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ANNEX 1

of the Commission Implementing Decision on the financing of the annual action plan in favour of the Republic of Malawi for 2022

Action Document for Malawi Energy Programme - Wala Malawi

ANNUAL PLAN

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and action plan in the sense of Article 23.2 of NDICI-Global Europe Regulation.

1. SYNOPSIS

1.1. Action Summary Table

1. Title CRIS/OPSYS business reference Basic Act	Malawi Energy Programme - Wala Malawi CRIS number: NDICI AFRICA/2022/043-234 OPSYS ref.: ACT-60655 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	Yes; TEI Green Growth for Malawi.
3. Zone benefiting from the action	The action shall be carried out in Malawi.
4. Programming document	Multi-annual Indicative Programme for Malawi 2021-2027
5. Link with relevant MIP(s) objectives/expected results	The action contributes to: <u>Specific Objective 3</u> : Developing economic infrastructure, and <u>Expected Result 1.3.1</u> : 'Improved access to energy for all, increased energy efficiency and renewable energy generation', and <u>Expected Result 1.3.2</u> : 'Key economic infrastructure developed or rehabilitated based on sustainability principles'.
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	MIP Priority area 1, Green and resilient economic transformation Energy Sector (230)
7. Sustainable Development Goals (SDGs)	Main SDG: <ul style="list-style-type: none"> SDG 7 (affordable and clean energy) Other significant SDGs: <ul style="list-style-type: none"> SDG 5 (Gender equality) SDG 9 (resilient infrastructure) SDG 13 (combat climate change).
8 a) DAC code(s)	231 – Energy Policy – 67 %

	232 – Energy generation, renewable resources - 33 %			
8 b) Main Delivery Channel	Central Government 12000 Donor Government 11000 Private Sector Institutions 60000			
9. Involvement of multilateral partners	No.			
10. Targets	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input type="checkbox"/> Human Rights, Democracy and Governance			
11. Markers (from DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Policy objectives	Not targeted	Significant objective	Principal objective
12. Internal markers and Tags:	Digitalisation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Tags: digital connectivity		<input type="checkbox"/>	<input type="checkbox"/>
	digital governance		<input type="checkbox"/>	<input type="checkbox"/>
	digital entrepreneurship		<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital skills/literacy		<input type="checkbox"/>	<input type="checkbox"/>

	digital services		<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Connectivity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Tags: transport		<input type="checkbox"/>	<input type="checkbox"/>
	people2people		<input type="checkbox"/>	<input type="checkbox"/>
	energy		<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital connectivity		<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Migration (methodology for tagging under development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities (methodology for marker and tagging under development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	COVID-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
13. Amounts concerned	Budget line(s) (article, item): BGUE-B2022-14.020122-C1-INTPA Total estimated cost: EUR 11 500 000 Total amount of EU budget contribution: EUR 10 500 000 This action is co-financed in joint co-financing by: Pillar assessed entity for an amount of EUR 1 000 000			
MANAGEMENT AND IMPLEMENTATION				
14. Type of financing¹	Direct management through: Grants, Twinning grants and Procurement. Indirect management with the entities to be selected in accordance with the criteria set out in section 4.4.3.			

1.2. Summary of the Action

The country's long-term development plan, Malawi 2063, sets an ambitious goal of reaching an industrialised upper middle-income status by 2063, a strategy that heavily depends on development of the energy sector. The Government of Malawi has demonstrated commitment to reforming the sector through unbundling the power utility into generation, transmission & distribution, single buyer and an energy regulator. However, with the current low level of access, weak infrastructure and limited generation capacity, the newly formed energy agencies have a challenging task ahead.

To be an enabler of economic growth, the energy sector needs to be well-managed and efficiently regulated, have a forward looking policy framework, build an increasingly diversified energy mix and facilitate a thriving and competitive private sector. The main challenges of the sector include (i) low institutional capacity to fully develop and operationalise the reform process; (ii) lack of investment threatening the reliability of the national grid system; (iii) limited participation of the private sector in developing and diversifying the energy mix; and (iv) limited market development of off-grid solutions in rural areas. While the policy and regulatory environment has been reformed and the sector largely unbundled, the most pressing need is to continue the momentum in implementing the reform process and operationalising these frameworks.

The Action aims to advance Malawi's energy sector, ensuring it is well positioned to support the modernisation and industrialisation of the Malawian economy. It will enhance governance of the Malawi energy sector by ensuring that the reform process is well developed, legal frameworks are operationalised and energy agencies are fulfilling their respective mandates with increased efficiency

¹ Art. 27 NDICI

and transparency. The action will be aligned to the Nationally Determined Contributions (NDC), in particular in facilitating investments in new and alternative renewable energy sources.

The Action will support the strategic planning process to increase energy access through improved infrastructure and increased renewable energy (RE) generation. Preparation of investment projects may be linked to blended finance in subsequent annual programmes, while new generation capacities will be supported through transparent processes that facilitate private sector investments. The emerging market for off-grid productive use will be supported through a Market Systems Development approach embracing digital financial solutions and an inclusive job market. Research and development (R&D) capacity within Malawi will also be supported.

The Action is a central component of the Team Europe Initiative (TEI) “Green Growth for Malawi”, which is under development. Overall this TEI would aim at equitable green economic growth in Malawi, focussing in particular on preservation and regeneration of the natural resource base, on the development of territorially relevant food systems and on improving the nutritional status, targeting especially girls and young women. The TEI, to achieve these objectives, would develop pillars of action of natural resource management and ecosystems preservation, value chain development, access to finance, technical and vocational training, renewable energy for productive use, homegrown school meals and nutrition interventions. This action contributes to the TEI’s pillars of action of value chain development and environmental protection and in particular achieving its result regarding clean energy supply for the agro-sector. Cooperation of Germany, Ireland, Flanders (Belgium) and the European Investment bank will also be contributing to the different components of the TEI.

