

Speech

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Lilongwe, Malawi

Remarks by MCC Vice President Patrick Fine at Malawi Compact Signing Ceremony

Good morning and thank you all for coming to witness the signing of this \$350 million Compact between the Republic of Malawi and the U.S. Millennium Challenge Corporation. By powering economic growth and reducing poverty, this compact will provide new opportunities for the people of Malawi to create a better future for their country.

I want to thank President Mutharika for being here today, and for the commitment he has shown to this process. I would also like to thank the Office of President and Cabinet, represented by Bright Msaka and Necton Mhura; the Minister of Finance, Kenny Kandodo; and the Minister of Natural Resources, Energy, and the Environment, Grain Malunga; for their assistance and leadership, and last but definitely not least, the MCA Core team led by Sam Kakhobwe.

It has been over three years since this process began. The negotiations have been long and, at times, difficult. The result of this process, however, is a robust compact program – derived from rigorous analysis and broad-based consultations – that will improve the lives of millions of Malawians.

Reflecting President Obama's vision for global development, the Malawi compact is a strong example of one of MCC's key pillars – country ownership. By focusing on the fact that unreliable power significantly constrains economic growth, the compact seeks to support one of Malawi's top priorities in the Malawi Growth and Development Strategy. The compact represents a deliberate and well-thought-out investment plan with targeted activities that are aligned with Malawi's objectives for the power sector.

These activities include refurbishment of Nkula A Hydroelectric plant and upgrading and modernization of the electricity transmission and distribution network.

But Malawi's ownership of this compact goes beyond setting priorities for MCC's investments. It extends to defining and being accountable for the reforms needed for this investment to reach its full potential impact, and to be sustainable. So the cornerstone of this compact is a strong program to reform the power sector. The reform activity seeks to address governance, operational, policy and regulatory issues within the sector and to improve the institutional capacity of key sector institutions such as ESCOM, MERA, and the Ministry of Natural Resources, Energy and the Environment.

This power sector reform program will make sure Malawi has a strong agency that can be held accountable for the success of the electrical industry. And it will ensure our investments in Malawi's electrical industry are sustained and benefit generations to come. The Government's sector reform commitments are forward-leaning and represent a strong commitment to

addressing the problems plaguing the sector. These reforms are expected to increase the economic returns on the investment substantially, and spark new investment by the public and private sectors.

The United States Congress created the Millennium Challenge Corporation to partner with nations that demonstrate a commitment to just and democratic governance, which helps create a better future for all citizens. The partnership between Malawi and the MCC has in fact been strong. That is critically important, because a strong partnership allows for frank and constructive dialogue on difficult issues in the spirit of a shared desire for success. As two democracies we share the value of good governance and protection of essential liberties.

MCC has engaged in a constructive high-level dialogue with the government of Malawi over the past several weeks to discuss issues of critical importance to MCC and the United States Government, such as respect for freedom of expression and human rights. We expect all countries – including Malawi – to meet high standards in this area.

Let me be clear: it is MCC's position that the enforcement of laws criminalizing homosexual conduct would be a clear violation of Malawi's human rights obligations – and would be inconsistent with MCC's eligibility criteria, which call for freedom for all groups. MCC has made clear to the Government of Malawi that action in violation of these principles would initiate the investigation required for suspension or termination of the Compact.

Likewise, MCC has held high-level discussions with the Government of Malawi to express our concern that freedom of expression be respected. The Government of Malawi assured us that recently enacted laws in this area are intended to prohibit child pornography or incitements to violence, not to restrict political speech. The Government of Malawi outlined the role of judicial protections against misapplication of this law, and publicly affirmed the constitutional protections of free speech.

Dialogue on these and other important issues will continue throughout the five-year compact period. We expect that the Government of Malawi will hold true to its commitment to principles of good governance, and that our partnership will continue to be a strong one that benefits millions of people across Malawi.

The projects I have outlined present an aggressive, ambitious agenda to develop Malawi's power industry. We have been encouraged by the commitment the Government of Malawi has shown, and we expect that our partnership will be a success.

That will be a victory for the people of Malawi. We expect this compact to benefit an estimated 5 million individuals and bring income benefits of \$2.4 billion to Malawi over the next 25 years.

MCC is excited about this opportunity to partner with the Government of Malawi on this innovative compact that has the potential to contribute greatly to economic growth and poverty reduction in Malawi.

On behalf of President Obama; MCC Chair, Secretary of State Hillary Rodham Clinton; and MCC Chief Executive Officer Daniel Yohannes, I extend congratulations on the signing of this Compact. May it be the start of a long and fruitful partnership on behalf of the people of Malawi.