Early Warning System

WB-P165704

Mpatamanga Hydropower Project

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Quick Facts

Countries	Malawi
Financial Institutions	International Finance Corporation (IFC), World Bank (WB)
Status	Proposed
Bank Risk Rating	A
Borrower	Government of Malawi
Sectors	Energy, Hydropower, Technical Cooperation
Investment Type(s)	Loan
Investment Amount (USD)	$ 350.00 million
Project Cost (USD)	$ 1,000.07 million

Project Description

According to bank documents, the project objective is to increase hydropower generation capacity through a public private partnership in Malawi.

The Mpatamanga Hydropower Project including a regulating dam (MHP-RD) involves the construction, operation and maintenance of a greenfield hydroelectric power plant with peak capacity of up to 350 MW. The project will be located around 40 km west of Blantyre on the Shire River (at the boundaries of Blantyre and Neno districts), between the existing Tedzani and Kapichira hydropower plants. The Project's main transmission line 400 kV (64 km) will cross the same districts and will connect Mpatamanga powerhouse to Phombeya Substation and to the national grid.

The project shall be designed as a public private partnership (PPP). IFC entered with the Government a Joint Development Agreement (JDA) for the development of the project. This entails IFC engaging in the development of the project in the capacity of a principal/potential investor. The JDA includes provisions setting out GOM's and IFC's respective development obligations.

In addition, the Government and IFC entered into a cooperation agreement (CA) - an interim, simpler arrangement between GOM and IFC, enabling IFC to start in the name of the Government on certain early-stage development activities before the JDA was concluded in April 2019. The overall project investment amount, financed by the Project Company, and including preparatory work, development costs, interest during construction, and contingencies is currently estimated to US$ 1.07 billion. IDA resources of US$ 350 million shall be used to fund the following components:

1. Transmission Line (US$ 25 million): The project is expected to include a 64 km 400 kV, double circuit transmission line that will connect the Mpatamanga switchyard to the Phombeya Substation. Loading of the 400-kV line from Mpatamanga to Phombeya will be 169.2 MW for each circuit at 16.4 percent for Ckt 1 and 16.8 percent for Ckt 2. Losses for the transmission will be 0.3 MW for each circuit.
2. Hydropower Plant (US$ 265 million): IDA resources shall be used to contribute to the project's capital costs, the details of which, including the form of onlending, shall be determined during project preparation. Capital costs for equipment, civil works, transmission lines, mobilization, and contingency are provided as an early estimate in the technical audit of the feasibility study. It is expected that EGENCO will own equity - funded by IDA proceeds allocated by the Government - in the project company on behalf of the Government. The Government would like to preserve its ability to be represented on the Board of the company through EGENCO, and vote on important decisions. IDA resources are expected be mobilized to cover the proposed EGENCO equity ownership in the project company.
3. Technical Assistance (US$ 10 million): EGENCO is the proposed Government entity responsible for preparing the project in partnership with IFC, and the Concessionaire. As such, a fully staffed PIU shall be formed at EGENCO to manage project preparation, the members of which will require capacity building in the supervision of complex hydropower projects. In addition, capacity building support in hydropower plant operations, and in engaging with the private sector including risk allocation, and sharing, contractual arrangements, duties and responsibilities of the public sector, and proposed financing obligations, shall be included in a comprehensive TA program.
4. Component 4: Guarantee(s) (US$ 200 million cover, US$50 million IDA allocation): In order to attract private capital required for the project, and the perceived credit risk of Malawi, the bankability of the project will likely require credit enhancement which can be provided through IDA Guarantee(s). IDA resources can be mobilized in form of Loan Guarantee(s) (US$ 110 million) which could provide support to local or international debt. An IDA Payment Guarantee (US$ 90 million), that would backstop a certain number of months of payments under the Power Purchase Agreements between ESCOM and the project company. The nature of the guarantee and coverage to be provided shall be discussed with the GoM, the private sponsors, IFC, lenders and with the proposed GoM transaction advisors during preparation

Early Warning System Project Analysis

Risk Assessment: Category A.

The World Bank classifies proposed projects based on the type, location, sensitivity, and scale of the project and the nature and severity of its potential environmental impacts. The Project has been categorized by the bank as a Category A (high risk) for environmental and social risks because it is expected to have potentially high adverse Environmental and Social (E&S) risks.

