



MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

QUARTERLY STATUS REPORT



Malawi Compact

AS OF SEPTEMBER 2014

COMPACT GOAL

The Compact aims to revitalize Malawi's power sector by upgrading electricity infrastructure and improving the performance of key institutions responsible for the electrical power sector. The program is intended to reduce outages and system losses, improve efficiency of hydropower generation, improve service delivery to electricity consumers, and create an enabling environment for private sector investment and expansion of electrification. The Compact is expected to reduce energy costs to enterprises and households and enhance productivity and employment opportunities in key economic sectors.



COMPACT AT A GLANCE

Compact Signed	04-07-2011
Entry Into Force	09-20-2013
Compact End Date	09-20-2018
Compact Total	\$350,700,000
Amount Committed	\$28,519,650
Amount Expended	\$15,277,561
Estimated Program Beneficiaries	982,729
Estimated Increase in Household Income	\$567,200,000

% OF TOTAL COMPACT BUDGET (USD MILLIONS)

73%	Infrastructure Development Project	\$255.6
7%	Power Sector Reform Project	\$25.5
8%	Environmental and Natural Resource Management Project	\$28.0
10%	Program Administration	\$34.5
2%	Monitoring and Evaluation	\$6.9

■ Project Preparation ■ Project Implementation

Infrastructure Development Project	PROJECT COST	TOTAL CONTRACT COMMITMENTS	TOTAL PROJECT EXPENDITURES ¹																																				
	\$255,648,800	\$7,977,991	\$3,995,643																																				
<p>This project will improve the availability, reliability, and quality of the power supply by increasing the throughput capacity and stability of the national electricity grid and increasing efficiency of hydropower generation through investments in infrastructure development.</p> <p>Projected Long-Term Results (Up to 20 years)</p> <table border="0"> <tr> <td style="text-align: right;">ESTIMATED BENEFICIARIES</td> <td style="text-align: right;">ESTIMATED INCREASE IN HOUSEHOLD INCOME</td> </tr> <tr> <td style="text-align: right;">983,000</td> <td style="text-align: right;">\$567,200,000</td> </tr> <tr> <td></td> <td style="text-align: right;">Estimated Increase in Household Income and Beneficiaries is inclusive of all Projects</td> </tr> </table>	ESTIMATED BENEFICIARIES	ESTIMATED INCREASE IN HOUSEHOLD INCOME	983,000	\$567,200,000		Estimated Increase in Household Income and Beneficiaries is inclusive of all Projects	<table border="0"> <tr> <td></td> <td>YEAR 1</td> <td>YEAR 2</td> <td>YEAR 3</td> <td>YEAR 4</td> <td>YEAR 5</td> </tr> <tr> <td>Hydropower Plant Infrastructure</td> <td colspan="2" style="background-color: #c00000;"></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Transmission Network Upgrade</td> <td colspan="2" style="background-color: #c00000;"></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Distribution Rehab & Extension</td> <td colspan="2" style="background-color: #c00000;"></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td colspan="5" style="text-align: center;">PRESENT</td> </tr> </table>				YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	Hydropower Plant Infrastructure						Transmission Network Upgrade						Distribution Rehab & Extension							PRESENT				
ESTIMATED BENEFICIARIES	ESTIMATED INCREASE IN HOUSEHOLD INCOME																																						
983,000	\$567,200,000																																						
	Estimated Increase in Household Income and Beneficiaries is inclusive of all Projects																																						
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5																																		
Hydropower Plant Infrastructure																																							
Transmission Network Upgrade																																							
Distribution Rehab & Extension																																							
	PRESENT																																						
	<p>PROJECTED RESULTS BY END OF COMPACT</p> <p>Increase the quantity of electricity consumed to 2.1 million MWh; reduce outages and load shedding; reduce system losses to 19.8%; improve electricity quality; increase substation MVA capacity by 734 MVA; increase plant availability and MW capacity.</p>	<p>PROGRESS TO DATE</p> <p>Consulting Engineer in charge of design and supervision nearing completion of design work for all infrastructure works. Procurement launched for pre-qualified bidders for the rehabilitation of Nkula A Hydropower Plant with projected award in Spring 2015; launch of tenders for other works will begin in early-2015. Resettlement consultant mobilized and synching work plan with infrastructure program.</p>	<p>PROJECT ACHIEVEMENTS</p>																																				

