



MILLENNIUM CHALLENGE ACCOUNT NEPAL (MCA-NEPAL)

MILLENNIUM CHALLENGE ACCOUNT NEPAL (“MCA-Nepal”)

Synopsis of Minutes of 42nd Meeting of the Board of Directors of Millennium Challenge Account

Nepal (MCA-Nepal)

Nature: Regular Meeting

MCA-N/BOD-M-42/08-07-2024

Date: Monday, 08 July, 2024 (2081/03/24 BS)
Time: 4:00 PM
Place: Meeting at Conference Room of the Secretary, Ministry of Finance
Notice Served: Wednesday, 3 July 2024 (2081/03/19 BS)

1. Board Meeting Attended By Members

- **Madhu Kumar Marasini**, Chairperson
And, Secretary, Government of Nepal, Ministry of Finance
Singhadurbar, Kathmandu
- **Kul Man Ghising**, Member
And, Managing Director, Nepal Electricity Authority
- **Nabin Raj Singh**, Member
And, Joint Secretary, Ministry of Energy, Water Resources and Irrigation
Singhadurbar, Kathmandu
- **Bhimarjun Adhikari**, Member
And, Joint Secretary, Ministry of Physical Infrastructure and Transport
Singhadurbar, Kathmandu
- **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

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2. Invitees

- **Shreekrishna Nepal**, Invitee
And, Joint Secretary, Government of Nepal, Ministry of Finance, International Economic Cooperation and Coordination Division (IECCD)
- **Diane Francisco**, Invitee (Through Video Conferencing)
And, Resident Country Director MCC in Nepal Millennium Challenge Corporation, US Embassy, Kathmandu
- **Sanjay Poudyal**, Invitee
Deputy Resident Country Director, Millennium Challenge Corporation, US Embassy, Kathmandu

3. Others Attending

- **Rajib Dahal**, Chief Legal Officer, MCA-Nepal
- **Satyam Pathak**, Legal Advisor, MCA-Nepal

4. PRELIMINARY

- 4.1. The meeting of the Board of Directors was constituted by conduct of Meeting on Monday, 08 July, 2024 (2081/03/24 BS) after the notice was served in writing on Wednesday, 03 July, 2024 (2081/03/19 BS.)
- 4.2. This Notice was issued pursuant to Section 5(3) of the Millennium Challenge Account Nepal Development Board Formation Order, 2074 (2018).
- 4.3. 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 to initiate the discussion on the agenda.

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4.4. The Executive Director provided a progress updates on recently concluded contracts on *Sub-station activities, Contract for Embedded Advisors for ERC, Contract on MPP Thematic Area 3: Capacity Building*. The Board was also apprised on the bid evaluation status on 18 Kms. Cross-border transmission line.

5. AGENDA ITEMS AND BOARD'S DECISIONS/RESOLUTIONS

5.1. Agenda One: Approval of Procurement Plan 8.4

5.1.1. Accountable Entity Procurement Policy & Guidelines, MCC-DCO-2008.37.8, Effective January 1, 2024 (herein after "AE PPG") required to be followed by MCA-Nepal as a condition of the Compact states that MCA-Nepal shall periodically prepare a Procurement Plan for acquiring goods, works, and consultant and non-consultant services needed to implement the Compact. Compliance, satisfactory to MCC, with the approved Procurement Plan shall be a condition precedent to MCC disbursements or payments.

5.1.2. MCA-Nepal is required to regularly update a procurement plan that aligns to the Compact's projects and guides technical and administrative activity.

5.1.3. The Procurement Plan approved by MCA-Nepal Board of Directors need amendments and the amended and revised Procurement Plan Version 8.4 is presented for approval as per the provisions contained in 'Accountable Entity Procurement Policy and Guidelines (AE PPG)' effective on January 1, 2024 which is applicable to MCA-Nepal.

5.1.4. RESOLVED THAT the Board of Directors has considered the provisions of Accountable Entity Procurement Policy & Guidelines, MCC-DCO-2008.37.8, Effective January 1, 2024 (herein after "AE PPG") as required by AE PPG, it approves the Procurement Plan "Procurement Plan Version 8.4"

5.2. Agenda Two: Re-structuring of MCA-Nepal and change of organisational structure

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5.2.1. MCA-Nepal Board had approved MCA-Nepal organization structure on its 9th Board meeting held on 03 March, 2019. The Board had also approved from time to time the qualification criteria for the staff to be recruited at MCA-Nepal, and the approved qualification criteria for the staff.

5.2.2. MCA-Nepal, working with MCC, analyzed the organization structure in the present context and has realized that the nature of the job at MCA-Nepal is changing from the previous designing of requirements and from procurement focused to current construction implementation, contract administration and compliance of policies. The current Board approved Organisational structure and some of the qualification criteria for the staff did not comprehensively address the project implementation phase's vulnerabilities and requirements. Current contractors and trend analysis of their capacity leads MCA-Nepal to note that additional oversight is required to ensure completion of critical path activities while ensuring appropriate safeguarding and also to seek staffs with additional and enhanced capacities and qualifications. While the structure and skill sets required for design period was adequate, the Organisation structure could benefit from a more construction focused structure and skill sets to ensure appropriate implementation.

5.2.3. Based on suggestions made by MCC on the urgent positions followed by discussions between MCA-Nepal and MCC, it was felt that some changes on the organizational structure is required. The changes suggested are based on the analysis of responsibilities that cannot be shared by the current 66 staffs.

