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# **MALAWI PPP PROJECTS COMPENDIUM 2024**



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# CEO'S NOTE

It is with great pleasure that I share with you the Public Private Partnership Commission (PPPC) 2024 compendium. This catalogues PPP projects initiated towards achieving sustainable development across various sectors in Malawi.



The PPPC is the implementation agency for PPPs in Malawi and is also responsible for developing guidelines on best practices to assist different government ministries in the roll out of their PPP projects. The PPPC works closely with the Ministry of Finance and Economic Affairs in the review and assessment of PPP project affordability, value for money, feasibility studies and contingent liabilities associated with PPP projects.

As the Chief Executive Officer of the Commission, I am proud of my team who work tirelessly to ensure that projects that are pursued meet standards of innovation, inclusivity, and competitiveness necessary in driving social and economic development.

This 2024 compendium features a range of projects across sectors such as agriculture, health, infrastructure, education, and energy. These endeavors underscore our commitment to creating partnerships between the public and private sectors to achieve meaningful impact. We are confident that these projects will lead to measurable outcomes in enhancing the quality of life for Malawians.

I would like to extend my gratitude to President Dr Lazarus McCarthy Chakwera, and his administration for prioritizing growth of investment in Malawi as an ingredient for economic transformation.

To domestic and foreign investors, as you flip through the pages, it is my hope you will gain insight into the potential of public-private partnerships in driving growth and development in Malawi. My team is ready to hear from you, we look forward to opportunities to work diligently together, may this compendium offer you a glimpse into the incredible possibilities. You are most welcome to discuss with us on these projects and any are of interest that you may wish to enter into a partnership with the Malawi Government.

I trust that you will find the Compendium fruitful and we look forward to collaborating with potential investors as we strive to achieve sustainable development and growth of Malawi.

**Patrick Kabambe**

CEO

Public Private Partnership Commission

# PUBLIC PRIVATE PARTNERSHIP PROJECTS

## 1.0 HEALTH SECTOR

The health sector of Malawi continues to face challenges to meet the goals of public healthcare service delivery which are effectiveness, equity, quality and efficiency of public health services delivery. The failure to achieve these goals has contributed to stagnating population health and service delivery outcomes. The main challenges in achieving the service delivery goals is manifested in the following ways; congestion of public healthcare delivery points; lack of medicines and frequent stock outs of medicines; extended downtime of medical equipment such as CT scans and dialysis machines; and poor diagnosis of medical conditions due to lack of diagnostic equipment such as MRIs. The main attributing factors to these challenges include; chronic underfunding of the public health budget, weak supply chain management and unreasonable use of medicines, leakage and drug pilferage.

Despite the numerous challenges in the health system, health care financing remains the top most challenge. While the public sector provides the largest share of health services in Malawi (approximately 63 percent), 27 percent of the services are provided by private actors like; the Christian Health Association of Malawi (CHAM), private for profit (PFP) and other nonprofit actors. These private actors play a crucial role in expanding the access of essential health services in rural and secluded areas of Malawi. Due to this collaboration from different actors, there have been some achievements in improving access to health care in the country. However, as a way to respond to the growing demand for medical services, Malawi launched the Health Sector Strategy Plan III (2023–2030) to move towards Universal Health Coverage (UHC) by improving health status, financial risk protection and client satisfaction.

One of the main strategies outlined in the HSSP III is to explore options for Public-Private Partnerships in medical equipment acquisition and management and health infrastructure improvement. It is believed that PPPs in the health sector will improve performance of public health services in the country and will gradually achieve the long-term objectives of the Government of Malawi as indicated in the Agenda 2063. This section presents health PPP projects which the Government of Malawi is interested to partner with the private sector.

## 1.1 ESTABLISHING DIAGNOSTIC UNITS ACROSS THE HEALTHCARE LEVEL SYSTEM IN MALAWI

### PROJECT DESCRIPTION

Malawi faces serious gaps in the delivery of diagnostic services (laboratory and radiology). Currently the country has only 12 molecular laboratories and 3

TB laboratories at level 3. In a recent situation analysis conducted by Ministry of Health in collaboration with Clinton Health Access Initiative (CHAI) in October 2022, it was found that there are a limited number of tests performed at primary health facilities. On the other hand, less than 30% of the secondary and tertiary level facilities have a limited number of specialized tests as protein specific antigen, carcinoembryonic antigen, tumor markers, HPV, and histology. The diagnostic system in Malawi is faced with a myriad of challenges which include among others, limited diagnostics menu at all levels of health care, limited infrastructure, inadequate funding for diagnostic services, weak supply chain management for reagents and consumables, and inadequate equipment and maintenance. . The ever-growing population and ever-changing epidemiology landscape keep undermining the current diagnostic capacity, hence raising the need for significant improvements in the laboratory and radiology systems. It is of this reason that the Ministry would like to establish sustainable Diagnostic Units across the healthcare level system (primary, secondary, tertiary and national levels) under a PPP financing arrangement to provide routine laboratory and radiology services.

This project will be funded under the African Health Diagnostics Platform (AHDP) project which is funded by the European Investment Bank (EIB). The main objective of the project is to significantly improve diagnostic services across sub-Saharan Africa through public and private sector partnerships (PPPs). In February 2022, the Malawi Government signed a Cooperation Agreement with EIB, which marked the official start of the AHDP project in Malawi. The project is being implemented by the MoH, CHAI, Technical Assistance (TA) partner for EIB, in collaboration with the Ministry of Finance and the Public Private Partnership Commission (PPPC).



## **PROJECT OBJECTIVES**

The overall goal of the AHDP project is to improve diagnostic services in the country in the pursuit of better achievement of health services delivery through better decision making, treatment decisions, and quality of care.

The establishment of diagnostic units will to improve the provision of timely Diagnostic services in the country and will bridge the gaps in controlling endemic and newly emerging diseases in the country therefore help in the management of patient cases.

## **PROJECT LOCATION**

The Diagnostic Units will be established across the healthcare level system in Malawi – at primary, secondary, tertiary and national health care level facilities. The comprehensive project scope (i.e. number of diagnostic units/centers, location, geographical distribution, range of services per health care level, etc.) will be determined through the feasibility study set to be conducted as part of the project.

## **BENEFITS OF THE PROJECT/ ALIGNMENT OF PROJECT TO GOVERNMENT GOALS**

The project is aligned to several existing policies such as Malawi Agenda 2063 which encourages use of PPPs to achieve development goals, The National Health Policy (2018-2030), the National Radiology Policy, the National Laboratory Strategic Plan including Health Sector Strategic Plan III (2023-2030).

The Diagnostic Units/Centres are expected to lead to better health outcomes for patients, better client satisfaction, and improved financial risk protection, especially for the poor. The project will, therefore, directly contribute to Government's commitment towards Universal Health Coverage (UHC).

## **FINANCIAL REQUIREMENTS**

The total budget for the proposed project will be worked out. The cost is dependent on the feasibility study that will be carried out soon. The project is expected to be financed using public-private partnership financing.

## **1.2 ESTABLISHING RENAL DIALYSIS UNITS IN CENTRAL HOSPITALS**

### **PROJECT DESCRIPTION**

Non-Communicable Diseases (NCDs) are increasingly contributing to the disease burden in Malawi. NCDs are the second leading cause of deaths in adults after HIV/AIDS in the country, accounting for 28% of all deaths. One of the emerging NCD is Chronic Kidney Disease (CKD) which is caused by factors such as diabetes,

hypertension, sepsis, and motor vehicle crashes (MVCs). There are a number of CKD patients in the country who are treated using dialysis machines in the Central Hospitals. However, the main challenges faced in the dialysis units are; limited finances to buy supplies and consumables for the dialysis machines and water tanks; limited human resource i.e. nurses, clinicians as well as technical expertise to maintain the machines thus leading to poor maintenance which causes frequent breakdown. In order to operate effectively, regular suppliers of dialyzers, lines and dialysis fluid which are purchased outside the country are required. It is of this reason that the Ministry proposes to engage a private partner through a Public-Private Partnership to establish renal dialysis units in all the Central Hospitals.

