



Compact Beneficiaries

This week we focus on the Compact partners who are also main beneficiaries of reforms, and power infrastructure. It must be noted that the success of the Compact depends on their participation and mostly ownership of the process and outcomes. But why are these partners also beneficiaries? It is because they are currently benefiting through capacity building in their respective jobs, knowledge transfer in engineering and as recipients of the modernized power infrastructure.

Just a reminder that the Malawi Compact initially started with three major partners – Ministry of Natural Resources, Energy and Mining, Malawi Energy Regulatory Authority (MERA) and the Electricity Supply Corporation of Malawi (ESCOM). One more partner has recently been added on this list. The Electricity Generation Company (Egenco) which is a product of the implementation of the Compact under the Reform Project. It was born after the passing of the Electricity Amendment Act in June 2016 which among others, cleared the way for the unbundling of ESCOM into two entities.

Egenco, as the name explains, is responsible for all assets that go with generation of electricity. All generation plants, Nkula, Kapichira, Tedzani and Wowwe fall under the operations of

Egenco. Under the Compact, the generation company is working with MCA-Malawi to rehabilitate, upgrade and modernize Nkula A Hydropower Plant which is the oldest in the country. This means that the modernized plant will be handed over to the company for operations and maintenance.

Egenco is also benefiting from Environment and Natural Resources Management Project. To reduce power disruptions and increase efficiency in generation, the Compact has procured a weed harvester to be placed at Liwonde for mechanical controlling of the weeds. Two dredgers will also be installed and handed over to Egenco to remove sediments and increase the water quorum at Nkula A and Kapichira generation plants.

ESCOM is also a project partner and beneficiary as its transmission and distribution assets are currently being expanded, rehabilitated and modernized to increase its efficiency in providing power to its customers. Through ESCOM Turnaround sub-activity the reform project is supporting ESCOM's financial health by rebuilding the organization into a financially sustainable, well-managed utility company. The utility company is benefiting through capacity building and mentoring of its Managers, and technical staff.

Looking ahead, ESCOM needs

a cost reflective tariff to be able to maintain the existing and new modernized and powerful electricity infrastructure under construction. A cost-reflective tariff will help power generators (producers such as EGenco and Independent Power Producers (IPPs)) and ESCOM recover their costs and enable the companies to invest back into the system.

For ESCOM to supply the much needed power to its customers, there is need to increase generation capacity. Currently, Egenco is producing 353.1 megawatts of electricity with ESCOM transmitting and distributing the same.

If Malawi is to achieve its 2022 goal of producing power up to 1000MW, there is need to attract IPPs into the electricity supply industry in the country. This is why the Compact is also working with MERA and the Department of Energy to create an enabling environment that will attract private sector and others to invest.

To attract investors in the sector, the Compact funds are being invested in regulatory strengthening activities focusing on Tariff Reforms, MERA Capacity Building and Enabling Environment for Public and Private Sector Investment. The Government is thus restructuring the market in consistent with best practices in independent power

utility regulation, that support investment in generation and grid capacity at an affordable cost.

MERA and the Department of Energy are thus implementers and beneficiaries of Regulatory Strengthening. As a regulator in the energy sector, MERA is benefiting from various capacity building initiatives aimed at improving its regulatory oversight activities and operations. MERA is supposed to be an independent regulator with its responsibilities limited to regulation and policy implementation, and not for policy development or the solicitation of new generation. In the subsequent issues, we will explain in details how the Compact is supporting MERA in its role as a regulator and how this is key for investors in the power sector.

The last implementer and beneficiary of the Compact is the Department of Energy under the MNREM. Remember, MCA-Malawi is implementing the Compact on behalf of the Malawi Government. It is therefore an obvious fact that the Malawi Government, through the MNEM has a special interest in the implementation of the Compact hence the ministry is a major partner, implementer and beneficiary of the Compact.

Being the parent ministry, MNEM provides policy guidelines towards successful

implementation of all the projects and activities in all the three major components. The Compact grants supporting government's efforts and capacity to implement a suitable market model based on the studies performed in connection with the development of this Compact.

Just like MERA and ESCOM, the funding is also being channeled towards capacity building for staff from the ministry as well as the studies conducted that led to the conceptualization of a restructuring plan for the country's power market structure.

In conclusion, The Government of Malawi, ESCOM, EGenco, MERA and MCA-Malawi are collaborating as partners to reform the power sector to attract IPPs into the market thereby increasing. This is the broader effort aimed at improving access to reliable electricity in Malawi, by working to strengthen the policies and institutions that support the power sector. These reforms, together with investments to expand transmission and distribution capacity and improved natural resource management, aim to ensure that Malawi is able to meet power demands to drive growth and opportunity.

Join us next week for as we look at why the Power Compact!

For more information on the Malawi Compact please visit our website on

<http://www.mca-m.gov.mw/>

You can also visit the MCC website on

<https://www.mcc.gov/>

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