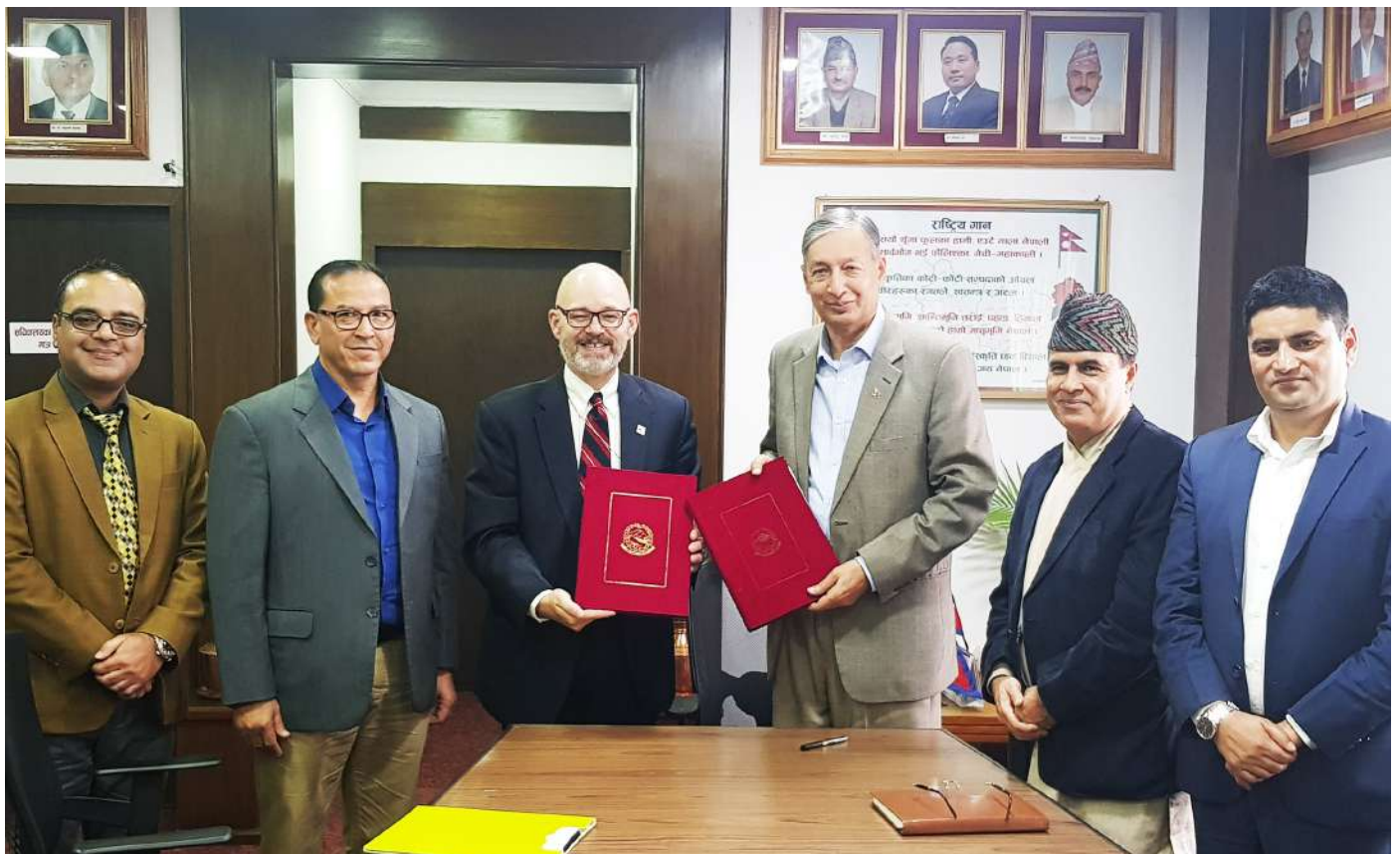
A handwritten signature in black ink, appearing to read 'Khadga Bahadur Bisht'.

Khadga Bahadur Bisht  
Executive Director  
Millennium Challenge Account Nepal Development Board





Nepali and Indian officials during the 7th India-Nepal Joint Steering Committee meeting on cooperation in power sector in Bengaluru, India on Tuesday 15 October 2019. The governments of Nepal and India agreed to the financing and ownership framework that will govern the implementation of the New Butwal-Gorakhpur cross-border transmission line. Photo Courtesy-Indian Embassy/Twitter



The Ministry of Finance (MoF) representing the Government of Nepal (GoN) and the MCC representing the U.S. Government signed a PIA on 29 September 2019. The signing ceremony took place at the MoF with the Minister of Finance, Hon. Dr. Yubaraj Khatriwada signing on behalf of GoN and Mr. Anthony Welcher, Vice President of the Department of Compact Operations, MCC signing on behalf of the U.S. Government, represented in Nepal by Mr. Troy E. Kofroth, Resident Country Director, MCC. The event was attended by Finance Secretary Dr. Rajan Khanal, Joint Secretary and Head of International Economic Cooperation Coordination Division Mr. Shreekrishna Nepal, Mr. Khadga Bahadur Bisht, Executive Director, MCA-Nepal and other MCC and MCA-Nepal representatives.

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# SECTION 1

## MCA-Nepal Overview

### 1.1 Organizational Description

The Millennium Challenge Account Nepal Development Board (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 the US Government's Millennium Challenge Corporation (MCC) Compact fund of USD 500 million and the GoN's fund of USD 130 million. 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 (ETP), a national pride project, and the Road Maintenance Project (RMP) are two projects under the program.

### 1.2 Board of Directors

The MCA-Nepal Board of Directors ("Board") is the executive governing body that comprised of the following members as of end of the Fiscal Year (FY) 2076/2077.

1. Mr. Sishir Kumar Dhungana, Chairperson  
And, Secretary, Ministry of Finance  
  
[Note: Dr. Rajan Khanal, the then Secretary of Finance was the Chairperson of MCA-Nepal Board until 5 February 2020 (23 Magh 2076 BS)]
2. Mr. Gopal Prasad Sigdel, Member  
And, Joint Secretary, Ministry of Physical Infrastructure and Transport
3. Mr. Madhu Prasad Bhetuwal, Member  
And, Joint Secretary, Ministry of Energy, Water Resources and Irrigation
4. Mr. Kul Man Ghising, Member  
And, Managing Director, Nepal Electricity Authority
5. Mr. Kumar Pandey, Member representing Private Sector  
And, Executive Chairman, National Hydropower Company, and the immediate past Vice President of Nepal's Independent Power Producers' Association
6. Gopal Khanal, Member representing Civil Society  
And, Journalist, Gorakhpatra National Daily
7. Mr. Khadga Bahadur Bisht, Member Secretary  
And, Executive Director, Millennium Challenge Account Nepal Development Board

### 1.3 Board Meeting Highlights

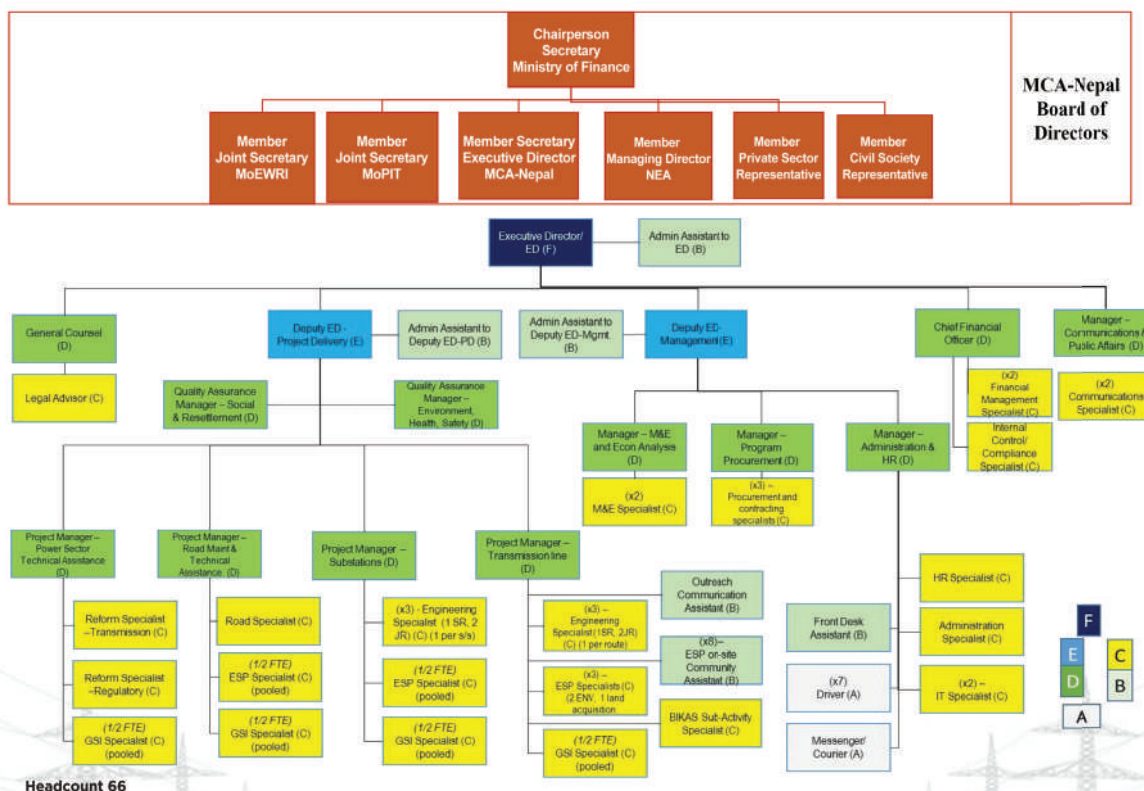
During the FY 2076/77 BS (from 17 July 2019 to 15 July 2020), five (5) Board Meetings were held. The major agendas and decisions of the Board are presented in the table below:

Board Meeting No.	Date	Major Agendas	Major Decisions
13th Meeting	2 Sep 2019	<ol style="list-style-type: none"> <li>1. Approval of selection of member representative from civil society in the MCA-Nepal Board.</li> <li>2. Approval of MCA-Nepal annual budget.</li> <li>3. Approval of amended Procurement Plan (PP).</li> <li>4. Approval of Resettlement Policy Framework (RPF) and Entitlement Matrix.</li> <li>5. Approval of revised salary pay structure for the future.</li> </ol>	<p>All agendas were approved and the following main decisions were taken:</p> <ol style="list-style-type: none"> <li>1. Mr. Gopal Khanal appointed as the Board member representative from civil society.</li> <li>2. RPF and Entitlement Matrix approved, which would form the basis of Resettlement Action Plan (RAP). This RPF and Entitlement Matrix is based on International Finance Corporation (IFC) Performance Standards (PS), MCC Guidelines incorporating IFC PS in addition to GoN Guidelines.</li> </ol>



14th Meeting	10 Nov 2019	<ol style="list-style-type: none"> <li>Approval of budget reallocation and payment to consultants.</li> <li>Approval of budget reallocation from MCA-Nepal Program Administration sub-activity to Procurement, Fiscal, and Audit Services sub-activity (within the Compact activity sub-heading) and authorization to amend Procurement Agent services.</li> <li>Approval of Project Cooperation Agreement (PCA) with Ministry of Forests and Environment (MoFE).</li> <li>Approval of amended PP.</li> </ol>	<p>All agendas were approved and mainly, the following decision was taken:</p> <ol style="list-style-type: none"> <li>The Board approved the PCA to be signed with MoFE. Under the PCA, MCA-Nepal and MoFE share certain duties and responsibilities. It helps MCA-Nepal to provide certain assistance to MoFE to strengthen its service delivery.</li> </ol>
15th Meeting	10 Feb 2020	<ol style="list-style-type: none"> <li>Approval of PP Version 4.0</li> <li>Approval of PCA with Department of Roads (DoR)</li> <li>Approval to expend budget under capital and recurrent expenditure budget headings after allocation from Ministry of Finance (MoF), and within the directions received from MoF.</li> <li>Approval of budget reallocation from MCA-Nepal Program Administration sub-activity to Procurement, Fiscal, and Audit Services sub-activity to enable MCA-Nepal to procure audit services</li> <li>Approval for payment to consultants.</li> </ol>	<p>All agendas were approved and the following main decision was taken:</p> <ol style="list-style-type: none"> <li>The Board approved the PCA to be signed with DoR. Under the PCA, MCA-Nepal and DoR share certain duties and responsibilities. It helps MCA-Nepal to provide certain assistance to DoR to strengthen its service delivery. MCA-Nepal would also arrange to provide Technical Assistance services to DoR through the PCA, once signed by both parties.</li> </ol>
16th Meeting	16 Apr 2020	<ol style="list-style-type: none"> <li>Delegation of certain powers and responsibilities to the MCA-Nepal Executive Director (ED) during emergencies.</li> <li>Budget allocation to MCA-Nepal and approval for payments to foreign individual consultants and corporations.</li> </ol>	<p>All agendas were approved and mainly, the following decision was taken:</p> <ol style="list-style-type: none"> <li>Due to COVID-19 global pandemic, the Board decided to delegate certain powers to the MCA-Nepal ED to enable speedy and efficient decision making to contain COVID-19 in the workplace and to ensure the health and safety of MCA-Nepal staff.</li> </ol>
17th Meeting	6 Jul 2020	<ol style="list-style-type: none"> <li>Updates regarding the activities of MCA-Nepal and schedule for the next Board Meeting</li> </ol>	<p>The MCA-Nepal ED updated the Board regarding current activities, and its plan for the next FY 2077/78 BS. The Board decided to convene another meeting after approval of budget for FY 2077/78 BS to discuss any outstanding agendas.</p>

## 1.4 Organization Chart



## SECTION 2

### Projects

#### 2.1 Electricity Transmission Project

The Electricity Transmission Project (ETP) consists of the design, supply, construction, installation, testing and commissioning of a 400 kV double circuit overhead electricity transmission line spanning approximately 312 km, and three new substations (S/S) at Ratmate, New Damauli and New Butwal. The 400kV transmission line will also connect with two other substations under construction by NEA at Lapsipedi and New Hetauda. The project, which includes Nepal's second major planned India interconnection (from New Butwal, Nepal to Gorakhpur, India), will be another significant component of Nepal's electricity transmission infrastructure. Support under ETP also comprises technical assistance activities to strengthen the performance of Nepal's power sector.

To successfully implement the ETP while complying with the GoN and MCC policies, and technical, environmental and social standards, necessary expenditures for project management, environmental and social impact assessment and mitigation, and engineering and technical supervision of the ETP will also be supported.

The major objective of the ETP is to increase electricity consumption by improving the availability and reliability of electricity supply in Nepal's electricity grid and to facilitate cross-border power trade with India. This section discusses the three major activities under ETP, namely the Transmission Lines Activity, Substations Activity and Power Sector Technical Assistance Activity and the Millennium Challenge Account (MCA) Partnership Program Sub-Activity.

##### 2.1.1 Transmissions Lines Activity

The Transmission Lines (TL) Activity will focus on the design and construction of approximately 312 km of a double-circuit 400 kV transmission line (including some quad-circuit towers) that will provide a vital missing link to the existing high voltage grid in Nepal. The TL segments were selected following careful analyses and feasibility studies that weighed their technical and economic merit, their importance in meeting Nepal's medium and long-term electricity supply goals, and their consistency with Nepal's domestic and cross-border transmission investment plans.

The overhead transmission line is divided into following segments:

TL Segments	Number of Towers	Line Length (km)
NEW BUTWAL - INDIA BORDER	52	18
NEW BUTWAL - NEW DAMAULI	248	90
NEW DAMAULI - RATMATE	249	90
RATMATE - NEW HETAUDA	142	58
RATMATE - LAPSIPEDI	163	59
<b>Total</b>	<b>854</b>	<b>315</b>

The summary and progress related to the Transmission Lines Activity are as follows:

- **Preliminary Engineering Design**

All technical specifications of the TL related materials, construction standards together with the final design report have been finalized for inclusion in the Invitation for Bids (IFB). The IFB document is at the advanced stage of finalization.

- **Pegging and Ground Survey**

Based on the final coordinates of tower structures, issued by the Project Preparation and Technical Support Services (PPTS) engineering team, pegging works commenced in August 2019 and completed in January 2020.



- **Change in alignment near Butwal S/S / Sharing the corridor with NEA**

Due to the unavailability of a separate RoW for the ETP transmission lines around the New Butwal S/S area, MCA-Nepal and NEA have principally agreed to share the corridor for the 400kV TL in the vicinity of New Butwal S/S. Additionally, both parties have concurred that MCA-Nepal will be responsible for the design and development of the 400kV quad circuit towers, including stringing of all quad moose conductors, optical ground wires, and overhead ground wires for MCA-Nepal, and future NEA 400 kV TL from New Butwal S/S to a stretch of approximately four (4) km.

- **Change in alignment near New Hetauda S/S / Sharing the corridor with NEA**

Due to grievances registered by local people for changing the TL route near New Hetauda S/S, MCA-Nepal has proposed NEA for sharing its existing TL corridor, which is under active consideration of NEA.

All major Program Cooperation Agreements (PCA) with government entities such as the NEA, the Ministry of Forests and Environment (MoFE), the Ministry of Home Affairs (MoHA), and the Department of Electricity Development (DoED) have been finalized, and will be officially signed in the next FY as per the requirement. The Joint Venture Agreement between NEA and Power Grid Corporation of India Limited has been signed and is awaiting Cabinet approval.

### 2.1.2 Substations Activity

Three new 400 kV indoor gas-insulated substations (GIS) will be constructed under the Substations Activity of the ETP. The Ratmate S/S will be located at Ratmate of Belkotgadhi Municipality in Nuwakot District, the New Damauli S/S will be located at Damauli in Tanahun District, and the New Butwal S/S will be located at Bhumahi in Nawalparasi West District. Apart from the three substations to be constructed under this activity, the transmission lines to be constructed under the ETP will also terminate at two other NEA substations at Lapsipedi and New Hetauda. As the IFBs for this activity are yet to be released and executed, there has been no physical progress in the construction of the substations yet.

