



Millennium Challenge Account Nepal (MCA-Nepal)

13 October 2023



MCA-Nepal Formation and Structure

Formation

Government of Nepal (GoN) agency, formed under the Development Board Act 2013 BS (1956 AD) on 18 April 2018 to implement MCC Nepal Compact

Board of Directors

Chair: Secretary, Ministry of Finance (MoF)

Members:

- **Joint Secretary, Ministry of Physical Infrastructure and Transport (MoPIT)**
- **Joint Secretary, Ministry of Energy, Water Resources and Irrigation (MoEWRI)**
- **Managing Director, Nepal Electricity Authority (NEA)**
- **Private Sector Representative**
- **Civil Society Representative**
- **Executive Director, MCA-Nepal (Member Secretary)**

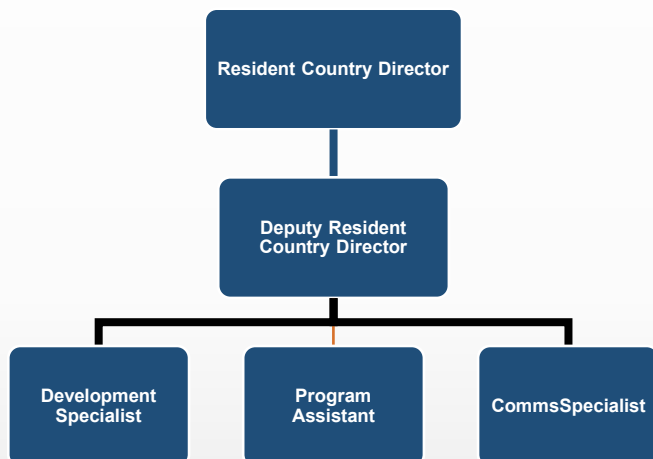


Compact signed on 14 September 2017



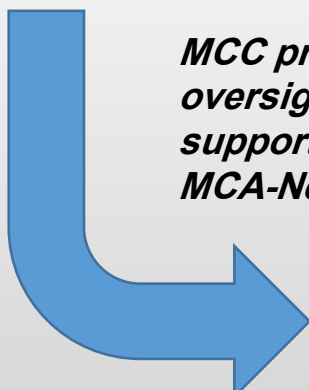
MCC and MCA– *Separate Entities*

MCC-Nepal

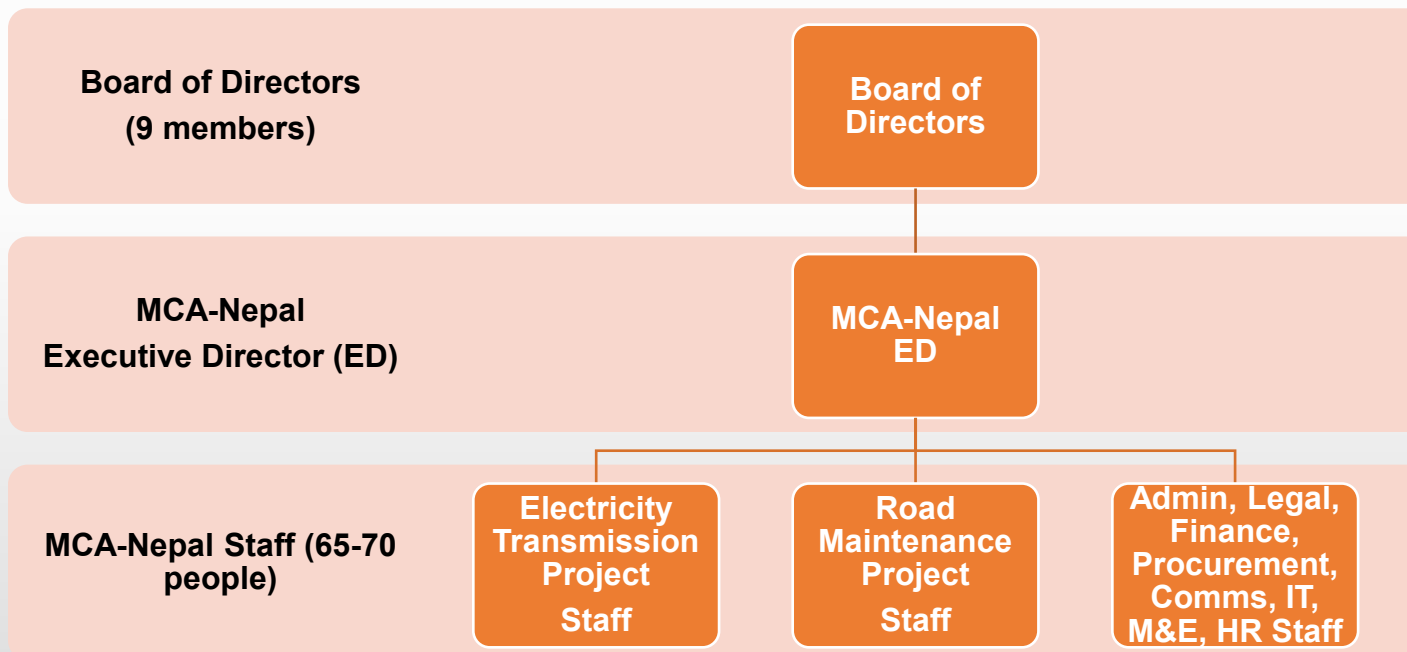


The two entities work closely together, but they are separate entities.

MCC provides oversight and support to MCA-Nepal

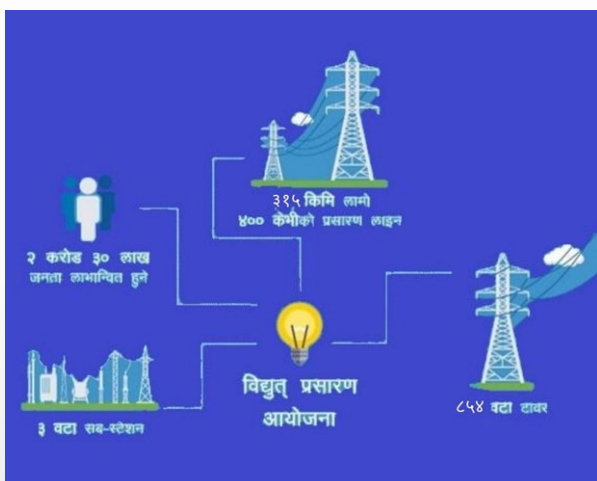


MCA-Nepal



Projects- Snapshot

Electricity Transmission Project (ETP)



USD 582.4 million

- Construction of up to 315 km long 400 kV electricity transmission line
- (MCA-Nepal Partnership Program, MPP)
- Three new 400 kV Sub-stations (Ratmate, New Damauli, New Butwal).
- Technical Assistance to NEA and ERC.



- MCC's USD 500 Million Grant assistance
- GoN's USD 197 Million investment

Road Maintenance Project (RMP)



USD 54.9 million

- Maintenance with modern technology of up to 40 km road segment of East-West Highway in Dang district.
- Technical Assistance to DoR and RBN.



Condition Precedents – *for Project Implementation*

- ✓ Declaration of Electricity Transmission project as a *National Pride* Project
- ✓ Formation of Electricity Regulation Commission
- ✓ Program Implementation Agreement
