



Millennium Challenge Account Nepal (MCA-Nepal)

27 March 2024



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)

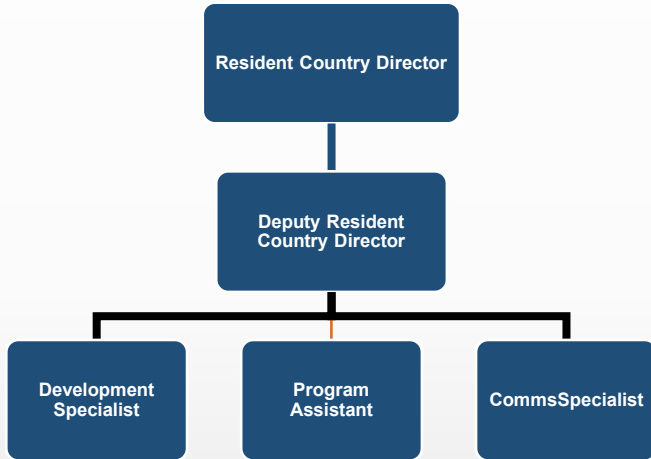


Compact signed on 14 September 2017



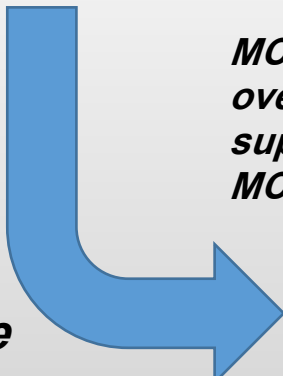
MCC and MCA– *Separate Entities*

MCC-Nepal

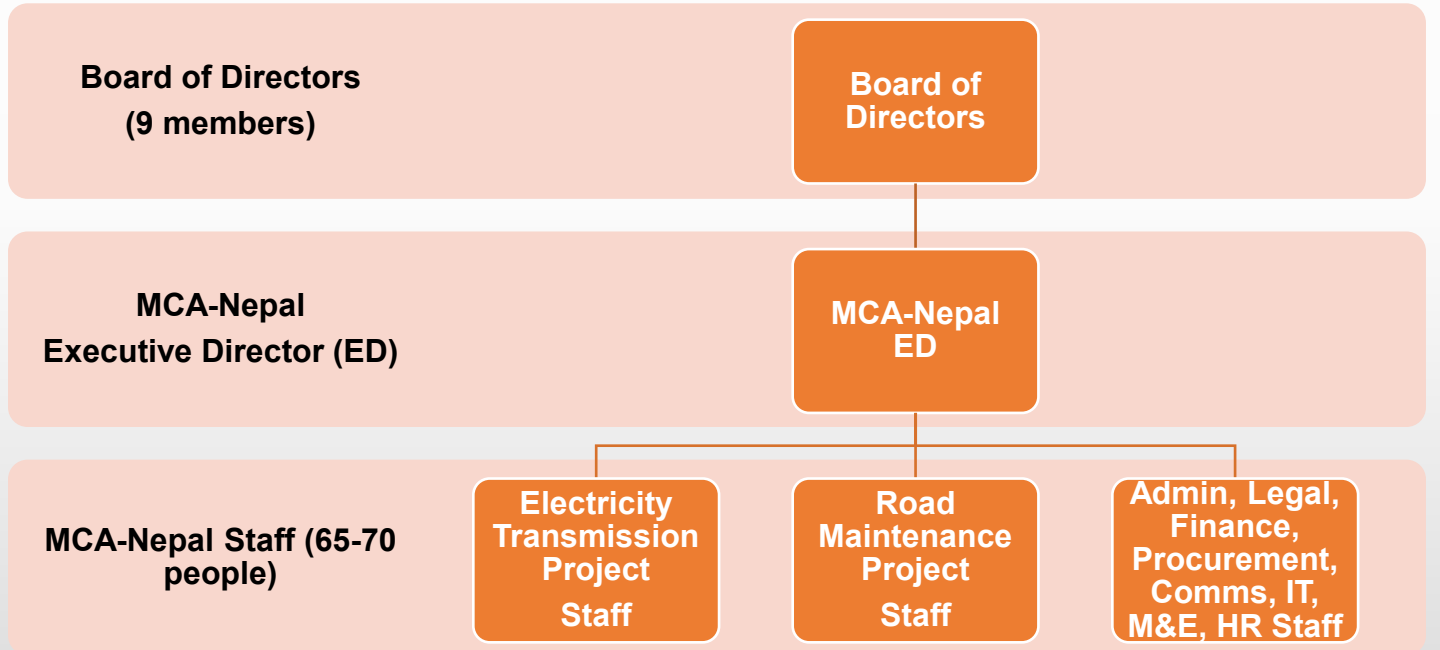


The two entities work closely together, but they are separate entities.

MCC provides oversight and support to MCA-Nepal



MCA-Nepal





Projects- *Snapshot*

Electricity Transmission Project (ETP)



Road Maintenance Project (RMP)

The ETP has 3 Major Components



Up to 315 km of Transmission Line.



