



Millennium Challenge Account Nepal (MCA-Nepal)

Annual Report FY 2080/81 BS(2023/2024)



**MILLENNIUM CHALLENGE ACCOUNT NEPAL
(MCA-NEPAL)**

ANNUAL REPORT
FY 2080/2081 BS (2023/2024)



MESSAGE FROM THE BOARD CHAIR

The MCC Nepal Compact with two pivotal infrastructure initiatives – the Electricity Transmission Project and the Road Maintenance Project – is with an investment of USD 197 million from the Government of Nepal (GoN) and a grant of USD 500 million from the U.S Government.

The projects aim to increase the availability and reliability of electricity, maintain road quality and facilitate power trade between Nepal and the region and thereby contribute to Nepal's economic growth.

Millennium Challenge Account Nepal (MCA-Nepal), the GoN agency entrusted to execute the projects, launched the MCC Nepal Compact on 30 August 2023 following an agreement between GoN and Millennium Challenge Corporation (MCC). This was an important milestone as it marked the start of implementation after fulfillment of necessary conditions to ensure successful completion of the two projects within a five-year timeline.

Against this backdrop, the achievements of MCA-Nepal in the past fiscal year have been noteworthy. Some of the major achievements were the successful award of the contracts for the construction of two 400 KV substations, progress in land acquisition for the construction of transmission lines with Compensation Fixation Committees formed to determine land rates in affected districts and completion of forest census works in nine out of the ten districts. Additionally, successful implementation of the Ratmate Livelihood Restoration Program in Nuwakot has set an example in resettlement practices based on international standards to ensure improved means of livelihood for the physically and economically displaced people. I hope that the momentum created so far will be further enhanced to yield more results in the next fiscal year.

The Government of Nepal is committed to extend continuous support for the timely implementation of these important infrastructure development projects. Likewise, we hope that MCC will continue collaboration and support for the smooth implementation of the projects.

Finally, I would like to congratulate the MCA-Nepal leadership and team for the achievements during the past fiscal year. Timely completion of the projects is challenging but I am confident that MCA-Nepal is well-prepared and equipped with a plan to address the concerns of all stakeholders meeting the environmental and social standards of both the GoN and MCC.

I look forward to continued cooperation, collaboration and support from all the concerned stakeholders for the successful completion of these projects.

Dr. Ram Prasad Ghimire

Secretary

Ministry of Finance

Government of Nepal



MESSAGE FROM THE EXECUTIVE DIRECTOR

I am pleased to present the Annual Report of the Millennium Challenge Account Nepal (MCA-Nepal) for the Fiscal Year 2023/24. This report is a comprehensive summation of our financial reporting to the Government of Nepal, progress reports on the MCC Nepal Compact program submitted to the MCA-Nepal Board of Directors, and an extensive overview of the status of our projects covering the period from 16 July 2023 to 15 July 2024.

The past year saw progress in the execution of the two projects – the Electricity Transmission Project and the Road Maintenance Project with the Entry-into-Force of the MCC Nepal Compact on 30 August 2023.

MCA-Nepal successfully concluded procurement of some major contracts and took important steps to prepare the site for contractor's access in the Electricity Transmission Project. This included the award and signing of contracts for the construction of two 400 kV GIS substations - Ratmate Substation in Nuwakot district and New Butwal Substation in Nawalparasi (Bardaghat Susta West) district. The Ratmate Substation will have a capacity of 1000 MVA, making it one of the largest substations in the country.

Similarly, a two-year Livelihood Restoration Program for 270 project-affected people in Ratmate Substation concluded on 30 May 2024 to pave the way for new businesses and prosperity. Project affected people benefitted from the program through training on high-value agriculture, a wide array of vocational skills, and job skills such as weaving, advanced computer training and financial literacy. MCA-Nepal had earlier acquired around 400 Ropanis of land for the substation.

On site access, land acquisition for transmission line tower pads in nine affected districts is in the final stages. CDO led Compensation Fixation Committees (CFC) have been formed to determine land rates for 856 tower pads across nine out of ten districts. Rates for lands to be acquired in Dhading, Makwanpur and Nawalparasi West have been fixed. Likewise, the CFCs in remaining six districts will fix land rates for respective districts. Forest census works have been completed in nine out of ten project-affected districts. MCA-Nepal is verifying the outcome of the census to apply for forest permits. MCA-Nepal also plans to begin work on site access in the remaining district of Kathmandu in the next fiscal year.

For the Road Maintenance Project, the Initial Environment Examination has been completed and MCA-Nepal is on track to release the IFB for road maintenance works in the 40 km segment of road section from Dhan Khola to Lamahi in East-West Highway. Maintenance works will be carried out using climate smart technology of Full Depth Reclamation (FDR) and Superpave, being introduced in Nepal for the first time.

Looking ahead, our goals for the next fiscal year is to move ahead in the construction of both- transmission lines and substations, fix land rates in all affected districts and distribute compensation, and to move ahead with the road maintenance works. We anticipate meeting these goals but we know that historically, in Nepal, working with communities that will be impacted by the project's land acquisition can take time and will be challenging. We have been successfully navigating this and setting the bar in terms of handling this process fairly and plan to continue that going forward.

The achievements of MCA-Nepal in the past fiscal year would not have been attainable without the collaborative efforts of all of our stakeholders. I would like to extend my heartfelt gratitude to the Ministry of Finance and the MCC for their consistent support, without which our progress would not have been possible. I also express my profound appreciation to our Board Chair and the members of the Board for their leadership and guidance, which have been instrumental in MCA-Nepal's achievements the past fiscal year.

Our valued partnerships with various government bodies, including the Ministry of Energy, Water Resource and Irrigation, Ministry of Physical Infrastructure and Transport, Ministry of Forest and Environment, Nepal Electricity Authority, Electricity Regulatory Commission, Department of Roads and Roads Board Nepal, have yielded remarkable results. We anticipate continued collaboration in the coming year.

Finally, I would like to thank the entire dedicated team of MCA-Nepal and MCC, our valued experts, technical partner and consultants. Their unwavering commitment and invaluable contributions have been pivotal in shaping the progress we have achieved thus far.

Khadga Bahadur Bisht
Executive Director
Millennium Challenge Account Nepal (MCA-Nepal)

Table of Contents

Executive Summary	1
Section 1 MCA-Nepal Overview	3
1.1 Organizational Description	3
1.2 Board of Directors	3
1.3 Board Meeting Highlights	3
1.4 Organization Chart	5
Section 2 Projects	6
2.1 Electricity Transmission Project	6
2.1.1 Transmission Line Activity	6
2.1.2 Sub Station Activity	7
2.1.3 Power Sector Technical Assistance Activity	9
2.1.4 MCA Partnership Program Sub-Activity	11
2.2 Road Maintenance Project	12
2.2.1 Technical Assistance Activity	12
2.2.2 Strategic Road Maintenance Works Activity	13
2.3 Project Areas	15
Section 3 Environment and Social Performance	16
3.1 Environment, Health and Safety	16
3.1.1 Additional Environmental and Social Impact Assessments for ETP	16
3.1.2 Initial Environmental Examination (IEE) for the RMP	16
3.1.3 Forest Clearance Activities	17
3.1.4 Environmental and Social Management System (ESMS)	19
3.1.5 Health and Safety	19
3.2 Social Safeguard and Resettlement	19
3.2.1 Land Acquisition Activities	19
3.2.2 Resettlement Activities	21
Section 4 Gender and Social Inclusion	23
4.1 Trafficking in Persons (TIP) Risk Management Plan	23
4.2 TIP Response Protocol	23
4.3 Gender and Social Inclusion in TL RAP	23
4.4 Orientation to Supervision Engineer on TIP	24
Section 5 Grievance Redress Mechanism	25
Section 6 Risks and Challenges	26
Section 7 Financial Statement	27
Section 8 Community Voices	30
List of Abbreviations	32

Executive Summary



Millennium Challenge Corporation (MCC) CEO Ms. Alice P. Albright joined then Rt. Hon. Prime Minister of Nepal Pushpa Kamal Dahal at a celebration hosted by MCA-Nepal on 4 October 2023 to mark the launch of implementation for the MCC Nepal Compact.

This report covers the Nepali Fiscal Year 2080/81 (from 16 July 2023 until 15 July 2024). The executive summary captures the major highlights of the program and project-related activities detailed in the report during the reporting period.

Major Highlights

Launch of the MCC Nepal Compact

Millennium Challenge Corporation (MCC) CEO Ms. Alice P. Albright joined the then Prime Minister of Nepal Pushpa Kamal Dahal in a celebration hosted by MCA-Nepal on 4 October 2023 to mark the launch of implementation i.e. Entry into Force (EIF) for the MCC Nepal Compact. Around 200 people participated in the event including representatives from various partner Ministries, Nepal Electricity Authority, Electricity Regulatory Commission, Department of Roads, Roads Board Nepal, MCA-Nepal Board Members, U.S. Embassy, Independent Power Producers' Association Nepal, civil society and media.

The Government of Nepal (GoN) and MCC marked the official start of implementation for the MCC Nepal Compact, with an exchange of letters between the then Finance Minister Dr. Prakash Sharan Mahat and Vice President- Compact Operations at MCC Mr. Cameron Alford, on 30 August 2023 at the Ministry of Finance. The milestone followed an agreement between GoN and MCC that adequate progress on project preparation had been achieved. Around 60 people participated in the event including Secretaries from partner Ministries, representatives from project partners, MCA-Nepal Board Members and the U.S. Embassy.

EIF is an important milestone for MCC compacts as it marks the fulfillment of necessary conditions and sufficient preparations to ensure successful completion of compact projects within a five-year timeline.



The Government of Nepal (GoN) and MCC marked the official start of implementation for the MCC Nepal Compact, with an exchange of letters between then Hon. Finance Minister Dr. Prakash Sharan Mahat and Vice President- Compact Operations at MCC Mr. Cameron Alford, on 30 August 2023 at the Ministry of Finance.