The summary and progress related to the Substations Activity are as follows:

- **Finalization of Preliminary Engineering Design**

Technical specifications, project requirements and design reports for all three substations are in the final stage of review and finalization by MCA-Nepal. The technical document will then be incorporated in the IFBs accordingly. The IFB document is at the advanced stage of finalization.

- **Land Acquisition for Ratmate S/S**

A Compensation Fixation Committee (CFC) meeting, held on 29 January 2020 under the Chairmanship of the Chief District Officer (CDO) of Nuwakot, Mr. Drona Pokharel, fixed the compensation rate against lands to be acquired for the construction of the substation at Ratmate, Ward No. 7, Belkotgadhi Municipality in Nuwakot District. However, the compensation distribution is on hold until further notice due to the COVID-19 situation and the associated lockdowns and travel restrictions.

- **Resettlement Action Plan and Livelihood Restoration Plan**

The structure valuation report has been finalized and approved as part of the Ratmate S/S Resettlement Action Plan (RAP) and Livelihood Restoration Plan (LRP). The financial literacy training and bank account opening programs with selected banking service partners are in the final stages of discussion, but will be implemented only after the COVID-19 situation eases.

- **Road Assessment Survey**

MCA-Nepal has appointed a consulting firm to conduct the road assessment survey to assess the status of roads and bridges leading to potential substation constructions sites. The consultants have prepared checklists for various bridges to be surveyed. They have further mentioned that the physical site survey leading to the inception report preparation will be possible only after some improvement is observed in the COVID-19 situation.



Ratmate S/S Location



New Damauli S/S Location



New Butwal S/S Location



- **Project Cooperation Agreement (PCA)**

The draft PCA with NEA, which is an integral part of the Transmission Lines Activity, has been prepared and finalized by MCA-Nepal, and shared with NEA. However, the document is yet to be further deliberated and agreed between the two parties due to the prevailing situations pertaining to Compact ratification and the COVID-19 situation.

### **2.1.3 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 NEA. It aims to support ERC to function as an independent electricity sector regulator, as well as build capacity through TA to help bring transparency, efficiency, and competition into Nepal's power sector.

TA to ERC will focus on embedding experts within ERC to improve ERC's skills in rulemaking, dispute resolution, and economic and technical regulation, and will support to achieve the following key objectives:

- Support ERC to be an effective operational stakeholder in Nepal's power sector with necessary skills and tools;
- Support to 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; and
- Support ERC to establish high standards in key regulatory frameworks.

TA to NEA will focus on supporting NEA to establish an improved process and decision-making framework for the transmission business to strengthen network development, operations and maintenance practices. The summary and progress related to the Power Sector Technical Assistance Activity are as follows:

#### **Technical Assistance to NEA**

- Based on a Need Assessment Report and a TA assessment review, joint high-level workshops with officials from ERC, NEA, MoEWRI and bilateral organizations were carried out from 31 September 2019 to 2 October 2019 in order to finalize the NEA TA activities. The Need Assessment Report for NEA has been prepared and finalized accordingly, and the report has been shared with NEA for review.
- Through the need assessment study, six different support packages for NEA have been identified: Transmission Business Transformation, Asset Maintenance and Operations, System and Market Operations, System Planning, Network Development Effectiveness, and Utility Management.
- Based on the final recommendation report, a draft Terms of Reference (ToR) for TA to NEA on all six support packages have been prepared, reviewed and shared with NEA.
- Based on the final recommendation report and the draft ToR for TA to NEA on all six packages, a Request for Information (RFI) has been developed, which will be floated to the market after receiving consent from the MCA-Nepal Board.
- Two outreach events, one in Kathmandu on 18 November 2019, and one in Delhi on 29 November 2019 and 30 November 2019, were carried out.

#### **Regulatory Support to ERC and NEA**

- Based on the Need Assessment Report and a TA assessment review, joint high-level workshops with ERC, NEA, MoEWRI and bilateral organization were carried out from 31 September 2019 to 2 October 2019 in order to finalize the ERC TA activities.
- The Need Assessment Report for ERC has been prepared and finalized. This report has been shared with ERC for its review.
- Based on the Need Assessment Report, support activities for ERC have been finalized including the associated budget.
- Based on the Need Assessment Report, the ToR for Embedded Advisors was prepared, and accordingly, a summary of the ToR was prepared for the MCA-Nepal Board's review.

- Letter of Invitations (LOI) for Embedded Advisors (individuals and consulting firms) have been floated in the market.
- The PCA with ERC has been finalized. This document is with ERC at present for official endorsement.
- An analysis on recent tariff rates declared by ERC, with respect to its impact on NEA, has been prepared and circulated among MCA-Nepal and MCC teams.

#### **2.1.4 MCA Partnership Program Sub-Activity**

The ETP also includes the “Benefit Integration through Knowledge Sharing and Social Acceptance” component referred to as the MCA Partnership Program Sub-Activity. The objective of the MCA Partnership Program is to build trust, rapport and share ETP benefits with the local communities. Such sharing of benefits through the program is expected to help develop relationships with the project communities for smooth and timely project completion. This sub-activity is also proposed as a way of mitigating potential opposition to the Transmission Lines Activity by increasing local stakeholders’ benefit from the project. Benefit sharing is intended to ensure that the benefits from infrastructure development are equitably shared with people directly and indirectly affected by the project. Benefit sharing mechanisms go beyond compensation and mitigation measures and may apply throughout the life of the project. MCA Partnership Program is considered for any affected wards traversed by the right-of-way (RoW) of the transmission lines and substations.

The MCA Partnership Program Framework Report has been developed and includes the following elements: baseline data of the wards, recommendation of the thematic areas to be included in the MCA Partnership Program, recommendation on options for beneficiaries and the fund allocation methodology, budget estimation for the Sub-Activity Plan, and recommendations on gender considerations and institutional mechanisms for implementation. An internal MCA Partnership Program Framework Workshop was also conducted to finalize the MCA Partnership Program Framework Report, and to prepare an action plan for the development of the Sub-Activity Plan. As part of the development of the MCA Partnership Program Sub-Activity Plan, the tasks that have been completed so far are: data collection and validation of the Sub-Activity thematic areas finalized during the Framework Workshop, data analysis for detailed budget estimation, and finalization of beneficiaries, draft consultation strategy and presentation materials for community consultation.

## **2.2 Road Maintenance Project**

The Road Maintenance Project (RMP) aims to strengthen road quality across Nepal’s Strategic Road Network (SRN) through technical assistance and capacity building of the Department of Roads (DoR) and Roads Board Nepal (RBN), and periodic road maintenance works on up to 305 km of the country’s strategic road network and provide a matching fund to encourage the expansion of Nepal’s road maintenance budget.

To successfully implement the RMP while complying with the GoN and MCC policies, and technical, environmental and social standards, necessary expenditures for project management, environmental and social impact assessment and engineering and technical supervision will also be supported.

This section discusses the two major activities under RMP, namely the Technical Assistance activity, and the Strategic Roads Maintenance Works activity.

### **2.2.1 Technical Assistance Activity**

The Technical Assistance Activity will provide technical assistance to the DoR and RBN related to road maintenance planning, assessment, and implementation to strengthen their capacity to plan and execute routine and periodic maintenance. The training and capacity building activities will focus in the areas of:

- Improved data collection and techniques;
- Preparation of appropriate road maintenance plans driven by economic justification;
- Improved prioritization of periodic maintenance;
- Improved contracting and contracting management, including the integration of improved road safety features; and
- Improved project management.

The training and capacity-building activities will also entail the transfer of modern road maintenance methods, technologies and business processes.

### **2.2.2 Strategic Road Maintenance Works Activity**

The Strategic Road Maintenance Works Activity is intended to complement and build upon the Technical Assistance Activity and includes two sub-activities:



### Pavement Recycling

Under the Strategic Road Maintenance Activity, new pavement improvement technologies, namely, Full Depth Reclamation (FDR) and Superior Performing Asphalt Pavement (Superpave) will be adapted. This sub-activity will be undertaken using new technology which has the potential to address some of the issues associated with carrying out works on narrow roads, namely traffic congestion, difficult work conditions and extended construction times. This sub-activity is proposed to be tested and evaluated before Entry into Force (EIF) of the Compact to inform the remaining program design for the Strategic Road Maintenance Works Activity.