### **PROJECT OBJECTIVES**

The proposed project aims to improve renal dialysis services and access by those with kidney disease and injuries. This is expected to result in improved access to specialized care which will reduce external referrals that require more financial resources. Furthermore, the improved efficiency, access and quality of renal dialysis will entail reduced mortality rates for renal dialysis patients and improved financial risk protection, especially for the poor.

### **PROJECT LOCATION**

The Renal Dialysis Units will be established in each of the four Central Hospitals in the country namely; Kamuzu, Queen Elizabeth, Zomba and Mzuzu. The respective Dialysis Centres will serve the catchment areas of the Central Hospitals.

### **BENEFITS OF THE PROJECT/ALIGNMENT OF PROJECT TO GOVERNMENT GOALS**

The project is aligned to several existing policies such as Malawi Agenda 2063 which encourages use of PPPs to achieve development goals, The National Health Policy (2018-2030), The Health Sector Strategic Plan III (2023-2030), The PPP Act (2022) and the PPP Policy (2011).

The proposed project will result into improved access to renal dialysis services and efficient management of kidney disease patients. It is envisaged that PPP schemes in healthcare, specifically in regard to medical equipment, can contribute to technological innovation and help improve the availability of technologies that meet the health needs of the population.

### **FINANCIAL REQUIREMENTS**

The total budget for the proposed project will be worked out. The cost is dependent on the feasibility study that will be carried out soon. The project is expected to be financed using public-private partnership financing.

## 2.0 INFRASTRUCTURE SECTOR

### 2.1 CONSTRUCTION OF MITC ONE-STOP CENTRE



#### PROJECT DESCRIPTION

The Malawi Investment and Trade Centre (MITC) is mandated by the Investment and Export Promotion Act 2012 to promote investment and trade in the country. It is a strategic institution that promotes investment and trade opportunities and brands Malawi as the utmost destination for foreign direct investment. It is responsible for registering foreign investment and coordinating registration processes under its One Stop Services Centre. Through the One Stop Services Centre, MITC also assists investors to access land, business permits and access the necessary support required for them to establish their businesses in the country. The Centre also has a trade function that supports product development, capacity building and access to market.

Malawi Investment and Trade Centre plans to construct a six-storey ultra-modern office building yielding a handsome 12,500 square meters of office space and 233 parking slots. The building will have an appealing theme with a decorative finish in the form of modern aluminum paneling and curtain walling. Another outstanding feature will be a roof-top solar farm that will be generating electricity to the main grid on a reverse meter basis.

## **LOCATION**

The building will be constructed in the City Centre of the Capital City of Malawi (Lilongwe). It will be situated at a prime location along the Presidential Way.

## **BENEFITS OF THE PROJECT**

The head office will house the MITC and all relevant institutions that facilitate investment and trade in the country. The One Stop Centre will ensure the implementation of an improved delivery system of public services which will be done efficiently and comprehensively.

## **FINANCIAL REQUIREMENTS**

The estimated Capital Expenditure Requirement for the proposed project is estimated USD 29,024,495.

The revenue for the Property will be generated from two sources;

- a. Office Space – the property will have a total of 9 940 square metres which will be available for letting as office space.
- b. Car Parking – the property will have 233 car parking slots, and these will be paid for separately by tenants in the building.

## **PROPOSED INVESTMENT MODEL**

Government preference is to develop the project through PPP arrangement. The project will be implemented following a Design-Build-Finance-Operate-Transfer (DBFOT) model. The Private Partner will be responsible for the finance, design, construction under a turnkey risk basis, operating and maintenance of the project for a specified period, after which the project facilities will be transferred to the Contracting Authority (MITC) without payment of any compensation.

In this model, the Private Partner will recover their investment and operating and maintenance expenses plus a commercial return thereon, through rentals directly from the users of the different components of the office complex (lettable offices and car slots), as specified in the PPP agreement. The concession period is envisaged to be 25 years.

## **PROJECT FEASIBILITY**

A Feasibility Study was conducted for this project which aimed at assessing the overall feasibility of the development and implementation of the MITC One-Stop Centre under a PPP framework.

The Feasibility Study included an international benchmark study for similar office building PPP projects, a Technical, Environmental, Legal and Regulatory assessment of the project; a comprehensive assessment of all the risks encountered by the

project during its lifecycle; a Financial assessment and Modelling of the project reflecting optimal design parameters; a Value-for-Money (VFM) and Affordability Analysis; and Payment mechanisms and MITC potential share of profit. The Feasibility Study concluded that the project is feasible under a PPP arrangement as detailed above in the proposed investment model.

## **2.2 MALAWI UNIVERSITY OF SCIENCE AND TECHNOLOGY HOUSING ESTATE, RECREATION FACILITY AND SHOPPING COMPLEX**

### **PROJECT DESCRIPTION**

The Malawi University of Science and Technology (MUST) is a public university in Malawi which was established on 17th December, 2012 and started its operations and enrolment in April 2014. Its vision is to be “a world class centre of science and technology education, research and entrepreneurship” through the provision of a conducive environment for quality education, training, research, entrepreneurship and outreach activities.

The Government wishes to implement the Staff Housing, Recreation Facility and Shopping Complex Project through a public-private partnership financing arrangement. Through this, the Government hopes to optimise efficient delivery of the following services for the staff members and students at MUST;

- I. Accommodation facilities (300 staff houses)
- II. Recreation facility including amenities such as gymnasium, indoor sports activities, and other entertainment and athletic facilities.
- III. Shopping complex including shops, restaurants, salons and other establishments including a parking area.

The University’s consideration of PPPs in the construction of 300 staff houses is in line with the following policy and legal instruments;

- Public Private Partnership Act (2022)
- Malawi 2063 Agenda through the Malawi Implementation Plan I (MIP 1)
- Sustainable Development Goals (2016 – 2030)

### **LOCATION**

Land for this housing estate project will be allotted within the MUST main campus in Thyolo District – Southern Region of Malawi.

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## **BENEFITS OF THE PROJECT**

The University's primary goal of the project is to provide quality, sufficient well managed and well-maintained staff houses at a reasonable price; a recreation facility to promote active lifestyles for the staff members and students and a shopping complex that will provide an easy and convenient shopping area and other associated services.

The University would prefer that this project be completed as soon as possible to alleviate some of these accommodation challenges and inadequate recreational facilities the students and staff members are facing.

## **FINANCIAL REQUIREMENTS**

The total budget for the proposed project will be dependent on the feasibility study that will be carried out soon.

## **PROPOSED INVESTMENT MODEL**

Government preference is to develop the project through PPP arrangement. The project will be implemented following a build operate and transfer model. The private partner will recover their investment plus a commercial return thereon and transfer the underlying stake to MUST after the contract period.

## 3.0 TOURISM SECTOR

### 3.1 INTEGRATED TOURISM FACILITY IN SALIMA, CENTRAL MALAWI PROJECT DESCRIPTION



Spread across Central Malawi, the highlands along the shore of Lake Malawi, and the central shoreline, the Salima–Dowa–Kirk Range–Lilongwe Node probably offers one of the greatest geographic diversities amongst the Tourism Nodes in Malawi. It offers an appropriate and balanced mix of lake- based, nature- based and cultural tourism experiences.

Senga Bay, where Salima lies, is the closest Lake Malawi resort area to Lilongwe, situated about 120 km to the east by road, and is already established as a popular weekend retreat and conference venue for residents of the capital.

Salima town is situated centrally within proximity to the capital city of Lilongwe as well as linking to the northern & southern regions. The town is a booming tourist location with potential to become a lakeside city and is also the primary destination area of the central node with access to Meetings, Incentives, Conferencing and Events (MICE), Culture & Nature Tourism.

This project is owned by the Ministry of Tourism. The objective is to develop an inclusive tourism facility that provides relaxation, business, shopping and entertainment to guests and visitors. This will help to improve life and living standards for communities in and around Salima and help push for the development of Salima into a city.