Project Updates - Electricity Transmission Project (ETP)

Award of Major Contracts

MCA-Nepal successfully awarded contracts for the construction of two 400 kV GIS substations - New Butwal Substation in Nawalparasi (Bardaghat Susta West) district and Ratmate Substation in Nuwakot district on 9 May 2024 and 15 June 2024 respectively. Prior to this, a contract to provide consulting services as Supervision Engineer for the construction supervision of transmission lines and substations was signed on 29 September 2023. Likewise, a contract to provide consulting services for Embedded (Resident) Advisors to the Electricity Regulatory Commission (ERC) under the Power Sector Technical Assistance Activity of Electricity Transmission Project was signed on 15 July 2024.

Land Acquisition and Forest Clearance

MCA-Nepal has made notable progress in acquiring land to build 856 tower pads for the transmission line in nine out of ten project-affected districts as per the Land Acquisition Act, 1977 of Nepal. The Compensation Fixation Committees (CFC) formed and led by respective Chief District Officers have fixed the rates of land in Dhading, Makwanpur and Nawalparasi (Bardaghat Susta West) districts. Similarly, CFCs in Chitwan, Palpa, Nawalparasi (Bardaghat Susta East), Nuwakot, Sindhupalchowk and Tanahun are in the final stages to fix land rates in respective districts.

Furthermore, MCA-Nepal has completed forest census works in nine out of ten project-affected districts. Extensive consultations with Community Forest User Groups and Leasehold Forest User Groups were organized prior to the forest census works.

Project Updates - Road Maintenance Project (RMP)

MCA-Nepal submitted the Initial Environmental Examination (IEE) report for the upgrade of 40 km of road section from Dhankhola to Lamahi of the East-West highway in Dang district to the Ministry of Physical Infrastructure and Transport for approval on 2 June 2024. The upgrade will include use of Full Depth Reclamation (FDR), an innovative, climate-smart and cost-effective sustainable technology being introduced in Nepal for the first time. Likewise, a 36 km road section from Narayangarh - Mugling in Chitwan district has been identified for periodic maintenance.

Section 1

MCA-Nepal Overview

1.1 Organizational Description

The Millennium Challenge Account Nepal (MCA-Nepal) is a Government of Nepal (GoN) agency, formed under the Development Board Act, 1956 AD to manage a USD 697 million program co-funded by the GoN's fund of USD 197 million and the U.S. Government's Millennium Challenge Corporation (MCC) Compact fund of USD 500 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 Chairpersons as of the end of the Fiscal Year (FY) 2080/81 BS:

- Mr. Arjun Prasad Pokharel, Secretary, Ministry of Finance – The Chairperson for the 35th & 36th Board Meeting;
- Dr. Krishna Hari Pushkar, Secretary, Ministry of Finance – The Chairperson from the 37th to the 40th Board Meeting;
- Mr. Madhu Kumar Marasini, Secretary, Ministry of Finance – The Chairperson for the 41st & 42nd Board Meeting.

Other members at the end of the FY 2080/81 BS were:

- Mr. Kul Man Ghising, Managing Director, Nepal Electricity Authority
- Mr. Nabin Raj Singh, Joint Secretary, Ministry of Energy, Water Resources and Irrigation
- Mr. Bhimarjun Adhikari, Joint Secretary, Ministry of Physical Infrastructure and Transport
- Mr. Kumar Pandey - Member representing the Private Sector
- Mr. Surendra Kumar Mahato - Alternate Member representing Civil Society
- Mr. Khadga Bahadur Bisht, Executive Director, MCA-Nepal - Member Secretary.

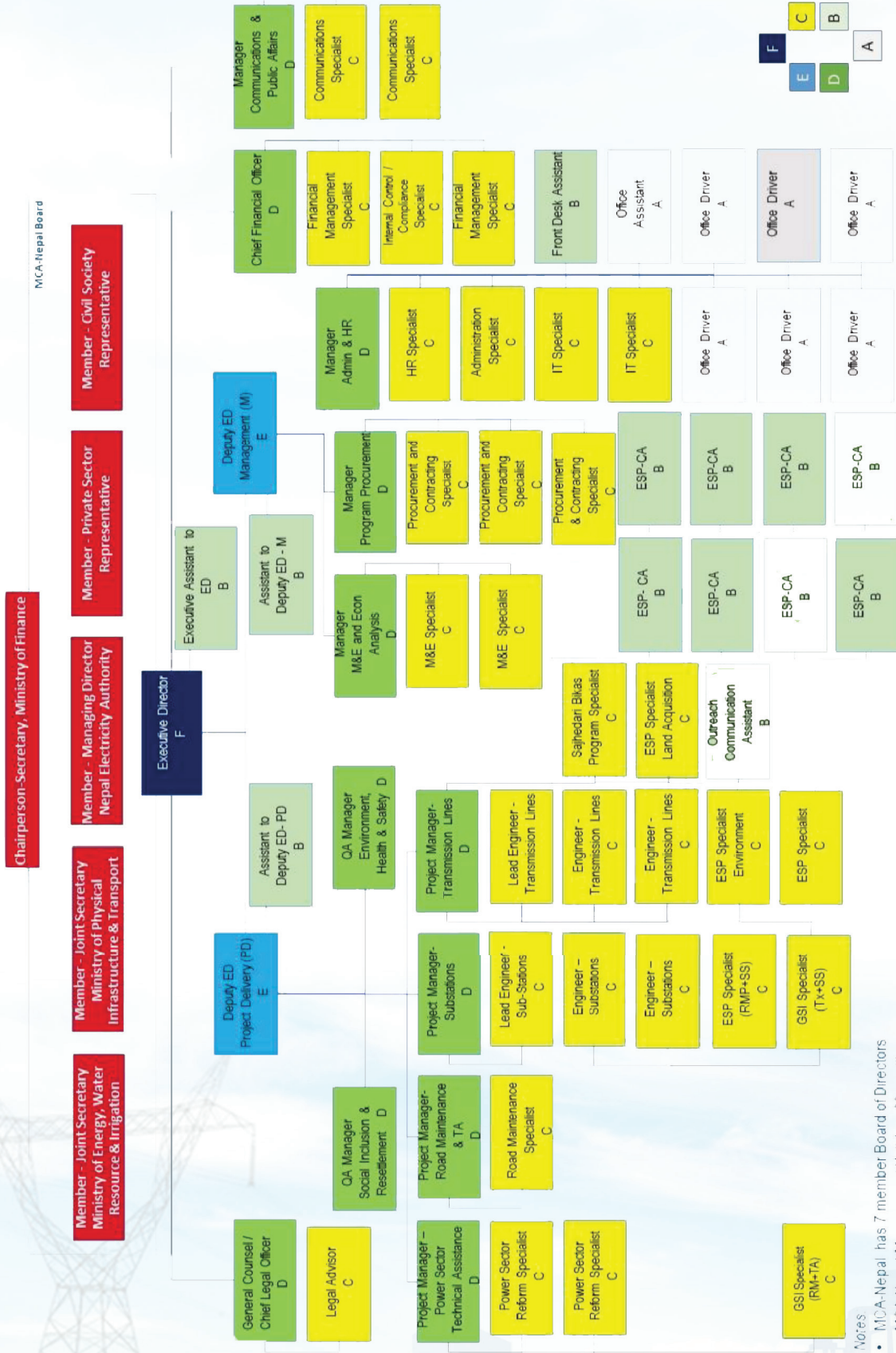
1.3 Board Meeting Highlights

In the FY 2080/81 BS (17 July 2023 - 15 July 2024), the 35th to 42nd Board Meetings of MCA-Nepal were held. The agendas and decisions of the Board are presented below:

Board Meeting	Date	Agendas and Decisions
35th	08/08/2023	1. Briefing on the progress made on site access Conditions Precedent (CP) ; 2. Briefing on the Bid Challenge for 'Consultancy Services for Construction Supervision for Transmission Line (TL) and Substations (S/S) activities for ETP'.
36th	16/08/2023	1. Briefing on site access CP and date of Entry Into Force (EIF) on 30 August 2023.
37th	29/09/2023	1. Briefing on the re-bidding for the TL sections by revising the design and other criteria in the employer's requirements; 2. Approval of revision to MCA-Nepal Employee Bylaws.

38th	27/11/2023	<ol style="list-style-type: none"> 1. Approval to Resettlement Policy Framework (RPF) Entitlements Matrix for RMP; 2. Approval of procedure for approval of master lists in imports of goods for MCA-Nepal projects.
39th	21/12/2023	<ol style="list-style-type: none"> 1. Approval of contract amendment of 'Consultancy Services for Construction Supervision for TLs and S/S Activities for ETP' and 'No Cost Extension of Consultancy Services for Forest Census and Field Verification'; 2. Discussion on alternatives and options for expediting TL bids.
40th	06/03/2024	<ol style="list-style-type: none"> 1. Approval of Procurement Plan 8.1 ; 2. Approval of Contract Amendment on Land Acquisition Experts; 3. Approval of Monitoring and Evaluation Plan ; 4. Briefing on salary increment and reward for the performance year until September 2023.
41st	20/05/2024	<ol style="list-style-type: none"> 1. Approval of Procurement Plan 8.3; 2. Re-appointment of MCA-Nepal Board Member representing Civil Society and Private Sector; 3. Approval of delegation of authority for renewal of employment agreement to Executive Director.
42nd	08/07/2024	<ol style="list-style-type: none"> 1. Approval of Procurement Plan 8.4; 2. Approval of re-structuring of MCA-Nepal and change of organizational structure; 3. Briefing on salary increment and reward for the performance year until September 2023; 4. Approval of long-term leasing of government land for the construction of the Ratmate S/S; 5. Briefing on the payment of capital gains tax on lands acquired by MCA-Nepal and audit issues ; 6. Approval to amendment of 'Guidelines to select Civil Society and Private Sector members of the Board of MCA-Nepal' to make it more gender inclusive.

