

THE MILLENNIUM CHALLENGE ACCOUNT – MALAWI (MCA-M)

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1. INTRODUCTION

The Millennium Challenge Account – Malawi (MCA) is the Government entity that has been mandated to undertake and implement activities that will enable Malawi to access resources from the Millennium Challenge Corporation (MCC), a US government foreign aid agency.

Malawi qualified for Compact Development in December 2007 and the MCA-M was established in March 2008. In the period May – June 2008, the MCA-M, in collaboration with other development partners such as the World Bank, ADB, DfID and others, conducted a growth diagnostics study, with a view to identifying the major binding constraints to growth and poverty reduction.

The draft report of the Constraints Analysis was presented to stakeholders across the country June –August 2008, and the first phase of the stakeholder consultation process culminated in a National Forum that was held on September 10 at the Sunbird Capital Hotel in Lilongwe.

The Constraints Analysis, combined with the stakeholder consultations and input resulted in the identification of the following as the major constraints to economic growth in the country:

- a) Access to reliable supply and quality of power
- b) Inefficient international and domestic transport corridors
- c) Water and Irrigation
- d) Human Capital – the lack of skills required by industry and the private sector.

Since September 2008, the MCA-M Core Team, working with sector-specific stakeholders, has been conducting detailed analysis of these sectors in order to scope projects that could benefit from investment from the MCC in the Compact.

2. DRAFT PROJECTS

The MCA-M Core Team and various stakeholders have scoped the following projects for investment by the MCC:

- a) Energy
 - a. Generation
 - i. Rehabilitation and modernization of existing plants at Nkula A & B
 - ii. Procurement of equipment for siltation and weed management
 - iii. Development of a Master Plan for the Energy Sector which will determine the possible sites for power generation and develop feasibility studies
 - b. Transmission
 - i. Strengthening of the existing transmission network to deal with existing demand and improve reliability and quality of supply
 - ii. Expansion of the transmission network to handle future generation capacity and demand
 - c. Distribution

- i. Strengthening of the existing distribution network to deal with existing demand
 - ii. Expansion of the distribution network to handle future capacity and demand
 - d. Rural electrification
 - i. Exploration and development of rural electrification capacity using off-grid solutions and renewable energy
 - e. Capacity building for MERA, ESCOM and the Department of Energy

b) Transport

- a. Roads
 - i. Construction of rural feeder roads in areas of high economic productivity potential
- b. Rail
 - i. Rehabilitation of existing rail network
- c. Capacity Building
 - i. To increase maintenance capacity
 - ii. To improve asset management capacity
 - iii. Establishment of a regulatory framework

c) Natural Resource Management

The Team is also working to design a project component that will provide support to these sectors in addressing issues related to Natural Resource management.

d) Governance

Over the past nine months, the MCA-M team has engaged stakeholders in discussions about the process, soliciting their feedback on the findings of the Constraints Analysis. A key issue that was raised by almost all stakeholder groups was that of corruption – that the high levels of corruption in Malawi need to be tackled more aggressively and that the ACB needs to be strengthened. In addition, stakeholders noted that corruption has a negative impact on private sector investment and therefore if Malawi is to attract substantial investment that will impact economic growth and reduce poverty, resources must be spent on the fight against corruption.

The project is still being finalised, but issues to be addressed include the following:

- A) Strengthening of public financial and economic management within the Ministry of Finance
- B) Support to the Anti-Corruption Bureau
- C) Strengthening of the fiscal oversight capacity of the National Assembly, with particular emphasis on the fiscal committees – Budget and finance, and the Public Accounts Committee
- D) Supporting the RBM with the sovereign credit rating for Malawi

3) NEXT STEPS

The second stakeholders Forum has provided the MCA-M team with constructive feedback and comments that will be incorporated into the Concept papers. As part of the refinement of the Papers, the team will continue to work with stakeholders and submit the finalised Concept papers to the Government of Malawi for approval. Once the government has approved the papers, they will be formally submitted to the MCC for consideration.

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