



MILLENNIUM CHALLENGE ACCOUNT NEPAL (MCA-NEPAL)

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Synopsis of Minutes of 33rd Meeting of the Board of Directors of Millennium Challenge Account Nepal (MCA-Nepal)

Nature: Emergency Meeting by Circulation of Agendas and Confirmation by Email

MCA-N/BOD-M-33/23-05-2023

Date: Tuesday, 23rd May, 2023 (2080/02/09 BS)
Time: 9:00 AM
Place: Emergency Meeting by Circulation of Agendas and Confirmation by Email
Notice Served: Monday, 22nd May, 2023 (2080/02/08 BS)

1. Consent on the Agenda provided by Members

- **Arjun Prasad Pokharel**, Chairperson
And, Secretary, Government of Nepal, Ministry of Finance
Singhadurbar, Kathmandu
- **Shiva Prasad Nepal**, Member
And, Joint Secretary, Ministry of Physical Infrastructure and Transport
Singhadurbar, Kathmandu
- **Madhu Prasad Bhetuwal**, Member
And, Joint Secretary, Ministry of Energy, Water Resources and Irrigation
Singhadurbar, Kathmandu
- **Kulman Ghising**, Member
And, Managing Director, Nepal Electricity Authority
Kathmandu
- **Surendra Kumar Mahto**, Member representing the Civil Society
And, Senior Advocate, Supreme Court of Nepal

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- **Kumar Pandey**, Member representing the Private Sector
And, Chairman of the Board, National Hydro Power Company (NHPC)
- **Khadga Bahadur Bisht**, Member Secretary
And, Executive Director, MCA-Nepal

2. Invitees

- **Shreekrishna Nepal**, Invitee
And, Joint Secretary, Government of Nepal, Ministry of Finance, International Economic Cooperation and Coordination Division (IECCD)
- **Sanjay Poudyal**, Invitee
Resident Country Director (Acting) – Nepal, Millennium Challenge Corporation

3. PRELIMINARY

- 3.1. The meeting of the Board of Directors was constituted by conduct of Emergency Meeting by Circulation of Agendas and Confirmation of Resolution by Email on 23/05/2023 (2080/02/09 BS) after the notice was served in writing by Email on 22/05/2023 (2080/02/08 BS).
- 3.2. This Notice was issued pursuant to Section 5(3) of the Millennium Challenge Account Nepal Development Board Formation Order, 2074 (2018). Further, the Notice was issued under Section 3.12 (b) (IV) for a decision without meeting, and under 3.12 (b) (i) – for an emergency meeting under Millennium Challenge Account - Nepal Internal Conduct Bylaws, 2075 (2019).
- 3.3. The Board Members declared that there is no Conflict of Interest (CoI) on any of the Agendas presented by MCA-Nepal, and all the members of the board provided their consent on the agenda.

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4. AGENDA ITEMS AND BOARD'S DECISIONS/RESOLUTIONS

(A) Agenda One: Rescoping of 18 Kms. Section of Transmission Line (From New-Butwal substation to Nepal/India border) including construction of additional bays in three (3) substations and approval of the additional budget need up to US\$67 million along with fund commitment from NEA for re-scoping transmission line and installing additional bays.

4.1. The issue of descoping of 18 Kms. Section of Transmission Line between New Butwal to Nepal/India border was discussed and decided in 28th and 29th Board meeting. Thereafter, MCA-Nepal, NEA, Ministry of Finance and Ministry of Energy, Water Resources, and Irrigation had several discussions on the subject. After reviewing the timeline, status of bid launch, and costs (economies of scale), it was agreed that MCA-Nepal would construct that Section and also enhances the capacity of three substations at Ratmate, New Butwal and New Damauli with additional bays on NEA's request. In this regard, NEA provided a commitment to provide additional funding of US\$67 million for Construction of 18 Kms. Section of Transmission Line and for additional bays at three sub-stations on NEA's request, and requested Ministry of Finance to carry out necessary correspondences with MCC.