- ✓ Nepal – India agreement on the construction of Cross Border Transmission Line
- ✓ Parliamentary Ratification of the Compact
- ✓ Site Access : Land Acquisition, Forest Clearance access to construction sites



Parliamentary Ratification: Feb 27, 2022



EIF achieved on 30 August 2023



Timeline of the Program

**Compact Signing:
14 Sept 2017**


**Entry Into Force –EIF
30 August 2023**

**Compact Closeout
30 August 2028**

5 Years after EIF

**Project Preparation and
Conditions Precedent**

**Project
Implementation**


**MCC BoD
Selects Nepal**





Projects- Working Areas



Legend

	International Boundary	Transmission Line Section	
	District Boundary		Lapsihedi to Ratmate
	Koshi Province		Ratmate to New Hetauda
	Madhesh Province		Ratmate to New Damauli
	Bagmati Province		New Damauli to New Butwal
	Gandaki Province		New Butwal to Nepal India Border
	Lumbini Province		Substation
	Karnali Province		Tower
	Sudurpaschim Province	Road Section	
			Dhankhola- Lamahi



Dhankhola-Lamahi
40km Maintenance works



Electricity Transmission Project : *Overall Work Progress*

- Designs and alignment of transmission lines and substations finalized;
- Consultants-Supervision Engineers selected;
- Major bids for transmission lines and substations works contract are already launched, procurement process is yet to be concluded for transmission lines.



Re-survey work of 30 km



Electricity Transmission Project : *Substation Work Progress*

Land Acquisition- Substations

- *Ratmate Substation*: The acquisition of 20 ha of land is complete –fencing ongoing.
- *New Butwal and New Damauli Substations*: Land has been provided by NEA.

Livelihood Restoration Program – Ratmate

- The two-year Livelihood Restoration Program (LRP) is currently underway, providing job and skills training to 272 project-affected persons whose land has been acquired for the Ratmate substation in the Nuwakot district.



