



The Challenge



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The Challenge

From the CEO's Desk

Welcome to the 10th issue of The Challenge !

The third quarter of the Compact's first financial year (2013 -2014) ended on a positive note as most of the planned activities were successfully implemented and the team is meeting the challenge. In this issue we highlight the immense strides and milestones the MCA-Malawi team has achieved.

During the third quarter, we engaged the Resettlement Action Plan consultant, SMEC International, to develop the resettlement action plan and the Livelihood Restoration Plan. This was a major milestone as the **RAP process lies on the project's critical path. Any delays in the implementation of the RAP will affect commencement of construction works on the 400Kv and 132Kv Transmission lines, including the construction and modernization of substations.**

In the quarter, the Consulting Engineer, Fichtner, with support from ESCOM's surveyors got down on the ground to start pegging the right of way. Angle points were marked in preparation for marking the right of way for the commencement of the RAP process.

Key in ensuring we meet the challenge, is the timely Semi Annual Review (SAR) process that was successfully held in the quarter. On pages 3 to 4 of this issue, we bring Millennium Challenge Corporation overview on the first SAR Forum that was held in May. You will learn about the planning process and outcomes that were achieved during the first Semi Annual Review process.

The 10th issue of The Challenge also highlights the importance of gender integration within the Compact. On page 6, we share with you a report on the outcome of the interface meeting we had with national gender stakeholders. Page 7 defines the role of Civil Society Organizations on Gender Integration in the Compact.

This issue of The Challenge also shares brief updates on project activities. MCA-Malawi will continue to update you on Compact progress. We urge you to give us feedback on the Project through our website on www.mca-m.gov.mw or mcc.gov or by contacting MCA-Malawi through info@mca-m.gov.mw

We hope you will enjoy this edition of The Challenge.

Thank you.



Ms. Susan Chabuka Banda
CEO – Millennium Challenge Account—Malawi



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MCA-Malawi Quarterly Activities in Pictures



MCA-Malawi staff join the Bring Back Our Girls Campaign



Above: MCA-Malawi's IDP Engineer Victor Munthali confirming an angle point and having a discussion with a village elder during pegging exercise in Ntcheu.

Left: an angle point along the 400kV line route

Top Left : ESCOM and Fichtner (CE) surveyors captured during the pegging exercise. Above Left: Edith Maseya , MCA-Malawi's Resettlement Officer joined Outreach team during sensitization meetings with chiefs (middle: Chief Gulu from Chintheche in Nkhata-Bay)

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Participants at the Semi Annual Review Meeting

Compact Semi-Annual Review: Shedding light on power sector reform



By Tom Haslett, MCC Program Officer

Earlier this year, the Principal Secretary of Malawi's Ministry of Natural Resources, Energy and Mining and convened the first semi-annual review of the country's five year, \$350.7 million MCC Compact. These reviews will be held every six months and provide key stakeholders with an opportunity to assess progress against the reform agenda in Malawi's Power Sector. The Compact establishes an ambitious program to revitalize the country's power sector through investments in critical infrastructure, hydropower plant efficiency and sector institutions.

The centerpiece of the review is a set of indicators focused on the performance of ESCOM, the country's electricity utility, in areas like asset maintenance, bill

collection and efficient provision of electricity. ESCOM's financial plan establishes targets for these indicators, which are then compared against actual performance at the semi-annual review. This gives stakeholders in attendance and the Malawian public in general a window into ESCOM's expectations and with broader power sector reforms aimed at attracting new investment in electricity generation.

The Semi-Annual Review process can establish a path forward by providing a forum where objective data helps give a picture of ESCOM's performance and define corrective actions.

At the same time, emerging issues in the power sector can be jointly reviewed by power sector institu-

tions and representatives of the private sector and civil society.

The review is also a perfect tool for the MCC model. The sustainability of our work in Malawi is based on strengthening ESCOM's ability to recover costs, invest in service provision and be a viable partner for investors. We are supporting these goals by introducing a modern management information system and helping build capacity in areas like financial management, procurement and billing efficiency.



MCA-Malawi, Communications and Outreach Director, Ms. Khonje

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The Compact also targets policy reforms that can incentivize private investment in new power generation. The semi-annual reviews will allow us to understand if the compact is meeting its goals and provide learning opportunities for all Compact Project partners.

In addition, by bringing together stakeholders from across Malawian society, these forums will ensure the public consultations that helped develop the Compact continue to inform its implementation.