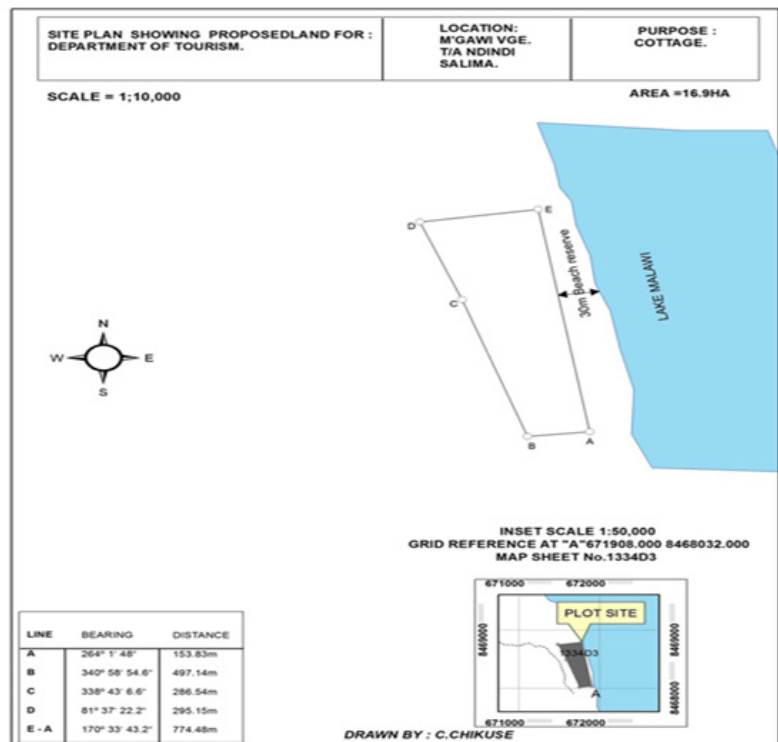
The proposed project entails the construction of a 100-room Resort Hotel, a partitioned 1,000 capacity Conference Centre, Sporting complex, Shopping complex, Casino and Entertainment Centre, a golf course with residential estate, and an Aquarium.

## SITE AND LOCATION

The site is in the Central Malawi region in the Salima-Dowa-Kirk Range – Lilongwe node. It is situated on the lake shore with close access to the capital city and main international airport, as well as rail transport & water transport by ferry.



The land is very flat with areas thereof on the same level as Lake Malawi. This is ideal for the proposed development since the concept calls for a man-made lake around which the buildings will be located.



Travel distances and -time from other destinations are as follows on (mostly) good quality tar roads:

- Lilongwe 100km, 1h 30m
- Liwonde 190km 2h 30m
- Mangochi 194km 2h 40m
- Nkhotakota 104km 1h30m

## **BENEFITS OF THE PROJECT/ALIGNMENT OF PROJECT TO GOVERNMENT GOALS**

The Government of Malawi has identified tourism development as a major driver of the Malawian economy in the future. The purpose of the National Tourism Investment Masterplan (of which the feasibility analysis is part) is to develop a 25-year roadmap that will guide investments into tourism and related sectors.

This project is expected to provide quality tourism products with the following minimum facilities and services:

- Adequate lodging facilities catering for various tourist categories
- Convention Centre for corporate meetings
- Sporting Complex
- Shopping Complex
- Casino & Entertainment Centre
- Corporate social responsibilities for the surrounding communities e.g. employment, income generating activities, purchase of local food stuffs and other materials etc.
- High quality facility management and maintenance services

### **Benefits of the project include:**

- a. Improved infrastructure development
- b. Increased visitor's occupancy rate in the lodging facilities
- c. Increased visibility as a tourist destination for both local and international market
- d. Forex generation from international tourists
- e. Increased tourist's attraction opportunities

## **FINANCIAL REQUIREMENTS AND FINANCIAL FEASIBILITY**

- Capital Expenditure Requirement is US\$43.29 Million
- Net Present Value US\$62.66 Million (for traditional procurement)
- Internal Rate of Return 12.4%
- Payback Period 9 years

## 1. PROPOSED INVESTMENT MODEL (ACTIONS REQUIRED/ IMPLEMENTATION ARRANGEMENTS/ CONTRACT TYPE)

Government's preference is to develop this project through a Design, Build, Finance, Operate, Maintain and Transfer PPP arrangement.

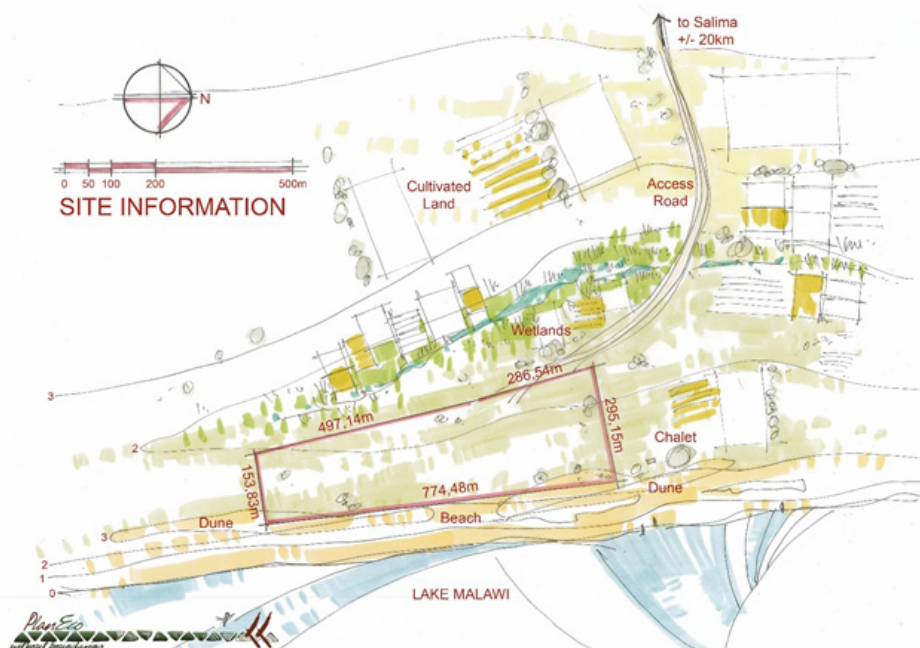
## 2. PROJECT FEASIBILITY

Salima is very well located in central Malawi. Two major national roads converge in Salima, the railway goes through the town and Chipoka harbor is less than 30km away.

Senga Bay with its selection of hotels, resorts, and lake activities, is the closest lakeshore to Lilongwe, the nation's Capital city.

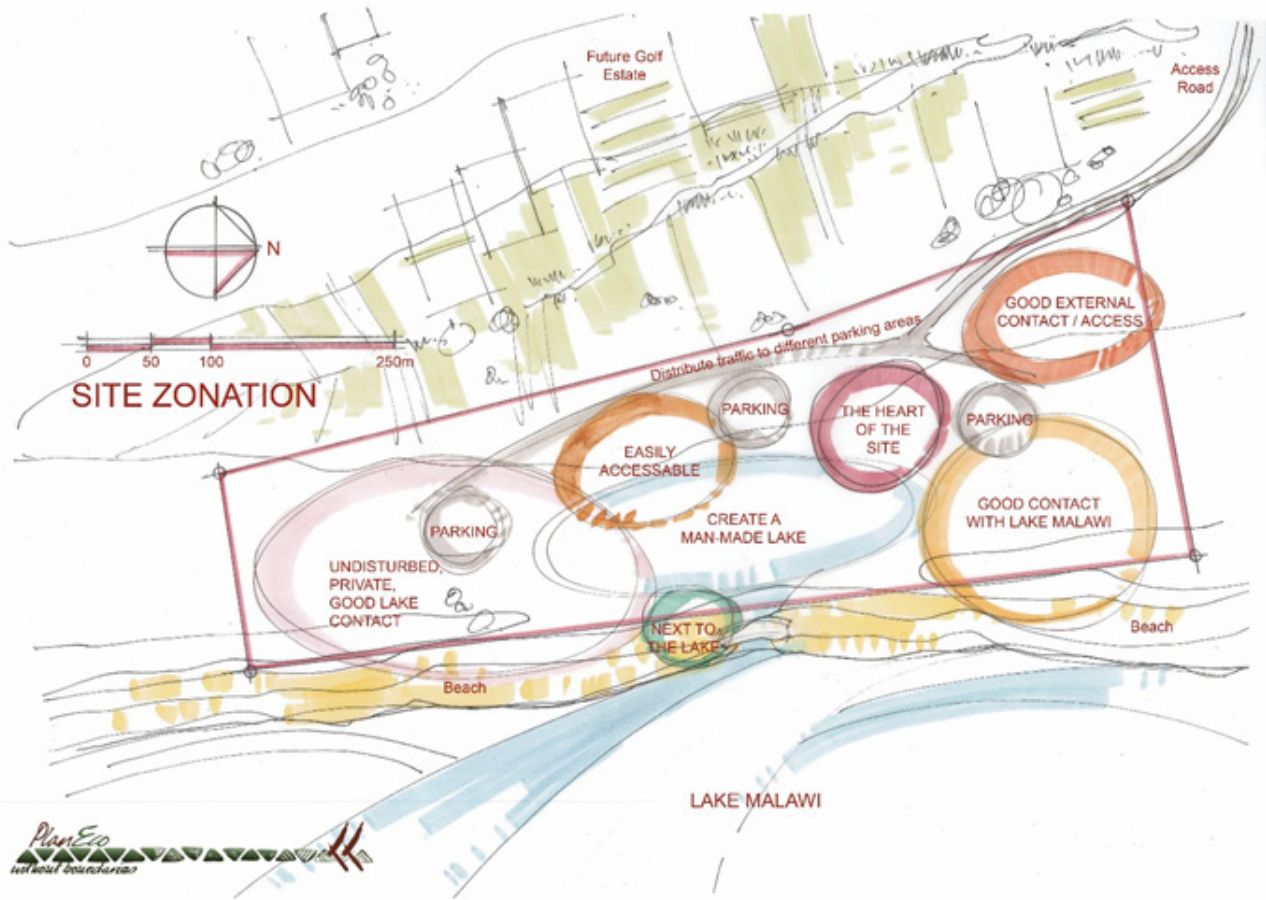
The selected site for the proposed Integrated Tourism Facility is ideally located along the lakeshore.