APPLICABLE SOCIAL & ENVIRONMENTAL STANDARDS

While all Performance Standards are applicable to this Project, current information indicates that the Project will have impacts which must be managed in a manner consistent with the following Performance Standards:

PS1: Assessment and Management of Environmental and Social Risks and Impacts - This performamance standard is triggered due to the size and nature of the Project and its potential to cause potentially high adverse impacts, including the need for involuntary resettlement. The project involves building a solar power plant and related infrastructure which may involve environmental and social issues that accompany such a project. The project will finance the construction of two dams for the Mpatamanga Hydropower Project (Component 2), and the required transmission lines from two powerhouses (Component 1), which will generate significant impacts and permanent changes in the current river flow of the Middle Shire river, the main outflow of Lake Malawi. In addition, the project's direct area of influence includes high value biodiversity areas (national protected areas and of international importance – a Ramsar site).

PS2: Labor and Working Conditions - This performance standard is triggered because a significant workforce will be required for the construction and operation of the project and further details on the expected number of workers and potential working conditions will be described in the final ESIA/ESMP and the ESMS.

PS3: Resource Efficiency and Pollution Prevention - This performance standard is triggered because during construction and operations, the main resource and pollution issues relate to air emissions, water consumption, pollution prevention, solid waste management, and hazardous material management.

PS4: Community Health, Safety and Security - During construction potential risks and impacts include: road accidents, contamination of water supplies, blasting effects (injures from blasted rocks; damages to houses), accidents during river crossing (including tourist boats), conflicts between communities with workers or contractors, risks to local tourists visiting the river and Majete, among others. A large influx of labor and influx of populations is expected for the project area during the construction of the MHP-RD. Therefore the risk is high for social impacts associated with the project, which might include: disease transmission and spread of HIV, potential for Gender Based Violence, Sexual Exploitation and Abuse, Child Labor and Violence Against Children. During operation some of the risks are: increased risk with river crossing, fires, flooding, dam safety issues (dam break), contamination of community water sources with construction materials, contamination of soils with construction debris, open pits and liabilities left after the construction, etc.

PS5: Land Acquisition and Involuntary Resettlement - This performance standards is triggered because the project will result in land acquisition and involuntary resettlement, which will lead to physical and economic displacement of land users, primarily comprising of subsistence farmers.

PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources - This performance standard is triggered because Malawi is a country rich in biodiversity, endemic species and unique aquatic and terrestrial ecosystems. The MHPRD influence area includes areas with natural habitats (woodlands and forested areas) for important wildlife and aquatic species and critical habitats of endangered species that are declared as protected areas (Majete Wildlife Reserve, Elephant Marsh Ramsar site).

Investment Description

- International Finance Corporation (IFC)
- World Bank (WB)

World Bank -

Internationa Finance Corporation -

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ACCESS TO INFORMATION

To submit an information request for project information, you will have to create an account to access the Access to Information request form. You can learn more about this process at: https://www.worldbank.org/en/access-to-information/request-submission

ACCOUNTABILITY MECHANISM OF WORLD BANK

The World Bank Inspection Panel is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by a World Bank-financed project. If you submit a complaint to the Inspection Panel, they may investigate to assess whether the World Bank is following its own policies and procedures for preventing harm to people or the environment. You can contact the Inspection Panel or submit a complaint by emailing ipanel@worldbank.org. You can learn more about the Inspection Panel and how to file a complaint at:
http://ewebapps.worldbank.org/apps/ip/Pages/Home.aspx

Bank Documents

- Concept Project Information Document-Integrated Safeguards Data Sheet - Mpatamanga Hydropower Projec [Original Source]
- Mpatamanga Hydropower Project, Malawi - Memo To the IFC And World Bank [Original Source]

Community Documents

- Memo to the IFC and the World Bank
- Mpatamanga Hydropower Project Community-Led Research Report [Original Source]
- Mpatamanga Hydropower Project Community-Led Research Report (Chichewa Summary) [Original Source]
- Mpatamanga Hydropower Project Infographic [Original Source]
- Mpatamanga Hydropower Project Infographic (Chichewa) [Original Source]

Campaign Documents

- CSOs Letter to the IFC and the World Bank [Original Source]

Media

- Africa Energy Portal: Malawi signs US $150m deal for Mpatamanga Hydroelectric project
- Busiweek: British International Investment To Invest Up To $200m In African Hydropower
- Malawi signs US $150m deal for Mpatamanga Hydroelectric project with IFC InfraVentures
- Mpatamanga Hydro financier identified
- Press Release: The Government of Malawi, IFC, Scatec JV and EDF Sign a Binding Agreement to Develop
- Scatec enters agreement to sell African hydropower assets to TotalEnergies
- The Nation: PPPC in talks with investors on K825bn hydro project
- Water Power Magazine: Agreements signed for Mpatamanga hydropower plant development

Other Related Projects

- IFC-40830 InfraV-Mpatamanga Hydro
- WB-P174226 Mpatamanga Hydropower Project
- WB-P099626 Energy Sector Support Project
- IFC-43014 Mpatamanga