1.4 Organization Chart



Section 2 Projects

2.1 Electricity Transmission Project

The Electricity Transmission Project (ETP) will build up to 315km long 400 kV electricity transmission lines (TL) and three new substations (S/S) in Nepal. The ETP also comprises technical assistance activities to strengthen the performance of Nepal's power sector. The ETP aims to increase electricity consumption by improving the availability and reliability of electricity supply in Nepal's electricity grid and facilitating cross-border power trade with India.

This section discusses four major activities under ETP, namely the Transmission Line Activity, Substation Activity and Power Sector Technical Assistance Activity, and the MCA Partnership Program (MPP) Sub-Activity.

2.1.1 Transmission Lines (TL) Activity

The Transmission Line (TL) Activity includes the design, supply, construction, installation, testing and commissioning of up to 315km long 400 kV double-circuit quad moose and quad-circuit towers. The TL will provide a vital missing link to Nepal's existing high-voltage grid to evacuate electric power to the key load centers within the country and for export. The TL segments were selected following careful analyses and feasibility studies that weighed the technical and economic merit, the importance of meeting Nepal's medium and long-term electricity supply goals, and consistent with Nepal's domestic and cross-border transmission investment plans.

The progress related to the TL Activity is as follows:

2.1.1.1 Onboarding of Supervision Engineer

MCA-Nepal onboarded WAPCOS as the Engineer for Construction Supervision and Project Management works for TLs and S/S Activities under ETP on 29 September 2023. WAPCOS will provide consultancy services in supervising and monitoring all the construction activities related to the entire stretch of the transmission line and three substations.

2.1.1.2 Modification of the TL bidding documents

MCA-Nepal, with the support of its consulting engineer WAPCOS, modified the bidding documents for the transmission line with more clarity on tower designs, access roads to tower sites and estimated number of trees to be felled. Following the failure of the TL procurement in November 2022 due to a higher price bid than the estimated cost, MCA-Nepal assigned its Supervision Engineer WAPCOS Ltd. for the modification with an access track study to address the feedback from the previous bidders.

2.1.1.3 Separate bid for 18km TL

MCA-Nepal launched a separate bid for 18km TL from S/S New Butwal to the Nepal-India border section on 15 March 2024. The 40th MCA-Nepal Board meeting, held on 6 March 2024, decided to advance the 18km Nepal portion of the Butwal-Gorakhpur power transmission line on a priority basis by separating it from the larger 315km transmission line. The Board determined that expediting the cross-border section would help to meet the obligations of the cross-border power trade agreement between Nepal and India.

2.1.1.4 Survey of 30km Changed Alignment of TL

MCA-Nepal Consultant PGCIL completed a survey on 30km of various sections of the proposed transmission line. The survey included a walkover survey followed by stakeholder meetings, household surveys, focused group discussions and assessments. Along with the Final Survey Report, the Geo-technical Report, Hydrology Assessment Report and Environment and Social Report have been finalized.



An engineering survey conducted on temporary access tracks required to construct tower pads along the transmission line route.

2.1.2 Substations (S/S) Activity

The Substations Activity (S/S) includes the design, supply, construction, installation, testing and commissioning of three new 400 kV indoor Gas-Insulated S/S (GIS). Among the three, the Ratmate S/S will be constructed in Belkotgadhi Municipality of Nuwakot district, the New Damauli S/S in Damauli of Tanahun district, and the New Butwal S/S at Bhumahi (Sunawal) of Nawalparasi (Bardaghat Susta West) district. Apart from these three S/S, the TLs will terminate at two additional S/S under construction by the Nepal Electricity Authority (NEA) namely Lapsiphedi S/S at Lapsiphedi in Kathmandu district and New Hetauda S/S in Makwanpur district. Technical details of the three new S/S are listed below:

Names of S/S	Details of S/S
Ratmate	The Ratmate S/S will be a 400/220 kV gas-insulated S/S (GIS) and It will include seven numbers of 167 MVA transformers and related control and protection systems.
New Butwal	The New Butwal S/S will be a 400 kV gas-insulated S/S (GIS) and It will include three numbers of 315 MVA transformers and related control and protection systems.
New Damauli	The New Damauli S/S will be a 400 kV gas-insulated S/S (GIS) and it will include seven numbers of 167 MVA transformers and related control and protection systems.

The progress related to the S/S Activity is as follows:

2.1.2.1 Completion of Procurement to Build Two Substations

MCA-Nepal completed the procurement to build two 400 kV Gas Insulated Switchgear (GIS) Substations at Ratmate of Nuwakot district and Sunawal of Nawalparasi (Bardaghat Susta West) district. Both substations will be constructed within the contract duration of 39 months.

Contract Award for New Butwal Substation

MCA-Nepal signed a 35.31 million USD contract with Linxon India Pvt. Ltd. for the construction of the New Butwal Substation in an event in Nawalparasi (Bardaghat Susta West) district in Lumbini Province on 9 May 2024.

The 400kV substation will have a capacity of 945 MVA and supplement NEA's existing 220kV substation in the same location.



Mr. Khadga Bahadur Bisht, Executive Director, MCA-Nepal, exchanging the signed contract for the construction of the New Butwal Substation with Mr. Mayank Pande, Sales Director, Linxon India Pvt. Ltd. on 9 May 2024 in the presence of U.S. Ambassador H.E. Dean Thompson, NEA Managing Director Kulman Ghising and MCC Resident Country Director Ms. Diane Francisco.

Contract Award for Ratmate Substation

MCA-Nepal signed a 51.6 million USD contract with Techno Electric and Engineering Company Ltd., India to construct a 400kV Substation at Ratmate in Nuwakot district on 14 June 2024. The substation will serve as a critical interconnection of power transmission between the Lapsipedi and New Hetauda Substations. Once completed, Ratmate Substation will have a capacity of 1000 MVA, making it one of the largest substations in the country.



Mr. Khadga Bahadur Bisht, Executive Director, MCA-Nepal, and Mr. Rajiv Agarwal, Director-Commercial, Techno Electric and Engineering Company Ltd., signing the contract for the construction of the Ratmate Substation on 11 June 2024 in the presence of MCC Resident Country Director Ms. Diane Francisco.

Kick-off meeting for New Butwal Substation

MCA-Nepal organized a kick-off meeting with Linxon India Pvt. Ltd for the construction of the 400 kV New Butwal Substation in Nawalparasi (Bardaghat Susta West) in Kathmandu on 24 -25 June 2024. The kick-off meeting discussed technical details, timelines and deliverables, MCA-Nepal procedures and guidelines for initiating construction works.



Mr. Mahesh Acharya, Deputy Executive Director - Project Delivery at MCA-Nepal, addressing the kick-off meeting with Linxon India Pvt. Ltd for the New Butwal Substation construction on 24 June 2024.

2.1.2.2 Completion of Livelihood Restoration Program (LRP) at Ratmate

MCA-Nepal completed a two-year Livelihood Restoration Program (LRP) at Ratmate for project-affected people whose land had been acquired for the construction of Ratmate S/S in Nuwakot district. The program provided 269 project-affected people with a variety of vocational and skills-based training, including agriculture enhancement and livestock-related activities.

2.1.2.3 Erection of Chain Link Fence at Ratmate Substation Site

MCA-Nepal completed the erection of a chain link fence around the 20.27 hectares of land acquired by MCA-Nepal at Ratmate of Belkotgadhi Municipality-7, Nuwakot for the construction of the Ratmate Substation. The 2100 m chain link fence has been built to safeguard and secure the land in preparation for construction works.



The completed boundary wall fence around 20.27 hectares of land at the Ratmate Substation construction site in Belkotgadhi, Nuwakot.

2.1.3 Power Sector Technical Assistance (TA) 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.

The TA to the ERC focuses on supporting the ERC to function as an independent electricity sector regulator, as well as build its capacity to bring transparency, efficiency and competition into Nepal's power sector. Funds will be used to embed experts within the ERC to improve ERC's skills in rule making and dispute resolution in different regulatory areas (economic, technical, policy and legal).

The TA to the NEA focuses on supporting the NEA by improving its transmission business in the areas of regulatory cost recovery, improved grid operations, and better system planning which will increase the pace of investment required for transmission network capacity to meet growth in electricity supply and demand. This will lead to an increase in the reliability of the transmission network by reducing

outages and power quality problems through improved asset management and network operations processes. Finally, it will support the NEA to improve the financial viability of the power sector.

The progress related to Power Sector TA Activities is as follows:

2.1.3.1 TA to the ERC

- As provisioned in the Project Cooperation Agreement (PCA), the first Project Steering Committee (PSC) meeting between MCA-Nepal and ERC took place on 10 August 2023 at the ERC's office in Kathmandu to discuss upcoming activities for TA to ERC, including the onboarding of the Embedded Advisors and related working mechanism.
- MCA-Nepal organized a one-day outreach event in Kathmandu on 1 August 2023 and in New Delhi, India on 8 August 2023 to share information on upcoming procurements under Power Sector Technical Assistance to the ERC and NEA. Detailed information about the objective of the procurements and its timeline alongside necessary procurement, procedures, principles and guidelines of MCA-Nepal were provided at the event.



The market outreach event for the Power Sector Technical Assistance activity organized in Kathmandu on 1 August 2023.



The market outreach event for the Power Sector Technical Assistance activity organized in New Delhi, India on 8 August 2023.