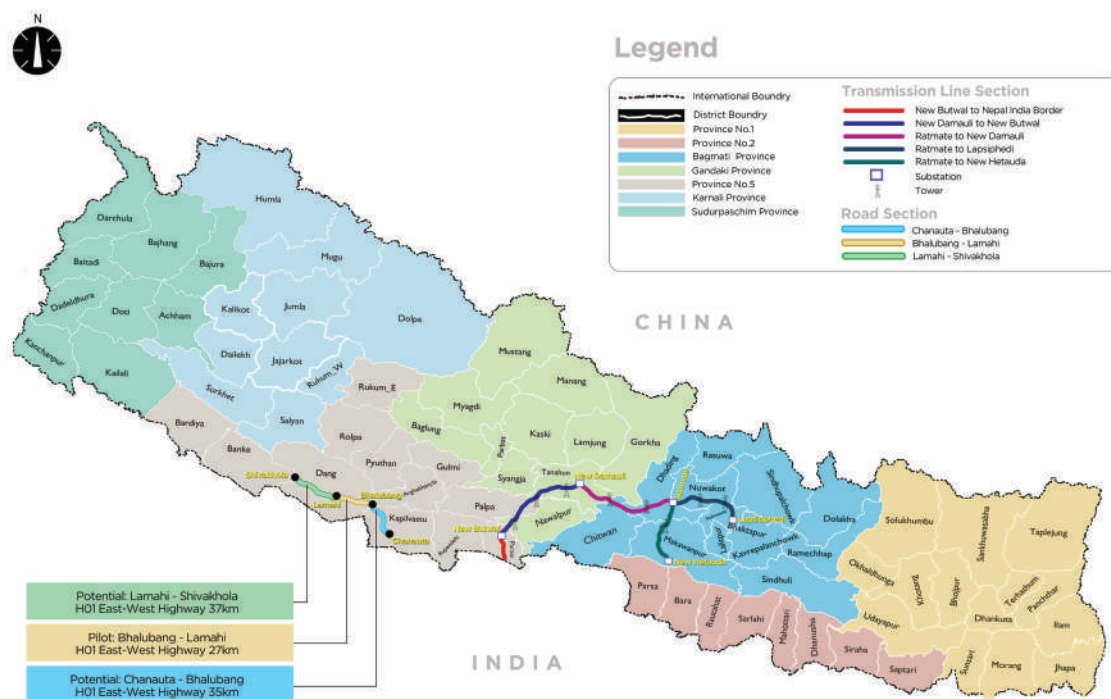
### Matching Fund

To incentivize additional GoN spending on road maintenance, the MCC funding will be used to establish a matching fund that provides two USD for every one USD the GoN spends above its current average annual amount for periodic road maintenance up to a total of USD 45,000,000 over three years. The matching fund will be used to fund periodic road maintenance works.

The summary and progress related to the RMP Technical Assistance and Strategic Roads Maintenance Works activities are as follows:

- The DoR provided its written acceptance to the PCA on 30 January 2020, and the PCA document was approved by the MCA-Nepal Board on 10 February 2020. The DoR has been informed of the MCA-Nepal Board's decision. A signature on the PCA by both parties is pending.
- The PCA has been shared with the RBN on 6 November 2019, and MCA-Nepal is awaiting the official acceptance of the document by the RBN Board.
- Onboarding of a design and supervision consulting firm for pilot road design and supervision works has been initiated.
- MCA-Nepal has issued an RFP on 12 March 2020 for the pilot road recycling project design, and associated RAP development, RAP implementation and supervision, and construction supervision works.
- As part of the PCA between the DoR and MCA-Nepal, a Falling Weight Deflectometer has been procured to strengthen the DoR's road management system for pavement analysis, deflection measurements, and back calculation analysis for planning road rehabilitation projects. As part of the PCA, Superpave Asphalt Lab Equipment has also been procured to strengthen the DoR's technical capabilities in relation to the adaptation of new pavement technologies, namely FDR and Superpave, in the context of Nepal. The addition of the lab equipment will also support pilot works activities, and MCA-Nepal will be conducting operational training to the DoR for the application and adaptation of this equipment in road construction works. Accordingly, to house the Superpave Asphalt Lab Equipment procured by MCA-Nepal, a 6x5 meter lab building will be constructed in the coming fiscal year.

## 2.3 Project Areas





## SECTION 3

### Environment and Social Protection

Environment and Social Protection (ESP) has been identified as a key area to ensure that MCA-Nepal implements the ETP and RMP activities by identifying, analyzing and mitigating environmental and social challenges, meeting regulatory requirements for environmental and social standards, and engaging with stakeholders to obtain their input and building support for the projects.

The ETP is classified as Category A in accordance with MCC Environmental Guidelines (2010). Based on a preliminary evaluation, seven (7) of the eight (8) International Finance Corporation (IFC) Performance Standards (PS), which are incorporated by reference into the MCC Environmental Guidelines, will be applied in MCA-Nepal projects. There are some unavoidable environmental and social impacts of the ETP, such as tree cutting, land acquisition, and resettlement. However, all risks will be properly addressed through relevant compensation, mitigation, or management measures to avoid or minimize impacts to sensitive environmental and social characteristics of the project areas. The ETP will also have Environmental Impact Assessment approved by the regulatory agencies and obtain other necessary permits prior to the start of construction works.

The RMP is classified as Category B under MCC's Environmental Guidelines where the proposed activities have potentially limited adverse environmental or social risks, or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures. Environmental or social impact caused by construction activities, such as temporary road closures, excavation and borrow pits, noise, dust, and worker and community health and safety, will be managed through targeted environmental and social management plans based on the findings of an abbreviated environmental and social impact assessment.

The ETP affects 3 provinces, 10 districts, one sub-metropolis, 11 municipalities and 18 rural municipalities. 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, an Environmental Impact Assessment (EIA) was conducted by MCA-Nepal as per the Environmental Act and Rule of the GoN.

#### 3.1 Environment Impact Assessment

- Following municipality consultations in June 2019, a draft EIA report has been finalized by MCA-Nepal. As per the requirement of the Environmental Protection Act and Regulation, public hearings were conducted in all 30 project affected village municipalities, and municipalities and sub-metropolitan city of all 10 project affected districts to share findings of the EIA and solicit comments. One additional public hearing was held in Thaha municipality of Makwanpur District as per the request from locals. Public hearings were conducted from 24 November 2019 to 5 December 2019. The project received no-objection recommendation letters from all 30 local government units for the implementation of the project.
- After five (5) independent reviewers nominated by the MoFE reviewed the EIA report, MCA-Nepal submitted the final EIA report to the DoED on 24 March 2020. As required by the Environment Protection Act and Regulation, an EIA review meeting was held at the DoED on 3 May 2020. The DoED provided consolidated comments on the EIA report on 11 May 2020, and the report was revised accordingly. MCA-Nepal resubmitted the revised EIA report to the DoED on 3 June 2020.
- The DoED has provided comments on the revised EIA report to MCA-Nepal on 12 July 2020. A meeting was held at the DoED on 13 July 2020 to discuss the latest DoED comments on the report and to determine the way forward. Participants of the meeting included the Director General, Deputy Director General-Environment, Under Secretaries, and Technical Officers from the DoED, and MCA-Nepal officials and consultant. Comments on the EIA report were also received from the President Chure Terai-Madhes Conservation Development Board on 14 July 2020.
- As part of the EIA report preparation, MCA-Nepal has also developed an Environmental, Social, Health and Safety Management Plan (ESHSMP) with a listing of the compulsory actions that must be undertaken to safeguard people, society and the environment. The current version of the ESHSMP document is in the final stage and has been approved by MCC. However, the ESHSMP is a living document and updates can be made when required. The ESHSMP covers the construction phase of



the ETP, and is an essential plan for ensuring that appropriate control and mitigation measures are in place during project activities. It defines the management and monitoring measures needed to ensure that the impacts of the various project components are kept in conformance with applicable standards, and that the mitigation measures agreed are effective in addressing impacts to the extent predicted.

### 3.2 Environmental and Social Impact Assessment

- After submission of the EIA report to the DoED, MCA-Nepal has started work on an Environmental and Social Impact Assessment (ESIA) report. A scope of work (SoW) was prepared after gap assessment of works already done for the EIA, and additional works needed to meet requirements of the MCC Environmental Guidelines and IFC PS on Environmental and Social Sustainability.



An EIA Public Hearing conducted at Ratmate, Belkotgadi Municipality Nuwakot on 24 November 2019



An EIA Public Hearing conducted at Chhahare, Likhu Rural Municipality Nuwakot on 26 November 2019





An EIA Public Hearing conducted at Kurintar, Ichhyakamana Rural Municipality Chitwan on 29 November 2019



An interaction with the Panchakanya Rural Municipality Chairperson and other officials conducted after the EIA Public Hearing on 27 November 2019



### 3.3 Social Safeguard and Resettlement

#### 3.3.1 Social Safeguard

The implementation of the ETP will result in permanent land acquisition for the Ratmate S/S footprints, TL tower locations and associated facilities, as per Land Acquisition Act, 1977 of the GoN. In addition, required land for the TL RoW will be acquired through easement under the provisions of the Electricity Act, 1992 and Electricity Rules, 1993. These activities will result in involuntary resettlement (economic and physical) and livelihood impacts to affected person and families of the project areas. Hence, in order to avoid and minimize and/or mitigate any adverse involuntary resettlement and livelihood impacts occurring as a result of project implementation a Resettlement Policy Framework (RPF) has been formulated. The RPF which was approved by the MCA-Nepal Board on 2 September 2019, outlines principles, entitlements and compensation as mitigation measures against the impacts.

The main aim of the RPF is to improve, or restore, the livelihoods and standards of living of affected people/families and the communities providing compensation for loss of assets at replacement cost principle. The RPF is aligned to applicable national social and safeguards policies, and regulations of the GoN on land acquisition, compensation and resettlement for permanent land acquisition, and easement for RoW as well as to the IFC PS 5 on Land Acquisition and Involuntary Resettlement (and IFC PS 7 on Indigenous Peoples as appropriate), MCC Environmental Guidelines and MCC Gender Policy (2011).

Based on the RPF, an entitlement matrix has been developed that will be applied to all land, acquired or procured by MCA-Nepal for the Nepal Compact.

