



Press Release

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US\$350.7 million Compact on Track, as the MCC and the Government of Malawi Exchange Letters

Lilongwe, Malawi. — Today, September 20, 2013, the Millennium Challenge Corporation (MCC) and Malawi Government will Exchange Letters signifying the official commencement of the five year “Compact,” the US\$350.7 million grant program focused on energy sector revitalization. This is the largest single grant the Malawi Government has received for the energy sector since commissioning of Nkula A in 1966.

The Millennium Challenge Account – Malawi (MCA-Malawi), an entity established by the Malawi Government, will implement and manage the MCC Compact, while the MCC Resident Country Mission will provide oversight and technical assistance in implementation. The Electricity Supply Corporation of Malawi (ESCOM), the Malawi Energy Regulatory Authority (MERA) and the Ministry of Energy, are the key project partners.

The Compact will focus on investments in infrastructure development, power sector reform and in environmental and natural resource management to mitigate the impact of aquatic weed infestation and sedimentation affecting hydropower generation in Malawi.

Entry into Force marks the official start of Compact implementation and the Program’s five-year timeline, as well as the point at which the Government of Malawi will begin to access the full \$350.7m Compact budget. The Government has already achieved a great deal in preparation for the start of Compact implementation.

Among other accomplishments, construction at Kapichira II hydropower plant is nearly complete; a substantial portion of ESCOM debt owed to Government has been converted into equity, helping ESCOM become commercially viable; and several key Compact procurements have been launched and nearly finalized, including the procurement of the Consulting Engineer to prepare the detailed designs and bid documents the Compact’s infrastructure component.

“With Entry into Force, more progress will follow – including, over time, the construction of a 400kV transmission line from Blantyre to Lilongwe, the rehabilitation of Nkula A hydropower plant, the development or rehabilitation of over two dozen substations, and technical assistance and capacity building for the sector’s key institutions,” says Oliver Pierson, MCC Resident Country Director for Malawi.

The Compact aims to benefit nearly one million Malawians; significantly increase transmission and distribution capacity, thereby reducing outages and total system losses; and through investments in power sector reform, help both rebuild ESCOM into a financially strong, well-

managed company and develop an improved regulatory environment that attracts private sector investment.

“The Malawi Government recognises that by encouraging good governance, economic freedoms and investing in people, the spirit of the Compact is consistent with Government’s goals of sustainably Reducing Poverty and encouraging Economic Growth as articulated in Vision 2020, the Malawi Growth and Development Strategy and the Economic Recovery Plan. Investments envisaged in the Compact will be pivotal in enabling Malawi to evacuate and distribute more power, whether domestically generated or imported, increase efficiency of existing system and institutions, and further position the energy sector for expansion by catalyzing private sector investment,” says the Principal Secretary for Energy, Dr Winford Masanjala.

The success of the program will see a major reduction in the cost of doing business, expanded access to electricity for the Malawian people and businesses, and an increase in value-added production in the country.

This investment will, among other objectives, achieve the following:

- improve the availability, reliability, and quality of the power supply by increasing the throughput capacity and stability of the national electricity grid and increase efficiency of hydropower generation through investments under the **Infrastructure Development Project**
- create an enabling environment for future expansion of the power sector by strengthening sector institutions and enhancing regulation and governance of the sector through investments under the **Power Sector Reform Project** and
- mitigate the growing problems of aquatic weed infestation and excessive sedimentation in the Shire River Basin to reduce the costly disruptions to Malawi’s hydropower generation through the **Environmental and Natural Resource Management Project investments**.

The Principal Secretary for Energy, Dr Winford Masanjala adds that: **“ As the Compact enters into force we are mindful that over the next five years, there will be a lot of moving parts and targets under these projects and hence the need for Malawi to be focused in executing the Compact’s implementation plan. That notwithstanding, the Government of Malawi is highly committed to good stewardship of the Compact and full, successful and timely implementation of the Compact for the benefit of the Malawi people.”**

The US Government, through the MCC, supports developing countries in various development initiatives. The project will run for a period of five years and is expected to be completed by September 19, 2018.

For more information, please contact the following:

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