- MCA-Nepal signed a 1.2 million USD contract with Deloitte Touche Tohmatsu India LLP to provide consulting services as Embedded (Resident) Advisors to the Electricity Regulatory Commission (ERC) on 15 July 2024. The contract will be executed within the contract period of 48 months. The consultant will provide advisory support in the economic/financial, technical, legal and policy/institutional regulatory work of the ERC. The support will include strategic guidance, substantive regulatory reviews, oversight of various studies, development of core operational practices and procedures, and capacity building of ERC staff among others.



Mr. Khadga Bahadur Bisht, Executive Director, MCA-Nepal, exchanging the signed contract for consulting services as Embedded (Resident) Advisors to the Electricity Regulatory Commission with Mr. Tushar Sood, Partner, Deloitte Touche Tohmatsu India LLP on 15 July 2024.

2.1.3.2 TA to the NEA

- As provisioned in the Project Cooperation Agreement (PCA), the first Joint Project Steering Committee Meeting between the MCA-Nepal and NEA was conducted on 23 July 2023 to discuss the finalization of the scope of work for TA to NEA and to provide updates on the work progress related to the transmission line and TA.
- The TA for NEA was finalized based on the priorities of NEA. The activities will focus on Asset Maintenance and Operations (AMO), System and Market Operations (SMO), Network Development Effectiveness (NDE), and System Planning (SP).

2.1.4 MCA Partnership Program (MPP) Sub-Activity

The MCA Partnership Program (MPP) is a key component of the ETP and serves as a sub-activity aimed at sharing benefits. The program, targeted for broader communities in the affected wards of the ETP complements the project by establishing relationships with communities within the areas affected by the ETP. The aim is to foster trust and help alleviate the risk of project delays. MCA-Nepal has established an MPP Framework, which includes three main thematic areas for consideration under which the following progress has been achieved:

2.1.4.1 Thematic Area 1: Electricity distribution system augmentation and extension

The thematic area focuses on increasing electricity access and enhancing the electricity distribution system's reliability to maximize electricity benefits. It comprises four sub-activities which are - i) Extension of the grid; ii) Replacement of poles; iii) Replacement of transformers; and iv) Replacement of conductors and their accessories.

The final bid document for the construction works is in the final stage. On 12 July 2024, MCA-Nepal also released the Request for Offer (RFO) to procure services of the Supervision Engineer for Thematic Area 1.

2.1.4.2 Thematic Area 2: Off-grid/grid solutions for water supply schemes

The thematic area provides off-grid/grid for lift water supply schemes solutions where water is scarce to communities in the ETP-affected areas, as prioritized by the wards.

MCA-Nepal visited the currently-operated water supply schemes to understand the related challenges and is examining the different possibilities for implementing the thematic area.

2.1.4.3 Thematic Area 3: Capacity building for enhanced electricity use

The thematic area has two sub-activities designed to build or enhance the capacity of institutions and individuals focusing on two key actions: i) supporting and preparing Municipal Energy Plans (MEP) in the municipalities affected by the ETP, and ii) developing capacities for Productive Use of Electricity (PUE) within the wards affected by the ETP.

MCA-Nepal released the RFP for this thematic area on 19 December 2023 and completed the procurement process to award the contract.

2.2 Road Maintenance Project (RMP)

The Road Maintenance Project (RMP) aims to enhance current practices in the maintenance of Nepal's strategic road network and will provide technical assistance to the Department of Roads (DoR) and Roads Board Nepal (RBN). Maintenance interventions will include pavement improvement techniques and safety enhancement features with the introduction of new innovative technologies.

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

2.2.1 Technical Assistance (TA) Activity

The TA Activity includes activities related to strengthening the capacity of the DoR and the RBN in road maintenance planning, assessment, and implementation of routine and periodic maintenance works. Training and capacity-building activities will focus on the areas of improved data collection and techniques; preparation of appropriate road maintenance plans driven by economic justification; improved prioritization of periodic maintenance; and improved contracting and contract management, including the integration of improved road safety features and improved project management. Training and capacity-building activities will also entail the transfer of modern road maintenance methods, technologies, and business processes.

The progress related to the TA Activity is as follows:

- MCA-Nepal conducted an orientation program to prepare Full Depth Reclamation (FDR) Fatigue Curve in the Department of Roads from 31 October to 3 November 2023. The training is an essential component of the Strategic Road Maintenance Activity in which, new pavement improvement technologies, namely, FDR and Superior Performing Asphalt Pavement (Superpave) will be adopted.



Lab technicians participating in the training from 31 October to 3 November 2023.

- MCA-Nepal conducted an IRI class II Machine Operation and Data Collection Training from 18 to 22 December 2023. The training, attended by participants from the DoR and the Institute of Engineering (IoE), covered theoretical classes on the use of software and field data collection. Road sections from Koteshwor - Suryabinayak and Pepsicola - Sano Thimi roads were selected for the IRI data collection.



Resource persons and participants of the training on International Roughness Index Class 2 Equipment Installation and Application.

2.2.2 Strategic Road Maintenance Works Activity

The Strategic Road Maintenance Works Activity will complement and build upon the TA Activity and includes following activities:

2.2.2.1 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 adopted. This sub-activity will address some of the issues associated with carrying out work on narrow roads with traffic congestion, difficult work conditions and extended construction times. A 40km road section from Dhan Khola - Lamahi Road, a part of the East-West Highway, has been identified for the activity for which design works have been completed.

Consultation with Stakeholders

MCA-Nepal organized a consultation with stakeholders at the Office of Chief Minister of Lumbini Province in Dang on 1 December 2023. The purpose was to create a common understanding of the design of the 40km road section from Dhankhola -Lamahi for the FDR and share technical details and benefits of the project and implementation plan with relevant stakeholders. The meeting also gathered feedback and built consensus among district level and local authorities for project implementation. Then Home Minister of the Province Hon. Santosh Pande, representatives



from the Ministry of Finance, Department of Roads, MCC officials, provincial and local entities and other stakeholders from project implementation area took part in the meeting.

Mr. Rohit Acharya, representative from MCA-Nepal's Consultant SWECO AS Danmark presenting on technical details in the consultation on 1 December 2023.

Market outreach events

Market outreach events for potential bidders were organized in Kathmandu on 27 March 2024 and in New Delhi, India on 15 April 2024 to share information on the upcoming procurements related to the RMP. The event provided detailed information on the objective of the procurements and its timeline to potential bidders alongside necessary procurement procedures, principles and guidelines of MCA-Nepal.



Mr. Khadga Bahadur Bisht, Executive Director at MCA-Nepal, addressing the market outreach event on the Road Maintenance Project, organized in Kathmandu on 27 March 2024.



Participants at the market outreach event for the Road Maintenance Project, organized in New Delhi, India on 15 April 2024.

Engineering design report and bidding documents prepared

The engineering design report and bidding documents for maintenance works of the 40km road section from Dhan Khola to Lamahi Road along the East-West Highway were finalized for the launch of the bids.

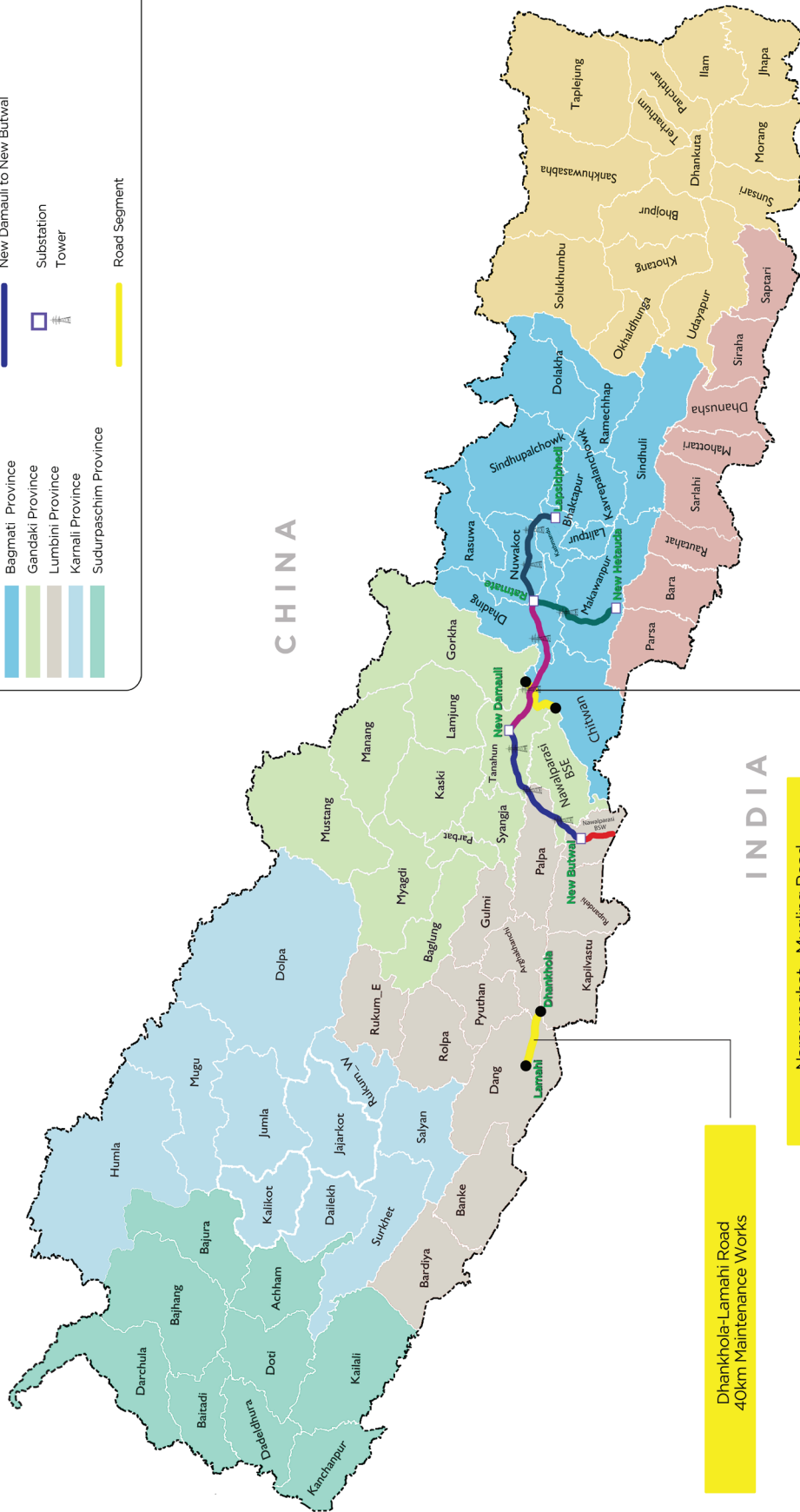
2.2.2.2 Periodic Maintenance

MCA-Nepal identified a road section from Narayanghat to Mugling for periodic maintenance works.