2. RATIONALE

2.1. Context

Country context

Malawi ranks 174th out of 189 countries in the 2020 Human Development Index². It is one of the most densely populated countries on the continent with a high rural population and relatively low urbanisation. It has a population of 19.6 million³ of which 16 % live in urban areas and 83 % in rural areas⁴. Over 50 % of the population is younger than 18 years old and the median age is 16 for both women and men⁵. With the population expected to double by 2038⁶, the population growth rate is one of the highest in the region⁷. This is placing enormous pressure to sustain livelihoods and to deliver jobs and quality social services. In addition, Malawi continues to face many challenges in gender equality and empowerment of women. Deforestation is a major impediment to development in Malawi as is the increase in frequency and intensity of extreme weather events like dry spells, droughts, intense rainfall, tropical storms/cyclones and floods. This affects the habitat of an ever-growing population, deprived of basic services, which generates a mutually reinforcing cycle of poverty and humanitarian disaster.

Despite making significant economic and structural reforms to sustain economic growth, the economy remains sluggish, is heavily dependent on agriculture employing nearly 80 % of the population, and is vulnerable to external shocks, particularly climatic shocks, which in the last four years have increased in frequency and magnitude. A World Bank assessment⁸ found that Malawi’s economy has been heavily affected by the COVID19 pandemic and that global and domestic factors

² <http://hdr.undp.org/sites/default/files/Country-Profiles/MWI.pdf>

³ United Nations World Population Prospects database 2021

⁴ World Bank Databank, 2021

⁵ UN World Population Prospects (2019 Revision)

⁶ <https://www.worldbank.org/en/country/malawi/overview>

⁷ <https://worldpopulationreview.com/countries/malawi-population>

⁸ Malawi Economic Monitor, Doing more with less: Improving service delivery in energy and water, World Bank, December 2020

emanating from the pandemic are affecting Malawi's economy, including: (i) disruption in global value chains and trade and logistics; (ii) decrease in tourism; and (iii) decrease in remittances.

Malawi has overall a mixed governance record with the soft institutional infrastructure related to economic and political governance remaining weak. The High Court annulled the 2019 presidential elections due to a high number of irregularities, and the re-run in June 2020 saw the opposition take over. The new administration has so far shown commitment to the rule of law and human rights, and its drive on anti-corruption is reflected in the increased budget allocations for the governance institutions.

In January 2021, the Government launched its development plan, the Malawi 2063 that aims at transforming Malawi into a wealthy and self-reliant industrialised upper middle-income country. The Malawi 2063 first 10 year Implementation Plan (MIP-1, 2021-2030) outlines priority objectives and interventions with the aim to move Malawi into the lower middle-income category by 2030, and meeting most of the SDGs of the 2030 Agenda.

The development of trade and private sector in landlocked Malawi faces multiple obstacles, including high transport costs, low connectivity and low levels of regional integration and underdeveloped energy networks. The business climate also suffers from a lack of skilled workforce, inefficient public institutions, and difficulties in accessing credit. Malawi's trade is unstable, characterised by export bans, lack of infrastructure, inadequate diversification and value addition, and its trade balance is structurally in deficit.

In this context, also the Economic Partnership Agreement (EPA) can support Malawi's efforts in addressing trade related issues. Malawi can join the interim EPA with five countries of eastern and southern Africa and participate in the negotiations for the deepening of this agreement, including a trade and sustainable development chapter.

Energy sector context

Malawi 2063 expresses aspirations for modernisation and industrialisation of the economy with energy playing a central role in this development. However, the country has the lowest national electrification rate of the Southern Africa Development Community (SADC) region with an access to electricity rate of only 11 %⁹. Rural and urban electrification rates are estimated at 4 % and 42 %, respectively¹⁰. The few households that benefit from modern energy services are usually located in urban and peri-urban zones and in close proximity to the medium voltage distribution network operated by the Electricity Supply Corporation of Malawi (ESCOM) along the development corridor that is situated roughly along the north-south axis of the country, serving approximately 423,455 consumers as of December 2018. It is estimated that 90 % of the population live 10 kilometres (km) from the main grid.

High levels of poverty mean that 95 % households are dependent on traditional firewood (77 %) and charcoal (18 %) for cooking while only 2 % uses electricity. Lighting is dominated by the use of batteries (53 %) followed by electricity (11 %) and solar lighting (7 %) with 6 % of the population using candles. The number of households without electricity has been estimated at 3.2 million. There is a steady increase in energy demand driven by rapid population growth and slow but steady economic growth. Given high levels of poverty and low levels of economic activity, the household sector has the highest energy demand, accounting for 83 % of net energy consumed. Energy intensity, measured as the ratio of electricity consumption to real Gross Domestic Product (GDP), is predicted to increase by a factor of 3 between 2017 and 2037¹¹, which is substantial but consistent with Malawi's aspirations to become a middle-income country by 2063.

To address power generation needs, the Government developed the Integrated Resource Plan (IRP 2016-2020, under review) as a strategic roadmap for Malawi to secure reliable and cost-effective

⁹ <https://www.se4all-africa.org/seforall-in-africa/country-data/malawi/>

¹⁰ <https://www.se4all-africa.org/seforall-in-africa/country-data/malawi/>

¹¹ Source: Integrated Resource Plan (IRP) for Malawi, May 2017

energy resources. Malawi has an estimated installed generation capacity of 532 MW¹², with hydroelectric: 372 MW, solar: 60 MW, biomass: 18.5 MW and other/diesel: 141.5 MW. While hydropower is the dominant source of electricity and there is high potential for further growth, hydropower is highly vulnerable to climate risks, as observed after Tropical Storm Ana last January 2022. Despite recent investments in solar power, non-hydropower renewable energy contribution to the energy mix remains low.

Progress has been made on the enabling environment, utilities have been unbundled and a new single buyer (Public Market Limited - PML) established, although not fully operational. The power utility's (ESCOM) payment behaviour is assessed as good by Independent Power Producers (IPPs) currently operating in the country. The Rural Electrification Act (2004) makes provision for the promotion, funding, management and regulation of rural electrification, while a Rural Electrification Agency (REA) is being established to increase access to electricity for people rural areas. Recent policy and strategy developments include the Malawi Energy Policy (2018), Renewable Energy Strategy (2017), draft Regulatory Framework for mini-grids and IPP Framework, all of which strengthen the case for private sector investment in energy generation and distribution. The NDC recognises that investments in alternative and renewable energy sources are key to the development of Malawi. While the energy policy framework has been revised and the main policy elements are in place, it has not yet been market tested and support is needed for its operationalisation.