This first semi-annual review gave concerned stakeholders a chance to better understand current power sector reform goals, progress to date against those goals and how the Compact is supporting their achievement. A report that includes data on all key performance indicators discussed in the review will be publicly available soon. Three sub-committees with members drawn from the semi-annual review participants will meet soon to review priority corrective actions to progress against the reform agenda and approve implementation procedures and timelines to address these issues. As our work continues over the coming months, we' will look forward to the next review another opportunity to shed light on how MCC is helping to reform Malawi's power sector.



Cross-section of the audience during the SAR meeting



JICA Rep, Lameck Nchembe, ESCOM and MCA-Malawi team during the SAR



MCA-Malawi Monitoring & Evaluation, Economics Director, Themba Chirwa



MCA-Malawi Power Sector Reform Officer, Rogers Mbekeani



Compact Partners: MCA-Malawi, Ministry of Natural Resources Mining and Energy, MERA and ESCOM

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POWER SECTOR REFORM AGENDA

MISSION STATEMENT:

Creating an enabling environment for future expansion of the power sector through strengthening sector institutions and enhancing regulation and governance of the sector

GOALS:

- ◆ Rebuild ESCOM into a financially strong, well-managed utility.
- ◆ Develop a regulatory environment that supports public and private investment in new generation capacity and expanded access.

ACTION PLAN OBJECTIVES:

To ensure that all corrective actions related to the Power Sector Reform Agenda discussed and agreed at the first Semi-Annual Review (SAR) Forum held on May 6, 2014 are implemented before the second Semi Annual Review Forum which is expected to be held in October 2014. The agreed corrective actions to be implemented include the following:

- ◆ ESCOM to clear backlog maintenance
- ◆ ESCOM to upgrade the Procurement Department to a Division
- ◆ MCA-Malawi to provide support to ESCOM's procurement function through the Procurement Agent
- ◆ All customers including public institutions to be on prepaid meters to address issues of bad debt
- ◆ ESCOM to hold discussions with Government to waive the procurement ban on capital equipment
- ◆ New investments in the distribution network specifically lined up to deal with distribution losses - e.g., World Bank-funded projects (ESSP), MCC Compact and ESCOM
- ◆ Support ESCOM in replacing some of the dysfunctional meters used to measure energy & quality of supply – MCC and World Bank
- ◆ MERA to track and enforce adherence to implementation of approved tariffs
- ◆ Enhance capacity in tariff and regulatory issues at ESCOM and MERA.

SAR NATIONAL STEERING COMMITTEE

- ◆ Principal Secretary for Energy Affairs, Ministry of Natural Resources Mining and Energy - Chair
- ◆ Chief Executive Officer, MCA-Malawi - Co-Chair
- ◆ The Secretary to the Treasury, Ministry of Finance - Member
- ◆ The Principal Secretary, Ministry of Economic Planning and Development - Member
- ◆ The Principal Secretary, OPC-Public Sector Reforms - Member
- ◆ The Principal Secretary, OPC-Statutory Corporation - Member
- ◆ Chief Executive Officer, MERA - Member
- ◆ Chief Executive Officer, ESCOM - Member
- ◆ MCA-Malawi Board Chairperson - Member
- ◆ Representative from ESCOM Board - Member
- ◆ Representative from MCCCCI - Member
- ◆ Representative from ECAMA - Member
- ◆ Representative from MEJN - Member
- ◆ Resident Country Director, MCC - Member

SAR SUB-COMMITTEES MEMBERS

1. ESCOM TURNAROUND

- ◆ MCCCCI – Chair
- ◆ ESCOM
- ◆ OPC-DSC
- ◆ ODPP – Government Contracting Unit
- ◆ Ministry of Finance and Economic Planning, PERMU
- ◆ Ministry of Natural Resources, Energy & Mining
- ◆ MCA-Malawi

2. MERA GOVERNANCE AND TARIFF REFORM

- ◆ Ministry of Natural Resources, Mining and Energy - Chair
- ◆ ESCOM
- ◆ OPC – Department of Statutory Corporations
- ◆ Ministry of Finance and Economic Planning
- ◆ MERA
- ◆ MCA-Malawi

3. SECTOR GOVERNANCE – MARKET STRUCTURE

- ◆ OPC-PSRMU - Chair
- ◆ ESCOM
- ◆ Ministry of Natural Resources, Energy & Mining
- ◆ MCA-Malawi
- ◆ Energy Advisor – MCA-Malawi

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A Report on Social and Gender Integration Stakeholder Meeting



The Compact will target women in all its project activities

The Social and Gender Assessment Directorate organized a meeting on MCA-Malawi's Social and Gender Integration Plan (SGIP) with implementing partners and stakeholders.

