

Source: My Republica, January 4, 2020

Electricity bill gives licensing authority for projects below 3MW to local bodies

Jan 4: The Electricity Act, 2076 Bill has proposed delegating the authority to issue license for the construction and operation of electricity projects up to the capacity of 3 megawatt to the local level governments.

At a meeting on the draft of the Electricity Act, 2076 Bill in Kathmandu on Friday, Toyanath Adhikari, joint secretary of the Ministry of Energy, Water Resources and Irrigation said that the bill has proposed to give local level governments the authority to issue license to electricity generating project up to 3 MW. If the project lies in two or more than two local level territories, the project has to get the license from the provincial government.

According to the draft, an electricity project with generation capacity of 3MW to 20MW should get license from provincial government and if the project falls in more than one province, the project would need to be licensed from the central government's secretary.

After the project operator submits needed documents, it will receive the license for electricity generation within 15 days, as per the draft bill. Similarly, the license for electricity transmission or distribution will be issued within 120 days and for electricity trade or customer service license, it will take 45 days.

Speaking at the meeting, Minister for Energy, Water Resources and Irrigation, Barshaman Pun said that the government will not ignore provincial and local level governments and stakeholders while getting the 'Electricity Act, 2076' bill endorsed in the parliament. He

said that the provincial and local governments and the private sector will be consulted in this regard.

"The government is determined to prepare the bill with the participation from every level of government and stakeholders," he said, "Inclusion of stakeholders and government at different level eases policy making task for provincial and local level."

"Provincial governments have set their respective aims in regard to electricity generation," said Jitendra Sonal, Province 2 Minister for Physical Infrastructure and Development. "Province 2 has an aim of installing solar energy of 200 MW capacity, for which we are conducting studies."

"If the government limits it to 20 MW, how can we achieve our goal?" he questioned. Sonal also suggested that the bill needed to be clear about royalty distribution as it would be one of the most contentious issues.

Minister Pun requested the provincial representatives not to feel that the government has delegated powers in a discriminatory manner.

The draft bill has reduced the term of license to be issued for generation of hydroelectricity to 40 years, which is 10 years less than the one mentioned in Electricity Act 2049. The licensee generating electricity from sources other than hydro can operate the project for 25 years. According to the existing act, the term of license to be issued for generations, transmission or distribution of electricity may be of 50 years in maximum.

Source: Kathmandu Post, January 4, 2020

Denizens troubled as demand surge strains Kathmandu's poor electricity grid

Sunil Thakur is a 23-year-old barber who runs a saloon in the recently developed town of Kageshwari-Manohara on the eastern outskirts of Kathmandu. For the past week, Thakur has been forced to shut his shop before the end of business hours because of frequent and troubling power outages.

“I have lost business as I am not able to run the shop after five in the evening due to poor voltage and frequent power cuts,” said Thakur. “Just three weeks ago, the whole area suffered outages for two days and when we called the power utility, we were told that there was some problem in the distribution system.”

The two-day long outage was caused by a cable snap in the Bhaktapur substation, kilometres away from Kageshwari, which led to a complete shutdown of distribution feeders in Gothatar and Danchi, the supply points in the region, according to the power utility.

“Despite them fixing the problem, the voltage has been fluctuating and outages are frequent,” said Thakur.

That is just one instance and not only Thakur but scores of businesses and households from all over the Valley have been troubled by frequent electricity cuts, voltage fluctuations as a surge in power demand has revealed the cracks in the Valley's decades-old and poor distribution infrastructure.

“Over the past few weeks, Kathmandu's power demand has escalated by a massive 40 percent, from usual demand of 285 megawatts to 400 megawatts putting extreme pressure in the lean distribution system of the Valley,” said Suresh Bahadur Bhattarai, chief of the Load Dispatch Centre.

According to Bhattarai, a minor escalation in the power demand could make the grid go haywire as the centre has been critically managing the network which stretches far up to the settlements of Banepa and Panchkhal.

The cities of Biratnagar, Janakpur and Attariya which are significantly less populated than Kathmandu have nearly twice the number of distribution substations that regulate power flow and the power utility has not been able to

take more than interim measures in Kathmandu to strengthen the distribution infrastructure.

A fall in temperature coupled with an upsurge in electricity consumption during winter has led to the breakdown of multiple low capacity power feeders and electric wires and the power utility has only been replacing such equipment whenever the need arises rather than adding more to ensure a smooth and reliable flow of power.