Social development context

Despite advances in gender equality over the last decade, Malawi ranks 142/162 on the Gender Inequality Index (GII)¹³, reflecting high levels of inequality in reproductive health, women's empowerment and economic activity. The 2018 National Energy Policy recognises the constitutional obligation to support the participation of women and persons with disabilities in all aspects of life. From a gender perspective, only 7.6 % of female-headed households have access to electricity compared to 12 % of male-headed households (NSO, 2019). An EU gender analysis (2018¹⁴) on the infrastructure sectors in Malawi found that that energy interventions can contribute to women's empowerment and achieving greater gender equality and equity and that opportunities exist to create synergies between gender considerations and profitable and efficient investments.

2.2. Problem Analysis

Implementation of sector reforms has been hindered by financial and resource constraints and full sector unbundling has stalled around the functioning of the single buyer (Power Market Limited, PML) leading to an unclear investment climate. The World Bank will provide technical assistance on overcoming PML's lack of financial capital to operate effectively within the market. The energy agencies need to fulfil their respective mandates so as to deliver an efficient and cost effective service.

The national grid suffers from years of underinvestment, while ESCOM as the transmission and distribution company is constrained by weak financial performance and non-cost reflective tariffs. The efficient distribution of power and the addition of new RE resources are constrained by overloading in critical parts of the ageing network. There is a need to improve strategic planning of priority investments in the national grid and to secure the necessary funding.

Diversification of the energy mix is required to reduce the overdependence on hydropower which, given the fiscal constraints, will require private sector participation. Private sector investment in the generation of RE has been held back by slow and unpredictable bureaucratic processes. Further crowding-in of private sector investments is hampered by the non-transparent award of concessions. Following initial public tendering for independent power producers (IPPs) in 2016/17, the sector has seen the award of numerous purchase power agreements (PPAs) to unsolicited bidders, which while not materialising into real investments has raised concerns over transparency. Support in facilitating

¹² Power Africa Factsheet for Malawi 2021, <https://www.usaid.gov/powerafrica/malawi>

¹³ 2020 Gender Inequality Index, <http://hdr.undp.org/en/composite/GII>

¹⁴ Internal document: 2018/398292 Gender Analysis of the European Union's Infrastructure Sectors in Malawi

further IPP investments through transparent processes is a priority. Additionally, while the broad national energy policy is in place, a number of policy instruments remain to be developed and operationalised to provide clarity and direction for future investments.

Off-grid use of RE has focused on solar home systems (SHS), whereas the productive use of RE has lagged behind due to difficulties in market penetration. Given the low level of rural electrification, an alternative is needed to the costly and environmentally harmful diesel-powered equipment often used in agricultural value chains. Financial inclusion of rural customers is a challenge and digital financial solutions are needed, such as pay-as-you-go.

RE can provide new opportunities for decent employment in Malawi and it will be important to ensure a more inclusive job market through a gender and disability inclusive approach. Women and people with disabilities are to a great extent excluded from the formal labour market. The EU gender analysis (2018) on infrastructure recommended setting specific targets to develop women's working skills and employment, and noted that women have fewer opportunities for entrepreneurship. The Government of Malawi is committed to the promotion of an inclusive society, and this prompted the development of the National Disability Mainstreaming Strategy and Implementation Plan (NDMS&IP) in 2018 to bridge the gap between policy and practice.

The key institutional stakeholders comprise the Ministry of Energy (MoE), the Malawi Energy Regulatory Authority (MERA), Electricity Generation Company Ltd (EGENCO), Electricity Supply Corporation of Malawi Limited (ESCOM) and Power Management Limited (PML). Non-state actors include IPPs, Micro Small and Medium sized Enterprises (MSMEs) and civil society. Their respective mandates, potential roles and capacities are summarised as follows:

Sector	Stakeholder	Mandate	Potential roles and capacities
State	Ministry of Energy (MoE)	Policy making, coordination, implementation.	TA recipient.
State	Ministry of Natural Resources and Forestry	Environment	TA recipient. Overseeing SEA and EIAs. Experience in evaluating EIAs. Will need assistance on policy SEA.
Corporate body	MERA	Regulation of the energy sector	Potential Twinning partner. TA recipient. Well-staffed with capacity to work with Twinning.
Parastatal company	EGENCO	Energy Generation (hydro, coal, solar, other resources under development)	TA recipient. Good technical capacity for infrastructure.
Public utility	ESCOM	Transmission, exportation, distribution	TA recipient. Defining infrastructure investment pipeline. Good technical capacity for infrastructure.
Parastatal company	PML	Single Buyer to replace ESCOM since 2019	TA recipient. Relatively new entity with limited staffing.
Private Sector	IPPs	Invest in and operate renewable energy plants.	Investors in RE generation. Local investors have challenges to meet financial closure.
	MSMEs	Serve productive use off-grid market.	Grow PU RE market.

			Local MSMEs need assistance on business and marketing skills.
Civil Society	NGOs, CBOs and women's organisations.	Promoting RE and interests of people living in vulnerable situations.	Engagement with GoM on RE issues. Potential partners on PU RE with focus on awareness.
People living in the most vulnerable situations	Women and people with disabilities	Participants in RE market.	Decent employment opportunities in PU RE market.

3. DESCRIPTION OF THE ACTION

3.1. Objectives and Expected Outputs

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG 7 (affordable and clean energy), but also promotes progress towards SDG 5 (Gender equality), SDG 9 (resilient infrastructure) and SDG 13 (combat climate change).

The **Overall Objective (Impact)** of this action is to support the modernisation and industrialisation of the Malawian economy.

The Specific Objectives (Outcomes) of this action are to:

1. **SO1:** Enhance governance of the Malawi energy sector.
2. **SO2:** Improve access to energy.
3. **SO3:** Increase productive use of renewable energy in the off-grid market with higher involvement of women, youth and people with disabilities.

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are:

Output 1.1: Improved policy, legal and institutional frameworks as well as strengthened capacities of energy agencies.