5.2.4. RESOLVED THAT the Board of Directors provide their *in principle* approval on the additional recruitment of 7 employees and to change the current organisational formations and to reorganize the existing positions. The Board further discussed about the delegation of authorities to Executive Director to conduct recruitment based on the approved qualification criteria. Therefore, to effect such delegation of authorities, the Board instructs MCA-Nepal to submit necessary amendments in MCA-Nepal Employees Administration Bylaws, 2075(2018) alongwith qualification criteria for board's approval.

5.3. Agenda Three: Salary increment and reward for the performance year until September, 2023 (Information Agenda)

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5.3.1. MCC mandates all MCAs to undergo annual performance evaluation and the 37th meeting of the Board of Directors of MCA-Nepal held on 29 September, 2023 approved the amended MCA-Nepal Employees Administration Bylaws, 2075(2018) to incorporate Dignity as MCA-Nepal's performance management system.

5.3.2. RESOLVED THAT the MCA-Nepal Board of Directors provides its *in-principle* concurrence for the implementation of consequences of performance evaluation for year 2023 as presented by the MCA-Nepal.

5.4. Agenda Four: Approval for a long-term leasing of Government land for the construction of the Ratmate substation

5.4.1. MCA-Nepal Board of Directors was apprised on the need of leasing government lands for the Construction of Ratmate Sub-station in Nuwakot where MCA-Nepal has already acquired almost all the lands required for the sub-station construction The Board requested Ministry of Finance to facilitate in MCA-Nepal's coordination with other Ministries for the lands (35-15-3-2 *ropanis* of land) to be leased for the use of MCA-Nepal under the provisions of Public Land Registration, Use, and Lease 2079 and other applicable laws and regulations. In this regard, MCA-Nepal would do the necessary follow-up and seek support from other ministries and departments based on prevailing laws, rules, regulations and practices.

5.5. Agenda Five: Payment of Capital Gains Tax on Lands Acquired by MCA-Nepal and Audit Issues (Capital Gains Tax paid by MCA-Nepal as per approved RPF)

5.5.1. MCA-Nepal Board of Directors was apprised on the Office of the Auditor General (OAG) comments on their annual audit reports on the practice of MCA-Nepal's payment of Capital Gains Tax (CGT) on the compensation amount paid to People Affected by Projects (PAPs) while payment of compensation under Land Acquisition Act, 2034.

5.5.2. This practice was followed as per approved Resettlement Policy Framework (RPF) – approved by MCA-Nepal Board on 13th Board Meeting held on 02 September, 2019. The MCA-Nepal Board has further clarified in its 19th Board Meeting held on 18 September, 2020 for the approval to pay compensation for the land Acquisition inclusive of gains tax during land acquisition process under

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International Finance Corporation (IFC) Performance Standards (IFC PS). On this backdrop, the Board requested Ministry of Finance for necessary coordination of MCA-Nepal with Office of the Auditor General (OAG) to resolve the issue. In this regard, MCA-Nepal would do the necessary follow-up and seek required coordination from other Government institutions and committees based on prevailing laws, rules, regulations and practices.

5.6. Agenda Six: Amendments of Guidelines to select Civil Society members and Private Sector members of the Board of MCA-Nepal to make it more gender inclusive

5.6.1. MCA-Nepal Board of Directors in the 10th Board meeting held on 31 March, 2019 had approved the “Guidelines for Selecting Civil Society Board Members for MCA-Nepal, 2075 (2019)” (CS Guidelines) and “Guidelines for Selecting Private Sector Board Members for MCA-Nepal, 2075 (2019)” (PS Guidelines).

5.6.2. With 6 years of experience of MCA-Nepal, it has realized that there is not enough gender diversity in the board of MCA-Nepal. Likewise, through more than two decades of financing compact programs, MCC has identified best practices in effectively integrating gender and inclusion into its compact programs, which includes ensuring gender diversity on the boards of directors of accountable entities. Therefore, it has become pertinent to change the existing guidelines for selection and appointment of civil society and private sector members of the MCA-Nepal Board to make gender diversity achievable.

5.6.3. RESOLVED THAT MCA-Nepal Board of Directors approves the amended Guidelines of Selecting the “Civil Society Board Member for MCA-Nepal, 2075” and Guidelines for “Selecting Private Sector Board Members for MCA-Nepal, 2075(2019)”.

6. Other Discussion Agendas and Updates

6.1. Office of the Auditor General (OAG) audit findings

6.1.1. The Board was appraised of the Office of the Auditor General (OAG) audit findings as per the 61st OAG Audit Reports. The key findings from the OAG Audits.

6.2. Approval of 2081/82 Red Book Budget

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6.2.1. MCA-Nepal presented the 12-month budget in correlation with GoN budget cycle Mid-July 2024 to Mid-July 2025. This Budget has been published in the FY 2081/82 Red Book and is approved for expenditure by MCA-Nepal.

7. RECORDING OF THE DISCUSSIONS AND DECISIONS

7.1. 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 signing of these Minutes.

8. CLOSE

There being no further business, the members of Board of Directors did not have to consider any other agendas. The meeting closed at 6.30 PM.

This minute is prepared by: Rajib Dahal, Chief Legal Officer

This minute is prepared and signed on: 14/07/2024