As per electricity authority, the number of distribution transformers in Kathmandu stands at 6,391 and for safety issues, it can only flow power at a maximum of 60 percent capacity of the transformers. Officials also say that is just half the number of transformers that the Valley requires for effective power management.

“There is a need to carry out a major overhaul of the distribution system in Kathmandu and add more equipment as the feeders which are already overloaded in the present setup and capacity will not be able to fulfill the increasing demand,” said Kulman Ghising, managing director of the Nepal Electricity Authority. “As the distribution infrastructure in Kathmandu also routes power to Bhaktapur and Lalitpur through 66kv Syuchatar-Patan-Baneshwar based setups, the load can only be managed if we are allowed to build the Thankot-Chapagaun-Bhaktapur transmission line.”

The Nepal Electricity Authority’s plan to complete the decades-old 132 kV Thankot-Chapagaun-Bhaktapur Transmission Line Project has [met with opposition from the locals](#) of Khokana, Bungamati, Harisidhhi and Lamatar, who say the power utility must realign the high tension lines and payout 100 percent compensation to curb social costs.

The problem is not only limited to the Thankot transmission line but, officials say the rapid pace of unmanaged housing development in the Valley over the years and resistance from denizens to allow power utility add more transformers near their homes and plots has worsened the situation.

“It is true that the Valley has decades-old electricity infrastructure and as more settlements rapidly developed, authorities did nothing more than just pull cables over new settlements without any long-term assessments and visions,” said Prabal Adhikari, spokesperson of Nepal Electricity Authority. “At a time when we are planning to add more transformers, we get applications to remove and relocate the existing transformers so that the

applicants can sell the land for higher value, that is how complicated the situation is.”

According to Adhikari, the temporary measures will not correct the critical situation which if intensifies, will lead to a power network failure and both locals and other stakeholders must understand that, come on-board and help the power utility to add more equipment and transmission lines.

Amid this, the power utility has begun studying the possibility of building a transmission ring around the river corridors of Kathmandu in a bid to reduce transmission distance and strengthen the infrastructure but it will take years for the plan to materialise.

Source: The Himalayan Times, January 6, 2020

Tripartite meet on energy cooperation uncertain

A planned tripartite meeting on energy cooperation between Nepal, India and Bangladesh, which was earlier fixed for September 12, has not been held even after nearly four months of the planned schedule.

With an aim to address the key concerns related to cross-border transmission lines, power trade and energy banking, the government had said it is gearing up to hold discussions with power ministers of India and Bangladesh. However, due to the lack of coordination between the energy ministers of the three countries the uncertainty behind the energy cooperation meeting has been rising.

A few months ago, Minister for Energy, Water Resources and Irrigation, Barsha Man Pun, had claimed that India's Minister of State for Power RK Singh and Bangladesh's Minister of Power, Energy and Mineral Resources Nasrul Hamid had confirmed their participation in the discussion to be held in Kathmandu.

As per the initial agreement made by the three countries, the Indian External Affairs Ministry was assigned the responsibility to call the meeting as soon as possible.

But the Indian ministry is yet to coordinate with Nepal and Bangladesh.

Minister Pun expects the Indian External Affairs Ministry to call the meeting soon. "We are working in close coordination with the concerned Indian authorities to expedite the preparation works."

He further informed the ministry is about to complete framing agendas that will be presented in the meeting.

"In this meeting we will propose to India to provide direct dedicated high-voltage cross-border transmission line to Bangladesh through Indian terrain and in the previous meeting the Indian authorities were positive on the matter," Pun informed.

The next meeting is also expected to either fix the modality of transmission and commercial terms for the use of the Indian grid or pave the way for direct power trade between Nepal and Bangladesh via India.

"The role of the Indian government is critical for breaking the deadlock on some key issues related to building transmission line between Nepal and Bangladesh, so the meeting will be very important for us," Pun said, adding, that the upcoming meeting will pave the way for energy trade with India and Bangladesh.

On December 4, last year, Nepal and Bangladesh had also agreed to build a cross-border transmission line to supply electricity generated in Nepal to Bangladesh.

On December 23, the Indian government had amended its cross-border power trade regulations paving the way for Nepali power producers to export electricity not only to India but also to third countries like Bangladesh, Bhutan and Myanmar.

At that time, Indian authorities had rescinded a provision, which stated that only companies fully owned by the governments of the concerned countries or those having at least 51 per cent equity investment of Indian public or private companies could export power to the Indian market after obtaining one-time approval from the designated authority in India.