2.3 Project Areas



Legend



Dhankhola-Lamahi Road
40km Maintenance Works

Narayanghat - Mugling Road
36 km Periodic Maintenance Works

Section 3

Environment and Social Performance (ESP)

MCA-Nepal has identified the Environment and Social Performance (ESP) as a key to ensuring that the ETP and the RMP activities are implemented in accordance with the requirements of the MCC Environmental Guidelines and applicable national social safeguards policies and regulations of the GoN. This will be done by identifying, analyzing and mitigating environmental and social issues/impacts, meeting regulatory requirements for environmental and social provisions, and engaging with stakeholders for inputs and building support for the projects.

The ETP is classified as Category A in accordance with MCC Environmental Guidelines. Based on a preliminary evaluation, seven of the eight 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 on sensitive environmental and social characteristics of project areas.

The RMP is classified as Category B under MCC's Environmental Guidelines. The proposed activities have potentially limited and few adverse environmental or social risks or impacts, generally site-specific, largely reversible, and readily addressable through mitigation measures. The 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 environmental and social impact assessment.

MCA-Nepal is committed to high-quality environmental and social standards and has worked closely with communities affected since the inception of the projects. MCA-Nepal's resettlement action plans are based on international standards and aim to ensure an equal or improved means of livelihood for any person who is physically and/or economically displaced by the project.

3.1 Environment, Health and Safety

The progress related to Environment, Health and Safety activities is as follows:

3.1.1 Additional Environmental and Social Impact Assessments for ETP

3.1.1.1 30km Survey Works:

MCA-Nepal rerouted some sections of the alignments in a 30km stretch out of the 315km that deviated from the LiDAR route and accordingly updated the EIA report based on the desk study and site visits. This was done in response to feedback during the pegging process and Environmental Impact Assessment (EIA) public hearings. MCA-Nepal also carried out an environmental and social impact assessment along with a hydrological assessment along the 30km stretch to conclude no supplementary EIA and supplementary ESIA would be needed.

3.1.1.2 Temporary Access Tracks:

MCA-Nepal assessed the environmental and social impacts of proposed temporary access tracks and changes in tower designs for the transmission lines to be constructed. The Supplementary Environmental and Social Assessment (SESIA) will prepare mitigation measures for environmental and social impact of the temporary access tracks.

3.1.2 Initial Environmental Examination (IEE) for the RMP

MCA-Nepal prepared the IEE report for the upgrade of 40km of road section from Dhankhola to Lamahi of the East-West highway in Dang district for proposed road maintenance works under the RMP as per the Environment Protection Act, 2019 AD, Environment Protection Rules, 2020 AD, MCC Environmental Guidelines and IFC performance standards. The report for the upgrade of 40 km of road section from Dhankhola to Lamahi of the East-West highway in Dang district was submitted to the Ministry of Physical Infrastructure and Transport on 2 June 2024.



A discussion organized on the Initial Environmental Examination (IEE) report prepared for the maintenance of Dhankhola to the Lamahi segment of the East-West Highway on 2 June 2024.

3.1.3 Forest Clearance Activities

3.1.3.1 Forest Census and Field Verification:

MCA-Nepal initiated the forest clearance process under the leadership of the Division Forest Officers (DFOs) of the ETP districts. Concerned Province Forest Ministries and Province Forest Directorates (PFD) were also consulted to move forward with the forest census and field verification process.

Soon after orientations to the DFO-led census team the orientation, MCA-Nepal mobilized its team to enumerate trees along the ETP segment to verify the forest area and trees estimated in the EIA. The census started from Dhading and three teams were mobilized in three different districts for the census. Similarly, the technical team was also mobilized to establish the permanent control points were established for the demarcation of the forest area to enumerate and verify the trees in the ETP districts. The technical team completed the forest census work was completed in by May 2024 except in nine out of ten affected Kathmandu districts.



The forest census works carried out in Nawalparasi (Bardaghat Susta West).

3.1.3.2 Second round Community Forest User Group (CFUG) consultation:

MCA-Nepal conducted the 2nd round of consultations with CFUGs and LFUGs in ETP-affected districts to share the results of the forest census and to discuss potential support activities for CFUGs and LFUGs. Consultations were conducted in Nawalparasi (Bardaghat Susta West) from 16 to 22 June, in Makwanpur district from 9 to 17 June, in Nawalparasi (Bardaghat Susta East) on 5 June, in Chitwan district from 10 to 14 June and Dhading district from 4 to 20 June 2024.

The consent letters in support of the forest census and the field verification report to acquire land use permits were also collected from the project-affected FUGs to process the approval of permits for site access.



2nd round of consultation with CFUGs and LFUGs affected by the ETP in Nawalparasi (BSW) from 16 to 22 June 2024.



2nd round of consultation with CFUGs and LFUGs affected by the ETP in Makwanpur from 9 to 17 June 2024.



2nd round of consultation with CFUGs and LFUGs affected by the ETP in Dhading 4 to 20 June 2024



2nd round of consultation with CFUGs and LFUGs affected by the ETP in Chitwan 10 to 14 June 2024.

3.1.3.3 Preparation of Community Forest Operational Plan:

MCA-Nepal initiated the preparation of the Community Forest Operational Plan (CFOP) in consultation with the respective DFOs of the ETP-affected districts. Altogether 81 Community Forests were identified to prepare and endorse their operational plan. A letter with the operational plan was prepared, endorsed and provided to DFOs in May 2024 to initiate the CFOP preparation work.

3.1.4 Environmental and Social Management System (ESMS)

MCA-Nepal has finalized the Environmental and Social Management System (ESMS) for both its projects as per Compact requirements. The ESMS compiles all environmental, social, health and safety procedures to be followed by MCA-Nepal and its contractors/consultants.

3.1.5 Health and Safety

MCA-Nepal continued to monitor the COVID-19 situation and other health and safety risks. PPEs were provided to MCA-Nepal staff and the Division Forest Office team members involved in forest census and field verification works.

3.2 Social Safeguard and Resettlement

The progress related to social safeguard and resettlement activities is as follows:

3.2.1 Land Acquisition Activities

MCA-Nepal has made notable progress in acquiring land to build tower pads for the transmission line (TL) in nine project districts except in Kathmandu district. As per Section 9 of the Land Acquisition Act, 1977, public notices with full details of the land parcels to be acquired were issued in all nine districts. Post the publication of the notice, Compensation Fixation Committee (CFC) Sub-committees formed to recommend compensation rates for the lands to be acquired have completed field verification visits in all nine districts.

Compensation rates of land to be acquired for the construction of TL tower pads under the ETP have been determined in Nawalparasi (Bardaghat Susta West), Makwanpur and Dhading districts.



A CFC meeting to fix compensation rates of land to be acquired for the construction of TL tower pads in Dhading district on 30 April 2024.

The CFCs formed as per the Land Acquisition Act, 1977 and chaired by the Chief District Officer (CDO) of respective districts determined the compensation rates after the completion of the required process and mandatory activities and in consultations with relevant stakeholders.

Compensation rates of land to be acquired for the construction of TL tower pads under the ETP were determined in Nawalparasi (Bardaghat Susta West) on 7 July, in Makwanpur district on 10 May and in Dhading district on 30 April 2024.

Similarly, CFCs formed in other districts will be determining compensation rates for land in the coming months.

Earlier, MCA-Nepal organized field visits for subcommittees, formed under the CFCs and led by the Assistant Chief District Officers of these districts to recommend the compensation for land. Officials from related government agencies alongside elected representatives were part of the visit.



A CFC meeting to fix compensation rates of land to be acquired for the construction of TL tower pads in Makwanpur district on 10 May 2024.



A CFC meeting to declare compensation rates of land to be acquired for the construction of TL tower pads in Nawalparasi (BSW) on 7 July 2024.



CFC Sub-committees members in Sindhupalchowk district in a field visit to verify identified lands for acquisition.

Workshop on land acquisition process with CDOs

MCA-Nepal conducted a workshop on the land acquisition process in the second phase in Butwal on 24 July 2023 with the participation of Chief District Officers (CDOs) of Tanahun, Palpa, Nawalparasi (BSW), Makawanpur and Assistant CDO of Nawalparasi (BSE) district. The workshop, chaired by Dr. Prakash Sharan Mahat, then Finance Minister, was organized to build a common understanding of the land acquisition process.



CDOs from five ETP affected districts attend a workshop to facilitate the land acquisition process in Butwal on 24 July 2023.

3.2.2 Resettlement Activities

Household and IOL Surveys to inform Resettlement Action Plan

MCA-Nepal conducted Household and Inventory of Loss (IOL) surveys in nine out of ten ETP-affected districts to obtain socio-cultural, demographic and economic information on project-affected families as per the Resettlement Policy Framework approved by the MCA-Nepal Board of Directors. The survey is an integral part of MCA-Nepal's Resettlement Action Plan.



Household surveys being conducted in Tanahun district to obtain socio-cultural, demographic and economic information of project-affected families.

