



SPEECH

BY

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MINISTER OF NATURAL RESOURCES, ENERGY AND
MINING

TO BE DELIVERED AT

6TH SEMI-ANNUAL REVIEW FORUM (MCC)

ON

15TH MARCH, 2017

AT

SUNBIRD CAPITAL HOTEL, LILONGWE (09:00 AM)

- **The Ambassador of United States of America - Your Excellency, Ms. Virginia Palmer;**
- **The Resident Country Director for the Millennium Challenge Corporation – Mr. Oliver Pierson;**
- **The Principal Secretary for Natural Resources, Energy and Mining – Mr. Patrick Matanda;**
- **The Secretary to the Treasury – Mr. Ben Botolo;**
- **The Board Chair for the Millennium Challenge Account Malawi – Mr. Simon Itaye;**
- **The Chief Executive Officer for MCA-Malawi – Mr. Dye Mawindo;**
- **The Chief Executive Officer for ESCOM (outgoing) – Mr. John Kandulu and (in-coming) Ms. Evelyn Mwapasa and your staff;**

- **The Chief Executive Officer for EGENCO – Mr. William Liabunya and your staff;**
- **The Chief Executive Officer for Lilongwe Water Board – Mr. Alfonso Chikuni;**
- **The President of Economics Association of Malawi;**
- **The Acting Chief Executive Officer for MERA – Mr. Ishmael Chioko;**
- **Senior Government Officials present here;**
- **Heads and Representatives from Parastatals, Development Partners and Civil Society Organisations present;**
- **Distinguished Ladies and Gentlemen.**

It is my enormous pleasure to preside over this sixth Semi- Annual Review Forum. As you are all aware,

the Government of Malawi and the Government of the United States of America signed a Compact to the tune of **US\$350.7 million**. This Compact is investing **US\$257.1 million** in Infrastructure Development which includes upgrading the electricity grid system in Malawi and increasing our throughput capacity from **260MW** to **960MW** by September, 2018. An additional sum of **US\$25.7 million** was earmarked for Power Sector Reforms to improve the financial and operational performance of ESCOM; strengthening the regulatory environment functions of MERA; and capacity building of ESCOM; my Ministry. Furthermore, **US\$27.9 million** is being used to tackle environmental degradation mainly in the upper and middle Shire River Basin – the core of power present power generation. As we know, environmental degradation that leads to siltation, is one of the debilitating factors to our hydro power.

Distinguished Guests, Ladies and Gentlemen, the Government of Malawi under the dynamic leadership of **His Excellency, Professor Arthur Peter Mutharika,** recognizes the need to increase access to electricity, as a catalyst for economic growth and poverty reduction. Therefore, the most critical goal of the Government of Malawi in the power sector is to increase access to electricity (to 30% by 2030). This seems unambitious. When do we achieve universal access? Clearly, therefore, there is a great need for investment and further boosting the capacity of the Energy Sector technically and financially.

About six months ago, at the Fifth Semi Annual Review, I do recall emphasizing on the need for us to be forward looking in our approach to changing the

face of the energy sector in this country. I underscored the need for linking synergies of Compact implementation and addressing the current heightened challenges faced by ESCOM and other key stakeholders in the Energy Sector. The Compact has set out very bold objectives which can only be achieved through the concerted efforts of all key players. I am happy to say today that we have made some significant strides in this regard with the support of MCC. To date, ESCOM's creditworthiness has drastically improved as evidenced by good performance in ESCOM finances, operations, and corporate governance. Furthermore, with regard to MERA and my Ministry, we continue to benefit from a number of capacity building initiatives and advisory services.

Most recently, on 1st January 2017, ESCOM was fully unbundled giving genesis to the Electricity Generation Company (EGENCO). EGENCO has taken over all the power plants hitherto owned by ESCOM, and is poised to venture into new energy generation projects.

In addition, the Ministry has also approved the IPP framework which will provide mechanisms and an environment for Private Sector participation in the energy sector to propel the generation capacity of our country.

Distinguished Guests, Ladies and Gentlemen,
Last week, alongside MCC and MCA-Malawi, I had the opportunity to tour and appreciate the commencement of the construction of the 400kV/132kV power substation and the construction

of 400kV intermediate towers. The groundwork has been set. The major equipment has started arriving. However, we must recognize the fact that only 18 months remain in terms of Compact implementation. Therefore, there is a compelling need to quicken the pace of some activities in order for us to meet the September 2018 deadline.