Output 2.1: Improved strategic planning of investments in the national grid with secured financing of priority projects.

Output 2.2: Increased diversification of the global energy mix with new renewable energy sources and IPP private sector participation in generation.

Output 3.1: Strengthened and expanded private sector driven market in off-grid productive use of renewable energy.

Output 3.2: Strengthened participation of women and people with disabilities in the green and digital economies.

3.2. Indicative Activities

The action's outputs will be delivered through a combination of four modalities, namely:

- A. *Twinning Grant* – Implemented by a Member State body. Twinning will support the governance and reform agenda, centred at the most appropriate institution.
- B. *Technical Assistance (TA)* – Implemented under a service contract TA, will support the more intense aspects of capacity building and training and will provide support more broadly to the energy agencies (MERA, PML etc.). It will support the Ministry of Energy and ESCOM to develop a project pipeline for new investments as well as undertake a number of studies. It will also support efforts to facilitate more IPP investments.
- C. *Direct Grant (MoE)* – The Ministry of Energy will provide support to the implementation of the reform process and undertake measures in support of the Twinning project.
- D. *Indirect Grant with a pillar assessed entity* – The productive use and R&D component will be managed by a pillar assessed entity through joint co-financing.

Activities related to Output 1.1: Improved policy, legal and institutional frameworks as well as strengthened capacities of energy agencies.

A. Twinning Grant

- Establish a strategic partnership between Malawi and an EU Member State energy sector body/ies through the Twinning Instrument.
- Support institution building by providing peer-to-peer public sector expertise with a focus on consolidating sector reforms.
- Provide medium to long-term assistance for the achievement of mandatory results/outputs to be jointly agreed between the Malawi administration and the EU Delegation, linked to EU energy policy objectives.
- Promote exchange of lessons learnt and best practices, and facilitate policy dialogue between Malawian and EU actors.

B. Technical Assistance

- Develop strategies and implementation plans to deepen and consolidate the policy framework.
- Support the Ministry of Energy to lead sector coordination, facilitate structured dialogue and organise conferences, seminars and workshops with stakeholders.
- Provide technical assistance to energy agencies (MERA, PML etc.) to fulfil their respective mandates and function efficiently in a transparent energy market.

C. Direct Grant (MoE)

- Provide support and incentives to implement the reform process and operationalise legal frameworks through a results based financing approach (RBF).
- Support to the Rural Electrification Fund to leverage additional funds under an independent agency and increase rural access to electricity.
- Raise awareness of gender equality and inclusion of people with disabilities.

Activities related to Output 2.1: Improved strategic planning of investments in the national grid with secured financing of priority projects.

B. Technical Assistance

- Develop priority projects to strengthen and reinforce grid infrastructure for financing under future EU blending operations. This activity will aim to ensure the timely preparation of a follow-up EU investment programme.
- Undertake a Strategic Environmental Assessment (SEA) of the Malawi National Energy Policy, screen specific projects for environmental impact and climate risk assessments, and raise awareness on climate risks and on effective strategies for disaster risk reduction.
- Undertake technical and financial studies.

Activities related to Output 2.2: Increased diversification of the global energy mix with new renewable energy sources and IPP private sector participation in generation.

B. Technical Assistance

- Develop strategies for new and diversified RE generation including on-grid and mini-grid solutions.
- Support IPP private sector investments in RE generation through transparent public tenders, thereby moving from a system of unsolicited to solicited bids.
- Support private sector to access finance and guarantee instruments in order to reach financial closure.
- Explore alternative financing solutions for new RE generation investments.

Activities related to Output 3.1: *Strengthened and expanded private sector driven market in off-grid productive use of renewable energy.*

D. Indirect Grant with a pillar assessed entity

- Develop a Market Systems Development approach to off-grid productive use of renewable energy, including results based financing (RBF).
- Support Malawian entrepreneurs to establish sustainable business models through tailored business development support to boost company's effectiveness.
- Stimulate the demand-side through awareness raising and market development focused on technically appropriate off-grid solutions for the most promising value chains.
- Promote an enabling market through training of government officials, extension workers and financial institution staff on technologies and their benefits.
- Engage with financial institutions and deploy digital solutions to facilitate innovative financing and data collection along value chains.
- Engage Malawi academic institutions to carry out R&D activities and studies in support of renewable energy.

Activities related to Output 3.2: *Strengthened participation of women and people with disabilities in the green and digital economies.*

B. Technical Assistance

- Provide paid internship opportunities for young women graduates within the project.

D. Indirect Grant with a pillar assessed entity

- Support women entrepreneurs to participate in the market for productive use of RE and/or digital financial solutions.
- Proactively undertake inclusion measures targeting women and people with disabilities to ensure their sustainable employment along the value chains.
- Incentivise inclusive employment practices among market players through targeted RBF incentives.

The commitment of the EU's contribution to the Team Europe Initiative to which this action refers, will be complemented by other contributions from Team Europe members. It is subject to the formal confirmation of each respective member's meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise, the EU action may continue outside a TEI framework.

3.3. Mainstreaming

Environmental Protection & Climate Change

Outcomes of the SEA screening

The Strategic Environmental Assessment (SEA) screening concluded that an SEA should be undertaken. An SEA on the Malawi National Energy Policy will guide strategic level support to the sector.

Outcomes of the EIA (Environmental Impact Assessment) screening

The EIA (Environment Impact Assessment) screening classified the action as Category B (not requiring an EIA, but for which environment aspects will be addressed during design). While supporting the preparation of new projects for public and private sector funding, the project will ensure that mandatory EIAs are put in place.

While the productive use project component is classed as Category C (no need for further assessment), environmental awareness training will be provided where appropriate (e.g. solar irrigation).

Outcome of the CRA (Climate Risk Assessment) screening

The Climate Risk Assessment (CRA) screening concluded that this action is at risk (climate risk will be addressed as part of an EIA). Aspects of CRA will be addressed as relevant as part of the specific EIA studies for promoted infrastructure projects. The Action will improve knowledge related to climate risks through capacity building and awareness raising, and strive to promote and mainstream disaster risk reduction and disaster preparedness strategies.