LRP – Tomato Farming



LRP – Adult Literacy Class



Electricity Transmission Project : *Transmission Line Work Progress*

Land Acquisition

For 315 km of line that passes through 10 districts of Nepal approx. 104 ha of land will be acquired for 856 tower pads;

- The process related to compensation fixation has been initiated in nine districts publishing a notice as per Clause 9 of the Land Acquisition Act, 1977
- Valuation Recommendation Sub-Committees to conduct the valuation of lands have been formed and activated under the leadership of Assistant CDOs or Administrative Officers in eight districts.

Forest Clearance

- *Forest Consultations:* 73 consultations with Community Forest User Groups and Leasehold Forest User Groups in nine project-affected districts;
- *Forest Census:* Ongoing or about to be completed in 5 districts.





Road Maintenance Project: *Work Progress*

- Around 40 km of road segment in East-West highway in Dang district identified for maintenance with new technology: Full Depth Recycling (reclamation)
- Four (4) labs with essential equipment to train technicians have been established at the Department of Roads (DoR);
- Trainings on new technology use i.e. Full Depth Reclamation (FDR) and Superior Performing Asphalt Pavements (Superpave) carried out.



Lab inauguration in DoR



Deflection measurement using FWD



Extensive Community Consultations

- A total of 152 consultations including public hearings organized at the community and municipal level in all 30 affected municipalities to finalize the EIA for ETP;
- 97 ward-level consultations organized for the MCA Partnership Program, a benefit-sharing component with communities affected by the ETP;
- 11 ward-level consultations organized in affected communities to address grievances of ETP;
- Around 400 community consultations being carried out to support forest census works and resettlement action plans during land acquisition works in all ten affected districts ETP;
- 5 public hearings organized in affected municipalities of Road section in Dang district.



ETP - Public hearing in Nuwakot



RMP- Public Hearing in Dang



Status of Safeguard Documents

- **Environmental Impact Assessment (EIA)** : Approved by Ministry of Forest Environment
- **Environment and Social Impact Assessment (ESIA)** : Approved by MCC
- **Resettlement Policy Framework (RPF)**: Approved by MCA-Nepal Board and MCC
- **Social and Gender Inclusion Plan (SGIP)**: Approved by MCA-Nepal Board and MCC
- **Resettlement Action Plan (RAP) and Livelihood Restoration Plan (LRP)**: RAP/LRP for Ratmate Substation prepared and implemented (LRP under implementation); RAP/LRP for Transmission Line under process
- **Environmental and Social Management System (ESMS)**: Final Stage
- **MCC Policy Provisions**



Fostering economic growth with better access to electricity and roads.



Environmental and Social Compliance Requirement

National Legal/Policy Provisions

- Environment Protection Act, 2019
- Environment Protection Rules, 2020
- Guidelines for Use of National Forest Area for National Priority Project, 2019
- Land Acquisition Act, 1977
- Electricity Act, 1992 and Electricity Rules, 1993
- National Policy on Land Acquisition, Compensation and Resettlement in Development Projects in Nepal, 2015

MCC/International Policy Provisions

- International Finance Corporation Performance Standard (IFC PS)
- MCC Environmental Guidelines, 2010
- MCC Gender Policy, 2011
- MCC Counter Trafficking in Persons Policy, 2021



Mitigation Approach

Better-off Approach

- Ascertain that affected entities are no worse off than they were prior to the project;
- Lands and Assets valuation at *Replacement Cost Principle* with no deduction for depreciation;
- Capital Gain Tax by MCA-Nepal.

Acquisitions Approach

- As per Land Acquisitions Act, 1977
- Complying with IFC PS 5
- Resettlement Policy Framework with Entitlement Matrix



Projects : Benefits



Construction Phase	Operation Phase
<ul style="list-style-type: none"><input type="checkbox"/> Growth in local employment opportunity<ul style="list-style-type: none">▪ About 7000 full-time jobs during the 42 months of construction▪ 200 full-time job opportunities during the period of ETP operations<input type="checkbox"/> Opportunity for local business<ul style="list-style-type: none">▪ Construction materials procured from the local vicinity<input type="checkbox"/> MCA Partnership Program<input type="checkbox"/> Growth in local biodiversity<input type="checkbox"/> Increase in work efficiency<ul style="list-style-type: none">▪ Technology transfer<input type="checkbox"/> Gender Inclusion<ul style="list-style-type: none">▪ 33 percent women's participation encouraged	<ul style="list-style-type: none">▪ Improvement in the credibility of the National Transmission Line▪ Expansion in financial investment▪ Growth in GoN's income▪ Growth in local employment opportunity▪ Reduction in GHG emission