



BUILDING BACK, BETTER

THE CASE OF MCC's TWO COMPACTS FOR MALAWI

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Overview

- **Building Back, Better - Setting the Scene**
- **Introducing MCC and MCA Malawi**
- **Compact I Programme**
 - Infrastructure Development Project
 - Environmental and Natural Resources Project
 - Power Sector Reforms
- **Compact II Programme**
 - Accelerated Growth Corridors Project
 - Increased Land Productivity Project
 - American Catalyst Facility for Development (ACFD)
- **Common Threads**



Building Back, Better - Providing a Perspective

FACT - Extreme Weather events are now common place:





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Building Back, Better - Bottomline



- Malawi has been experiencing increased ***frequency, intensity, and magnitude*** of extreme weather events.
- Since 1980, more than ***50 disasters associated with extreme weather events***, (storms, floods, and landslides; etc) have been reported in Malawi.
- Besides loss of life, these frequent disasters ***impose large costs for repairs and rebuilding***, diverting scarce resources from other development needs.
- Thereby ***exacerbating*** Malawi's biting poverty.



The Case of MCC's Two Compact Programmes



Introducing MCC

- **Who is MCC:** Millennium Challenge Corporation; creation of the US Congress.
- **MCC partners:** MCC partners up with the world's poorest countries that are committed to *just and democratic governance, economic freedom and investing in their populations.*
- **Competitive Selection:** MCC's Board examines a country's performance on **20 independent policy indicators** and selects countries based on performance.
- **Country-led solutions:** Selected countries identify their priorities for achieving sustainable economic growth and poverty reduction.



Introducing MCA Malawi I & II



- **Who is MCA:** MCA - Malawi's remit is to act as the Government's primary agent to:
 - ✓ *Implement* a Compact; and
 - ✓ *Perform* the Government's obligation to oversee, manage and implement the Program.

- **Country-led solutions:** Selected countries *identify their priorities* for achieving sustainable economic growth and poverty reduction.
 - ✓ Constraints Analysis Panel
 - ✓ Board of Trustees
 - ✓ Stakeholder Engagement Committee
 - ✓ MCA - Malawi



Compact I Programme

- MCC partnered up with the Government to implement a \$350.7 million energy-focused Compact in September 2013.
- Areas of investments included:
 - ✓ ***Nkula 'A' Upgrade*** - Refurbished Nkula A, Capacity increased from 24 to 36 MW
 - ✓ ***Transmission & Distribution Infrastructure*** - Built **173 km** of 400kV transmission lines, **367km** of distribution lines and built or upgraded 26 substations
 - ✓ ***Power Sector Reforms*** - Leading to Malawi's first competitively procured **PPA**
 - ✓ ***Strengthened Environmental & Natural Resource Management*** - Purchased a Dredger, Weed Harvesters & Provided Grants to NGOs



By Compact End Date 18.09.2018

- MCA Malawi had successfully implemented all the projects.
- Utilised 99.22% of the US\$350.7million
- Applied surplus resources towards new activities e.g. Spare Transformers



New Programme

- In December 2018, MCC's Board of Directors selected Malawi to develop a second compact.

- 2019-2022 - MCC and the Government together:
 - ✓ identified the country's key constraints to economic growth
 - ✓ developed projects, evaluated them
 - ✓ negotiated the second Compact in June 2022
 - ✓ Signed the second Compact in September 2022

- 2022 - To date - Fulfilment of Conditions Precedent

- 2024 - Entry Into Force



Compact II Programme

- \$350 million compact comprises *three projects*:
 - ✓ The *AGC Project* aims to reduce the barriers between farm and the market by improving road conditions, encouraging a more transparent and competitive business environment for transporters.
 - ✓ The *Increased Land Productivity Project* will support improved land services, better functioning land markets, and increased investment in land.
 - ✓ The objective of the ACFD Project is to facilitate DFC investment in Malawi in an effort to catalyze increased private investment consistent with compact objectives and increase the scale and impact of the compact.



Compact II Programme

This presentation *focuses* on the *AGC Project*



Corridor 10 Chamtulo - Mkutumula





Corridor 5 Mkanda - Linga





Corridor 15 Chikwawa - Euthini:





Corridor 9A Chileka - Likuni





Impact of Climate Change

- Climate change is a defining issue of our time.
- In our context, whether it is concrete, asphalt or gravel, when a road fails, inadequate drainage is often the cause.
- Too much water remaining on the surface, base and subgrade combine with traffic action to cause potholes, cracks, and pavement failure.
- Climate change is inextricably tied to poverty and economic growth, and we must ***invest now to counter its dire consequences***. As we rise to meet the existential threat of climate change, we must be ***bold and leverage innovative solutions***.



Some thoughts to share...



1. Stakeholder Engagement

- In the identification of the Project Activities:
 - ✓ GoM and MCC at the Compact level
 - ✓ Local Government level
 - ✓ At the Partner Institution level
 - ✓ At the PAP and other Stakeholder level

- This ensures that there is:
 - ✓ Buy-in by the respective Stakeholders;
 - ✓ In turn, this results in the sustainability of the investment as there is regular maintenance



2. Capacity Challenges - Investing in & Embracing New Technologies

e.g. Dumpy Level vs Drone Surveys

e.g. Materials Testing Equipment - Challenges





3. Quality of Professional Experts available to the Client



MCA - Malawi is serviced by Several Consultants:

- Design Consultants
- Supervision Engineers
- Independent Engineers (MCC)
- RAP Consultants
- ESP Consultants

- Plus MCC and MCA own Experts

- All have a role to play. All need to play their respective roles with utmost integrity.

- Ethics is important



4. Compacts are for a Fixed Period

- By Statute, the Recipient Country must use or lose the grant in **Five Years**. *No Cost Extensions!*
- This focuses everyone's attention or ought to.
- Time ought to be of the Essence - *Procrastination is the thief of time.*



5. Transparency & Accountability

- MCA - Malawi has Service Providers:
 - ✓ *Fiscal Agents*
 - ✓ *Procurement Agents*
 - ✓ *Independent Engineers*

- Resources ***not properly*** applied must be ***returned*** to the MCC.

- ***Lesson*** - Acknowledging that huge amounts of resources are lost in many projects in Malawi. ***If only we could tighten this, the country would be the much better off!***



4. Summing up - MCC VALUES

CLEAR

- Collaboration.
- Learn.
- Excellence.
- Accountable.
- Respect Individuals and Ideas.



THANK YOU