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that the action will specifically aim to reduce gender gaps and to promote women's economic and social empowerment. With reference to the EU Gender Action Plan (GAP III) the project will include measures contributing to:

Strengthening economic and social rights and empowering girls and women - The technical assistance project component will offer opportunities to young Malawian women engineers to participate in the project's implementation, which will provide them with relevant work experience and enhance their subsequent employment opportunities. The productive use component will undertake targeted measures to include women in the employment opportunities presented in the developing off-grid market.

Advancing equal participation and leadership - The participation, representation and leadership of women in governance structures will be promoted through the capacity building component project.

Addressing the challenges and harnessing the opportunities offered by the green transition and the digital transformation - Women's entrepreneurship and employment will be targeted through the productive use component, which offers new opportunities in the green economy. Furthermore, the promotion of renewable energy solutions is expected to impact positively on manual tasks which are mostly undertaken by women.

The proposed action will abide by the 'do no harm principle' to avoid unintended negative impacts in terms of human rights and will be implemented following the rights-based approach working principles (all rights, participation, non-discrimination, accountability and transparency).

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D1. This implies that the action will undertake measures to include people with disabilities to the extent possible. In their policy brief on "*Persons with disabilities in a just transition to a low-carbon economy*", the International Labour Organisation (ILO) highlights how the transition to renewable energy can successfully leverage the previously untapped potential of persons with disabilities, develop their capacities further, and implement significant improvements to ensure access to decent work that contributes to climate action. Under the productive use component, the action will maximise opportunities for both end user beneficiaries and employment opportunities in the subsector. At the institutional level, awareness will be raised of the challenges faced by customers with disabilities.

Human rights-based approach

A Human rights-based approach will be implemented in the action by the respect of the 5 working principles in all the phases and processes of the action: respect to all human rights, accountability, transparency, non-discrimination and participation.

Disaster Risk Reduction

Wherever possible, considering the high vulnerability of Malawi to extreme climate shocks including Tropical Storms and Cyclones, the Action will mainstream awareness of disaster risk reduction and disaster preparedness strategies where relevant, to mitigate impact of extreme weather events, including on the energy grid. The Action will also include crisis modifiers to ensure sufficient flexibility of activities' implementation vis-à-vis natural disasters' shocks or pandemics. Wherever possible, the Action will coordinate with existing ECHO funded disaster preparedness and disaster risk reduction interventions.

3.4. Risks and Lessons Learnt

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
Institutional at policy and regulatory level	Stakeholders are not keen, engaged and motivated to see that the proposed regulatory framework is implemented.	Medium	High	Active policy dialogue coupled with continuous capacity building and collaboration to strengthen the national capacity for effective implementation of the policies. The RBF approach will provide incentives to advance the reform agenda. While strengthening collaboration with an EU Member State, Twinning will raise the profile and interest in the programme.
Security of supply	Reduced diversification of the RE energy mix increases the heavy reliance on local hydropower.	Medium	High	Promote other renewable energy resources (solar, wind) and explore opportunities for increasing imports from Southern African Power Pool (SAPP). The Technical assistance will support efforts to increase RE with diversified resources.
Private sector investments	Key institutions lack the skills to conduct competitive procurement and operationalise the policy framework to facilitate private sector investments.	Medium	High	Support transparent tendering and build capacity and skills of local institutions. TA component to strengthen national authorities and support transparent competitive procedures.

Environmental	Energy investments pose environmental risks and are prone to potential impacts of climate change and natural disasters.	Medium	High	Support SEA of the Malawi National Energy Policy, screen specific projects for environmental impact and climate risk assessments, and raise awareness on climate risks. Integrate / mainstream awareness of disaster risk reduction and disaster preparedness strategies as relevant
Corruption	The energy sector is prone to corrupt practices because of its traditional institutional arrangements, dominated by state monopolies.	High	High	Continue support to reform process to reduce the incentive and potential to capture monopoly rents and to increase the transparency and accountability of public and private transactions, regulatory structures, and decision-making processes.

Lessons Learnt:

Technical assistance projects tend to suffer from a lack of ownership. The action will deploy the Twinning instrument to support institutional capacity building. Through its peer-to-peer and mandatory results approach, Twinning has proved successful elsewhere as it is very effective at engaging the beneficiary at a senior institutional level. The technical assistance component will aim to build commitment through developing a strategic project pipeline with a realistic expectation of funding under a subsequent blending programme.

Agreements with private investors have, in the main, not materialised. The action will support a move away from unsolicited to transparent solicited bidding that is more likely to interest investment banks and facilitate financial closure for IPPs.

3.5. The Intervention Logic

The underlying intervention logic for this action is that:

With institutional capacity building activities and strong commitment among sector agencies, Malawi's energy sector reform process will be well developed, legal frameworks operationalised and energy agencies will fulfil their respective mandates with increased efficiency and transparency as well as improvement of basic services to its citizens. This assumes that the sector stakeholders are fully engaged and motivated for implementing the regulatory framework. Achieving this output, and with active high level government support, will lead to a positive outcome of enhanced governance of the Malawi energy sector because commitment at all levels has been shown to be central to reforming the sector elsewhere. Achieving this outcome will depend on the government remaining committed to the implementation of reform.

With effective technical assistance supporting bankable projects and government commitment to facilitating investments, there will be an improvement in strategic planning, secured IFI blended financing and increased private sector IPP investments. This assumes that the government supports a rationale prioritisation of investments and that authorities will be willing to undertake transparent tendering to attract private sector investments. Achieving these outputs, and with government commitment and support to project implementation, will lead to an outcome of improved access to

energy because bureaucratic bottlenecks have already been shown to lead to stagnation of investment in the sector. This assumes that European IFIs will provide concessional finance and that the private sector will be motivated to invest in the energy market.

With implementation of a well-planned Market Systems Development approach to off-grid productive use of renewable energy and active private sector involvement, a private sector driven market will be strengthened and expanded. This assumes that local entrepreneurs are willing to participate in the programme. Achieving this outcome, and with wide customer uptake and fair competitive practices, will lead to an increase in productive use of RE in the off-grid market because current operators have already identified rural market access and market distortion (donor grants) to be challenges in growing their businesses. This assumes that the local market players are sufficiently motivated by the business case to apply sustainable energy solutions in their operations.

