

 Early Warning System

IFC-43723

OCL Malawi



Quick Facts

Countries	Malawi
Financial Institutions	International Finance Corporation (IFC)
Status	Proposed
Bank Risk Rating	B
Voting Date	2021-02-10
Borrower	OPEN CONNECT LIMITED
Sectors	Communications
Investment Type(s)	Loan
Investment Amount (USD)	\$ 10.00 million
Project Cost (USD)	\$ 27.40 million



Project Description

According to bank provided information, Open Connect Limited (“OCL” or the “Company”) is the leading provider of carrier services to telecom operators in Malawi. Having recently been unbundled from Malawi Telecommunications Limited (“MTL”) and privatized through a competitive tender process, OCL now requires debt funding to complement equity investments from its new investors, for its capital expenditure program for the next two years. Specifically, IFC’s funding will be used to (i) deploy fiber for providing fiber to the Business, Home and Tower (“FTTx”) services within Malawi, (ii) build a Tier III data centre, (iii) acquire international internet capacity for domestic distribution, and (iv) fund working capital.

To support the planned growth, IFC intends to provide (i) an A Loan of up to US\$10 million equivalent in local currency (Kwacha); and (ii) an IDA-PSW Blended Finance Subordinated Loan of up to US\$10 million. The IFC investment will be used to (i) build the FTTX business to initially service approximately 13,000 homes and 7,000 businesses in targeted clusters in Blantyre, Lilongwe, Mzuzu and Zomba cities; (ii) build a 100 rack Tier III data center in Lilongwe, and (iii) fund working capital and reserve accounts (the “Project”). The projects of the data center and the deployment of the cables for FTTX are in their initial stages and no contractors have been selected.



Investment Description

- International Finance Corporation (IFC)

The Total Project Cost is expected to be c. USD 27.4 million. IFC is looking to provide an own account A Loan of up to USD 10 million in Malawian Kwacha (“MWK”). The financing package will also include support from the IDA19 IFC-MIGA Private Sector Window Local Currency Facility (“IDA-PSW LCF”) and Blended Finance Facility (“IDA-PSW BFF”). The remainder of the financing will be funded by equity.



Private Actors Description

Open Connect Limited (“OCL” or the “Company”), was established as part of the restructuring of Malawi Telecom Limited (MTL) in 2016 and privatized through a competitive bidding process. OCL is licensed by the Malawi Communications Regulatory Authority to provide physical telecommunication infrastructure used principally for, or in connection with, the provision of network and services. OCL is the leading provider of lit and dark fiber services to Mobile Network Operators (MNOs), Internet Service Providers (ISPs) and terrestrial Television (TV) broadcasters in Malawi.

Pan-African Infrastructure Development Fund II (PAIDF II), a fund managed by Harith General Partners, was the preferred bidder for the acquisition of a 60% stake as part of a competitive tender process organized by Ernst and Young. Other shareholders of OCL are the Press Corporation Limited (22%), Old Mutual Malawi (15%), the Malawian Government (2%), NICO Holdings (1%) and Investments Alliance (0.2%). Since the acquisition by PAIDF II, the Company has benefited from significant capital injection for network upgrades and fiber deployment as well as increased company efficiencies and quality of services provided by the Company.

OCL owns and operates the largest fiber network in the country, nearing 3,800 km, which covers all four regions of Malawi. Since the country is landlocked, the network connects internationally via Mozambique and Tanzania, with a direct connection to two submarine cables – SEACOM and EASSy Cable. The Company provides lit and dark fiber services to Mobile Network Operators, Internet Service Provider and terrestrial TV broadcasters in Malawi. With the new financing package, the Company intends to move facilitate the creation of wholesale services for the consumer market as well as for businesses and telecom towers requiring fiber connectivity. The Company will also run Malawi’s first independent Tier III data center in Malawi, which will be purpose-built for infrastructure sharing. Further, to reduce the cost of broadband in Malawi, the Company will acquire international wholesale capacity for distribution in Malawi.



Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	Open Connect Limited	Client	-



Contact Information

Open Connect Limited
Chukambiri Nchilamwela
Chief Technical Officer
+2651828903

chukanchilamwela@ocl.mw

Open Connect Limited, Head Office, Old Air Malawi Complex, Robins Rd, Blantyre, PO Box 31001
www.ocl.mw

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ACCOUNTABILITY MECHANISM OF IFC/MIGA

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org You can learn more about the CAO and how to file a complaint at <http://www.cao-ombudsman.org>



Bank Documents

- [Environmental & Social Review Summary](#)