Closure of Ratmate Livelihood Restoration Program (LRP)

MCA-Nepal has completed the Ratmate Livelihood Restoration Program (LRP) implementation, initiated on 18 March 2022 with the support of its Consultant SAPPROS Nepal, on 30 May 2024. The LRP was launched to restore or improve the livelihoods of around 270 Project-Affected Persons (PAPs) whose land was acquired in the Ratmate area of Nuwakot district.

The two-year program executed a variety of interventions including agricultural advancement activities, skills-based training, financial literacy, GSI and life skills orientations, adult literacy training, business plan development and the establishment of a multipurpose cooperative.

The LRP trained 106 PAPs under agriculture advancement activities such as commercial vegetable farming, goat farming, poultry farming, and rice farming. The PAPs were provided with required input and technical support after the trainings which resulted in increased productivity by 303 %. Similarly, 163 PAPs participated in 18 different trades under the skills-based training component of the LRP.

Financial literacy, adult literacy, GSI and life-skills orientations were also provided to PAPs. These trainings have enabled PAPs to manage their finances and encouraged savings and entrepreneurship. The first Cooperative in Belkotgadhi Municipality was also registered on 10 May 2023 as a hallmark of the program for access to savings and credit.

Overall, the LRP enhanced agricultural productivity leading to increased income levels, and skills development for improved employability. As an outcome, 34 PAPs have secured jobs and 39 have initiated their own businesses.



A PAP trained in poultry training attends to her chickens in her farm.



PAPS in a practical session under automobile mechanic training.



PAPs attending a beautician refresher training.



A PAP trained in commercial agriculture harvesting her produce.

Section 4

Gender and Social Inclusion (GSI)

Gender and Social Inclusion (GSI) is a requisite in the design and implementation of MCA-Nepal projects. MCC Gender Policy, Countering-TIP Policy, 2021, Inclusion and Gender Strategy, Guidance Note on Sexual Harassment and National Regulations of the GoN are the guiding principles for MCA-Nepal's projects to commit to gender and social inclusion issues.

Both the ETP and RMP are classified as High Risks for TIP in accordance with the MCC Counter-TIP Policy (2021). This year, Nepal was downgraded from Tier 2 to Tier 2 Watch List group in the TIP status according to the US State Department TIP Report that was published in July 2024. MCA-Nepal has already prepared a TIP Risk Management Plan focusing on the prevention of TIP and mitigation measures. This plan will guide consultants and contractors to prepare their own TIP Risk Management Plan. Some of the major activities in the reporting period are as follows:

4.1 Trafficking in Persons (TIP) Risk Management Plan

MCA-Nepal's ETP TIP Risk Management Plan has been developed to ensure the prevention of TIP risks through orientation, awareness raising and training of concerned entities and employees; build accountability and have a common understanding of consequences in the event of non-compliance; ensure all necessary mitigation plans, institutional arrangements and readiness to respond to any TIP-related incident reports and build and strengthen partnerships with key actors and stakeholders to comply with the requirements of the MCC C-TIP Policy (2021) and GoN laws.

4.2 TIP Response Protocol

MCA-Nepal has drafted the TIP Response Protocol as a complaint reporting system as required to comply with the provision of MCC C-TIP Policy 2021 to establish an Anonymous Reporting Mechanism for suspected instances of TIP, This Protocol will align with the operating procedure of Nepal's national hotline system that is under operation by the National Women Commission against gender-based violence.

4.3 Gender and Social Inclusion in TL RAP

MCA-Nepal organized focus group discussions (FGDs) and Key Information Interviews in nine ETP-affected districts with Deputy Mayors, ward members, school teachers, and police officers to understand the social dynamics of the local community. This was carried out under the TL RAP preparation work, which requires incorporating GSI issues in order to identify the impacts of land acquisition and minimize them.



FGD with mothers' groups and members of the Community Forest Users Groups under progress in Dhading.

MCA-Nepal also organized financial literacy training for all affected families in Dhading and Makwanpur districts. The financial literacy session includes the importance of account opening in the designated bank, the significance of joint accounts, risks associated with digital banking and different saving schemes so that the received compensation amount is properly utilized by the PAPs.



FGD with project affected women at Kailash Municipality, Makawanpur.

4.4 Orientation to Supervision Engineer on TIP

MCA-Nepal oriented key experts of the Supervision Engineer WAPCOS Ltd. including the Team Leader, Engineer, Environmentalist, Social Safeguard Expert and other management staff on MCC and MCA-Nepal's requirements and guidelines around TIP issues including preparation of TIP Risk Management Plan by Consultants.

Section 5

Grievance Redress Mechanism

The Grievance Redress Mechanism (GRM) is a part of MCA-Nepal's Stakeholder Engagement Plan (SEP) and has been prepared as per the requirements of the MCC environmental guidelines, Gender Policy, Counter TIP Policy, IFC Performance Standards, GoN regulations and best practices from other projects in Nepal with an intent of demonstrating informed consultation and inclusive participation for the duration of the project. While it is a formal platform whereby communities can register their concerns, it also allows the project proponent to be informed of issues raised by stakeholders to find an amicable solution in a timely manner.

The GRM and SEP are fundamental tools for building trust with the communities. SEP ensures that communities are aware of the project and its impacts, are consulted on a regular basis, and establish two-way communication through the district-based field offices and regular meetings with concerned stakeholders.

There are several ways through which communities can register their grievances in MCA-Nepal's project. After the mobilization of the RAP Consultant in September 2022, ETP has set up a Public Information Centre (PIC) in each affected district. The PIC serves as a grievance cell and is operated by Community Liaison Officers (CLOs) during the RAP implementation period. In addition, District Liaison Officers (DLOs) from MCA-Nepal also serve as a grievance cell. PICs have been set up in locations that are closer to the proposed alignment and are a mid-point for affected municipalities within that district. DLOs are either based in the district headquarters or around the project-affected areas.

The ETP has also established a mechanism whereby communities can register grievances remotely. Grievances can be registered through various mediums such as, in person, phone call, email or verbal which shall be acknowledged and seek clarification if required. The communities can lodge grievances with the DLOs or CLOs at their office or MCA-Nepal Central Office itself. This has ensured that the communities have various accessible platforms to register their grievances which is most feasible to them.

The GRM is organized to have three tiers of decision-making to address grievances of increasing scale and/or complexity. If the complainant is not satisfied with MCA-Nepal's decision-making response at the Tier 1 Level, the decision can be appealed. The appeals process will escalate the grievance to the Tier 2 Level, which is chaired by the Ward Chair. A Tier 3 Level committee is also formed which is chaired by the Chief District Officer (CDO) in case the claimant is not satisfied with the response provided by the Tier 2 grievance committee. If the complainant is not satisfied with any of the responses, they can seek legal recourse. MCA-Nepal maintains a grievance log that tracks all grievances from filing to resolution.

Present Grievance Status

- 123 grievances have been registered so far (July 2024) at the MCA-Nepal office for the ETP project;
- Among these registered grievances, 44 have been signed off and closed, and responses to 45 grievances have been circulated to the respective DLOs and are in the phase of sign-off, eight have not been accepted in the first tier and need a second round of consultation. 21 are newly registered and discussion is ongoing for their solution and consequent sign-off;
- Most of the remaining registered grievances to be signed off are directly related to compensation and will be addressed during RAP implementation;
- A grievance database has been created and posted on the project's SharePoint/Drive to allow the team to review all grievances and provide input on a regular basis;
- Regular follow-ups with the complainants and associated stakeholders are continued by the respective DLOs to keep faith that MCA-Nepal is continuously monitoring the registered grievances.

Section 6

Risks and Mitigation Measures

MCA-Nepal has conducted an internal risk identification process, resulting in the creation of the program and project-level risk registers that outline all anticipated risks in the implementation phase of the Compact. Monthly internal risk review meetings are held to identify new risks and monitor and manage mitigation strategies for existing risks.

In addition to documenting program and project risks in the risk registers, the Compact also identifies overarching assumptions and risks associated with achieving high-level results. Some of the risks identified in the FY are as follows:

Field-Level Grievances in Project Districts

Potential dissatisfaction with MCA-Nepal's selection of the TL route, land acquisition, and existing practices for Right of Way (RoW) easement may lead to protests from Project-Affected- People (PAPs) and affected communities. This could pose a risk to MCA-Nepal, potentially causing interruptions in activities, delays in land acquisition, and consequently, delays in the start of construction work for the TL. Additionally, dissatisfied PAPs may protest and present a security risk to MCA-Nepal staff and contractors/consultants.

As a mitigation strategy, MCA-Nepal actively engages and consults with local stakeholders and affected communities to keep them well-informed about MCA-Nepal's activities in the field. It has established a Grievance Redress Mechanism in all project districts. This allows community members and local stakeholders to report concerns, enabling MCA-Nepal to take appropriate actions to resolve them.

Although the determination of compensation rates falls under the jurisdiction of the Compensation Fixation Committee (CFC) led by the CDOs of respective districts as per the Land Acquisition Act 1977, MCA-Nepal is working to ensure these rates are fair and reasonable. MCA-Nepal provides independent input to the Sub-Committees set up by the CDOs to formulate initial recommendations on compensation rates in the form of a market valuation report prepared by MCA-Nepal's TL RAP Consultant.

Non-Compliance by Contractors with Social and Environmental Safeguard Requirements

Contractors and consultants must comply with environmental and social performance, gender and social inclusion requirements, and management of TIP risks and related safeguard measures. Failure to meet these requirements can impact project implementation. As a mitigation measure, MCA-Nepal has finalized all necessary assessments and plans, including an EIA, ESIA and SGIP to ensure all required environmental and social standards are met during project implementation. A TIP Risk Management Plan has been drafted for both the ETP and the RMP.