Even though the three countries have held numerous bilateral and trilateral meetings regarding power trade among each other, they have not reached any tangible agreement so far.

Earlier, the Bangladeshi government had announced to buy more than 9,000 megawatts of electricity from Nepal by 2040.

As per Ministry of Energy, Water Resources and Irrigation, Nepal will soon be able to export 500 megawatts of electricity to Bangladesh. The Bangladeshi government has already signed an agreement to import electricity from the Upper Karnali hydropower project, which has installed capacity of 900 megawatts and is being developed by India-based GMR.

Source: My Republica, January 6, 2020

Construction of powerhouse gains momentum

TIKAPUR, Jan 6: The construction of powerhouse under hydropower component of Rani Jamara Kulariya Irrigation Project is moving ahead at a fast pace.

Bidur Shrestha, a division engineer with the project, said construction work has been expedited so as to complete the project within the revised deadline.

The project's deadline has been revised for the third time recently. As per the new work schedule, the powerhouse will have to be completed by June 4. The deadline was revised for the third time as the project couldn't be completed within the previous deadline that expired in July last year.

SEW/ Tundi JV had bagged the contract in 2014, agreeing to complete the project in three years.

The project includes construction of a powerhouse and a five-kilometer canal. The canal is nearing completion.

The project officials argue that the project could not be complete on time due to different hurdles. Construction work was affected for two years as the Department of Forests and Soil Conservation did not allow the project to fell down trees in the project area.

Even the project cleared forests two years after bagging contract, it could not expedite construction as per the schedule as the project site was waterlogged. It took the contractor lot of time to siphon off water from the construction site. Water seepages also forced the project office to change the project design.

"Now the work is going on smoothly. Workers have been deployed in two shifts to complete construction work within the stipulated timeframe," Shrestha added.

The project's powerhouse is being built at Katase bazaar in Janaki Rural Municipality-9.

Equipment required for the powerhouse are being brought from Noida, India. Most of them have already arrived at the project site, according to BDA GOEC ECO Code – the consultant for the project.

The powerhouse, which is estimated to cost Rs 450 million, will generate 4.71 MW of hydropower. The project plans to use revenue collected by selling energy for maintenance of the irrigation project.

Source: My Republica, January 7, 2020

Construction of New Butwal and East Chitwan substations at final stage

KATHMANDU, Jan 7: The construction works of New Butwal substation at Sunwal of Nawalparasi (220/132 KV) and East Chitwan substation at Bhandara of Chitwan (132/33/11KV) have reached the final phase.

There is a target to bring the substations into operation by March 2020.

After a visit of the construction sites, managing director of Nepal Electricity Authority (NEA) Kulman Ghising said the works would be complete within the stipulated timeframe if there was no obstacle.

Ghising took updates from the project administration and the contractor company, and directed all involved to complete their respective works on time. "Foundation for the substation has been installed and most of the required equipment has arrived at the project site. Only the installation of the equipment is left," he said.

"Complete the civil structures and focus on the installation of equipment," he directed officials. "The NEA is there to help whenever there is any problem."

New Butwal substation aims to promote domestic power consumption and cross-border or regional electricity trade.

Tata Project Limited, the Indian contractor, has resolved to operate the substation by mid-April. Over 100 staffers are employed for the construction of the project. Electricity generated from hydroelectricity projects at

Kaligandaki river basin will be connected to the national grid at New Butwal Substation through 220KV Kaligandaki Corridor transmission line.

The second cross-border transmission line for electricity trade between Nepal and India will start from New Butwal substation. Nepal and India have come to an agreement for electricity trade, construction, and implementation of New Butwal-Gorakhpur 400 KV double-circuit transmission line. Built in about 20 bighas of land, New Butwal will be the second largest electricity hub after Dhalkebar substation at Dhanusha.

From the grant provided by America through Millennium Challenge Corporation (MCC), another substation with a capacity of 400KV will be built at New Butwal. The MCC will also build transmission line from Damauli of Tanahun to New Butwal.

“After the substation comes into operation, the technical leakage will be reduced by 4-5%,” Ghising said, “The consumers will get reliable and sufficient power supply, and the problem of power cuts during summer will be solved.”

Electricity transmitted through 132KV transmission line from Hetauda of Makwanpur to Bharatpur will be supplied to the area after trapping the electricity at East Chitwan substation.

Source: Kathmandu Post, January 7, 2020

Construction of Dudh Koshi hydro project slated to begin this year

Energy officials plan to begin construction of the Dudh Koshi Storage Hydroelectric Project this year by declaring it a national priority project and rushing the preliminary process.

