



Millennium Challenge Account
Malawi



Presentation to the VP on: MCC Energy Project

May 19, 2010
Ryalls Hotel, Blantyre



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MCC Energy Project

Objectives:

- ❖ *Improve availability of reliable and quality power*
- ❖ *Increase access to electricity to un-served customers in urban and rural areas*
- ❖ *Improve and effectively manage the power sector for improved service delivery*



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1. Improve availability of reliable and quality power

- Rehabilitate Nkula A & B power stations.
- Improve weed and silt management at all hydro-power plants.
- Upgrade and modernize the transmission system
- Upgrade and rehabilitate the distribution network in the South, Centre and North of Malawi.
- Improve Natural Resource Management (NRM) in selected catchment areas of the Shire river to minimize weed infestation & siltation at downstream power plants.



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2. Increase access to electricity to un-served customers

- Extend the grid to peri-urban areas.
- Develop and implement an off-grid Public Private Partnership (PPP) renewable energy rural electrification project.



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3. Improve and effectively manage the power sector for better service delivery

- Strengthen institutional capacity and governance of ESCOM
- Strengthen oversight and advisory capacity of Ministry of Natural Resources, Energy & Environment (MNREE)-DoE.
- Strengthen regulatory capacity of Malawi Energy Regulatory Authority (MERA)



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Strengthening Institutional Capacity of ESCOM

Review of ESCOM's

- Corporate governance and organizational structure
- Financial & procurement capacity, policies, and procedures
- Management and operational policies and procedures
- Current Legal instruments

Recommending

- needed Reforms
- possible Restructuring



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Oversight and advisory capacity of MNREE

- Review and update National Energy Policy
- Review and update Legal, Regulatory and Institutional arrangements in the Energy sector
- Review Energy laws & recommend power sector strategy in
 - ❑ Management of the Energy Fund
 - ❑ Supply and demand projections & sustainability
 - ❑ Promotion of Renewable Energy Technologies



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Strengthen regulatory capacity of MERA

- *Review & recommend Improvements in operational, management and governance practices in*
 - ✓ Monitoring & enforcement of the energy laws
 - ✓ Monitoring & enforcement of quality standards
 - ✓ Transparent & consultative tariff approval
 - ✓ Energy supply & demand sustainability



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Progress to Date

- MCC has earmarked an investment US\$300million for the Energy Project – One sector Compact for Malawi
- Project development continues for expected Compact signature in December 2010
 - Entry into Force (EIF) – 2011 with a 5 yr implementation timeline (2011-2016)
- Interdisciplinary feasibility studies have been earmarked
 - Technical Analysis
 - Legal & Institutional Analysis
 - Economic/Financial Analysis
 - Environmental & Social Assessment
 - Monitoring & Evaluation Data gathering

These will determine the reforms/projects/costs to be developed



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Progress to Date

- **Power System Feasibility studies launched-Jan 2010 comprising:**

- ***Reforms needed in Policy, Legal, Regulatory and Institutional arrangements***

- ***Technical assessment of the ESCOM network***

ICF/CORE Consultants with MCA-M, ESCOM, DoE, MERA & other stakeholders. Final Report Aug.2010

- **CAP-Scan launched Nov 2009, Final Report submitted-March 2010**

Capacity assessment of the major players in the power sector , viz: MNREE, MoF, OPC, MERA, ESCOM & MCA-M



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Progress to Date

- **CAP-Scan results priority areas**
 - ✓ *National Planning*
 - ✓ *Donor Co-ordination*
 - ✓ *Media Oversight*
 - ✓ *Investment budget linked to performance objectives*
 - ✓ *Statistics Strategy*
- **Corporate & Legal review of ESCOM launched in March 2010**
- **PPP Mini-grid feasibility kick started on April 22, 2010**
- **Financial & Management review of ESCOM commenced on May 17, 2010**
- **Launch NRM studies- end May 2010**
- **Complete Feasibility Studies-Aug 2010**



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Going forward

- **Implement recommended structural reforms in the sector**
- **Consolidate project activities and costs**
- **Finalize PPP structure**
- **Establish project management structure for project implementation**
- **Any other issues before Compact Signature**



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Thank you for the Attention

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