If these three outcomes are achieved, and there is continued support to the reform process, then the action will contribute to the desired impact of advancing Malawi's energy sector, and ensuring it is well positioned to support the modernisation and industrialisation of the Malawian economy and to the well-being of its citizens. This is because evidence in other countries, including the European experience, has shown that economies benefit from a strong competitive energy market built on transparency and efficiency. This assumes that the sector players fully support the Action and are committed to maintaining the momentum in implementing the reform process and operationalising policy and regulatory frameworks.

Within the framework of the MIP 2021-2027 for Malawi, the Africa-EU Green Energy Initiative, the achievement of the SDG 7 and the objectives set by the Paris Agreement at the COP21 to fight climate change, this action should be understood as the first step in a short to medium-term EU comprehensive programme to address the energy access issue in Malawi. Furthermore, this action should contribute to and facilitate the EU policy dialogue with Malawi in the energy sector.

The action will support sector governance and the public sector's capacity to deliver on its mandate, while strengthening the role of the private sector to provide basic services to the people. Access to sustainable energy can transform lives and is key to achieve rights related to health, food security, livelihoods and education. It will also work to prioritise infrastructure investments for funding under subsequent annual programmes, preferably through blending operations. The action will also target off-grid productive use of renewable energy. The action will contribute to the Malawi MIP-1 Enabler 6: Economic Infrastructure by "diversifying the number of independent power producers, largely focusing on renewable and sustainable energy to reduce the overdependence on hydro-generated power from just one river".

3.6. Logical Framework Matrix

Results	Results chain: Main expected results (maximum 10)	Indicators: (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	To support the modernisation and industrialisation of the Malawian economy.	1. Index of Industry Production 2. Share of manufacturing of GDP (% of GDP) 3. Employment in industry (% of total employment) (disaggregated by sex)	1. 126.6 (2019) 2. 11.5% (2020) 3. 13.8% (2019)	1. 138.3 (2030) 2. 12.6% (2030) 3. 16.1% (2030)	1. Malawi 2063 progress report (National Statistics Office) 2. Malawi 2063 progress report Ministry responsible for Economic Planning & Development 3. Malawi 2063 progress report (National Statistics Office)	<i>Not applicable</i>
Outcome 1 (SO1)	1. Enhanced governance of the Malawi energy sector	1.1 Overall national RISE score 1.2 Status of energy agencies fulfilling their mandates 1.3 Status of Rural Electrification Agency (REA).	1.1 53 (2020) 1.2 Partially 1.3 Under Min of Energy	1.1 60 (2025) 1.2 Fully 1.3 Independent agency	1.1 World Bank Regulatory Indicators for Sustainable Energy (RISE) https://rise.esmap.org/country/malawi 1.2 ROM & Evaluation reports of programme. 1.3 Ministry of Energy	Government remains committed to implementation of reform.
Outcome 2 (SO2)	2. Improved access to energy	2.1 Proportion of population with access to electricity SDG7.1.1)** (disaggregated by sex) 2.2 Number of individuals provided with access to electricity with EU support through: a) new access, b) improved access)	2.1 11.4% (2021) 2.2 a) 0 b) 0 2.3 0 2.4 \$16.8M (2018) 2.5 21.4 W (2019)	2.1 20% (2025) 2.2 a) TBD b) TBD 2.3 TBD 2.4 \$ 470 M (2025) 2.5 40 W (2025)	2.1 Malawi 2063 progress report (National Planning Commission) and https://www.se4all-africa.org/seforall-in-africa/country-data/malawi/ (Note: alternative sources report slightly different results for energy access) 2.2 and 2.3 TA reports.	GoM allocates sufficient resources to increase household connections. Assumed financing = World Bank: \$ 150 M loan

		<p>2.3 Greenhouse gas (GHG) emissions avoided (tonnes CO2 eq) with EU support</p> <p>2.4 Total official international support (official development assistance plus other official flows) to energy infrastructure officially approved (SDG9.a.1)*</p> <p>2.5 Renewable energy-generating capacity installed with EU support - (in watts per capita) (SDG7.b.1)**</p> <p>2.6 Non-hydro RE share in the total final energy consumption.</p>	2.6 67 MW (2022)	2.6 220 MW (2025)	<p>2.1, 2.4 and 2.5 Energy Progress Report https://trackingsdg7.esmap.org/country/malawi</p> <p>2.6 PML reports.</p>	for Mpatamanga Hydro, \$ 150 M grant for Malawi Energy Access project. EU/EIB: EUR 150 M blending for network infrastructure.
Outcome 3 (SO3)	3. Increased productive use of renewable energy in the off-grid market with higher involvement of women, youth and people with disabilities.	<p>3.1 Overall % of women and men gaining employment under the programme in all stages of the value chain of a product related to green technologies or the circular economy, disaggregated at least by sex (GAP II¹⁵)</p> <p>3.2 Number of women benefiting from incentives used to encourage women's entry into the green economy and the circular economyⁱ (GAP III).</p>	<p>(2022)</p> <p>3.1 0% female 0% male</p> <p>3.2 0</p>	<p>(2025)</p> <p>3.1 Minimum 40% female 40% male</p> <p>3.2 100</p>	3.1 & 3.2 Project reports.	Women willing to participate in marketing and sales opportunities.