#### 3.3.2. Resettlement

Resettlement activities of MCA-Nepal involve the preparation of four (4) RAPs and LRPs: three for the three (3) TL segments (Lapsiphedhi-Ratmate TL Segment; Ratmate-New Hetauda TL Segment; Ratmate-New Damauli-Indian Border TL Segment) and one (1) for the Ratmate S/S.

RAP preparation for the Ratmate substation site is almost complete and the implementation is at the advanced stage. A Resettlement Implementation Consultant (RIC) has been hired to implement the RAP for the Ratmate S/S extended footprints. On 25 February 2020, a kick-off meeting on the Ratmate RAP was held with the RIC team, and the team was mobilized to the work site, where an office has been established. An inception workshop was held in March 2020 to discuss the plan and the tasks to be carried out by the Ratmate RIC team. Likewise, a ToR has also been developed to hire a consultant to implement the LRP of the Ratmate S/S.

The land acquisition process for the Ratmate S/S has been initiated with the following progress updates:

- Per Section 9 of the Land Acquisition Act, 1977, a land acquisition notice was published on 2 October 2019;
- A CFC meeting of 29 January 2020 has fixed the compensation rate for land;
- A CFC meeting of 17 February 2020 has fixed the compensation for crops, trees and structures;
- Per Section 18 of the Land Acquisition Act, 1977, a notice was published on 5 February 2020 for payment of compensation as part of the Ratmate S/S RAP.
- The Ratmate RAP and LRP, including the template for the Compensation Agreement, are in the final stages.
- MCA-Nepal is currently finalizing the compensation payment procedures.



A CFC meeting at District Administration Office Nuwakot on 29 January 2020



A CFC meeting at District Administration Office Nuwakot on 17 February 2020

## SECTION 4

### Gender and Social Inclusion

MCA-Nepal necessitates Gender and Social Inclusion (GSI) incorporation as one of the key requirements in the project design and implementation stages. The MCC Gender Policy and MCC Gender Integration Guidelines (2016) provide overall guidance on specific operational requirements, procedures and milestones, roles and responsibilities for GSI at all stages of Compact development and implementation. The development of a Social and Gender Integration Plan (SGIP) during the preparatory period for the Compact implementation is a key requirement to strategically systemize GSI across all project activities in order to maximize the impacts and achieve intended results. The major activities undertaken during the reporting period are briefly presented below:

- **Preparation of SGIP Document**

A SGIP document was prepared through a series of internal reviews, stakeholder workshop and external consultations. SGIP documents the gender and social inclusion strategies to be undertaken during the implementation of ETP and RMP. The document has action plans to incorporate the gender and social inclusion concerns during project preparation including the actions to maximize the project benefits and minimize the risks. A consultation workshop was held on 21 November 2019 to receive feedback and inputs from project partners and wider external stakeholders. Participants in the workshop included officials from NEA (including NEA's Environmental Social Sector Development [ESSD] under the Engineering Services Directorate), Ministry of Federal Affairs and General Administration, Ministry of Women Children and Senior Citizen (MoWCSC), DoR, RBN, and representatives from non-profit organizations. In addition to the workshop, individual consultation meetings were also held with the Asian Development Bank (ADB), World Bank (WB) and MoWCSC. The document has been updated based on the comments and feedback received.



Mr. Rajendra Thanju, Quality Assurance Manager-Resettlement and Social Inclusion, facilitating the SGIP External Stakeholder Workshop on 21 November 2019

- **Preparation of Trafficking in Person Risk Management Plan**

Trafficking in Person (TIP) risks are high in large-scale infrastructure construction projects. In these projects, TIP is likely to happen through exploitative recruitment practices and/or labor conditions for workers. Similarly, commercial sex act induced by force, fraud or coercion, or in which a person in such act, has not attained 18 years of age, are also defined as TIP. To mitigate and manage the risk of TIP that may occur due to project activities, the MCC Counter-Trafficking in Person (C-TIP) Policy (2014) requires a TIP related analysis and risk mitigations process, and the preparation of a TIP Risk Management Plan. The EIA report has concluded that ETP locations have a high risk of TIP. Thus, a TIP Risk Management Plan is being developed as part of the ESIA for the project in compliance with the MCC C-TIP Policy.



- ***Stakeholder Consultation on Social Pricing in Electricity Tariff Methodology***

MCA-Nepal organized key stakeholder consultations from 10-14 November 2019 on Social Pricing in Electricity Tariff Methodology. In addition to MCA-Nepal, other participants included MCC, ADB, WB, NEA (including its ESSD), ERC, National Association of Community Electricity Users-Nepal, and Ex-Tariff Fixation Committee members. The purpose of the consultation was to explore and understand the past and present experiences and provisions on social pricing in electricity tariff methodology.



## SECTION 5

### Grievance Redress Mechanism

MCA-Nepal's Grievance Redress Mechanism (GRM) is designed to manage complaints and concerns raised by stakeholders regarding the project activities and impacts in a systematic way. While it is a formal platform whereby communities can register their concerns, it also allows MCA-Nepal and other project proponents to be informed on issues raised by stakeholders, in order to find an amicable solution in a timely manner. Grievances may take the form of specific complaints on actual damages or injuries, general concerns about project activities or incidents, and impacts or perceived impacts. Based on the understanding of the project area and stakeholders, an indicative list of types of grievances have been identified for the project, as listed below:

#### **Internal Grievances**

- Grievances from employees (including direct and indirect employees, local workers and migrant workers);
- Timely disbursement of remuneration;
- Gender discrimination;
- Labor accommodations; and
- Health, safety and child labor issues.

#### **External Grievances**

- Damages linked to temporary land access;
- Issues with respect to the chosen alignment;
- Damage of trees and properties;
- Further loss to community forests;
- Issues related to transportation and traffic;
- Issues arising out of employment and business opportunity sharing;
- Issues concerning TIP, workers' behavior/attitude in the community;
- Issues related to harassment and discrimination;
- Concerns regarding impacts on local culture and customs;
- Grievances related to valuation of land and assets;
- Issues and concerns linked to informal land use;
- Issues and concerns linked to land ownership;
- Grievances related to land acquisition, compensation and resettlement;
- Issues and concerns linked to surveys and field activities; and
- Grievances related to lack of prior information etc.

The list of grievances mentioned here is indicative and not exhaustive, and will be regularly updated as and when new ones arise. Thus, this list does not restrict the stakeholders from communicating any grievances related to the project, even if the grievance is not mentioned above.

There are several ways through which communities can register grievances in MCA-Nepal projects. The ETP has set up a Public Information Centre (PIC) in each affected district, which serve as a grievance cell and are operated by the PPTS Community Liaison Officers (CLOs). In addition, MCA-Nepal Environment and Social Protection On-Site Community Assistants (ESP-CAs), based in the district headquarters, also serve as grievance collection officers. PICs have been set up in locations closer to the proposed TL alignment and in the central area of affected municipalities within concerned districts. There are two grievance cells within each affected district.

Despite careful consideration into setting up PICs in easily accessible locations to most communities, given the geography and terrain of the proposed TL route, it has been observed that access to all PICs remain a constraint. MCA-Nepal, therefore, has established a mechanism to facilitate communities to register grievances remotely. The communities are enabled to lodge grievances through ESP-CAs at their office or the MCA-Nepal office itself, ensuring that the communities have various accessible platforms to register their grievances.

#### **5.1 Mechanism**

All grievances are received either by the CLOs or ESP-CAs for registration. The grievance registers are maintained at PICs with a copy provided to the MCA-Nepal office. The CLOs notify and consult

with ESP-CAs (or vice versa) to record complaints in a specified format and report to the Grievance Officer of the PPTS team, who is responsible for notifying the PPTS team and the MCA-Nepal Grievance Coordinator. The GRM is organized to have three tiers of decision-making process to address grievances of increasing scale and/or complexity.

- **Tier One**

Tier One is the basic group for addressing registered grievances within the district. It consists of the MCA-Nepal ESP-CA as the member secretary, and the contractor's Engineer/ESP Lead and CLO and ESP/Resettlement Lead as members. The PPTS team provides an initial response for consideration of every grievance and submits it to MCA-Nepal. MCA-Nepal reviews and finalizes the response to be sent out to the claimant. Each response is documented in the prescribed format and sent to MCA-Nepal for signature from the ESP-CA. A CLO facilitates the sign-off process with the complainant as needed. The ESP-CA ensures that the complainant has received a response and is satisfied with the response. If the complainant is not satisfied with the response, further discussion is done internally. MCA-Nepal ensures multiple rounds of consultations with the complainant in order to facilitate a full understanding and reaching a collaborative solution, prior to escalating the grievance. Each round of communication is documented in the grievance form and database. MCA-Nepal takes all feasible means to resolve grievances within Tier One.

- **Tier Two**

If a complainant is not satisfied with the decision of the Tier One committee, the complaint is forwarded to the Municipal Grievance Committee (MGC), formed under the chairmanship of the Ward Chair of the respective ward where the grievance originates. Other members of the MGC includes the MCA-Nepal ESP-CA, PPTS CLO, Local Consultative Forum (LCF) ward representative, PPTS ESP/Resettlement Lead, and the contractor's representative. The MCA-Nepal Grievance Coordinator, Municipality Chair, and/or other representatives are invited to committee meetings depending on the severity of the grievance. However, the ESP-CA is responsible to ensure that the MCA-Nepal Grievance Coordinator is up-to-date with all grievances. The Tier Two grievance committee has been formalized through a formal meeting with each ETP Ward Chair.

