



## CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

This Congressional Notification outlines the Millennium Challenge Corporation's intent to increase assistance under the Millennium Challenge Compact with the Government of Nepal. The increase is needed to support the Government of Nepal in bridging an anticipated funding gap and enable the achievement of Compact objectives.

We have also attached a report and justification that contains a detailed summary of the proposed increase in assistance under the Compact and a copy of the full text of the amendment to the Compact. In addition, we will publish a detailed summary, full text, and justification of the proposed increase in assistance under the Compact in the Federal Register and on MCC's website.

If you require a meeting to discuss the increase in assistance, or MCC at large, please contact Brian Forni at [ForniBJ@mcc.gov](mailto:ForniBJ@mcc.gov).

The attached notification is being sent to the Congress on December 18, 2024. The assistance may be increased on or after 15 days from the date of this notification.

Sincerely,

/s/

Aysha House  
Vice President  
Congressional and Public Affairs

Enclosure: As stated

**MILLENNIUM CHALLENGE CORPORATION  
CONGRESSIONAL NOTIFICATION**

December 18, 2024

PROGRAM:	Eligible Countries
APPROPRIATIONS CATEGORY:	Fiscal Year 2014, 2016, 2018, 2019, 2020, 2021, & 2022 Program Funds
OBLIGATION AMOUNT:	\$50,000,000

Pursuant to Division K, Title III under the heading “Millennium Challenge Corporation” of the Consolidated Appropriations Act, 2014 (P.L. 113-76); Division K, Title III under the heading “Millennium Challenge Corporation” of the Consolidated Appropriations Act, 2016 (P.L. 114-113); Division K, Title III under the heading “Millennium Challenge Corporation” of the Consolidated Appropriations Act, 2018 (P.L. 115-141); Division F, Title III under the heading “Millennium Challenge Corporation” of the Consolidated Appropriations Act, 2019 (P.L. 116-6); Division G, Title III under the heading “Millennium Challenge Corporation” of the Further Consolidated Appropriations Act, 2020 (P.L. 116-94); Division K, Title III under the heading “Millennium Challenge Corporation” of the Consolidated Appropriations Act, 2021 (P.L. 116-260); Division K, Title III under the heading “Millennium Challenge Corporation” of the Consolidated Appropriations Act, 2022 (P.L. 117-103) and section 609(i) of the Millennium Challenge Act of 2003, as amended (the “Act”), this is to advise that the Millennium Challenge Corporation (“MCC”) intends to amend the Millennium Challenge Compact (the “Compact”) between the United States of America and the Federal Democratic Republic of Nepal to obligate an additional amount not to exceed \$50,000,000 under section 605 of the Act. The planned increase is for the purpose of supporting the Government of Nepal in bridging an expected funding gap on the Transmission Line Activity, and to enable the achievement of Compact objectives.

## REPORT AND JUSTIFICATION FOR THE PROPOSED INCREASE IN ASSISTANCE TO THE NEPAL COMPACT

### Background

The Millennium Challenge Corporation's (MCC) \$500,000,000 Compact with the Government of Nepal (Compact) was signed on September 14, 2017, and entered into force on August 30, 2023. The Compact consists of (1) the Electricity Transmission Project, which aims to increase domestic electricity consumption by improving the availability and reliability of electricity in Nepal's electricity grid, expanding and strengthening Nepal's high voltage electricity transmission network to support new investments in generation that unlock Nepal's hydropower potential, and facilitating increased power trade between India and Nepal; and (2) the Road Maintenance Project, which aims to maintain quality across Nepal's primary road network.

### Justification of Assistance

MCA-Nepal, the Government of Nepal entity overseeing compact implementation, launched a procurement for construction of the transmission lines under the Transmission Lines Activity on November 28, 2022. The Government of Nepal, MCA-Nepal, and MCC recognized the possibility of increased costs given the significant disruptions in global conditions in the intervening six years between the Compact's signing and its entry into force in August 2023. The parties put in place mitigation measures that included internal compact reallocations and an increase in the Government of Nepal contribution to bolster funding availability for the Transmission Lines Activity.