Fed by the Dudh Koshi River which rushes down from the lower slopes of Everest foaming with snowmelt, the 635-megawatt scheme will not lack water to turn the turbines at full capacity even in the dry season. The river's churning whitewater has earned it the name 'river of milk'.

Speaking to local stakeholders in Rawabesi, Khotang on Tuesday, Energy Minister Barshaman Pun said that the ministry was planning to initiate the development process by declaring the storage scheme a priority project after a detailed final design is completed.

Officials are currently finalising the detailed design prepared by Japanese and Italian consultants. The approval of the final design will pave the way for the state-owned power utility to arrange finance and start building the plant located in Okhaldhunga and Khotang districts in eastern Nepal.

“The project will be built without adversely affecting local lives, and the residents who will be displaced will be resettled and paid a fair compensation,” said the minister.

The government has already paid out more than Rs26 billion in land compensation for the much-touted Budhi Gandaki reservoir scheme by levying a Rs5 infrastructure tax on every litre of gasoline, but the project is mired in politics and yet to get off the drawing board.

The Dudh Koshi reservoir type project will produce 3,443 GWh annually, more than the expected annual output of 3,383 GWh from the proposed Budhi Gandaki scheme.

As per a draft final design obtained by the Post, the total cost of the project has been estimated at \$1.523 billion excluding taxes and other financial costs, and it will take six years to build the dam and other structures.

The report shows that the social impact of the Dudh Koshi scheme will be less as only 162 households will be severely impacted while 1,150 households will be partially affected.

“Its sound economic performance, as a possible storage hydropower project candidate, is dramatically strengthened by the negligible social impact, limited to a few tens of households,” the report said. “No potentially insurmountable impacts were identified which would necessitate a fundamental alteration of the proposed project design parameters.”

The announcement comes months after the energy minister met Chinese Ambassador to Nepal Hou Yanqi and sought the help of the northern neighbour to arrange funds for the Dudh Koshi scheme. During a meeting of the Nepal-Austria energy mechanism last October, Austrian officials had also expressed interest in assisting Nepal technically and financially to build the scheme.

According to Minister Pun, the Asian Developed Bank has come on board and pledged to invest Rs60 billion in the project. The government is holding consultations with potential domestic and international investors to manage the remaining funds.

An updated feasibility study for the Dudh Koshi Storage Hydroelectric Project recommends building a main underground powerhouse near the Sunkoshi River with four units generating 150 megawatts each and a small 35 megawatt hydro unit near the toe of the dam.

The dam will be located on the Dudh Koshi River in a gorge nearly 1 kilometre downstream of the confluence of the Dudh Koshi River and the Thotne Khola. The main dam will have a height of 220 metres and hold back 1,581 cubic megametres of water.

Japanese and Italian consultants have estimated the cost of the civil works at both powerhouses at \$304.42 million. The estimated spending on the electromechanical works is \$169.73 million. Environmental and social impact mitigation would cost the project \$104.39 million.

The scheme will also build a \$58.31 million high capacity transmission line and two substations which will relay power to the interconnection point at Dhalkebar substation. A 22.3-kilometre double circuit 400 kV line will run from the Sun Koshi River to the Dudh Koshi switchyard, and a 90.9-kilometre line will relay power from Dudh Koshi to Dhalkebar.

Source: The Himalayan Times, January 9, 2020

Use of fossil fuel drops, as consumption of electricity increases

Sale of diesel and cooking gas has decelerated lately, indicating industries and households are using more electricity to produce goods and services and cook food.

The sale growth of diesel has slowed down in the last three fiscals — from 24.4 per cent in the first four months of 2017-18 to 9.5 per cent in the same period of fiscal 2018-19. The growth further slumped to 1.9 per cent in the first four months of this fiscal.

A major reason for this deceleration is regular supply of electricity by Nepal Electricity Authority. Since the state-owned power utility formally declared the nation load-shedding free on 12 May 2018, more and more industries have stopped using diesel-powered generators to run their factories.

“We have cut down the use of diesel at our cement factory by more than 50 per cent since the end of load-shedding,” said Pashupati Murarka, former president of the Federation of Nepalese Chambers of Commerce and Industry, and one of the owners of Arghakhachi Cement. The factory also does not keep ‘much diesel in store as electricity supply has become normal’.

However, factories connected to the national grid without a dedicated feeder or trunk line have been facing frequent power tripping.