- **Tier Three**

If the complainant is not satisfied with the decision made by the MGC, the grievance is escalated to the District Grievance Committee (DGC), chaired by the CDO. Other members of the DGC may include District Coordination Committee Chair, Divisional Forest Office representative, District Land Survey Office representative, District Land Revenue Office representative, PPTS ESP/Resettlement Lead, MCA-Nepal Grievance Coordinator, LCF representative and/or Municipality/Rural Municipality Chair, as needed.

## 5.2 Grievances Registration

The following is the current status of the grievance registration and handling process, including the status of grievances that MCA-Nepal has received so far:

- A grievance database has been created and posted on the project's SharePoint site to allow the team to review all grievances and provide input on a regular basis.
- ETP related 63 grievances have been registered so far at the MCA-Nepal office.
- Among the registered grievances, seven have been addressed, signed-off and closed.
- Responses have been developed for an additional 23 grievances, but sign-off is pending due to the restrictions arising from the COVID-19 pandemic situation.
- MCA-Nepal team is closely working with the PPTS team for finalizing responses for addressing the grievances where additional survey is not required.
- Remaining registered grievances, where additional survey is required, will be addressed after undertaking the required survey and field study.

## SECTION 6

### Anti-Fraud and Corruption

The MCC Nepal Compact will be implemented in line with the Government of Nepal's anti-fraud and corruption related regulations, and additionally, MCA-Nepal will also follow MCC's Policy on Preventing, Detecting and Remediating Fraud and Corruption in MCC Operations (2009) ("MCC AFC Policy"). The policy prohibits any fraud and corruption, which include acts of coercion, collusion, corruption, fraud, and obstruction of investigation into allegations of fraudulent or corrupt practices, in the solicitation and use of MCC funds. The MCC AFC Policy recognizes six types of fraud and corruption as follows:

- Coercive practice which directly or indirectly harms, impairs or threatens individuals or their property with the intention of influencing participation in procurement or affecting the execution of a contract;
- Collusive practice which is defined as a scheme or an arrangement between two or more parties, with or without the knowledge of the Accountable Entity<sup>1</sup> (AE), designed to establish prices at artificial, non-competitive levels or to otherwise deprive the AE of the benefits of free and open competition;
- Corrupt practice which includes offering, giving, receiving, or soliciting directly or indirectly, anything of value to influence the actions of a public official (including the AE, government and MCC staff and employees of other organizations taking or reviewing selection decisions);
- Obstructive practice, defined as any act that results in the destroying, falsifying, altering or concealing of evidence or making false statements to investigators in order to impede an investigation into allegations of corrupt, fraudulent, collusive, coercive or prohibited practice; and threatening, harassing, or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation;
- A fraudulent practice, being any act or omission, including any misrepresentation, in order to influence (or attempt to influence) a selection process or the execution of a contract, to obtain a financial or other benefit, or avoid (or attempt to avoid) an obligation; and
- A prohibited practice which includes any action that violates Section E "Compliance with Anti-Corruption, Anti-Money Laundering, Terrorist Financing, and Trafficking in Persons Statutes, and Other Restrictions" of Annex A "Additional Provisions" found in MCC's Standard Bidding Documents on the MCC website ([www.mcc.gov](http://www.mcc.gov)).

In addition, potential and actual Conflicts of Interest should be openly declared and duly managed in accordance with the MCA-Nepal Conflict of Interest Policy enumerated in various bylaws and implementation documents as they can open the door to perceptions of, or actual, fraud and corruption.

To achieve the objective of addressing instances of fraud and corruption during implementation of program and project activities, MCA-Nepal conducted series of activities such as AFC Training for all staff, AFC risk identification, AFC Risk Matrix preparation, and the ongoing AFC Action Plan development in the reporting period. The purpose of the AFC Action Plan is to establish an appropriate framework that defines how staff and management of MCA-Nepal, working closely with its project partners, will ensure the effective prevention, detection and remediation of fraud and corruption of any description within MCA-Nepal during the implementation of the ETP and RMP activities.

MCA-Nepal takes instances of fraud and corruption very seriously and has placed strong measures to eliminate it. MCA-Nepal trusts that the policies and measures adopted by it will help in the reduction of instances of fraud and corruption in the implementation of all Compact activities.

1. An Accountable Entity means the legal entity designated to implement the Compact, and refers to MCA-Nepal in this case.





His Excellency Randy Berry, the US Ambassador to Nepal, addressing the inaugural session of AFC training organized in Kathmandu from 15-17 January 2020.



Mr. Shree Krishna Nepal, Joint Secretary MoF, addressing the inaugural session of AFC training organized in Kathmandu from 15-17 January 2020.

## SECTION 7

### Risks and Challenges

MCA-Nepal has gone through an internal risk identification process and has developed program and project level risk registers that detail all identified program and project execution risks during the preparatory and implementation phases of the Compact. Internal risk review meetings are held at regular intervals to update the risk registers by identifying emerging risks, and monitoring and managing the mitigation strategies for existing risks. Besides the program and project risks documented in the respective risk registers, the Nepal Compact also identifies overarching assumptions and result risks associated with the achievement of high-level results.

The following points discuss some major risks and challenges faced by MCA-Nepal during the reporting period:

- **Entry Into Force:**

The target EIF date for the implementation of the Compact set for 30 June 2020 (16 Ashad 2077 BS) was not achieved due to delays in parliamentary ratification of the Compact and the stalled progress in the preparatory phase of site access. The GoN is leading preparations to determine a new EIF date based on timelines to meet remaining Conditions Precedent (CP). The future EIF date would be the earliest possible date that provides reasonable assurance for the successful conclusion of the Compact within the five-year timeline. Following EIF, all implementation activities must be completed within five years, as there are no provisions for time extension or cost increase.

- **Parliamentary Ratification of Nepal Compact:**

MCA-Nepal has made significant progress in the preparatory phase of implementing the Nepal Compact. However, progress has been hampered due to delays in parliamentary ratification of the Compact, a key CP for EIF and Compact implementation. Due to the challenge in achieving this CP by the deadline of 30 September 2019, MCC stopped the disbursement of funds for all preparatory works on 1 October 2019. With the discontinuation of MCC fund disbursement, the GoN has been supporting major preparatory works with its own funds as part of its contribution to the Compact.

MCA-Nepal is working with all relevant authorities to complete the parliamentary ratification of the Compact, in addition to meeting other CPs, so that implementation activities can begin as soon as possible.

- **Site Access:**

MCA-Nepal field activities during the preparatory phase were impacted on multiple fronts including the schedule of all major procurements, key field activities related to site access, and associated cost implication after the national lockdown and travel restrictions imposed by the GoN on 24 March 2020 to combat the global COVID 19 pandemic. One of the major activities affected by the lockdowns was the implementation of RAP activities related to the Ratmate S/S site access. Site access is a primary task for the construction of the transmission lines and substations under the ETP, and is a key CP that has to be met before the Compact EIF, and before major construction contracts can be awarded.

MCA Nepal received notices of force majeure from various ETP and RMP contractors, consultants, and suppliers, including its PPTS consultant, which made it challenging to mobilize consultant staff in conducting field activities. As a result, key consultations with project affected people, families and communities were hampered, and the compensation payment process as part of Ratmate S/S land acquisition stalled. The inability to plan and conduct a sustained level of field visits also hampered the preparation work for RAPs related to the TL site access.

According to its COVID-19 risk mitigation plan, MCA-Nepal continues to assess the best route forward by identifying activities that can continue despite the difficult situation in the field, activities that can be implemented by MCA-Nepal directly, and tasks and deliverables that can be completed remotely by its contractors and consultants. The contractors, consultants and suppliers will be required to follow the specific COVID-19 risk mitigation plans submitted by them after it is approved by MCA-Nepal. The guidance note and templates will also be incorporated as part of the bidding documents for major construction activities to be launched in the near future. MCA-Nepal has identified all contractors and consultants who have issued notices of force majeure, and continues to prepare and issue responses to the notices, and explore contractual measures to be taken to avoid additional cost and time. MCA-Nepal has also prepared an internal COVID-19 contingency plan, as well as an office resumption plan, for the phased reopening of physical office premises, based on how the COVID-19 situation unfolds.



## SECTION 8

### Capacity Building

The MCA-Nepal team is composed of a diverse workforce, who are subject matter experts in their respective domain. In the past year, various initiatives were taken by the organization, with support from MCC, to sharpen the skills of the workforce, with the explicit focus on furthering Compact objectives.

MCA-Nepal successfully implemented a rigorous five-day onboarding schedule for all new hires, which ensured that new staff were fully oriented with organizational rules, policies and objectives. All 63 staff took active participation in this onboarding process, and there has been positive feedback about the same.