The land is very flat with areas thereof on the same level as Lake Malawi. This is ideal for the proposed development since the concept calls for a man-made lake around which the buildings will be located. The surrounding land is all under cultivation creating a lovely out-of-town ambience.

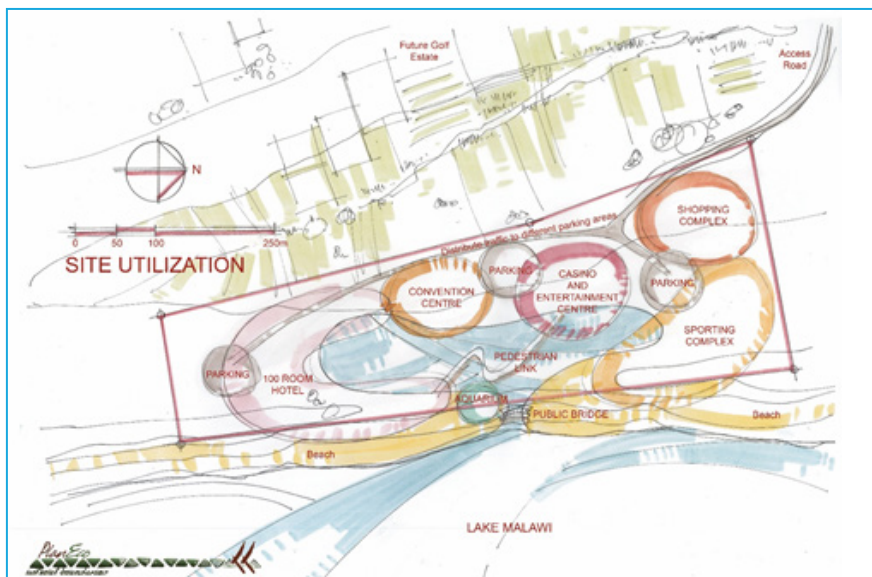


An Integrated Tourism Facility is quite a complex development. All facilities interact with and support each other, requiring well thought through placement of each component.

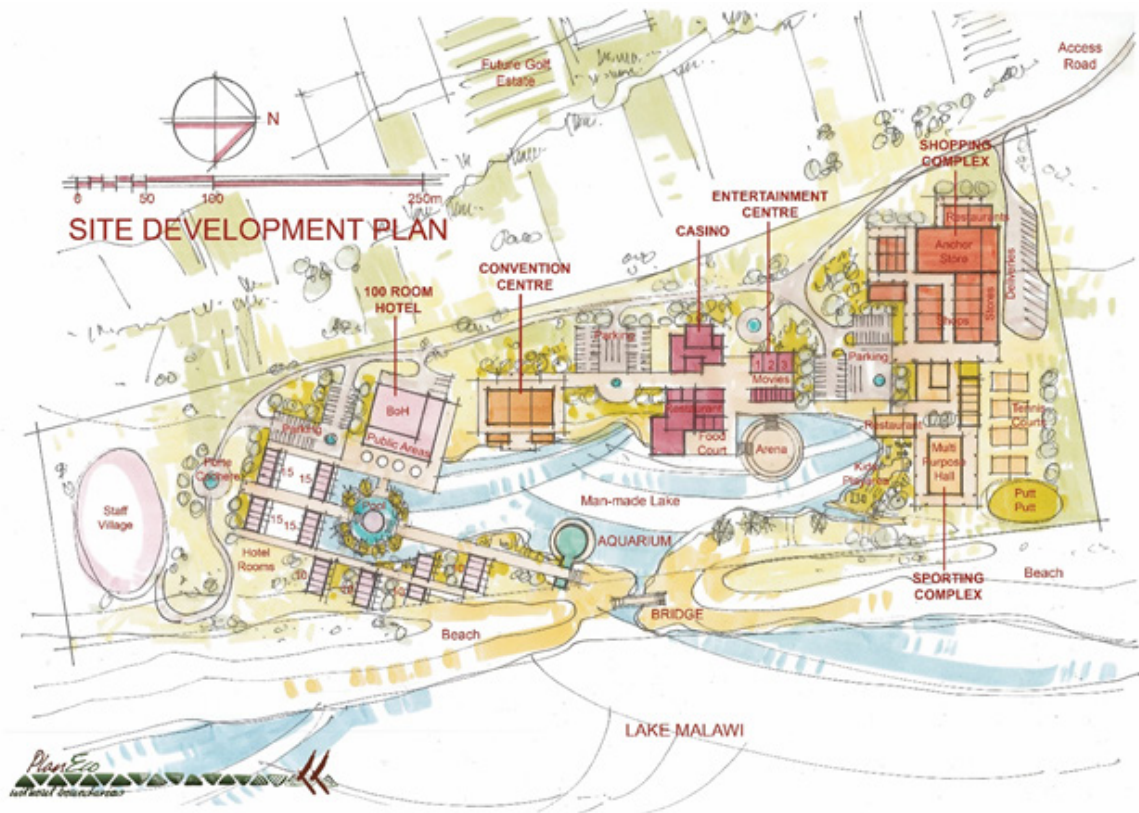
A preliminary zoning exercise of the selected site investigated the pros and cons of each location. This is captured in a short description of each location, as indicated on the Zoning diagram below.



Smaller components requiring placement are the Aquarium, the Golf Estate (which is considered a specialist installation and can follow at a later stage) and access roads and parking



As seen on the Site Development Plan below, the selected site will be fully utilized, with very little space left for future development.



### 3.2 NATIONAL HERBARIUM BOTANICAL GARDENS



## **PROJECT DESCRIPTION**

National Herbarium and Botanic Gardens would like to redevelop the three botanic areas as a way of developing and preserving the flora and endangered species. This project shall involve the development of Zomba, Lilongwe & Mzuzu Botanical Gardens under a PPP arrangement where a private partner will operator the botanic gardens for a specified period of time.

The objective of the project is to improve the development of the develop botanic gardens for the National Herbarium and Botanic Gardens (NHBG) with the aim of fostering a harmonious balance between nature conservation ecological preservation and public education infrastructure development. The development is envisioned to include a variety of landscapes and facilities that will not only conserve a diverse range of flora and fauna plant species but also offer nature educational programs, and botanical and horticultural research opportunities to members of staff, local and international biodiversity researchers .

## **LOCATION**

The botanical gardens are in Lilongwe – in the central region of Malawi, Zomba – in the eastern region of Malawi and Mzuzu- in the northern region of Malawi.