Malls, one of the biggest consumers of diesel when power cuts were normal, have also reduced consumption of fossil fuel.

“Our mall is now totally dependent on electricity supplied by NEA. We only use generators when the power supply fluctuates, which is quite rare these days,” said Deepeksha Rana, general manager of Labim Mall.

Moreover, households are also turning towards energy supplied by NEA to cook food, as evidenced by the drop of sales growth of liquefied petroleum gas to 10.8 per cent in the first four months of this fiscal.

Sales growth of LPG hovered around 12 per cent in the same period a year ago and 28 per cent in the same period a year before that.

However, power supply has become less reliable since the winter season set in because the distribution network of NEA is not robust enough.

Shakuntala Adhikari, a homemaker in Kathmandu, said she used both induction and gas stoves as the power supply had not been very smooth recently.

According to NEA, the distribution system is overloaded and feeders are tripping due to high demand of electricity — 1,335 megawatts across Nepal today. Transformers, especially in Kathmandu valley, are overloaded and distribution cables are catching fire.

NEA has given priority to supplying electricity to major construction areas and projects and has urged public to use induction stoves and other electrical home appliances, leading to an increase in the consumption of electricity, said Kul Man Ghising, managing director of NEA.

Consumption growth of petrol, meanwhile, has decreased to 13.2 per cent in the first four months of ongoing fiscal.

Sales growth of petrol stood at 17.4 per cent in the same period a year ago and 23.5 per cent in the same period of fiscal 2017-18.

Sales growth of kerosene has also dropped to one per cent in the first four months of the current fiscal, against 5.9 per cent and 28.5 per cent in the corresponding period of fiscals 2018-19 and 2017-18, respectively.

The sales of air turbine fuel declined by 1.6 per cent in the first four months of the ongoing fiscal year.

Sales growth of ATF stood at 3.1 per cent in the previous year and 28.1 per cent in the same period a year before that.

Sales growth of overall fossil fuel has slumped to 4.1 per cent in the first four months of this fiscal compared to 10.7 per cent in the same period a year ago and 24.6 per cent in the same period a year before that.

The project will also build three access roads running through the Mid-Hill Highway and Dudh Koshi Valley, and restore connectivity of three routes in the Thotne Khola and Rawa Khola area.

As per the feasibility study, there will also be non-energy benefits like irrigation, increased agricultural yields, improved flood control and tourism development.

Source: Kathmandu Post, January 9, 2020

Why the MCC compact courted controversy in Nepal

Politicians are divided over the Millennium Challenge Corporation's links with the US' Indo-Pacific Strategy and provisions that say the agreement will prevail over Nepal's laws in case of conflicts.

During the recently concluded Standing Committee meeting of the ruling Nepal Communist Party, leaders appeared sharply divided over whether the federal parliament should ratify the United States' Millennium Challenge Corporation's Nepal Compact. A section of party leaders strongly stood against parliamentary ratification of the compact, arguing that the MCC is part of Washington's Indo-Pacific Strategy, which has military components that are aimed at countering China, a friendly neighbour. They have opposed the compact's requirement of House approval, as the compact says that it would prevail over Nepal's existing laws in case of conflicts.

However, another section of the ruling party, led by Prime Minister KP Sharma Oli, has lobbied in favour for the compact and wants the ongoing session of the House of Representatives to ratify it. The primary opposition Nepali Congress too has argued that the agreement be approved without any delay.

Here's everything you need to know about the MCC and the debate surrounding it.

What is the MCC?

The US Congress, in 2004, approved legislation for the establishment of the MCC as an independent bilateral foreign aid agency. The MCC was formed following dissatisfaction with the US' other foreign aid programmes, with an objective to reduce poverty through economic growth. Assistance under the MCC is given to low-income and lower-middle-income countries selected through competition. [A report by the Congressional Research Centre](#) says that the MCC is based on the premise that economic development cannot succeed unless it is linked to free market policies and democratic principles. Since its inception, the MCC Board has approved 37 compacts worth \$13 billion for 29 countries, as of 2019.

Only countries that demonstrate commitments to good governance have positive development returns and take ownership of the programme are eligible for MCC grants. Any country willing to receive the grant must have 10 of 20 indicators, ranging from proper business conditions for start-ups and environments conducive to child health and civil liberties to the status of political rights and funding for education. The grant is allotted for agriculture and irrigation, education, anti-corruption measures, power and energy, enterprise development, health, transportation, land rights and sanitation, and water supply.

