



PRESS RELEASE

MALAWI SIGNS MEMORANDUM OF UNDERSTANDING ONTO THE REGIONAL LIQUIDITY SUPPORT FACILITY IN A BID TO INCREASE ENERGY

LILONGWE, 30 November 2018 – The Government of Malawi and the African Trade Insurance Agency (ATI) signed the Memorandum of Understanding (MoU) onto Regional Liquidity Facility (RLSF) today. With the facility, Malawi is hoping to diversify its energy mix and to make a significant dent in its electrification rate which currently stands at about 10 percent.

The RLSF is a joint initiative of ATI, and KfW with funding from the German Federal Ministry for Economic Cooperation and Development (BMZ) with initial capacity of USD74 million. Under the program, RLSF will offer insurance protection to new small and mid-sized renewable energy projects (from 50 to 100 MW) in Sub-Saharan Africa.

The RLSF will protect the Independent Power Producers (IPPs) in Malawi against the risk of delayed payments by the public off-taker, the Electricity Supply Corporation of Malawi (ESCOM). This type of guarantee is a common requirement from the lenders that fund the projects. Many projects have failed to access funding and in turn reach financial close because this type of guarantee was not available. The RLSF hopes to change this by providing the required guarantee in cooperation with the Letter of Credit issuing bank, ABSA Bank Ltd.

The facility will provide immediate cash collateral supported by guarantees to a bank that will in turn open a stand-by Letter of Credit to the benefit of IPP. The amount provided will be equivalent of between 3 to 6 months of the IPP's revenue generated from the power plant. This implies that the facility will help in removing the financial burden from the national utility that is often asked to provide such liquidity protection.

The Ministry of Finance, Economic Planning and Development acknowledged that “Malawi has an installed electricity-generating capacity of around 370 MW which is inadequate to meet the ever increasing demand”. To improve this situation, the government is implementing a number of projects as well as negotiating with a number of potential investors in electricity generation. This facility will help the government in attracting more IPPs with a renewable energy focus because renewable energy projects can generally be cheaper, easier to be implemented, integrated into the national electricity grid and usually have a positive environmental impact once up and running. This facility should also help to ease the country's debt burden by reducing the need for government-guaranteed liquidity support to IPPs.”

The cost of generating electricity from renewable energy sources continues to fall, unlike traditional non-renewable energy sources. Ultimately, this leads to greater savings for the national utilities (off-takers) and for the end-users, which includes households, industries, companies, and others. Renewable energy is therefore a viable alternative and the RLSF aims to provide further incentives to other African governments to sign up.

Commenting on the MoU signing, ATI's Regional Underwriter for Southern Africa, Pizzaro Lukhanda, said "This partnership with Malawi through the RLSF speaks directly to our mandate to help our member countries create a healthy environment for business and investments. The RLSF accomplishes this by creating a risk mitigation tool that can bring the public and private sectors together to oversee the successful completion of more renewable energy sector projects in Malawi. The positive impact of the RLSF will likely be felt for generations whether it be energy consumers, the government or the environment."

The RLSF product is available to all renewable IPPs in countries that have signed a Memorandum of Understanding and that have not reached financial close, as well as new IPPs.

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About KfW

KfW is one of the world's leading and most experienced promotional banks. Established in 1948 as a public law institution, KfW is 80 per cent owned by the Federal Republic of Germany and 20 per cent by the federal states ("Länder").

KfW Development Bank is Germany's leading development bank and an integral part of KfW. It carries out Germany's Financial Cooperation (FC) with developing countries on behalf of the Federal Government. The 600 personnel at headquarters and 370 specialists in its 68 local offices cooperate with partners all over the world. Its goal is to combat poverty, secure the peace, protect the environment and the climate and make globalisation fair. KfW is a competent and strategic advisor on current development issues.

<https://www.kfw-entwicklungsbank.de>

About The African Trade Insurance Agency

ATI was founded in 2001 by African States to cover the trade and investment risks of companies doing business in Africa. ATI provides Political Risk, Surety Bonds, Credit Insurance and Political Violence and Terrorism & Sabotage cover. As of YE 2017, ATI has supported USD35 billion in trade and investments across Africa in sectors such as agribusiness, energy, exports, housing, infrastructure manufacturing, mining and telecommunications. Since 2008, ATI has maintained an 'A/Stable' rating for Financial Strength and Counterparty Credit by Standard & Poor's.

www.ati-aca.org