## **BENEFITS OF THE PROJECT/ALIGNMENT OF PROJECT TO GOVERNMENT GOALS**

The project will make the existing botanical gardens more attractive to their clients as the investment will include learning centers, amphitheatres, trails and restaurants.

These botanic gardens are intended to serve as a sanctuary for biodiversity, facilitating the conservation of both local and exotic flora, including fauna that are found therein. By doing so, they will enhance the NHBG's capacity to support its conservation efforts and provide a resource for scientific research, while also creating spaces for public enjoyment and learning. These investments in the botanic gardens will enable the NHBG to enhance its quality of services as a centre for botanical research, education and conservation. The development of hospitality infrastructure in the botanical gardens will also enhance the ability of NHBG to attract visitors and guests for leisure and business engagements in tranquil and natural environments. This will enhance the capacity of NHBG to generate revenues and sustain its operations in the future.

The proposed infrastructure development in the botanic gardens will include various features such as themed gardens, greenhouses, research and educational facilities, retail spaces, and recreational/eco-tourism facilities.

This project has the benefit of forex generation as it will bring more international tourists.

## **FINANCIAL REQUIREMENTS**

The project is expected to be financed using public-private partnership financing and the capital expenditure is estimated as follows

Zomba Botanical Garden : USD 4.1 Million

Mzuzu Botanical Garden : USD 6.6 Million

Lilongwe Botanical Garden : USD 4.4 Million

Operating expenditure is estimated to be around USD 1 Million per year.

## **PROPOSED INVESTMENT MODEL (ACTIONS REQUIRED/ IMPLEMENTATION ARRANGEMENTS/ CONTRACT TYPE)**

Government preference is to develop the project through PPP arrangement. The project will be implemented following a Design-Build-Finance-Operate-Transfer (DBFOT) model. The Private Partner will be responsible for the finance, design, construction under a turnkey risk basis, operating and maintenance of the project for a specified period, after which the project facilities will be transferred to the Contracting Authority without payment of any compensation.

In this model, the Private Partner will recover their investment and operating and maintenance expenses plus a commercial return thereon, through user fees. The concession period is envisaged to be 30 years.

## **PROJECT FEASIBILITY**

The feasibility study for the Botanical Gardens project, undertaken within the framework of a Design, Build, Finance, Operate, and Maintain (DBFOM) model, concludes with a persuasive evaluation of the project's prospective outcomes. Through meticulous examination across various scenarios and fiscal models, the analysis concluded the project achieves profitability for private stakeholders with securing value for the public sector.

The analysis of the various configurations explored for the implementation of the Botanical Gardens' project under a DBFOM scheme demonstrates that the project is viable with equity IRR reaching 30.87%, demonstrating reasonable returns for equity investors.

The project IRR also indicates that the project is expected to generate sufficient revenue to cover both operational and capital costs, thereby rewarding the investment comprehensively. The satisfactory minimum ADSCR further reinforces the project's capability to meet its debt obligations, ensuring confidence among lenders and financial institutions.

On the public sector front, the Value for Money analysis of the Public-Private Partnership model under scrutiny projects a notable return in the form of tax revenues. The analysis confirmed that the Design, Build, Finance, Operate and Maintain model, even with its inherent risks and the possibility of a negative net present value after adjusting for these risks, still offers better value compared to the traditional public sector methods.

The Value for Money, quantified at 55.2%, supports the financial benefits of the PPP model. It demonstrates the model's ability to effectively use public subsidies and manage risks to create a project that is both economically sound and produces value.

The developer may need to obtain various business permits and licenses to operate the Botanic Gardens, such as a business license, tax identification number, and permits for the sale of plants or other products. The Business Registration Act of 2012 and the Taxation Act of 2016 govern the issuance of business permits and licenses in Malawi. The Water Resources Act of 2013 and the Environmental Management Act of 2017 govern the use and management of water resources in Malawi.

The developer will need to obtain operating licences and permits from the City Council (Zomba, Lilongwe and Mzuzu) to conduct the various business operations involving lodge, restaurant, bar and events hosting in the City. All three City Councils require three types of licences and permits: business licence, food licence and liquor permit. The aggregate cost of these licences and permits are as follows:

- The Zomba Botanical Gardens (ZA): around USD 1 685 per annum.
- The Lilongwe Botanical Gardens (LL): around USD 580 per annum.
- The Mzuzu Botanical Gardens (MZ): around USD 1 325 per annum.

### 3.3 GOLDEN SANDS ECO-LODGE IN THE LAKE MALAWI NATIONAL PARK



#### PROJECT DESCRIPTION

The Government of Malawi through the Ministry of Tourism (MoT) and the Department of National Parks and Wildlife (DNPW) are seeking to introduce eco-tourism by means of the development of eco-lodges within Lake Malawi National Park. This project is under the Tourism sector of Malawi. Lake Malawi National Park was designated as UNESCO World Heritage site in 1984 for its natural beauty and outstanding biodiversity values. Lake Malawi is of global importance for biodiversity conservation due particularly to its fish diversity and clear waters. These unique features Lake Malawi National Park possess give it a competitive advantage over other parks in the country. The aim for the introduction of eco-lodges in the Park is to unlock the untapped potential and secure the long-term feasibility and financial sustainability of nature-based tourism and protected area management. The Government would like to achieve these objectives under a PPP arrangement. The private party is expected to develop, finance, manage, operate and eventually transfer through a Public Private Partnership agreement. The area is well known for tourism in the world which has a trade mark name "Cape Maclear". The ecotourism sites namely is named Golden sands.  
Golden Sands

The envisaged project should be an exclusive, deluxe eco lodge offering a unique and scenic beach environment built utilizing local materials.

The development is envisaged to be a 4-5 star eco lodge with a capacity of 40-60 rooms; Conference facility occupying with a capacity of 100 people. The infrastructure will require green and climate controlling facilities.

The development should aim to ensure that the eco lodge is well integrated within the surrounding lake environment. The facilities should be based on an understanding of the ecolodge context and should employ a lot of creativity and innovation based on ecotourism and sustainable infrastructure design.

The development should have minimal impact on the natural surroundings and fits in into the physical environment with particular attention to design and landscaping as well as building materials.

The facility should also include additional activities like Scuba diving, snorkeling, kayaking, swimming, hiking, sport fishing, zipline, glass bottom boat rides, sunset viewing, playground rides (slides, see-saws, swings), photography and cultural activities that primarily integrate community participation.

## **LOCATION**

Lake Malawi National Park is located at the southern end of the great expanse of Lake Malawi. The property is an area of exceptional natural beauty with the rugged landscapes around it contrasting with the remarkably clear waters of the lake.

Golden Sands is in Cape Maclear which is a town in the Mangochi District of Malawi's Southern Region. The town, on the Nankumba Peninsula, is on the southern shore of Lake Malawi and is the busiest resort on Lake Malawi. Cape Maclear is close to the islands of Domwe, Thumbwe and Mumbo Island on Lake Malawi, and is in Lake Malawi National Park.

The investor is expected to bring in the amenities and new construction on the site. The existing Eco-tourism facilities around the area include:

### **a. Kayak Africa**

Operates a unique truly eco-friendly tourism infrastructure on Mumbo and Domwe Islands. Kayak offers such activities as kayaking around the island, swimming, snorkeling and bird watching. It also offers a magnificent getaway for couples on honeymoon.

### **b. Blue Zebra Island Lodge**

Located on the Maleri Islands in Salima District, this Lodge provides up-market accommodation for visitors. Activities include boat cruises, kayaking, snorkeling, swimming, birding, and nature trail walks.

### **c. Pumulani Lodge**

This is the most up-market facility in the park, located on the South-Western corner of the Park. Owned by Robin Pope Safaris, it offers a freshwater experience to their clients largely coming from upland bush safaris in South Luangwa National Park and other Protected Areas in Zambia and Malawi.

## **BENEFITS OF THE PROJECT /ALIGNMENT OF PROJECT TO GOVT GOALS**

The Government of Malawi identifies the Tourism sector as a key driver for sustainable economic growth and development in the country (Malawi Growth Development Strategy III and Malawi 2063). MW2063 will be operationalized through ten-year implementation plans, the first of which is Malawi Investment Plan (MIP 1). MIP 1 aims at helping Malawi to raise the country's income status to lower-middle level by 2030. Tourism will contribute to this goal by becoming one of the key economic activities in the development of the secondary cities.