MCA-Nepal organizes its capacity strengthening initiatives that are supported with an annual training plan to ensure that skills required to implement the Compact exist within the relevant staff and teams. As part of implementing this training plan, the following capacity building exercises were completed in the reporting period:

- Basic Project Management Training (9 December 2019)
- Anti-Fraud and Corruption Training (15-17 January 2020)
- Information Technology Security Training (17 January 2020)

MCA-Nepal has been supporting its staff by enhancing the internal coordination mechanisms and processes, and mainstreaming the organization cultural values besides planned trainings and workshops. To ensure this, internal meetings, interactions through the town hall meetings for all staff, and more focused meetings for D+ managers are organized on a regular basis. Additionally a quarterly check-in process has been mainstreamed so that staff can plan and discover their areas of improvement, and enhance their interactions within their teams for timely delivery of quality results.



MCA-Nepal team and participants of the training on Anti-Fraud and Corruption on 17 January 2020.



## SECTION 9

### Financial Statement

The Government of Nepal's Office of the Auditor General (OAG) as the constitutional body conducts the audit of MCA-Nepal. The OAG has completed the audit of MCA-Nepal for FY 2075/76.

For FY 2076/77, below are some snapshots and detailed financials in NPR.

FY 2076/77 expenditure snapshot (in NPR):

Expenses by Project Activity	GoN	MCC	Total
ELECTRICITY TRANSMISSION PROJECT	523,534,348	125,144,319	648,678,667
ROAD MAINTENANCE PROJECT	50,846,955	132,653	50,979,608
MONITORING AND EVALUATION	-	-	-
PROGRAM MANAGEMENT	365,616,499	175,966,605	541,583,105
<b>Total</b>	<b>939,997,803</b>	<b>301,243,577</b>	<b>1,241,241,380</b>
Expenses by Recurring / Capital	GoN	MCC	Total
RECURRING EXPENSES	309,818,272	106,631,864	416,450,137
CAPITAL EXPENSES	630,179,531	194,611,713	824,791,243
<b>Total</b>	<b>939,997,803</b>	<b>301,243,577</b>	<b>1,241,241,380</b>

The FY 2076/77 detailed report submitted to District Treasury Controller Office:



नेपाल सरकार  
अर्थ मन्त्रालय  
मिलेनियम च्यालेन्ज अकाउन्ट नेपाल (एमसिए-नेपाल)  
कार्यालय कोड नं.: ३०५००३५०४  
राष्ट्र निकायगत बजेट र खर्चको आर्थिक विवरण  
आ.नं. २०७६/०७७

म.ले.प.फा.नं. २१४



बजेट मुल शीर्षक नं: ३०५००१०८३

कार्यालय/अधिकाधिकारको नाम: मिलेनियम च्यालेन्ज अकाउन्ट नेपाल (एमसिए-नेपाल)

आयोजना रहेको स्थान: लालतरवार कम्प्लेक्स सेक्टर, खाक एण्ड यती कम्प्लेक्स, दरबार मार्ग, काठमाडौं

खर्च शीर्षक नं	नाम	शुरु विनियोजन			व्यय			अंतिम बजेट			निकासा			खर्च			बोकी		
		नेपाल सरकार	एम ति ति सो भु अनुदान	जम्मा	नेपाल सरकार	एम ति ति सो भु अनुदान	जम्मा	नेपाल सरकार	एम ति ति सो भु अनुदान	जम्मा	नेपाल सरकार	एम ति ति सो भु अनुदान	जम्मा	नेपाल सरकार	एम ति ति सो भु अनुदान	जम्मा	नेपाल सरकार	एम ति ति सो भु अनुदान	जम्मा
२११३९	अन्य भत्ता	६०००००	२०००००	८०००००	-६०००००	०	-६०००००	०	२०००००	२०००००	०	०	०	०	०	०	०	२०००००	२०००००
२२१११	पानी तथा बिजुली	१०००००	१०००००	१०००००	८९००००	०	८९००००	९०००००	१०००००	१०००००	७५५५३५०	०	७५५५३५०	७५५५३५०	०	७५५५३५०	१४४४३३०	१४०००००	३९४४३३०
२२११२	संसार मसुदा	०	५६०००००	५६०००००	१५३६६६९	०	१५३६६६९	१५३६६६९	५६०००००	५६०००००	५६०००००	०	५६०००००	५६०००००	०	५६०००००	५६०००००	५६०००००	५६०००००
२२११३	इन्धन (सरकारी प्रयोजन)	७०००००	३५०००००	१०५००००	०	०	०	०	७०००००	७०००००	७०००००	०	७०००००	७०००००	०	७०००००	७०००००	७०००००	७०००००
२२११४	सवारी साधन मर्मत खर्च	५०००००	१००००००	१५०००००	९८५६००	०	९८५६००	१५०००००	१५०००००	१५०००००	१५०००००	०	१५०००००	१५०००००	०	१५०००००	१५०००००	१५०००००	१५०००००
२२११५	विमा तथा नाविकरण खर्च	६०००००	६०००००	१२०००००	७३३६०००	०	७३३६०००	७३३६०००	६०००००	६०००००	७३३६०००	०	७३३६०००	७३३६०००	०	७३३६०००	७३३६०००	७३३६०००	७३३६०००
२२११६	अन्य सम्पत्ती संचालन तथा प्रवेश	०	०	०	६९७५६०	०	६९७५६०	६९७५६०	०	०	६९७५६०	०	६९७५६०	६९७५६०	०	६९७५६०	६९७५६०	६९७५६०	६९७५६०
२२११७	मसुदा तथा कार्यालय सामग्री	०	१००००००	१००००००	४३३७९८०	०	४३३७९८०	४३३७९८०	१००००००	१००००००	४३३७९८०	०	४३३७९८०	४३३७९८०	०	४३३७९८०	४३३७९८०	४३३७९८०	४३३७९८०
२२११८	इन्धन (अन्य प्रयोजन)	०	२००००००	२००००००	०	०	०	०	२००००००	२००००००	०	०	०	०	०	०	२००००००	२००००००	२००००००
२२११९	घर पत्रिका, उचाई तथा सुचना	०	०	०	११८००००	०	११८००००	११८००००	०	०	११८००००	०	११८००००	११८००००	०	११८००००	११८००००	११८००००	११८००००
२२१२०	संसार र परामर्श	५०००००	१६०८५००००	१६०९०००००	२७७६८९००५	०	२७७६८९००५	२७७६८९००५	१६०८५००००	१६०८५००००	२७७६८९००५	०	२७७६८९००५	२७७६८९००५	०	२७७६८९००५	२७७६८९००५	२७७६८९००५	२७७६८९००५
२२१२१	अन्य सेवा शुल्क	१००००००	०	१००००००	८९८०००	०	८९८०००	८९८०००	०	०	८९८०००	०	८९८०००	८९८०००	०	८९८०००	८९८०००	८९८०००	८९८०००
२२१२२	कर्मचारी तालिम	०	०	०	०	०	०	०	०	०	०	०	०	०	०	०	०	०	०
२२१२३	कार्यालय खर्च	५०००००	३४०००००	३९०००००	६९२७८००	०	६९२७८००	६९२७८००	३४०००००	३४०००००	६९२७८००	०	६९२७८००	६९२७८००	०	६९२७८००	६९२७८००	६९२७८००	६९२७८००
२२१२४	अनुमान तथा मूल्यांकन खर्च	०	५००००००	५००००००	०	०	०	०	५००००००	५००००००	०	०	०	५००००००	५००००००	०	५००००००	५००००००	५००००००
२२१२५	अन्य खर्च	०	०	०	५६०५५९०	०	५६०५५९०	५६०५५९०	०	०	५६०५५९०	०	५६०५५९०	५६०५५९०	०	५६०५५९०	५६०५५९०	५६०५५९०	५६०५५९०
२२१२६	विविध खर्च	५०००००	५०००००	१००००००	०	०	०	०	५०००००	५०००००	५०००००	०	५०००००	५०००००	०	५०००००	५०००००	५०००००	५०००००
२२१२७	घर भाडा	६०००००	२३६०००००	२४२०००००	८०१७०००	०	८०१७०००	८०१७०००	२३६०००००	२३६०००००	८०१७०००	०	८०१७०००	८०१७०००	०	८०१७०००	८०१७०००	८०१७०००	८०१७०००
२२१२८	सवारी साधन तथा सेलिलरी औजार भाडा	०	०	०	११९०००	०	११९०००	११९०००	०	०	११९०००	०	११९०००	११९०००	०	११९०००	११९०००	११९०००	११९०००
जम्मा		५६०००००	१६०८५००००	१६०९०००००	३२२७९०२७६	०	३२२७९०२७६	३२२७९०२७६	१६०८५००००	१६०८५००००	३२२७९०२७६	०	३२२७९०२७६	३२२७९०२७६	०	३२२७९०२७६	३२२७९०२७६	३२२७९०२७६	३२२७९०२७६

तयार गर्ने:   
दस्तावेज:   
नाममा: भारतीय भाषा उपाय  
पद: वित्त उपसहायक निमित्त  
मिति: २०७६/०५/०८

नेपाल सरकार  
दस्तावेज:   
नाममा: नेपाल सरकार अधिकारी  
पद: वित्त उपसहायक निमित्त  
मिति: २०७६/०५/०८

बोकी बोकी:  
मूल आ.न.को   
वस्तु आ.न.को   
जम्मा   
बोकी बाटो बोकी खर्च ४९६४४०९३७