¹⁵ JOINT STAFF WORKING DOCUMENT, Objectives and Indicators to frame the implementation of the Gender Action Plan III (2021-25)

Output 1 related to Outcome 1	1. Improved policy, legal and institutional frameworks as well as strengthened capacities of energy agencies.	1.1 Status of partnership between Malawi and EU in energy sector (early stage – successfully established – well developed).	2022=	2025 =	1.1 Evaluation report of Twinning.	Successful call for Twinning proposals. GoM remains committed to implementation of reform. GoM willing to reform REA. Commitment to operationalise policies on equality.
		1.2 Number of staff from energy agencies benefiting from capacity building and training and acquiring new skills with EU support (disaggregated by sex)	1.1 Early stage	1.1 Successfully established	1.2 Training attendance sheet/questionnaire	
		1.3 Number of participants to conferences, seminars and workshops organised by the Ministry of Energy with EU support (disaggregated by sex)	1.2 0	1.2 TBD	1.2 Attendance sheet	
		1.4 Status of the Rural Electrification Fund developed with EU support	1.3 0	1.3 TBD	1.4 Project reports	
		1.5 Number of persons reached by awareness raising activities undertaken with EU support (disaggregated by sex)	1.4 Limited to energy levies	1.4 Expanded source of funding	1.5 Events reports/ Attendance sheet	
		1.6 Level of awareness of gender equality and inclusion of people with disabilities among management.	1.5 0	1.5 TBD	1.6 Survey reports.	
			1.6 Medium	1.6 High		
Output 1 related to Outcome 2	2.1 Improved strategic planning of investments in the national grid with	2.1.1 Number of sector strategies and implementation plans developed with EU support.	2022 = 2.1.1 0 2.1.2 0	2025 = 2.1.1 4 2.1.2 EUR 150M (EU	2.2.1 Approved strategy documents. 2.2.2 Min. Finance. 2.2.3 Approved SEA.	European IFIs provide concessional finance to energy

	secured financing of priority projects.	2.1.2 Total amount leveraged for blending operations supporting energy infrastructure officially approved with EU support. 2.1.3 Status of SEA of the Malawi National Energy Policy undertaken with EU support.	2.1.3 Not done	blended finance) 2.1.3 Completed		infrastructure through blended operations.
Output 2 related to Outcome 2	2.2 Increased diversification of the global energy mix with new renewable energy sources and IPP private sector participation in generation	2.2.1 Number of RE IPPs selected by transparent bidding process with EU support 2.2.2 RE capacity generated by new IPPs selected with EU support (MW)	2022 = 2.2.1 0 2.2.2 0 MW 2.2.3 a) 0 b) 0 2.2.4 0	2025 = 2.2.1 6 2.2.2 150 MW 2.2.3 a) TDB b) TBD 2.2.4 TBD	2.2.1 PML reports. 2.2.2 PML reports. 2.2.3 TA reports 2.2.4 TA reports	Government is committed to transparent solicited bidding process and reducing bureaucratic processes.
Output 1 related to Outcome 3	3.1 Strengthened and expanded private sector driven market in off-grid productive use of renewable energy	3.1.1 Number of entrepreneurs with established sustainable business models thanks to EU support (disaggregated by sex) 3.1.2 Number of awareness raising and marketing events organised with EU support / Number of participants to awareness raising	2022 = 3.1.1 0 3.1.2 0 3.1.3 0	2025 = 3.1.1 5 3.1.2 10/300 3.1.3 5	3.1 Project reports. 3.2 Project reports, media reports. 3.3 Published studies.	Local entrepreneurs actively participate in the RBF project. Local research institutions collaborate with project.

		3.1.3	and marketing events organised with EU support (disaggregated by sex) Number of R&D studies on RE developed with EU support.				
Output 2 Related to Outcome 3	3.2 Strengthened participation of women and people with disabilities in the green and digital economies.	3.2.1 3.2.2	Number of young women graduates interns hired with EU support. Budgetary allocation specifically benefiting inclusion of women and people with disabilities thanks to EU support (% RBF expenditure).	2022 = 3.2.1 0 3.2.2 0%	2025 = 3.2.1 4 3.2.2 15%	3.2.1 Project reports 3.2.5 Verification reports.	Min of Energy and universities support recruitment of graduates. Local entrepreneurs respond to incentives for inclusive targeting.

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the partner country.

4.2. Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3. Implementation of the Budget Support Component

N.A.

4.4. Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures¹⁶.

4.4.1. Direct Management (Grants)

4.4.1.a Call for proposals

(a) Purpose of the grant(s)

A Twinning grant will contribute to achieving SO1: *Enhance governance of the Malawi energy sector*. It will support activities related to the result of Output 1.1: *Improved policy, legal and institutional frameworks as well as strengthened capacities of energy agencies*.

This call has been launched in May 2022 under a suspensive clause prior to the adoption of this Decision. This is justified because it will be necessary to revive the stalled energy sector reform process as soon as possible and to ensure that the Twinning project runs in parallel with the technical assistance.

(b) Type of applicants targeted

A Twinning grant, will be signed with an EU Member State body or their mandated bodies.

4.4.1.b Direct grant

(a) Purpose of the grant(s)

A grant with the Ministry of Energy will contribute to achieving two outcomes, namely, SO1: *Enhance governance of the Malawi energy sector* and SO2: *Improve access to energy through improved grid infrastructure and increased renewable energy generation*. It will support activities related to the respective results of Output 1.1: *Improved policy, legal and institutional frameworks as well as strengthened capacities of energy agencies*, Output 2.1: *Strategic planning of investments*

¹⁶ www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

in the national grid is improved with secured financing of priority projects and Output 2.2: Increased diversification of the global energy mix with new renewable energy sources and IPP private sector participation in generation.

(b) Type of applicants targeted

A grant will be signed with the Ministry of Energy as a public body representing the Government of Malawi.

(c) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the Ministry of Energy, Malawi.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because, in line with in Article 195 c) of the Financial Regulation, the beneficiary has a monopoly de jure to implement, coordinate and operationalise energy policy and regulatory framework matters.

4.4.2. Direct Management (Procurement)

A part of this action with the objective of strengthening institutional stakeholders' capacity and bringing projects to the stage of financial close (SO1 and SO2) may be implemented in direct management.

This call has been launched in March 2022 under a suspensive clause prior to the adoption of this Decision. This is justified because an important task of the technical assistance will be the timely preparation of bankable infrastructure projects for funding under the AAP 2024. The grid infrastructure investments need to be appraised and prioritised in order to prepare for a blending operation.

4.4.3. Indirect Management with a pillar assessed entity

A part of this action may be implemented in indirect management with an entity, which will be selected by the Commission's services using the following criteria:

Specific criteria:

- Specific sector/thematic expertise bringing added value and in line with aid effectiveness principles.
- Capacity in terms of human resources, organisational set-up to efficiently manage the project, collect data, analyse it and report on results.
- Logistical and/or management capacities.
- Ability to co-fund the project.