This eco-tourism project is expected to provide quality eco-tourism products with complementary commercial facilities with the following minimum facilities and services:

- Adequate lodging facilities catering for various tourist categories such as low budget and high end;
- Uninterrupted quality power supply and such other services required for the project like mobile network, water supply, internal roads, boat transfers etc;
- Corporate social responsibilities for the surrounding communities e.g. employment, income generating activities, purchase of local food stuffs and other materials etc.
- High quality facility management and maintenance services

### **Benefits of the project include:**

- a. Improved infrastructure development
- b. Improved ecotourism service delivery
- c. Increased visitor's occupancy rate in all lodging facilities
- d. Increased park revenue from the ecotourism services
- e. Increased visibility as a tourist destination for both local and international market
- f. Forex generation from international tourists
- g. Increased tourist's attraction opportunities within the sites
- h. Motivated and well-trained staff in ecotourism services

## **FINANCIAL REQUIREMENTS**

- » Total project cost is estimated at around US\$24 Million
- » The proposed Financing Structure for the project is combination of debt and equity.

## PROPOSED INVESTMENT MODEL (ACTIONS REQUIRED/ IMPLEMENTATION ARRANGEMENTS/ CONTRACT TYPE)

Government's preference is to develop both the Golden Sands project through a Design, Build, Finance, Operate, Maintain and Transfer PPP arrangement.

### PROJECT FEASIBILITY

	Component	Status
1	Technical Feasibility	Completed
2	Feasibility Study	Completed
3	Preliminary Environmental Impact Assessment	Completed
4	Technical Designs	To be completed by private investor
5	Licenses	N/A
6	Market Feasibility Study	Completed

## 3.4 MWABVI WILDLIFE RESERVE

### PROJECT DESCRIPTION

The Government of Malawi through the Ministry of Tourism (MoT) and the Department of National Parks and Wildlife (DNPW) are seeking to introduce the management and infrastructure development of Mwabvi Wildlife Reserve. The aim is to unlock the untapped potential and secure the long-term feasibility and financial sustainability of protected area management. The Mwabvi Wildlife Reserve project is under the tourism sector of Malawi. This protected area is the smallest reserve in Malawi and it needs management and infrastructure investment. There is an option available for a joint management contract with the investor. The Government would like to achieve the objectives of this project under a PPP arrangement where a private party will be responsible for operating and managing the reserve.

### LOCATION

Mwabvi Wildlife Reserve is in the Southern Region of Malawi lying entirely within the Lower Shire valley district of Nsanje. It is accessed through the tarmac road from Chikwawa (M8) to Nsanje Boma connecting to Mwabvi at Bangula or Sorgin on earth road with the distance of about 6 km to the park entrance at Migudu camp.



A major project happening in close proximity with the Reserve is the Shire Valley Transformation Project (SVTP), a project that will irrigate 43,370 hectares of land by extracting water from the Shire River at Kapichira Dam in Chikwawa and transmitting it to the irrigable area in Chikwawa and Nsanje districts through canals. The water will be transmitted from Kapichira Dam in Chikwawa to Bangula in Nsanje where Mwabvi Wildlife Reserve is.

### **BENEFITS OF THE PROJECT**

The policy and legal framework of Malawi provide an enabling environment for the involvement of the private sector and other stakeholders in the conservation and management of wildlife. Overall, there is paradigm shift in the way conservation is now viewed, from the traditional preservation approach to a new view approach where wildlife conservation has to contribute to overall socio-economic development and improvement of livelihoods for the adjacent surrounding communities. The Malawi Growth and Development Strategy (MGDS) has taken wildlife conservation and management as a growth sector that can contribute towards the GDP (Malawi Growth Development Strategy III and Malawi 2063).

Based on the Tourism sector’s vision and the department’s objectives, the benefits of Mwabvi Wildlife Reserve project include:

- Increased number of wildlife
- Improved infrastructure development
- Reduced number of poaching incidences
- Increased tourist opportunities
- Increased tourist numbers
- Increased revenue collection
- Increased visibility on the map as a tourist destination for both local and international Market
- Improved service delivery

### **FINANCIAL REQUIREMENTS**

The following are the project’s estimated financial requirements:

- » Project cost is estimated at US\$ 11 Million, this includes both capital and operating expenditure.

### **PROPOSED INVESTMENT MODEL (ACTIONS REQUIRED/ IMPLEMENTATION ARRANGEMENTS/ CONTRACT TYPE)**

Government’s preference is to develop Mwabvi Wildlife Reserve through a Design Build Finance Operate Maintain and Transfer PPP arrangement. This is a cooperative arrangement and the PPP contract for Mwabvi should run for a term of 30 years.

### **PROJECT FEASIBILITY**

	<b>Component</b>	<b>Status</b>
1	Technical Feasibility	Completed
2	Feasibility Study	Completed
3	Preliminary Environmental Impact Assessment	Completed
4	Technical Designs	To be completed by private investor
5	Licenses	N/A
6	Market Feasibility Study	Completed

### **FINANCIAL FEASIBILITY**

The following encompasses the financial feasibility of Mwabvi Wildlife Reserve

- Internal Rate of Return is 15.05%
- Payback Period is 9 years

### 3.5 INTEGRATED CABLE RESORT AT MOUNT MULANJE, SOUTHERN REGION, MALAWI



#### PROJECT DESCRIPTION

The Department of Tourism has selected the development of an Integrated Cable Car Resort on Mount Mulanje (project 2 under envisaged list) as Priority Project. The Project aligns with the Government Vision of development of an Integrated Cable Car Resort on Mount Mulanje.

The following tourism products are envisaged at the bottom of the mountain:

- A cable car that will take visitors to a suitable spot on top of the Mulanje Mountain. Cable car installations are done by specialist companies who will determine the feasibility and design of the installation.
- An Information Centre, hinting at the wonders of Mount Mulanje's geology and history, of which the full story will be told in the interpretation centre on top of the mountain.
- Health Spa & Wellness Centre, containing 4 treatment rooms, an indoor swimming pool, gym, administration offices and reception, as well as change rooms and toilets.
- Themed Restaurant/s.
- A nearby Eco-lodge. A 32-bed facility is proposed within walking distance of the base station and other amenities.
- Secure shaded parking for 20 cars and 4 coaches.

On top of the mountain, the following products could be developed:

- A cafeteria/restaurant seating 60 people. The restaurant will offer views over the surrounding country from outside decks, as well as offer cozy indoor dining.
- An Interpretation Centre with display area, storage and workshop area, as well as public toilets, administration, and reception. Curio and craft stalls could be part of or close to the museum. Activity desks and local guides will also be accommodated here.
- A 40-60 bed Mountain Inn, with fireplaces in each room, offering guests a high-altitude holiday. Visitors will all gain access via the cable car, while local transport can be provided to take guests to other destinations on top of Mount Mulanje. Entertainment and sport activities need to be provided. A phased development starting with 20 rooms is recommended.

## LOCATION

The Mulanje Mountain is about 94km from Blantyre. Mulanje Town lies long the M2 highway from Thyolo to the west and to the Mozambican border to the east. It is connected by road to other major towns e.g. Blantyre. The site is split in two positions, the first being on the low-level area at the at the old cable car station on the outskirts of Likhubula Village town and the second on the high lying area in the area of the rock where the original cable was fastened. It is also close to the Dziwe la Nkhalamba waterfalls. The original cable car system was installed in the 1950's and the positions are suitable for the new base and top stations with facilities. The top station is close to the Dziwe la Nkhalamba waterfalls and the bottom to the Forest Station.



## **BENEFITS OF THE PROJECT/ALIGNMENT OF PROJECT TO GOVERNMENT GOALS**

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The Government of Malawi has identified tourism development as a major driver of the Malawian economy in the future. The purpose of the National Tourism Investment Masterplan (of which the feasibility analysis is part) is to develop a 25-year roadmap that will guide investments into tourism and related sectors.

Benefits of the project include:

- Improved infrastructure development
- Increased visitor's occupancy rate in the lodging facilities
- Increased visibility as a tourist destination for both local and international market
- Forex generation from international tourists
- Increased tourist's attraction opportunities

## **FINANCIAL REQUIREMENTS**

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The Capital Expenditure Requirement of the project is estimated at \$ 45,989,551,11 and has a Net Present Value of US\$54.6 Mn. The project has an estimated internal rate of return of 10.5% and a payback period of 11 Years.