Substations



Technical Assistance to NEA and ERC

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

The RMP has 2 Major Components



Technical Assistance to Department of Roads and Roads Board Nepal



Enhanced road maintenance on up to 130 km of roads

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

- 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 : August 30, 2023



Timeline of the Program

Compact Signing:
14 Sept 2017


Entry Into Force –EIF
(launch of Compact)
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		Lapsjehedi 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



Road Maintenance Project: *Work Progress*

- Around 40 km of road segment selected in East-West highway in Dang for road maintenance works using new technology (FDR).
- High-level stakeholder Consultation in Dang.
- 90 km of road segments being finalized for periodic maintenance.
- A material testing lab established at the Department of Roads (DoR) including Falling Weight Deflectometer (FWD).
- Trainings on new technology use - Full Depth Reclamation (FDR), Superior Performing Asphalt Pavements (Superpave).



Lab inauguration in DoR



Deflection measurement using FWD



Extensive Community Consultations



RMP - Public Hearing in Dang.

RMP

- Public Hearings in 4 affected municipalities with road sections in Dang district.



Status of Safeguard Documents

- **Initial Environmental Assessment (IEE)** : Draft final report prepared.
- **Resettlement Policy Framework (RPF)**: Approved by MCA-Nepal Board and MCC
- **Social and Gender Inclusion Plan (SGIP)**: Approved by MCA-Nepal Board and MCC
- **TIP Risk Management Plan**: Under finalization
- **Environmental and Social Management System (ESMS)**: Final Stage
- **MCC Policy Provisions**



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

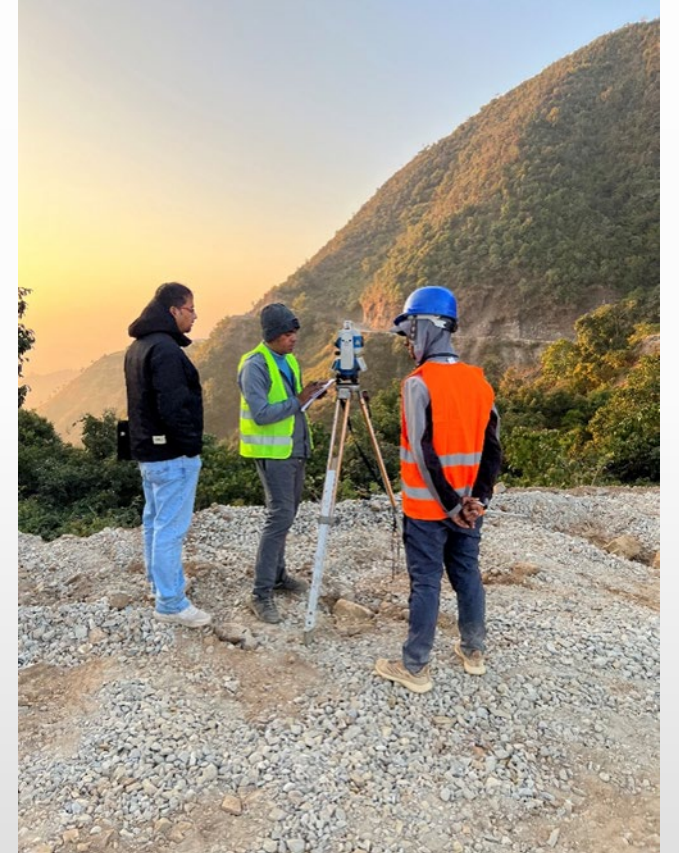


Fostering economic growth with better access to electricity and roads



Electricity Transmission Project : *Overall Work Progress*

- Designs and alignment of transmission lines and substations finalized;
- Consultant-Supervision Engineer selected;
- Selection of contractor for design and build of three substations in final stage;
- Bid for 18 km of cross-border transmission lines launched;
- Bid for 297 km of transmission lines -necessary steps for the re-tendering process ongoing.



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 completed;
- *New Butwal and New Damauli Substations*: Land has been provided by NEA.

Livelihood Restoration Program – Ratmate

- A two-year Livelihood Restoration Program (LRP) is nearing completion - provided job and skills training to 272 project-affected persons in Ratmate.



LRP – Tomato Farming



LRP – Adult Literacy Class



Electricity Transmission Project: *Transmission Line Work Progress*

Land Acquisition

Approx. 104 ha of land will be acquired for 856 tower pads -

- Compensation fixation process initiated in nine districts under the leadership of CDOs via Compensation Fixation Committees.
- Sub-Committees formed to recommend and determine land prices for compensation distribution.



Forest Clearance

- *Forest Consultations:* 73 consultations with 121 Community Forest User Groups and 8 Leasehold Forest User Groups.
- *Forest Census:* Forest census works related to tree enumeration completed in 8 out of 10 affected districts.





Projects: Benefits



Construction Phase	Operation Phase
<ul style="list-style-type: none"><input type="checkbox"/> Growth in local employment opportunity<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 – benefit sharing<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



Mitigation Approach

Better-off Approach

- Ascertains 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 paid for by MCA-Nepal.

Acquisitions Approach

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