

# THE CHALLENGE



**MCA-MALAWI** QUARTERLY NEWSLETTER

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## Foreword

### Celebrating the reinstatement of the Compact in Malawi

Welcome to the fourth issue of The Challenge! In this issue we celebrate the reinstatement of the Malawi Compact .

In July 2011, the Millennium Challenge Corporation (MCC) placed an operational hold on the Millennium Challenge Compact due to events of July 20 and other governance issues. Further, as these issues were not addressed by the Government in a timely and substantive manner, MCC suspended the Compact on March 22, 2012.

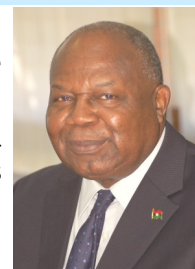
Following the swearing in of Her Excellency Mrs. Joyce Banda and concerted efforts by her Government to address MCC's concerns, the Compact was reinstated by the MCC Board on June 21, 2012.

Most Malawians welcomed the news of reinstatement with relief and it is no mean achievement that the Malawi Government has put the US\$ 350.7 Million project back on track after nearly a one year break.

Let us remember that we all have a role to play in ensuring that we comply with conditions that will ensure that Malawi remains eligible for the Millennium Challenge Compact.

**Sam Kakhobwe**

MCA-Malawi National Coordinator and Point of Contact



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### MCC CEO Visits Malawi after reinstatement of Compact



The Chief Executive Officer (CEO) of the Millennium Challenge Corporation (MCC) Daniel W. Yohannes visited Malawi on 11 July 2012. During the visit Yohannes met President Joyce Banda, Government officials and members of the civil society and private sector in Lilongwe.

In a press statement after meeting President Joyce Banda in Lilongwe, the MCC CEO Daniel W. Yohannes

*President Joyce Banda and MCC CEO Yohannes met in Lilongwe after the reinstatement of the Millennium Challenge Compact*

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## MCC CEO visits Malawi



Daniel W. Yohannes (4th from right) with officials from the US Embassy, MCA- Malawi and ESCOM at one of the Compact sites

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congratulated the President and her Government for moving swiftly to address democratic and economic governance issues to get the Compact back on track.

Yohannes, who was visiting Malawi for the first time, noted that Malawians needed to continue to take courageous steps that are necessary to deepen the country's democracy.

"A strong commitment to good democratic and economic governance is at the heart of the partnership between Malawi and the Millennium Challenge Corporation," said Yohannes.

The MCC placed an operational hold on the Compact in Malawi on July 26, 2011 after raising concerns to the Government of Malawi under President Bingu wa Mutharika's leadership.

The issues included the enactment of the injunctions law, amendments to the media bill and the provision of searches without warrants by the police.

In addition, the MCC had noted that the Government of Malawi used force on July 20, 2012, to prevent peaceful

demonstrations.

There were also reports of violence targeting individuals based on their political or social affiliations and arrests of non-political actors.

These reports and events had called into question the Government of Malawi's commitment to good governance principles as captured by MCC's scorecard- a yardstick that is used to measure a country for Compact eligibility.

President Joyce Banda has since addressed the concerns and reversed the laws she took over from President Bingu wa Mutharika who died suddenly in April, 2012.

MCC CEO Daniel W. Yohannes pointed out that the project is critical for the turnaround of the energy sector but is not easy and it would take time for its impact to be felt.

"The project is ambitious and

complex. And it will take several years for the MCC- funded investment to be felt by people as new infrastructure is designed, procured and constructed across the country," said Yohannes.

The Power Sector Revitalization Project (PSRP) will focus on reducing power outages and technical losses, enhancing the sustainability and efficiency of hydropower generation and improving services to electricity consumers.

Preparations are now underway to ensure that all pre-conditions and requirements are met before Compact implementation starts.