Additional criteria considered an asset:

- EU Member States agencies at country level in the energy sector where they have acquired experience.
 - Strategic relevance for EU multilateral engagement and contributing to Joint European Implementation
- or
- Multilateral implementing partners with strong alignment in terms of their universal agendas and EU interests.

The implementation by this entity entails implementation of the productive use component and will contribute to achieving SO3: *Increase productive use of renewable energy in the off-grid market with higher involvement of women, youth and people with disabilities.* It will support activities related to the result Output 3.1: *Strengthened and expanded private sector driven market in off-grid productive*

use of renewable energy and Output 3.2: *Strengthened participation of women and people with disabilities in the green and digital economies*. The Commission authorises that the costs incurred may be recognised as eligible as of 1 May 2022 because the potential European partners to implement the action are already working on the ground. Early implementation of the project would be highly beneficial to the successful pursuit of the objectives since it would coincide with the 2022 harvesting and processing season, presenting the opportunity for the timely and targeted marketing of sustainable energy solutions in rural areas.

4.5. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.6. Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)	Third-party contribution, in currency identified (estimated)
SO1 - Enhance governance of the Malawi energy sector composed of		
A. Grants (direct management) Twinning with EU Member State body	2 500 000	
C. Grants (direct management) Ministry of Energy	500 000	
SO2 - Improve access to energy composed of		
B. Procurement (direct management) – Technical Assistance service contract	3 250 000	
SO 3 - Increase productive use of renewable energy in the off-grid market with higher involvement of women, youth and people with disabilities composed of		
D. Indirect management with a pillar assessed entity	3 000 000	1 000 000
<i>Grants – total envelope under section 4.4.1</i>	<i>3 000 000</i>	<i>N.A.</i>
<i>Procurement – total envelope under section 4.4.2</i>	<i>3 250 000</i>	<i>N.A.</i>
<i>Contribution Agreement– total envelope under section 4.4.3</i>	<i>3 000 000</i>	<i>1 000 000</i>
Evaluation – Evaluation services may be contracted under a framework contract.	180 000	N.A.
Audit – cf. section 5.3	70 000	
Contingencies	1 000 000	N.A.
Totals	10 500 000	1 000 000

4.7. Organisational Set-up and Responsibilities

The programme will have four separate management teams for the Twinning, Technical Assistance, Grant with MoE and Grant for productive use. To ensure proper coordination between the four teams, an EU Energy Steering Committee (ESG) will be established and meet on a 6 monthly basis. The group will be composed of one representative from the MoE, one from MERA, one from PML, one from EGENCO, one from ESCOM, the Twinning Resident Advisor, one from the technical assistance consultant team, one from the Malawi Renewable Energy Association (private sector), plus one representative from the EU Delegation as an observer. Besides general coordination, overseeing and guidance, the ESG may request support for project development through necessary technical studies. If required the ESG could hold ad hoc meetings.

Furthermore to ensure proper implementation and to reinforce activities, coordination and contract management, an Energy Project Coordination Unit (EPCU) composed by one representative from the MoE, the Twinning Resident Advisor, one from the Technical Assistance consultant, one from the Productive Use project and one from the EU Delegation will meet on a bi-monthly basis.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

5. PERFORMANCE MEASUREMENT

5.1. Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

Availability of relevant public statistics will be researched by the implementers for use as baseline and subsequently to measure progress at the end of the Action. Where such public data is not available the implementers will launch specific surveys at start and end of the Action to measure progress. The cost associated to these possible surveys will be integrated in the relevant contracts. A joint monitoring system will be agreed for the productive use project.

Gender equality and the human rights-based approach will be mainstreamed into the monitoring and evaluation of the project and indicators will be sex-disaggregated and disaggregated by other relevant aspects whenever possible (eg. age, disability).

5.2. Evaluation

Having regard to the importance of the action, a final evaluation will be carried out for component Outputs 1 and 2 of this action via independent consultants contracted by the Commission.

Having regard to the nature of the action, a final evaluation will be carried out for component Output 3 of this action through a joint mission via an implementing partner.

They will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that this action represents the first structured support to the energy sector in Malawi by the Commission.

The Commission shall inform the implementing partner at least 2 months in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

All evaluation shall assess to what extent the action is taking into account the human rights-based approach as well as how it contributes to gender equality and women's empowerment. Expertise on human rights and gender equality will be ensured in the evaluation teams.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

5.3. Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

It will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

APPENDIX 1 REPORTING IN OPSYS

An Intervention (also generally called project/programme) is the operational entity associated to a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Interventions are the most effective (hence optimal) entities for the operational follow-up by the Commission of its external development operations. As such, Interventions constitute the base unit for managing operational implementations, assessing performance, monitoring, evaluation, internal and external communication, reporting and aggregation.

Primary Interventions are those contracts or groups of contracts bearing reportable results and respecting the following business rule: ‘a given contract can only contribute to one primary intervention and not more than one’. An individual contract that does not produce direct reportable results and cannot be logically grouped with other result reportable contracts is considered a ‘support entities’. The addition of all primary interventions and support entities is equivalent to the full development portfolio of the Institution.

The present Action identifies as

Action level		
<input type="checkbox"/>	Single action	Present action: all contracts in the present action
Group of actions level		
<input type="checkbox"/>	Group of actions	Actions reference (CRIS#/OPSYS#):
Contract level		
<input checked="" type="checkbox"/>	Single Contract 1	Twinning grant contact (EUR 2 500 000) with MS body
<input checked="" type="checkbox"/>	Single Contract 2	Grant contract (EUR 500 000) with MoE
<input checked="" type="checkbox"/>	Single Contract 3	Service Contract (EUR 3 250 000) with TA
<input checked="" type="checkbox"/>	Single Contract 4	Contribution Agreement (EUR 3 000 000) with MS organisation
<input checked="" type="checkbox"/>	Single Contract 5	Service contract (EUR 180 000) for evaluation
<input checked="" type="checkbox"/>	Single Contract 6	Service contract (EUR 70 000) for audit
<input type="checkbox"/>	Group of contracts 1	