Section 7

Financial Statement

MCA-Nepal spent NPR 2,048,582,020.86 (NPR 40,719,059.07 from GoN and NPR 2,007,862,961.79 from MCC fund) in total in the last FY 2080/81 BS.

The GoN's Office of the Auditor General (OAG) has completed the audit of MCA-Nepal for the FY 2079/80 BS.

Below are some snapshots and financial details for FY 2080/81:

A. Expenditure in FY 2080/81 (in NPR):

Expenses by Project / Activity

Project / Activity	GoN	MCC	Total
ELECTRIC TRANSMISSION PROJECT (ETP)	11,889,647.51	1,512,169,480.88	1,524,059,128.39
ROAD MAINTENANCE PROJECT (RMP)	207,389.14	40,439,466.53	40,646,855.67
MONITORING & EVALUATION	-	180,250.00	180,250.00
PROGRAM MANAGEMENT	28,622,022.42	455,073,764.38	483,695,786.80
Total	40,719,059.07	2,007,862,961.79	2,048,582,020.86

Expenses by Recurring / Capital

Expenses Heading	GoN	MCC	Total
RECURRENT EXPENSES	30,441,047.00	621,546,437.70	651,987,484.70
CAPITAL EXPENSES	10,278,012.07	1,386,316,524.09	1,396,594,536.16
Total	40,719,059.07	2,007,862,961.79	2,048,582,020.86

B. FY 2080/81 detailed annual financial report submitted to the District Treasury Controller Office (DTCO):

1. Recurrent:

मिलेनियम च्यालेञ्ज एकाउण्ट नेपाल विकास समिति (एमसिए-नेपाल)

कार्यालय कोड नं: 305003504

आर्थिक विवरण

आ.व.: 2080/81

बजेट उपशीर्षक नम्बर:

305001083

आयोजना/कार्यक्रम नाम:

मिलेनियम च्यालेञ्ज एकाउण्ट नेपाल

खर्च/वैसीय संकेत नम्बर /	प्राथमिक तह		अन्तिम बजेट	जम्मा खर्च	बाँकी बजेट
	स्रोत व्यहोर्ने	भुक्तानी विधि			
22111पानी तथा बिजुली			7,300,000.00	6,357,658.30	942,341.70
1100001-नेपाल सरकार/प्रदेश सरकार		01-नगद	600,000.00	0.00	600,000.00
2227005-मिलेनियम च्यालेञ्ज कार्पोरेशन यू एस ए		32-सोझै भुक्तानी अनुदान	6,700,000.00	6,357,658.30	342,341.70
22112संचार महसुल			900,000.00	645,250.00	254,750.00
1100001-नेपाल सरकार/प्रदेश सरकार		01-नगद	700,000.00	0.00	700,000.00
2227005-मिलेनियम च्यालेञ्ज कार्पोरेशन यू एस ए		32-सोझै भुक्तानी अनुदान	200,000.00	645,250.00	-445,250.00
22212इन्धन (कार्यालय प्रयोजन)			2,900,000.00	694,857.39	2,205,142.61
1100001-नेपाल सरकार/प्रदेश सरकार		01-नगद	2,200,000.00	0.00	2,200,000.00
2227005-मिलेनियम च्यालेञ्ज कार्पोरेशन यू एस ए		32-सोझै भुक्तानी अनुदान	700,000.00	694,857.39	5,142.61
22213सवारी साधन मर्मत खर्च			2,100,000.00	887,602.02	1,212,397.98
1100001-नेपाल सरकार/प्रदेश सरकार		01-नगद	1,200,000.00	0.00	1,200,000.00
2227005-मिलेनियम च्यालेञ्ज कार्पोरेशन यू एस ए		32-सोझै भुक्तानी अनुदान	900,000.00	887,602.02	12,397.98
22214वीमा तथा नवीकरण खर्च			9,800,000.00	8,128,756.10	1,671,243.90
1100001-नेपाल सरकार/प्रदेश सरकार		01-नगद	5,100,000.00	0.00	5,100,000.00
2227005-मिलेनियम च्यालेञ्ज कार्पोरेशन यू एस ए		32-सोझै भुक्तानी अनुदान	4,700,000.00	8,128,756.10	-3,428,756.10
22221मेशिनरी तथा औजार मर्मत सम्भार तथा सञ्चालन खर्च			800,000.00	432,593.29	367,406.71
1100001-नेपाल सरकार/प्रदेश सरकार		01-नगद	400,000.00	52,779.61	347,220.39
2227005-मिलेनियम च्यालेञ्ज कार्पोरेशन यू एस ए		32-सोझै भुक्तानी अनुदान	400,000.00	379,813.68	20,186.32
22291अन्य सम्पत्तिहरूको संचालन तथा सम्भार खर्च			3,600,000.00	994,579.41	2,605,420.59
2227005-मिलेनियम च्यालेञ्ज कार्पोरेशन यू एस ए		32-सोझै भुक्तानी अनुदान	3,600,000.00	994,579.41	2,605,420.59
22311मसलन्द तथा कार्यालय सामग्री			4,600,000.00	3,189,168.65	1,410,831.35
1100001-नेपाल सरकार/प्रदेश सरकार		01-नगद	2,300,000.00	978,857.82	1,321,142.18
2227005-मिलेनियम च्यालेञ्ज कार्पोरेशन यू एस ए		32-सोझै भुक्तानी अनुदान	2,300,000.00	2,210,310.83	89,689.17
22315पत्रपत्रिका, छपाई तथा सूचना प्रकाशन खर्च			2,300,000.00	2,243,693.24	56,306.76
2227005-मिलेनियम च्यालेञ्ज कार्पोरेशन यू एस ए		32-सोझै भुक्तानी अनुदान	2,300,000.00	2,243,693.24	56,306.76
22411सेवा र परामर्श खर्च			569,238,000.00	559,167,749.12	10,070,250.88
1100001-नेपाल सरकार/प्रदेश सरकार		01-नगद	80,667,000.00	28,194,026.44	52,472,973.56
2227005-मिलेनियम च्यालेञ्ज कार्पोरेशन यू एस ए		32-सोझै भुक्तानी अनुदान	488,571,000.00	530,973,722.68	-42,402,722.68
22412सूचना प्रणाली तथा सफ्टवेयर संचालन खर्च			400,000.00	102,000.00	298,000.00
1100001-नेपाल सरकार/प्रदेश सरकार		01-नगद	200,000.00	0.00	200,000.00
2227005-मिलेनियम च्यालेञ्ज कार्पोरेशन यू एस ए		32-सोझै भुक्तानी अनुदान	200,000.00	102,000.00	98,000.00
22413करार सेवा शुल्क			4,000,000.00	2,742,945.80	1,257,054.20
1100001-नेपाल सरकार/प्रदेश सरकार		01-नगद	3,000,000.00	0.00	3,000,000.00
2227005-मिलेनियम च्यालेञ्ज कार्पोरेशन यू एस ए		32-सोझै भुक्तानी अनुदान	1,000,000.00	2,742,945.80	-1,742,945.80
22511कर्मचारी तालिम खर्च			8,000,000.00	1,909,790.30	6,090,209.70
1100001-नेपाल सरकार/प्रदेश सरकार		01-नगद	2,000,000.00	0.00	2,000,000.00
2227005-मिलेनियम च्यालेञ्ज कार्पोरेशन यू एस ए		32-सोझै भुक्तानी अनुदान	6,000,000.00	1,909,790.30	4,090,209.70
22522कार्यक्रम खर्च			16,140,000.00	11,094,051.69	5,045,948.31
1100001-नेपाल सरकार/प्रदेश सरकार		01-नगद	3,440,000.00	0.00	3,440,000.00
2227005-मिलेनियम च्यालेञ्ज कार्पोरेशन यू एस ए		32-सोझै भुक्तानी अनुदान	12,700,000.00	11,094,051.69	1,605,948.31
22612भ्रमण खर्च			31,700,000.00	15,693,742.70	16,006,257.30
1100001-नेपाल सरकार/प्रदेश सरकार		01-नगद	13,300,000.00	207,389.14	13,092,610.86
2227005-मिलेनियम च्यालेञ्ज कार्पोरेशन यू एस ए		32-सोझै भुक्तानी अनुदान	18,400,000.00	15,486,353.56	2,913,646.44
22711विविध खर्च			1,330,000.00	521,082.80	808,917.20
1100001-नेपाल सरकार/प्रदेश सरकार		01-नगद	850,000.00	108,258.55	741,741.45
2227005-मिलेनियम च्यालेञ्ज कार्पोरेशन यू एस ए		32-सोझै भुक्तानी अनुदान	480,000.00	412,824.25	67,175.75
28142घर भाडा			33,500,000.00	32,455,775.19	1,044,224.81
1100001-नेपाल सरकार/प्रदेश सरकार		01-नगद	1,500,000.00	0.00	1,500,000.00
2227005-मिलेनियम च्यालेञ्ज कार्पोरेशन यू एस ए		32-सोझै भुक्तानी अनुदान	32,000,000.00	32,455,775.19	-455,775.19
28143सवारी साधन तथा मेशिनर औजार भाडा			14,400,000.00	4,726,188.70	9,673,811.30
1100001-नेपाल सरकार/प्रदेश सरकार		01-नगद	1,900,000.00	899,735.44	1,000,264.56
2227005-मिलेनियम च्यालेञ्ज कार्पोरेशन यू एस ए		32-सोझै भुक्तानी अनुदान	12,500,000.00	3,826,453.26	8,673,546.74
जम्मा			713,008,000.00	651,987,484.70	61,020,515.30

2. Capital:

मिलेनियम च्यालेन्ज एकाउण्ट नेपाल विकास समिति (एमसिए-नेपाल)