The main objective was to inform organizations that focus on social and gender issues in Malawi on how the Compact has planned to integrate social and gender perspectives in all the three projects: The Infrastructure Development Project (IDP), Power Sector Reform Project (PSRP) and Environment and Natural Resource Management (ENRM).

The second objective was to instill a sense of ownership among stakeholders to support the implementation of the SGIP whether directly or indirectly by soliciting their input on how they envision their role in ensuring that the Social and Gender Integration plan is fully implemented.

Some of the critical issues that arose from the meeting:

1. SGA concerns for resettlement and compensation include:

- Differentiated needs and opportunities for access to land, resources, employment and markets.

- Complex system of ownership of assets
 - Impacts on vulnerable groups (single headed households, child headed households, elderly).
 - Different preferences for cash vs. in kind compensation for men and women
 - In project areas majority of the land is under customary ownership – matrilineal communities
 - **Women are the “owners” of customary land in matrilineal communities but land generally controlled by adult males**
 - Women plots: food production (land, labor, inputs belong to women)
 - Men plots: cash crops (inputs paid by men, land labor belong to women)
 - Dwellings: land belongs to woman-structures built by men –but if marriage dissolves woman/children stay
2. Employment and Economic Opportunities
- Offer preferential employment oppor-

tunities to local women and men from affected communities.

- Develop effective communication through village heads and local NGOs and CBOS about employment opportunities targeted to men and women, particularly encouraging women to apply. Provide basic training for women for unskilled labor to enable their participation in employment opportunities.
- Facilitate other economic opportunities for local communities including providing food services or other supplies to contractors and workers.



NGOs participants during group work

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Defining the role of Civil Society Organizations in Gender Integration in the Compact



Q: What can be the role of your organization in Compact implementation to ensure that benefits are maximized for both women and men?

A: NGOs can work together to provide technical assistance, advice, gender sensitive programming and gender sensitive monitoring and evaluation.

NGOs can also ensure that there is increased involvement of women in implementation of the activities at all levels by all key stakeholders. NGOs oversight through monitoring and evaluation of activities implemented will enforce gender policy direction within the Compact.

Q: How can MCA-Malawi better involve partners and stakeholders in SGIP implementation?

A: Together CSOs and MCA-Malawi will develop partnerships and share information to ensure that all information and data feeds into programme implementation.

CSOs can also map organizations and programmes to identify gaps and potentials for collaborations and resource mobilization.

CSOs can also organize stakeholder forums regularly (quarterly) for the Compacts Social and Gender Department to provide reports on what has been achieved and challenges being met.

CSOs are in a position to provide programme steering committee of different stakeholders which will be transparent to all stakeholders and involve them in review the processes and will report to all relevant technical groups and participate in their meetings.

Q: What strategies can be used to maintain synergies with partners and stakeholders in social and gender integration in the Compact?

1. Enhanced communication to all stakeholders.
2. Regular meetings with stakeholders in the affected districts.

3. Deliberate effort to make sure that there is complementarity with other organizations working in the same areas.
4. Utilizing already existing gender structures.
5. Strengthen and establish district platforms to share information, lessons learned and good practices.

Q: What can MCA-Malawi utilize in the implementation of SGIP?

- Sector Wide Approach Programs
- Technical working groups
- District Executive Committees.
- Sector working groups.
- Cross Cutting Issues Technical Working Group like HIV and Aids
- Energy Technical Working groups



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Project Updates

1. Infrastructure Development Project

Funds Allocated: US\$ 257.1 million:

Goal: To rehabilitate, upgrade and modernize priority Generation, Transmission and Distribution assets in ESCOM system.

Progress

The Consulting Engineer Fichtner, finalised design works for Nkula A Hydropower Plant, Transmission Network upgrade, Transmission and Distribution Upgrade, including SCADA.



ESCOM and Fichtner Surveyors checking angle points during the pegging exercise



MCA-Malawi Management discussing the pegging exercise with the CE's team

Tender Documents for Nkula A were finalised and procurement for construction works will be done in the fourth quarter. Pegging the right of way also commenced in the quarter. The Consulting Engineer was assisted by ESCOM surveyors in identifying angle points and pegging the route. Within the quarter, MCA-Malawi also en-

gaged the services of SMEC International to develop the Resettlement Action Plan (RAP) Process and the Livelihood Restoration Plan.

2. Power Sector Reform

Funds Allocated: US\$ 25.7million

Goal: To improve the financial and operational performance of ESCOM and strengthen the regulatory environment to support policy reform and investment.