The financial offers that MCA-Nepal opened on September 5, 2023, significantly exceeded the available budget, requiring MCA-Nepal to reject all offers. Following this, MCA-Nepal identified design changes and potential cost-saving measures for the re-procurement, which was launched in November.

The additional MCC funding will be used to support the Government of Nepal in bridging a potential funding gap on the Transmission Line Activity and enable achievement of Compact objectives. The anticipated benefits of the additional funding are detailed below.

- **Preserve full Compact Scope.** The addition of the proposed funds will increase the financial capability of the Compact to fulfill the intended scope of the Electricity Transmission Project. Specifically, it will facilitate the ability of MCA-Nepal to sign contracts in a timely manner and maximize the remaining implementation period without further delays. The additional funds would also preserve adequate contingency across the Compact to facilitate cost adjustments that inevitably arise during construction.
- **Strengthen Partnership and Relationship with the Government of Nepal.** Additional MCC funding to help the Government of Nepal bridge an anticipated financial gap reinforces the collaborative nature of our partnership and strengthens the enabling environment for implementation. Such tangible demonstration of partnership is particularly merited in this context, where the Government of Nepal already increased its original \$130 million country contribution by a further \$67 million in May 2023, for a total of \$197 million—even though Nepal, as a low-income country, faced no country contribution requirement for this initial compact.

- **Create Positive Example of USG Development Approach.** The additional funds would help bolster MCC's reputation and positively demonstrate the United States' commitment to development with our partners in this geopolitically complex region. In this context, adding even limited grant funding, to secure the successful implementation of a high-return project would send a highly visible message that resonates beyond Nepal.

**Table 1: Nepal Compact Program Budget (million in US\$)**

<b>MCC Funding by Component</b>	<b>Total MCC Funding</b>
<b>1. Electricity Transmission Project</b>	
1.a Transmission Lines Activity	\$234,521,643
<b>Increased assistance</b>	<b>\$50,000,000</b>
1.b Substations Activity	\$99,014,435
1.c Power Sector Technical Assistance Activity	\$17,072,149
1.d Program Management and Technical Oversight Activity	\$48,680,258
<b>Subtotal</b>	<b>\$449,288,485</b>
<b>2. Road Maintenance Project</b>	
2.a Technical Assistance Activity	\$7,045,000
2.b Strategic Road Maintenance Works Activity	\$45,240,000
<b>Subtotal</b>	<b>\$52,285,000</b>
<b>3. Monitoring and Evaluation</b>	<b>\$7,722,392</b>
<b>4. Program Management and Administration</b>	
4.a MCA-Nepal Program Administration	\$26,626,578
4.b Procurement, Fiscal, and Audit Services	\$14,077,545
<b>Subtotal</b>	<b>\$40,704,123</b>
<b>Total MCC Funding</b>	<b>\$550,000,000</b>
<b>Government of Nepal Contribution</b>	<b>\$197,000,000</b>
<b>Total Program Funding</b>	<b>\$747,000,000</b>

### Nepal CN History

<b>CN Type</b>	<b>Date Submitted to Congress</b>
<a href="#"><u>Initial Engagement 609(g) Funding</u></a>	January 20, 2015
<a href="#"><u>609(g) Funding</u></a>	June 6, 2016
<a href="#"><u>Intent to Negotiate</u></a>	May 30, 2017
<a href="#"><u>Intent to Sign</u></a>	August 16, 2017
<a href="#"><u>Adjustment of Funds</u></a>	August 25, 2017
<a href="#"><u>Post-Signing</u></a>	September 19, 2017
<a href="#"><u>Adjustment of Funds</u></a>	May 18, 2018
Amendment of Compact to Add Funding	December 18, 2024