कार्यालय कोड नं: 305003504

आर्थिक विवरण

आ.व.: 2080/81

बजेट उपशीर्षक नम्बर: 305001084

आयोजना/कार्यक्रम नाम: मिलेनियम च्यालेन्ज एकाउण्ट नेपाल

खर्च/वित्तीय संकेत नम्बर /	प्राथमिक तह		अन्तिम बजेट	जम्मा खर्च	बाँकी बजेट
	स्रोत व्यहोर्ने	भुक्तानी विधि			
31112 गैर आवासीय भवन निर्माण/खरिद			7,000,000.00	7,000,000.00	0.00
2227005-मिलेनियम च्यालेन्ज कापरिशन यू एस ए		32-सोझै भुक्तानी अनुदान	7,000,000.00	7,000,000.00	0.00
31122 मेशिनरी तथा औजार			37,972,000.00	17,984,898.40	19,987,101.60
1100001-नेपाल सरकार/प्रदेश सरकार		02-नगद (आन्तरिक ऋण)	6,500,000.00	0.00	6,500,000.00
2227005-मिलेनियम च्यालेन्ज कापरिशन यू एस ए		32-सोझै भुक्तानी अनुदान	31,472,000.00	17,984,898.40	13,487,101.60
31123 फर्निचर तथा फिक्चर्स			3,700,000.00	933,100.00	2,766,900.00
1100001-नेपाल सरकार/प्रदेश सरकार		02-नगद (आन्तरिक ऋण)	400,000.00	0.00	400,000.00
2227005-मिलेनियम च्यालेन्ज कापरिशन यू एस ए		32-सोझै भुक्तानी अनुदान	3,300,000.00	933,100.00	2,366,900.00
31134 कम्प्युटर सफ्टवेयर निर्माण तथा खरीद खर्च			6,465,000.00	5,387,315.73	1,077,684.27
1100001-नेपाल सरकार/प्रदेश सरकार		02-नगद (आन्तरिक ऋण)	700,000.00	0.00	700,000.00
2227005-मिलेनियम च्यालेन्ज कापरिशन यू एस ए		32-सोझै भुक्तानी अनुदान	5,765,000.00	5,387,315.73	377,684.27
31135 पुँजीगत परामर्श			431,544,000.00	186,436,916.17	245,107,083.83
2227005-मिलेनियम च्यालेन्ज कापरिशन यू एस ए		32-सोझै भुक्तानी अनुदान	431,544,000.00	186,436,916.17	245,107,083.83
31153 विद्युत संरचना निर्माण			1,680,387,000.00	1,162,868,308.50	517,518,691.50
2227005-मिलेनियम च्यालेन्ज कापरिशन यू एस ए		32-सोझै भुक्तानी अनुदान	1,680,387,000.00	1,162,868,308.50	517,518,691.50
31411 जग्गा प्राप्ति खर्च			338,623,000.00	10,278,012.07	328,344,987.93
1100001-नेपाल सरकार/प्रदेश सरकार		02-नगद (आन्तरिक ऋण)	338,623,000.00	10,278,012.07	328,344,987.93
31441 करार लीज तथा लाइसेन्स खरिद प्राप्ति खर्च			16,000,000.00	5,705,985.29	10,294,014.71
2227005-मिलेनियम च्यालेन्ज कापरिशन यू एस ए		32-सोझै भुक्तानी अनुदान	16,000,000.00	5,705,985.29	10,294,014.71
		जम्मा (पूजिगत)	2,521,691,000.00	1,396,594,536.16	1,125,096,463.84
		जम्मा (चालु)	713,008,000.00	651,987,484.70	61,020,515.30
		कुल जम्मा	3,234,699,000.00	2,048,582,020.86	1,186,116,979.14

Section 8

Community Voices

Bhimeshwar Multiple Cooperative Limited – Creating Economic Opportunities

One of the key components of the Ratmate Livelihood Restoration Project (LRP), designed by MCA-Nepal to restore the livelihood of project-affected people at Ratmate, was setting up a cooperative to mobilize savings and credits to support agricultural activities and income-generating businesses for project-affected families.

With the support and technical guidance of MCA-Nepal Consultant SAPPROS Nepal, Bhimeshwar Multiple Cooperative Limited, established in Belkotgadhi Municipality in Nuwakot district, was registered on 10 May 2024. Trainings on account keeping, cooperative management, governance, saving and credit mobilization, financial lending and reimbursement of loans as well as market linkage of agricultural products were also provided to enhance the capacity of members.

Mr. Maheshwor Neupane, the Chairperson of the Cooperative, and a project-affected person shared, “The cooperative will foster a sense of solidarity and mutual support among members, promoting social cohesion and resilience in the face of challenges. It will also serve as platforms for skill-building, knowledge-sharing, and capacity development, empowering project-affected families to pursue sustainable livelihoods and achieve long-term economic stability.”

Ms. Sanju Bagale, the Team Leader for the LRP, SAPPROS Nepal, shared, “In the course of the registration of the cooperative, a major obstacle was the absence of bylaws necessary to register a cooperative in Belkotgadhi municipality. The LRP team had to facilitate the process of endorsing the bylaws and simultaneously conduct various key activities to establish the same after relentless efforts.”

The cooperative was officially inaugurated by the Mayor of Belkotgadhi Municipality on 4 July 2023. As of the closing of the LRP program, the cooperative generated a total revenue of NPR 12,228,700 from the shareholding members and provided 34 individuals with loans to initiate their own small-scale businesses or scale up the existing businesses among which 16 are project-affected persons.



Mr. Jagat Bahadur Gurung, the Mayor of Belkotgadhi Municipality, inaugurating Bhimeshwar Multiple Cooperative Limited at Belkotgadhi Municipality in Nuwakot district on 4 July 2023.

Watch the success story: <https://www.youtube.com/watch?v=fxkODLkcUg&t=1s>

Bhim Maya, a Weaver of Her Dreams

Bhim Maya Limbu, 53 lives with her family of five; her husband, son, daughter-in-law, and her two-year-old granddaughter at Dhansar village of Belkotgadhi Municipality, Nuwakot district. A former migrant worker in Kuwait, she sent home her savings to purchase a piece of land at Dhansar village. Her family cultivated crops and vegetables in the land and it was their primary source of income.

After MCA-Nepal acquired their land for the construction of Ratmate Substation in Nuwakot district, the family had to vacate their land and relocate nearby with the compensation amount against their land. Soon after, Bhim Maya returned to Nepal.

When MCA-Nepal launched its Livelihood Restoration Program (LRP) to improve the livelihoods of affected people, Bhim Maya enrolled into the program to explore new avenues to generate income for her family and expressed her desire to be trained in Dhaka weaving. She had some prior knowledge of the craft and wanted to acquire additional skills to start her own business.

Initially, her husband did not allow her to participate in the training and neither did he support her idea to start a business. Despite this, she joined the two-month training in Dhaka weaving and successfully completed it.

Seeing her commitment and interest, her training was extended for an additional month. Once the training was over, she utilized the funds received from the compensation money to purchase a Dhaka weaving machine and some necessary raw materials. With a machine at home, she started to weave Dhaka full time to develop various products at scale and sell it at a good price.

She is now motivated to extend her enterprise. She hopes to use the profit generated by her business to add more Dhaka weaving machines and increase job opportunities for other local people imparting her skills.

Bhim Maya is grateful for the business opportunity and acknowledges MCA-Nepal's support which helped hone her skills and evolve into an entrepreneur. She says, "Had I not received this training, I would have probably gone abroad to work again as any other migrant worker."

The LRP is an integral component of MCA-Nepal's resettlement action plan based on international standards to ensure improved means of livelihood for physically and economically displaced people.



Ms. Bhim Maya weaving Dhaka at her home in Nuwakot.

More on Bhim Maya's story: <https://www.youtube.com/watch?v=TnjHlI94xg4>

List of Abbreviations

AFC	Anti-Fraud and Corruption	MCC	Millennium Challenge Corporation
CFUG	Community Forest User Group	MPP	MCA Partnership Program
CP	Conditions Precedent	MoEWRI	Ministry of Energy, Water Resources and Irrigation
C-TIP	Counter Trafficking-In-Persons	MoF	Ministry of Finance
D-B	Design-Build	MoFE	Ministry of Forest and Environment
DFO	Divisional Forest Office	MoPIT	Ministry of Physical Infrastructure and Transport
DoED	Department of Electricity Development	NEA	Nepal Electricity Authority
DoR	Department of Roads	OAG	Office of the Auditor General
EIA	Environmental Impact Assessment	PAF	Project Affected Family
EIF	Entry-Into-Force	PAP	Project Affected Person
EPA	Environment Protection Act	PCA	Project Cooperation Agreement
EPR	Environment Protection Regulation	PGCIL	Power Grid Corporation of India Limited
ERC	Electricity Regulatory Commission	PIC	Public Information Centre
ESHSMP	Environment, Social, Health and Safety Management Plan	PS	Performance Standards
ESMS	Environmental and Social Management System	RAP	Resettlement Action Plan
ESP	Environmental and Social Performance	RBN	Roads Board Nepal
FDR	Full-Depth Reclamation	RFP	Request for Proposal
FWD	Falling Weight Deflectometer	RoW	Right-Of-Way
FY	Fiscal Year	RPF	Resettlement Policy Framework
GIS	Gas-Insulated S/S	SEP	Stakeholder Engagement Plan
GoN	Government of Nepal	SGIP	Social and Gender Integration Plan
GRM	Grievance Redress Mechanism	S/S	Substation
GSI	Gender and Social Inclusion	Superpave	Superior Performing Asphalt Pavement
IEE	Initial Environmental Examination	TA	Technical Assistance
IFB	Invitation for Bid	TIP	Trafficking-In-Persons
LRP	Livelihood Restoration Program	TL	Transmission Line
IFC	International Finance Corporation	ToR	Terms of Reference
MCA-Nepal	Millennium Challenge Account Nepal		

Roads and Electricity, Way to Prosperity

Millennium Challenge Account Nepal (MCA-Nepal)

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