### Compact Facts

- *Malawi became eligible for the Compact programme in December 2007*
- *The MCC Board of Directors approved a US\$ 350.7 million compact for Malawi on January 5, 2011*
- *Malawi signed the US\$ 350.7 Million Compact with MCC on April 7, 2011*
- *MCC placed an operational hold on the Millennium Challenge Compact on July 26, 2011*
- *MCC formally suspended the Compact on March 23, 2012*
- *MCC Board voted to reinstate Compact on June 21, 2012*

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## Civil Society pledges to ensure that Malawians benefit from the Millennium Challenge Compact

Civil society organizations have said they will work with Government to ensure that the Millennium Challenge Compact is implemented and that the US \$350.7 million grant is disbursed for the benefit of Malawians.

Representatives of the civil society were speaking during stakeholder consultation meetings in Lilongwe and Blantyre, organized by the Millennium Challenge Account Malawi.

“We thank the American government for reinstating this Compact,” said the Programme’s Manager for Centre for Human Rights and Rehabilitation (CHRR), Timothy Mtambo.

Mtambo further said he believed that Malawi as a democratic country must abide by principles of good governance.

“We are going to make sure that we work with government as partners in development and give constructive criticism and guidance when they step on principles of human rights and governance to make sure that we safeguard this Compact, which we believe will go a long way in improving the lives of Malawians,” said Mtambo.

A religious leader from the Seventh Day Adventist Church, Dennis Matekenya said issues of human rights and governance need to be checked for Malawians to benefit from the Compact.



A cross section of civil society members that attended stakeholder consultations in Blantyre

Matekenya said the civil society needs to act as a bridge between government and its citizens.

“Sometimes those that are in government leadership may not have information on what is happening on the ground and this may cause the suspension of the Compact,” said Matekenya.

The US\$350.7 million grant from the MCC is expected to benefit nearly six million people in Malawi after twenty years when the five year programme is implemented.

The benefits will be through reduced domestic and enterprise energy costs, increased employment income and profits.

### Requirements for Continuation of Compact Programme

- *GOM's commitment to ruling justly, economic freedom and investing in people*
- *Improved ESCOM financial and procurement management*
- *Implementation of energy reforms including cost reflective tariffs and the creation of an enabling environment for private sector participation*



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## Pre-Entry Into Force Activities

*These are activities that are being undertaken now by the MCC and the Government of Malawi through the MCA Malawi before the Compact funds start flowing. These activities will set the foundation for the implementation of the Millennium Challenge Compact.*

- Legal establishment of the Millennium Challenge Account – Malawi (MCA-M) as a trust : The trust will govern the MCA-M accountable entity that will be responsible for implementing the Millennium Challenge Compact.
- Signing of Procurement and Fiscal Agents Agreements: the Procurement Agent (PA) will play the key role in procurement oversight while the Fiscal Agent (FA) plays the key role in funds control during Compact implementation.
- Signing the Programme Implementation Agreement (PIA) : The agreement will set out implementation procedures under the Compact including tax mechanisms
- Refining Compact activities and finalizing the Monitoring and Evaluation (M&E) plan, the Environmental and Natural Resources Management (ENRM) component and Social and Gender Integration plans.
- Conducting a Rapid Due Diligence to establish the scope and cost of the investment to account for lost time: Costs of investments will be evaluated to account for changes during the operational hold and suspension of Compact.
- Selecting a local bank : A local bank will be competitively selected.

## Power Sector Revitalisation Project-Components and Allocations

### Infrastructure Development Activity—US\$283 million

This component includes :

- Refurbishment of Nkula A hydro-power plant
- Upgrading of transmission lines from Nkula B to Lilongwe(132 kV to 220kV) and Chintcheche to Bwengu (33kV & 66 kV lines to a 132kV line)
- Environment and Natural Resource Management (ENRM) sub-activity which includes mitigation of weeds and sedimentation through biological and mechanical measures

### The Power Sector Reform Activity -US\$25.7 million

This includes :

- ESCOM Turnaround sub-activity (finances, corporate governance & operations)
- Regulatory strengthening sub-activity (tariff reform, MERA capacity building, enabling environment for Public and Private Sector Investment)
- Power Sector Reform Agenda-Semi Annual Review (includes supervision of specific milestones on ESCOM finances, operations ,corporate governance and MERA governance and enabling environment for public and private sector participation

### Monitoring and Evaluation (M& E) & Cross cutting Issues—US\$9 million

- Gender integration
- Monitoring and evaluation

### Programme Administration - US\$33 million

- MCA Malawi administration
- Financial management and procurement controls
- Financial audits

# THE CHALLENGE

## The gender face of charcoal making business



Women selling charcoal in Balaka district

"Tandigulani ine! Tandigulani ine!" (Please buy from me! Please buy from me!) .This is the chorus of two women that greets us, when we alight from the car on our way to Lilongwe from Blantyre on the Zalewa road.