Distinguished Guests, Ladies and Gentlemen, moving forward, my Ministry will be closely involved in ensuring the following: -

- (i) provide the necessary assistance to MCA-Malawi and its contractors to overcome all implementation bottlenecks, challenges and impediments;
- (ii) engage all relevant government agencies e.g. Malawi Revenue Authority, Immigration Department and others in providing the

- required support to ensure that imported equipment and goods, and international experts are in the country in a timely manner;
- (iii) ensure that all the reforms expected in the power sector are implemented and nurtured in order to sustain the current momentum;
 - (iv) ensure accelerated progress in the establishment of a Single Buyer and System Market Operator in ESCOM in the immediate future;
 - (vi) ensure that ESCOM, should continue to be financially sound to enable the company continued investments in transmission and distribution, and, at the same time, being capable of buying and paying for power from power generation companies;
 - (vii) ensure that capacity building remains pivotal in the entire energy sector to enhance our

competitive abilities so as to attain adequate capacity to fully utilize and exploit the transformed power sector; and

(viii) ensure that our efforts towards a competitive power sector encompasses the implementation of cost-reflective tariffs.

Distinguished Guests, Ladies and Gentlemen, the theme of today's Sixth Semi-Annual Review Forum is "***ESCOM Unbundling: Are Our Priorities On Track?***" I believe it is indeed the right time for us to have this discussion at the birth of EGENCO. I have no doubt that today's discussions will provide us with a platform to review progress and challenges in ESCOM, EGENCO, and the Ministry against key milestones and actions that all Project Partners agreed to implement. Therefore, today, we will focus on four critical issues.

Firstly, review the achievements and challenges of ESCOM Unbundling and Establishment of EGENCO. We need to do a postmortem of the strengths, bottlenecks and risks and how we manage them going forward.

Secondly, we will review progress on our efforts to integrate Independent Power Producers to support and enhance our generation capacity. The financing gap in the energy sector remains huge. For instance, my Ministry has estimated that we will need to increase our installed generation capacity to at least 2,500 MW by 2030. This entails an investment of at least **US\$8 billion** to be made in generation, transmission and distribution. This cannot presently be met by public and private capital investments within Malawi. This means we have to find mechanisms and means of attracting foreign capital

investments as well as Independent Power Producers into the power sector.

Thirdly, we will review the implementation of cost-reflective tariffs as this is a key means to ensuring efficiency and attracting significant investments in the sector.

And, we will have a review of our Communication Strategy and Change Management which is most relevant to ensuring that staff, Project Partners, all relevant stakeholders and the public at large are accurately and well informed of all our on-going reform efforts.

Distinguished Ladies and Gentlemen, in conclusion, on the part of Government, let me re-emphasize our deep appreciation for this Compact,

and repeat our position that we are fully committed to ensuring that we deliver all planned activities under the Compact as well as making sure that all funds are fully utilized. In fact, let me even begin to lobby now that we are ready to be engaged for a second Compact in the energy sector.

However, let me add an important footnote. The MCC Compact was not designed to be an end in itself. By its design, the compact was expected to create an environment that would unlock and unleash the potential of the energy sector in Malawi towards growth. The MCC Compact was not designed to do everything for Malawi.

In this circumstance therefore, Malawi must not only show growing appetite for power, Malawi must match

that appetite with the requisite drive to ensure the growth of the sector.

The legal and regulatory framework is in place. We now need actions that will demonstrate our commitment to make the sector work.

We need to see ESCOM quicken its pace, towards signing Power Purchase Agreements with the various potential Independent Power Producers, some of whom have been waiting for rather too long. We need to see ESCOM improve the management of power distribution. It is disheartening to hear that, at this time of the year, citizens are going for over 18 continuous hours without power, merely because an officer was not available in time to switch a particular locality back to power.

Further, we need to see EGENCO not squander its inheritance. A recent visit to Tedzani has shown that the inability by EGENCO to generate power to its full installed capacity is not attributable only to the low levels of water in Lake Malawi. That is just one part of the story. The other part of the story is that the Company has allowed its ponds to be filled with silt. The Tedzani pond, which is expected to be not less than 6 feet deep, is now less than 2 feet deep. This is the other reason for the inability by EGENCO to have adequate water to operate all its machines. Whilst siltation is as a result of environmental degradation, dredging the ponds would remove the silt and provide the necessary improvements in power generation.

These things MCC will not do for us. These things we must do for ourselves.

With these remarks, it is now my singular honour to officially open the Sixth Semi-Annual Review Forum. I, therefore, wish you all fruitful discussions during this Forum.

Thank you for your attention and may God Bless you all!