Power Sector Reform Project	PROJECT COST	TOTAL CONTRACT COMMITMENTS	TOTAL PROJECT EXPENDITURES [†]					
	\$25,553,400	\$8,307,841	\$2,136,929					
<p>This project will create an enabling environment for future expansion of the power sector by strengthening sector institutions and enhancing regulation and governance of the sector by rebuilding ESCOM into a financially strong, well-managed utility and developing a regulatory environment that supports public and private investment in generation capacity and expanded access.</p> <p>Projected Long-Term Results (Up to 20 years)</p> <table border="1"> <thead> <tr> <th>ESTIMATED BENEFICIARIES</th> <th>ESTIMATED INCREASE IN HOUSEHOLD INCOME</th> </tr> </thead> <tbody> <tr> <td>-</td> <td>-</td> </tr> </tbody> </table>	ESTIMATED BENEFICIARIES	ESTIMATED INCREASE IN HOUSEHOLD INCOME	-	-				
	ESTIMATED BENEFICIARIES	ESTIMATED INCREASE IN HOUSEHOLD INCOME						
-	-							
<p>PROJECTED RESULTS BY END OF COMPACT</p> <p>Enable ESCOM, Malawi's electricity utility, to achieve full cost recovery and improved creditworthiness, including financial/operational performance to meet regulatory key performance indicators, complemented by a strong, independent regulatory environment and tariff framework that enables private investment.</p>	<p>PROGRESS TO DATE</p> <p>Support to ESCOM to develop Financial Plan/Model and improve accounting. Advisor to Ministry of Energy providing guidance on 4-year energy plan. Assistance to ESCOM and regulator on tariff development and analysis. Pre-qualification underway for ESCOM Management Information System. ESCOM organizational review and procurement advisory underway. Contracts signed for ESCOM financial/operational capacity building and power market restructuring.</p>	<p>PROJECT ACHIEVEMENTS</p>						

Environmental and Natural Resource Management Project	PROJECT COST	TOTAL CONTRACT COMMITMENTS	TOTAL PROJECT EXPENDITURES [†]					
	\$28,026,000	\$1,479,562	\$985,153					
<p>This project will mitigate the growing problems of aquatic weed infestation and excessive sedimentation in the Shire River Basin to reduce the costly disruptions to Malawi's hydropower generation by investing in weed and sediment management, and implementing better environmental and natural resource management in upstream areas.</p> <p>Projected Long-Term Results (Up to 20 years)</p> <table border="1"> <thead> <tr> <th>ESTIMATED BENEFICIARIES</th> <th>ESTIMATED INCREASE IN HOUSEHOLD INCOME</th> </tr> </thead> <tbody> <tr> <td>-</td> <td>-</td> </tr> </tbody> </table>	ESTIMATED BENEFICIARIES	ESTIMATED INCREASE IN HOUSEHOLD INCOME	-	-				
	ESTIMATED BENEFICIARIES	ESTIMATED INCREASE IN HOUSEHOLD INCOME						
-	-							
<p>PROJECTED RESULTS BY END OF COMPACT</p> <p>Contribute to fewer outages at hydropower plants by reducing weed infestation and siltation in the Shire River Basin through improved land management practices in targeted catchments, with a focus on conservation agriculture, reforestation and soil stabilization activities.</p>	<p>PROGRESS TO DATE</p> <p>Baseline study completed to guide interventions to reduce soil erosion and related downstream power outages in Middle Shire River Basin with Compact small grants facility to fund activities expected to launch in early-2015. Consultant assessing feasibility of establishing trust to fund similar activities post-Compact. Compact Consulting Engineer continues to develop designs for weed and sediment management equipment for ESCOM.</p>	<p>PROJECT ACHIEVEMENTS</p>						

The Malawi Compact was rescoped in July 2013 from its original program to account for cost increases due to inflation resulting from delays caused by the Compact's operational hold and suspension and to respond to requests for new infrastructure sub-projects from the Government of Malawi. In addition, at that time MCC revised the Compact structure to improve fiscal control and results monitoring and reporting by elevating two Compact Activities and one Sub-Activity to the Project level.

[†]Expenditures are the sum of cash outlays and quarterly accruals for work completed but not yet paid or invoiced.