It is Balaka district and we have passed by more than twelve major charcoal selling points on the road from Blantyre, where bags of the commodity are lined up for sale.

On this particular selling point, we are attracted by the presence of two women and some children because charcoal selling in Malawi is men's business.

What has prompted these women to come out of their homes and participate in the male dominated business ?

"There is nothing else for us to do. If we had organizations where we could work, we would not be here," says one of the women.

And it is not only the selling that the women are participating in, they also

accompany their husbands in the bush together with their children in search of trees and other materials to help in the charcoal making process.

"We travel long distances with babies on our backs to the fields, where we help our husbands carry the wood after they cut the trees for charcoal making", said the other woman.

And it is not only the women who help in the charcoal making process , the division of labour goes down to the children who help with the cutting of grass that is used to start the fire to burn the wood into charcoal.

**"We travel long distances with babies on our backs to the fields, where we help our husbands carry the wood after they cut the trees for charcoal making."**

When the wood is processed into charcoal, they pack it in bags and walk long distances again to the side of the M1 road where customers buy their produce.

On the selling points husband and wife work in shifts; the woman may sell in the morning and be relieved by husband in the afternoon.

All this is done to ensure that there is not much pressure on the husband in generating income for the family .

One is only left to guess how much more the women contribute by doing their normal household chores which are expected to be done by them when they go back home, after contributing to the generation of income of the family through the charcoal making process and selling.

One of the activities which falls under the Environment and Natural Resources Management (ENRM) sub-activity in the Millennium Challenge Compact, is the development and implementation of an Environmental and Natural Resources Management Action Plan (ENRMAP).

The action plan enables an improved understanding of the environmental, social (including gender) and economic factors that cause weed infestation and sedimentation in the Shire river where Malawi generates most of its electricity.

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## What are people saying about the Millennium Challenge Compact ?

*The MCA Malawi sought views from civil society, private sector and academia on the Millennium Challenge Compact in Malawi.*

**“We** thank the American government for reinstating this Compact .”

**“We** feel Malawi will definitely benefit from the compact because currently it’s (electricity) a major challenge. If we improve the backbone of the whole system by improving transmission and distribution, I am sure we will have

Some independent producers.”

**“We** rely on electronic transactions and we expect reliable power to improve our processing as we are now mostly relying on a backup generator... The Compact is a good development on our part.”

**“If** this project takes off, Malawians will benefit from employment because Malawians will be employed on the ground and our economy will be improved.”

**“If** you can encourage private investment in the country through this compact, it certainly would improve things..., but at the moment we need a definitive Independent Power Producers scenario in order to attract investment in the power sector.”

**“We** are going to see benefits of the restructuring of the energy sector because of the support to ESCOM which is our major supplier of power.”

**“I** believe the Compact will help Malawi move from a consuming and importing country to a producing and exporting country.”

**“Most** of the activities under the compact are beneficial and also well aligned in terms of achieving benchmarks like the Malawi Growth and development Strategy (MGDS) and the Millennium Development Goals (MDGs) and other pertinent benchmarks that are there for national development so the compact is good and it has to be fully utilized by Malawians.”



*Project focus areas include upgrading the transmission “backbone” of Malawi’s power system*

**“We** are not able to add value to our produce because we are not providing the infrastructure and the utility company can’t even provide that. Let us get the distribution of electricity done using the compact .”

**“Any** stoppages due to load shedding and insufficient power mean we can’t fulfill our exports to international markets which means foreign exchange won’t come back to Malawi and the Government of Malawi won’t be able to fulfill its obligations to the country. The Compact to be implemented in five years is going to be beneficial to Malawi because industry needs more power.”



*Mitigation of impact of weeds and sediments on the Shire River will also be done to decrease electricity outages*