When was the MCC Nepal compact signed?

Nepal was the first country in South Asia to qualify for the compact after it met 16 out of the 20 policy indicators. Then joint-secretary Baikuntha Aryal and Jonathan Nash, acting chief executive officer of the MCC, in September 2017 signed an agreement in the presence of then-minister for finance Gyandera Bahadur Karki and US Deputy Secretary of State John J Sullivan in Washington. The US government agreed to provide \$500 million in grants while Nepal would put in \$130 million for the project that prioritises energy and roadways. This is the largest grant Nepal has ever received.

As per the deal, the funds will be spent on setting up a 400KV transmission line running 400 kilometres on the Lapsiphedhi-Galchhi-Damauli-Sunawal power corridor. The funds will also be used to set up three substations en route to infrastructure that will connect to the cross-border transmission line with India in Rupandehi. Some \$130 million under the MCC compact will go towards the maintenance of around 300 kilometres of roads on the East-West Highway.

What is the dispute all about?

Finance Minister Yubaraj Khatiwada, in July last year, registered the compact at the federal parliament for ratification. However, it was never presented before the House for approval. Though the dispute has only surfaced recently, a section of the Nepal Communist Party, including its chief whip Dev Gurung, had been lobbying former Speaker Krishna Bahadur Mahara to not prioritise the compact for ratification.

Oli and his ministers, however, claim that the compact will be ratified by the ongoing winter session of Parliament. In an interview with Kantipur daily, the Post's sister publication, on October 19, Oli had blamed Mahara for delaying the ratification process.

There wasn't much dispute over the compact until David J Ranz, assistant secretary for South Asia at the US State Department, during his Nepal visit in May last year said that the MCC was a crucial part of the Indo-Pacific Strategy. Dissenting leaders within the ruling party have demanded that the government clarify if the MCC is a part of the US strategy. Referring to statements from US officials, politicians have said that Foreign Minister Pradeep Gyawali lied to them when he said, on December 26, that the deal was [not a part of the IPS](#). The Standing Committee meeting of the ruling party last month was unable to decide on ratification following sharp criticism from its members.

What is the Nepal government's position?

Foreign Minister [Gyawali has repeatedly](#) denied that the MCC Nepal compact talks about the IPS. He said there was nothing to worry about as the implementation of projects under the MCC would be guided solely by the compact. The Nepali Congress, under whose leadership the compact was first signed, holds the same position. The Congress maintains that the government has to abide by the agreement, which doesn't talk about the IPS, regardless of what officials, even from the US, say. The Congress has asked the government to prioritise the compact for ratification this House session, extending its cooperation in the process. Opposition leaders have even warned that it would be ["suicidal" for Nepal](#) if the House rejects the compact as it would have lasting

consequences for the Nepal-US diplomatic relationship. There are several instances of the US partially or fully terminating compacts for various reasons. The compacts for Madagascar and Mali were terminated fully while those in Nicaragua and Honduras were partially withdrawn. In Mali, [the termination followed](#) the late-March military coup.

Is MCC a part of the Indo-Pacific Strategy?

The Indo-Pacific Strategy Report, [published in June last year, says that the strategy](#) broadly envisions linkages between security, governance and economics. Though it doesn't talk about the MCC, [another report that came out two months ago](#) clearly says that support under the compact is a part of the IPS. According to an expert who has worked for the Millennium Challenge Account, the Nepal office of the MCC, Nepal should consider the MCC as an economic part of the IPS. Ratifying the MCC doesn't necessarily mean being a part of a "military alliance". Economists suggest that Nepal should accept any economic support and there is no harm for the country in endorsing the MCC. Even Chinese Ambassador to Nepal Hou Yanqi has said that Beijing welcomes any [international assistance to Nepal if it is for economic cooperation](#).

Why should a foreign assistance programme require parliamentary ratification?

The MCC compact doesn't say it needs to be ratified by Nepal's parliament. However, the text of the agreement says that provisions in the compact will prevail over Nepal's existing laws in case of conflicts, which requires parliamentary ratification, according to the Nepal Treaty Act. The MCC is the first grant agreement that requires parliamentary approval. However, it is also the largest grant agreement Nepal has ever signed.

As the grant assistance under the MCC has to be approved by the US Congress, the United States government looks for the same level of commitment from receiving countries. Therefore, most countries ratify the MCC compact through their parliament. However, their agreements don't say the provisions in the compact would prevail over the domestic laws in case of contraction, according to the expert who formerly worked for the MCA.