Progress

Quarterly Reviews of ESCOM's financial reports was conducted and ESCOM submitted the updated financial model with data up to March 2014.

ESCOM MIS

The consultant, AH Consulting of Uganda developed a Systems analysis report on ESCOM's procurement and project management documents.

Regulatory Strengthening Activity

Tariff Reform

Tariff Advisor for ESCOM and MERA, Aurecon Amei Ltd conducted capacity building training sessions with ESCOM and MERA on cost of service analyses principles and tariff setting methodology.

Dr. Govindh Saha, the high Energy Advisor working with the Ministry of Energy, Mining and Natural Resources reviewed the Malawi's current Electricity Policy Act. The review has identified existing gaps and Dr. Saha will recommend the improvements to the act.

During the quarter, Dr. Saha also reviewed an Independent Power Producers Project proposal for a 30-50 Mw Solar PV Power Project.

A three year Energy Plan has been developed for the Ministry of Energy.

Semi Annual Review (SAR)

The Department of Energy successfully conducted the first SAR. The private sector, donors, development partners and Government ministries participated in the review of the set 16 indicators. These reform indicators focus on ESCOM, MERA and the Department of Energy, asset maintenance, bill collection and efficient provision of electricity.

3. Environment and Natural Resources Management (ENRM)

Funds Allocated: US\$ 27.9million

Goal: To address problems of aquatic weed infestation and sedimentation in the Shire River.

Progress



MCA-Malawi project staff at a project site

Middle Shire Expanded Study

LTS is now working on incorporating MCA-Malawi's comments.

Small Grants

The final Grants Manual and associated documents were submitted by Individual Consultant. MCA-Malawi will soon be calling for proposals from interested NGOs, CSOs, FBOs and other institutions to bid for the grants to implement ENRM project activities identified by LTS.

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Project Updates

Prior to the pegging exercise by the Infrastructure Development Project team, ENRM Directorate in collaboration with Communications and Outreach, the Social and Gender Assessment Directorates and ESCOM, commenced on outreach activities. The objective was to sensitize communities on upcoming resettlement and grievance management exercise. The meetings targeted possible project affected persons and community leaders.

4. Monitoring and Evaluation

Funds Allocated: US\$ 7million

To assess progress being made toward the achievement of objectives and results, the variances between targets and actual achievement during implementation.

Progress

Continued to update the Indicator Tracking Table for the period ending March 2014. This was submitted to MCC.

Social Impact Evaluator

Social Impact Consultants from US were hired as MCA-Malawi Impact Evaluator to evaluate Compact Projects. The draft evaluation design report for IDP and PSRP was developed and approved by MCC and MCA-Malawi.

Semi Annual Review

The MEED provided technical support to the PSRP Directorate during the Semi

Annual Review Process between April and May 2014.

5. Social and Gender

Assessment

Funds Allocated: US\$ 3million

Progress

Social and Gender Assessment Training.

Key activities that have been implemented between April and June 2014 include organizing and conducting the second MCA-Malawi staff social and gender training workshop, the first of which took place in March 2014.



ESCOM's land surveyor explaining a point to chiefs at Tukyuu in Mzimba during a sensitization meeting

Social and Gender Assessment Officer

The directorate recruited a Social and Gender Assessment Officer who started work on 5th May 2014.

6. Communication and Outreach

Outreach

As a supporting function, the Communications and Outreach department carried out a number of outreach meetings focusing on Compact sensitization.

The department finalised drafting the stakeholder engagement plan for implementation in the fourth quarter.

In June, the department conducted its first outreach meetings in communities to be affected by the project meeting

with chiefs and possible PAPs. The sensitization messages focused on the Compact and upcoming angle point and pegging the right of way along the 400Kv and 132Kv line route

7. Program Administration

Funds Allocated: US\$ 33million

Staff Recruitment

Within this quarter of implementation, MCA-Malawi has to date hired 42 staff with a ratio of 15 women to 26 men.

Position	Women	Men
Executive	1	1
Directors	3	6
Managers	0	3
Specialist	0	3
Officers	5	8
Support	6	5
Totals	15	26

MCA-Malawi Management Information Systems

On June 9, 2014, MCA-Malawi went live adopting the new Management Information Systems (MIS) in conducting its business. Teams from MCA-Malawi, Fiscal and Procurement Agency, CARDNO, underwent training on how to use the MIS system for procurement of goods and services and contract management.



MCA-Malawi, CARDNO and Sita Teams at the end of MIS training in Lilongwe.



A cross section of participants to the first SAR Forum in Lilongwe

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