4.2. Under the Compact Agreement signed between Government of Nepal and MCC on 14 September, 2017, 18Kms. of Butwal-Gorakhpur section was part of the Compact. Similarly, the Compact Agreement also envisages the construction of three (3) substations namely at Ratmate, New Butwal, and New Damauli. However, MCA-Nepal's cost estimation re-assessment found that the existing Compact fund is not adequate enough to complete the total 315Kms. of the transmission line as originally envisaged. In the meantime, NEA wanted to complete the Butwal-Gorakhpur 18Kms line much earlier for power trade. In this context, a de-scoping discussion took place in the Board to be within the Budget and within the Compact and it was systematically de-scoped after NEA and Ministry of Energy, Water Resources and Irrigation (MoEWRI) said that MCA-Nepal's activities are delayed (due to delayed ratification of the Compact) and NEA can construct this section much earlier than MCA-Nepal's construction timeline. In this context, the 28th and 29th Board meeting formally de-scoped the Butwal-Gorakhpur section and Correspondences between MoF and MCC took place to initiate the formalization of this Section.

4.3. After it, NEA and MCA-Nepal discussed about MCA-Nepal's time schedule and advanced stage that MCA-Nepal was in the tendering process, NEA requested MCA-Nepal to continue (re-scope) the construction of the Cross Border Line and also insisted on taking over completing additional substation bays on already agreed three (3) substations and also committed fund required for both items. In this context, correspondences were done between

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MCA-Nepal to NEA and with Ministry of Energy, Water Resources and Irrigation (MoEWRI). Thereafter, Ministry of Energy, Water Resources and Irrigation (MoEWRI) provided its principle agreement for the Re-scoped 18Kms. transmission line and for additional bays at already agreed three (3) substations and provided a request letter to Ministry of Finance for necessary budget management and allocation based on NEA's letter to Ministry of Finance.

- 4.4. Ministry of Finance, based on the above decision, wrote its commitment to MCC on 23 December 2022 and MCC has sent and Implementation letter dated 5th May 2023 to carry out modifications of the Compact Schedules. In this Implementation letter, it has also been proposed to change the scope of Roads Maintenance Project without changing the budget to increase the scope of Pilot Project to 40 Kms. and to carry out the periodic road maintenance upto 90 Kms.
- 4.5. Board of directors of MCA-Nepal did not have the formal opportunity to consider the Re-scoping and adoption of additional budget need and hence, it has become necessary for this agenda and necessary resolution to proceed with finalization of modifications of Compact schedules. Therefore, this agenda is presented to seek Board's in-principle consent for necessary Compact Annexes modifications to memorialize above said understanding between different government agencies and formalize the change of scope of activities and budget under the Compact by exchanging implementation letters (ILs) with MCC.
- 4.6. The Board of Directors ("Board") of the Millennium Challenge Account-Nepal ("MCA-Nepal") hereby approves the following resolutions ("Resolutions") in accordance with the – Millennium Challenge Account - Nepal Internal Conduct Bylaws, 2075 (2019), and this adoption of resolution is provided by Email Confirmation:
- After reviewing the correspondences between MCA-Nepal, NEA, Ministry of Finance, Ministry of Energy, Water Resources and Irrigation and the Ministry of Physical Infrastructure and Transport, the Board of Directors provides its recommendation for the additional budget need of US\$ 67 million for the Construction of 18 Kms. Transmission Line connecting New Butwal – Nepal/India border, and Construction of additional bays in three substations for enhanced capacity and requests. The board notes that the NEA has agreed to manage additional resources. Procedures to manage the budget from the NEA will be decided as per the agreement between NEA and MoF. In this background, the board recommends the Ministry of Finance to carry out the necessary correspondences with MCC to formalize these changes by carrying out suitable modifications in Compact Annexes by

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exchange of Implementation Letters to reflect the changes in the scope and budget under Electricity Transmission Line Project (ETP) and Roads Maintenance Project (RMP).

5. RECORDING OF THE DISCUSSIONS AND DECISIONS

5.1. RESOLVED THAT the Board of Directors directs the Executive Director to record these minutes with the minute book of Millennium Challenge Account Nepal and to submit the synopsis of such minutes for publication on the website of Millennium Challenge Account Nepal within two (2) weeks from the date of these Minutes.

6. CLOSE

There being no further business the meeting was then closed at 9.30 AM.

This minute is prepared and signed on: 23/05/2023_____.

Minutes Prepared by: _____
Rajib Dahal,
Chief Legal Officer, Millennium Challenge Account Nepal

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