को.ले.प.फा.नं. २१४  
मिति: २०७६/०५/०८  
मिति: २०७६/०५/०८  
मिति: २०७६/०५/०८

को.ले.प.फा.नं. २१४  
मिति: २०७६/०५/०८  
मिति: २०७६/०५/०८  
मिति: २०७६/०५/०८





नेपाल सरकार  
आर्थिक मन्त्रालय  
मिलेनियम च्यालेन्ज एकाउण्ट नेपाल (एमसिए-नेपाल)  
कार्यालय कोड नं.: ३०५००३५०४  
चातुः निवसयता घण्टे २ खर्चको आर्थिक विवरण  
आ.ब. २०७६/०७७



घण्टे मुल खर्चक नं: ३०५००१०८४

कार्यालय/बायोबनाको नाम: मिलेनियम च्यालेन्ज एकाउण्ट नेपाल (एमसिए-नेपाल)

आयोबना रहेको स्थान: सालदरबार कम्पेन्सन सेन्टर, याक एण्ड यली कम्प्लेक्स, दरबार मार्ग, काठमाडौं

खर्च शीर्षक नं.	नाम	शुद्ध विनियोजन			धन्यवाद			अनियत बजेट			निकासा			खर्च			बोकी		
		नेपाल सरकार	एम ति ति सो भु अनुदान	जम्मा	नेपाल सरकार	एम ति ति सो भु अनुदान	जम्मा	नेपाल सरकार	एम ति ति सो भु अनुदान	जम्मा	नेपाल सरकार	एम ति ति सो भु अनुदान	जम्मा	नेपाल सरकार	एम ति ति सो भु अनुदान	जम्मा	नेपाल सरकार	एम ति ति सो भु अनुदान	जम्मा
३१११३	निर्मित भवनको संरचनात्मक सुधार खर्च	०	०	०	२५०००००	०	२५०००००	२५०००००	०	२५०००००	१२९५२५	०	१२९५२५	१२९५२५	०	१२९५२५	२३७०४७५	०	२३७०४७५
३११२१	समाग्री साधन	०	०	०	२९३२९१९	०	२९३२९१९	२९३२९१९	०	२९३२९१९	०	१९४१४९	१९४१४९	०	१९४१४९	१९४१४९	२९३२९१९	-१९४१४९	२७३८७७०
३११२२	मेसरी तथा औजार	०	७२०००००	७२०००००	१३९४१६१११	०	१३९४१६१११	१३९४१६१११	७२०००००	१४६६१६१११	४४६२९९४१	११४४०२७	४४६२९९४१	११४४०२७	४४६२९९४१	४४६२९९४१	८४७८६१७०	६०४४९७३	९०८४११४३
३११२३	फर्निचर तथा फिक्स्चर्स	०	२२०००००	२२०००००	१२४२२४०	०	१२४२२४०	१२४२२४०	२२०००००	३४४२२४०	१२९१४२	०	१२९१४२	१२९१४२	०	१२९१४२	१९११०९८	२२०००००	३२२१०९८
३११२४	क्याम्पुस संरक्षक निर्माण तथा खरीद खर्च एवं बौद्धिक सम्पत्ति क्षति खर्च	०	२८४०००००	२८४०००००	९३२८४१४८	०	९३२८४१४८	९३२८४१४८	२८४०००००	१२१७८४१४८	४६३३३२१४४	६८६३६८१८	११४९६८९६२	४६३३३२१४४	६८६३६८१८	११४९६८९६२	४६९४३००४	-४०१३६८१८	६८१६१८६
३११२५	सडक तथा पुल निर्माण	१८००००००	१००००००००	१०१८००००००	४६४७७७६	०	४६४७७७६	२३६४७७७६	१००००००००	१०२३६४७७७६	४०७४६६१	०	४०७४६६१	४०७४६६१	०	४०७४६६१	१९४८२३१४	१००००००००	१०१९४८२३१४
३११२६	विद्युत संरचना निर्माण	०	३३२८४०००००	३३२८४०००००	९४१९९३८१४	०	९४१९९३८१४	३३२८४०००००	४८०३९३८१४	४२४८९१११८	१२४६३४७१९	६४९४२६८३७	४२४८९१११८	१२४६३४७१९	६४९४२६८३७	४२४८९१११८	४२४८९१११८	३२०३७६४२८१	३६३०८६६९७३
३११२७	जग्गा प्राप्ति	३९७७२०००००	०	३९७७२०००००	-२८४४४२८२०८	०	-२८४४४२८२०८	११३२८७१७९२	०	११३२८७१७९२	०	०	०	०	०	०	११३२८७१७९२	०	११३२८७१७९२
	जम्मा	३९९४२०००००	४३६६३०००००	८३६१४०००००	-१६४७७०००००	०	-१६४७७०००००	२३४७७०००००	४३६६३०००००	६७१४००००००	६३०१७९४३१	११४९६११७१३	८२४७९१२४३	६३०१७९४३१	११४९६११७१३	८२४७९१२४३	४७७७२०४६९	४७७७२०४६९	४८८९२०८७४७
	चातुः जम्मा	४६००००००	१६६४६००००००	१६७१२००००००	३२२७९०२७६	०	३२२७९०२७६	३२२७९०२७६	१६६४६००००००	१९९३९९०२७६	३०९८१८२७२	१०६६३१८६४	४१६४४०१३७	३०९८१८२७२	१०६६३१८६४	४१६४४०१३७	१८४७२००४४	१४४८९६८१३६	१४७७४४०१३७
	कुल जम्मा	४०००८००००००	६०३१९००००००	१००३२७००००००	-१३२४७०९७२४	०	-१३२४७०९७२४	२६७६०९०२७६	६०३१९००००००	८०७७९९०२७६	९३९९९७८०३	३०१२४३४७७	१२४१२४१३८०	९३९९९७८०३	३०१२४३४७७	१२४१२४१३८०	१७३३०९२४७३	४७३०६४६४२३	७४६६७४८८९६

तयारी गरी:  
दस्तावेज:  
सम्पन्न: भूतानि प्रसन्न अकासी  
पाद: कित व्यवस्थापन विम  
मिति: २०७६/०७/०८

लेखा प्रमुख:  
दस्तावेज:  
सम्पन्न: पुष्प बस्नेत अधिकारी  
पाद: समुद्र विम अधिकारी  
मिति: २०७६/०७/०८

पेशी बोकी:  
मल आ.व.को  
मल आ.व.को  
जम्मा  
पेशी घटाई बोकी खर्च

को.सि.जी.आ. बाट  
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माथीलेय प्रमुख:  
दस्तावेज:  
सम्पन्न: धनुर महामुद्र विम  
पाद: माथीलेय विम  
मिति: २०७६/०७/०८

## List of Abbreviations and Acronyms

ADB	Asian Development Bank
AE	Accountable Entity
AFC	Anti-Fraud and Corruption
C-TIP	Counter-Trafficking in Person
CDO	Chief District Officer
CFC	Compensation Fixation Committee
CLO	Community Liaison Officer
CP	Conditions Precedent
DGC	District Grievance Committee
DoED	Department of Electricity Development
DoR	Department of Roads
ED	Executive Director
EIA	Environmental Impact Assessment
EIF	Entry Into Force
ERC	Electricity Regulatory Commission
ESIA	Environmental and Social Impact Assessment
ESHSMP	Environmental, Social, Health and Safety Management Plan
ESP	Environment and Social Protection
ESP-CA	ESP On-Site Community Assistant
ESSD	Environment and Social Studies Department
ETP	Electricity Transmission Project
FDR	Full Depth Reclamation
FY	Fiscal Year
GIS	Gas-Insulated Substation
GoN	Government of Nepal
GSI	Gender and Social Inclusion
IFB	Invitation for Bids
IFC	International Finance Corporation
LCF	Local Consultative Forum
LOI	Letter of Invitation
LRP	Livelihood Restoration Plan
MCA	Millennium Challenge Account
MCA-Nepal	Millennium Challenge Account Nepal Development Board
MCC	Millennium Challenge Corporation
MGC	Municipal Grievance Committee
MoEWRI	Ministry of Energy, Water Resources and Irrigation
MoF	Ministry of Finance
MoFE	Ministry of Forests and Environment
MoHA	Ministry of Home Affairs
MoPIT	Ministry of Physical Infrastructure and Transport
MoWCSC	Ministry of Women Children and Senior Citizen
NEA	Nepal Electricity Authority
NO	No Objection
PCA	Project Cooperation Agreement
PIA	Project Implementation Agreement
PP	Procurement Plan
PPTS	Project Preparation and Technical Support Services



PS	Performance Standards
RAP	Resettlement Action Plan
RBN	Roads Board Nepal
RFI	Request for Information
RFP	Request for Proposal
RIC	Resettlement Implementation Consultant
RMP	Road Maintenance Project
RoW	Right-of-Way
RPF	Resettlement Policy Framework
S/S	Substation
SGIP	Social and Gender Integration Plan
SoW	Scope of Work
SRN	Strategic Road Network
Superpave	Superior Performing Asphalt Pavement
TA	Technical Assistance
TIP	Trafficking In Person
TL	Transmission Line
ToR	Terms of Reference
WB	World Bank

**Fostering economic growth with better access to  
electricity and roads.**



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