



MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA



www.mcc.gov

MCC and Malawi: Creating Opportunities for Growth

Malawi's \$350.7 million Millennium Challenge Corporation (MCC) compact is a single-sector program designed to increase incomes by revitalizing Malawi's power sector and is expected to benefit over five million Malawians.

Power Sector Revitalization Project

The compact's Power Sector Revitalization Project seeks to reduce poverty by improving the availability, reliability and quality of the power supply. The project is designed to increase the capacity and stability of the national electricity grid and bolster the efficiency and sustainability of hydropower generation. Project activities will support an enabling environment for future expansion by strengthening sector institutions and enhancing sector regulation and governance.

As a result of these activities, the compact intends to reduce energy costs to enterprises and households and improve productivity in the agriculture, manufacturing and services sectors.

The Power Sector Revitalization Project is comprised of two activities, the Infrastructure Development Activity and the Power Sector Reform Activity.

Infrastructure Development Activity

The Infrastructure Development Activity focuses on the most urgent rehabilitation, upgrade and modernization needs of the power system. The activity will preserve and stabilize existing generation capacity, improve capacity of the transmission and distribution network and increase the efficiency and sustainability of hydropower generation.

The Government of Malawi will commit to investing in additional generation capacity by completing the construction of new hydropower generation. The Infrastructure Development Activity also includes a sub-activity addressing environmental and social factors that negatively impact Malawi's hydropower plants.

Power Sector Reform Activity

The Power Sector Reform Activity complements the Infrastructure Development Activity by providing support for the Government of Malawi's policy reform agenda and by building capacity in critical sector institutions. The activity will build capacity and provide technical assistance to the Electricity Supply Corporation of Malawi (ESCOM), the Malawi Energy Regulatory Authority, the Ministry of Energy and Mining, and the Ministry of the Environment and Climate Change Management.

Expected Results

MCC expects the compact to result in the following benefits:

- ★ An estimated five million Malawians will benefit from the time the compact enters into force through 20 years after the compact term concludes through reduced domestic and enterprise energy costs, increased profits and increased employment income; and¹
- ★ An estimated present value of \$2 billion in income benefits to Malawi over 25 years.

These estimated income benefits do not include the full value of improvements to the delivery of health and education services resulting from the increased power supply, and these gains are likely to be important both economically and socially. All projected results depend upon complementary investments in generation capacity, as well as the successful implementation of infrastructure investments, sustained turnaround of ESCOM and realization of power sector reforms.

Implementation Timeline

The MCC Board of Directors concurred with the Chief Executive Officer's recommendation to reinstate the Malawi Compact in June 2012, after an eight-month operational hold and an ensuing three-month suspension put in place as a result of a pattern of actions by the Government of Malawi that was inconsistent with MCC's eligibility criteria. Immediate steps following reinstatement include a thorough reassessment of the scope and cost of the compact project.

The Government of Malawi and MCC are committed to working together to begin implementation in a careful and timely manner so that the compact is well-positioned to achieve its objectives of improving the power system infrastructure, strengthening power sector institutions and reducing poverty.

For More Information

Please visit www.mcc.gov/malawi.

¹ Malawi's current population is estimated at 13.6 million, and is projected to be 24 million 20 years after the compact term expires.