## **PROPOSED INVESTMENT MODEL (ACTIONS REQUIRED/ IMPLEMENTATION ARRANGEMENTS/ CONTRACT TYPE)**

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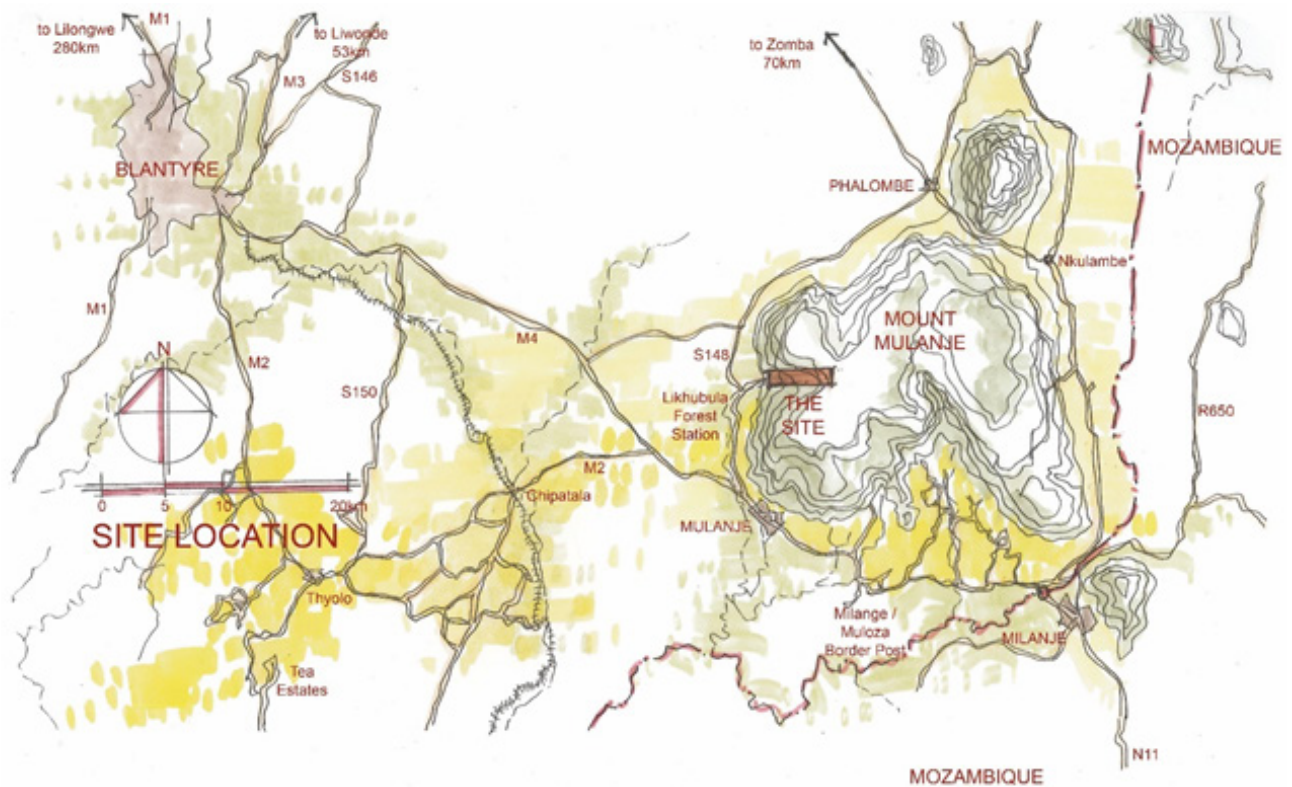
Government's preference is to develop this project through a Design, Build, Finance, Operate, Maintain and Transfer PPP arrangement.

## **PROJECT FEASIBILITY**

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Mount Mulanje is a very popular destination in Malawi. It is well known amongst the hiking- and mountaineering fraternity, and activities on the mountain are supported by various organizations, such as the Mountain Club of Mulanje and the Mulanje Conservation Trust.

Mulanje is easily reached from Blantyre, 60km away. There is an International Airport in Blantyre that visitors to Mulanje – and the rest of Malawi – can fly to. Only 60km from Blantyre lies Zomba, Malawi's previous capitol city. Charming colonial buildings and a scenic drive up to the Zomba Plateau Nature Reserve makes this a must-see destination.



The Likhubula Forest Station is the starting point of many hikes to the mountain. It lies off the S148, approximately 9km from Mulanje town. Day visitors park their vehicles here while others overnight at the nearby Likhubula Forest Lodge or the CCAP Likhubula House.

- During the middle of the previous century, a 2-cable cargo system was constructed on the western slopes of Mount Mulanje, not far from the forest station. Cedar trees were harvested on top of the mountain and transported down to the base station via cable trolleys. The base station, 3,7km from the Forest Station, was reachable by a road that has eroded over the years but is easily upgraded.



The old cable way, called the Skyline, is still partially in place. It is proposed that the new cable car installation follow the same route. A Base Station will be constructed on the site of the old cable base, while the Top Station will also use the old site. The cableway will be built with one span only therefore negating unsightly pylons on the face of the mountain. This location also has the added benefit that no facilities will be visible from the M2 approach to Mulanje, from Blantyre

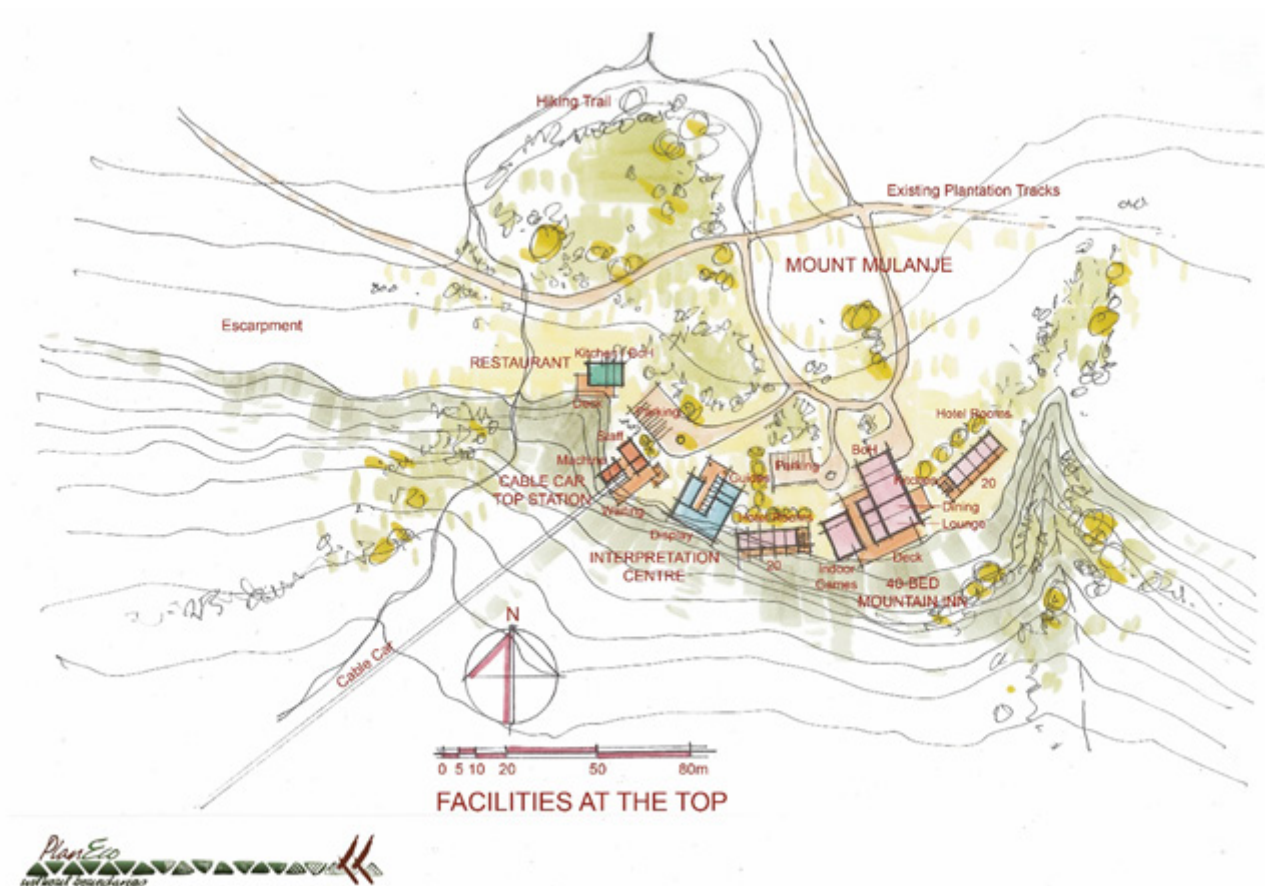
The following facilities will be provided at the bottom of Mount Mulanje:

- The cable car Base Station, with public toilets, waiting area and ticket sales area. The machine room and supporting infrastructure will be done by a specialist installer.
- An Information Centre which will tell part of the mountain's story will be provided. The idea being that visitors will be given sufficient information for them to want to travel to the top of the mountain to hear the full story... Activity desks for hikers, adventure activities such as a zipline down to the falls etc. will also be accommodated in here.
- A cafeteria seating 60 people, with kitchen stores and staff facilities, will be incorporated into the Information Centre.
- A Health & Wellness Centre with indoor swimming pool, gym, treatment rooms and refreshment patio will be positioned close by.
- A 32-bed Ecolodge will be developed in a nearby gorge, with access off the road to the base station. It will provide facilities for both full board as well as self-catering guests.



At the top of the mountain, the following facilities will be provided:

- Cable car Top Station, with waiting area and public toilets. Machine room and other infrastructure by specialist installer.
- An Interpretation Centre telling the story of Mount Mulanje's geology, history, and cultural richness. A display area, storage, and workshop space as well as activity desks will be provided. Facilities for local guides, who will take guests around the mountain, will be housed here as well.
- An A la Carte Restaurant seating 60 people will offer views from the edge of the escarpment.
- A typical Mountain Inn, with 20 rooms each with its own fireplace, will offer guests a true mountain experience. Indoor activities and excursions on the mountain top will be on offer, with a cozy bar and dining room overlooking the slopes of Mount Mulanje. An additional 10 rooms can be added in the future, should the need arise.



## 4.0 EDUCATION SECTOR

### 4.1 STUDENTS' ACCOMMODATION



#### PROJECT DESCRIPTION

Following an increase in the number of enrollments in public Universities without a corresponding expansion in decent accommodation facilities, the Commission, on behalf of the Government of Malawi through the Ministry of Education has been working towards providing comprehensive accommodation facilities (hostels) and associated services through a Public Private Partnership (PPP) Framework. Public Universities require additional student accommodation in varying degrees and sizes. Some of these Universities have more than one Campus and student accommodation would be required in all the campuses. The Public Universities are; Lilongwe University of Agriculture and Natural Resources (LUANAR), Malawi University of Science and Technology (MUST), University of Malawi (UNIMA), Malawi University of Business and Applied Sciences MUBAS and Kamuzu University of Health Sciences (KUHES).

Through this project the primary goal of the Government of Malawi is to increase admissions to public Universities in Malawi against the backdrop of a significant number of eligible students failing to get into tertiary education. The Government would like to achieve this objective by providing quality, sufficient, well managed and well-maintained student accommodation (hostels) at a reasonable price.

## **PROJECT LOCATION**

The requirements for student's accommodation span all five public universities located in different parts of the country as follows:

Central region

- Lilongwe University of Agriculture and Natural Resources (LUANAR) in the capital city - Lilongwe
- Kamuzu University of Health Sciences (KUHES) in Lilongwe
- Southern region
- Malawi University of Science and Technology (MUST) in Thyolo
- University of Malawi (UNIMA) in Zomba,
- Malawi University of Business and Applied Sciences (MUBAS) in the city of Blantyre
- Kamuzu University of Health Sciences (KUHES) in Blantyre.
- Required Bed space

Under the ongoing process, Investors have been identified for some sites while Investors for other sites are yet to be procured

The breakdown for contracted against required bed space is as follows:-

University	Contracted	Required
LUANAR	8,060	-
MUST	2,400	-
UNIMA	0	7,050
MUBAS	0	5,000
KUHES	5,714	-

## **PROJECT BENEFITS**

It is noted that students who are not resident on campus face a lot of challenges such as:

- a. Unacceptable living conditions such as poor-quality structures, overcrowding of students which is conducive to the spread of communicable diseases, unfair tenancy agreements, and unsafe environment
- b. Long distances from constituent colleges

This results in: -

- i. Late reporting for classes and failure to report for classes especially during rainy seasons.
- ii. Failure to make good use of recreational and academic facilities.
- iii. Difficulty in finding accommodation due to limited availability of the private accommodation facilities

It is anticipated that the hostels to be provided under this project shall eliminate these problems.

## **FINANCIAL REQUIREMENTS**

From the Feasibility Study, the financial requirement for developing hostels in the two sites (UNIMA and MUBAS) was assessed to be in excess of 70 million USD.

## **PROPOSED INVESTMENT MODEL**

Government preference is to develop the project through a Build-Operate and Transfer (BOT) model. The investor will establish a Special Purpose Vehicle (SPV) which shall be responsible for the design, build, financing, operation and maintenance of the hostel facilities for a specified number of years.

## **PROJECT FEASIBILITY**

A Feasibility Study for the Students Accommodation project was completed in 2015. However, with the passage of time and continuous evolvement of the higher education sector, a need has been identified to re-assess and update the outcomes of the initial feasibility study. Hence, the Project Feasibility status is as follows:

	<b>Component</b>	<b>Status</b>
1	Technical Feasibility	To be updated
2	Feasibility Study	To Be Updated
3	Preliminary Environmental Impact Assessment	To Be Updated
4	Technical Designs	To be completed by private investor
5	Licenses	N/A
6	Market Feasibility Study	To Be Updated

## **FINANCIAL FEASIBILITY**

The updated feasibility study shall confirm and provide the following details of the project;

- a. Internal Rate of Return,
- b. Net Present Value.
- c. Payback Period.

## **5.0 LOCAL GOVERNMENT PPP PROJECTS**

The Government of Malawi adopted a democratic Decentralization Policy in 1998, whose main objective was to create a democratic environment and institutions in Malawi to facilitate the participation of grassroots in decision making. The Malawi Growth and Development Strategy (MDGS) III recognizes that attainment of sustainable development can only be achieved through devolution of certain responsibilities to local authorities.

The Malawi Local Government System allows communities to demand and access services that are needed for the improvement of their livelihoods. Upon effective decentralization, the country will realize participatory planning, implementation, monitoring and evaluation of policies and programmes; and increased impact of development interventions at the local level.

The Malawi Local Government System is very closely connected to the Central Government. Local governments' role is to re-enforce national policies through local programmes and activities thereby ensuring their subsidiarity and complementarity to the Central Government.

This is important for a country like Malawi, where transfers from the Central Government contribute to more than 80% of the local governments' annual budgets. Malawi currently has a total of 35 Local Government Areas (single-tier authorities), 28 district councils, four city councils, two municipal councils and one town council. Councils formulate District Development Plans and/or Urban Development Plans that represent the priorities of the district, town or city council. The formulation of the plans is aligned to national policies in order to facilitate implementation of development interventions in various sectors.

The Malawi 2063(MW2063) plans on ensuring effective decentralization by supporting local councils with necessary incentives to develop its own economic anchor activities and projects. This includes mining, tourism, commercialized agriculture and other viable activities that taps on the potential wealth of that district. This section therefore highlights a few of the local government projects that have the potential for public-private partnership investments.

### **5.1 CONSTRUCTION OF AN INTERNATIONAL BUS TERMINALS IN LILONGWE AND BLANTYRE**

#### **PROJECT DESCRIPTION**

The increase of population and traffic in the two cities of Lilongwe and Blantyre has led to inadequate public car parking facilities and terminals for both local

and international buses following the high rate of urbanization and rural-urban migration in the cities. The current situation of the bus terminals in the Cities is unhygienic and highly polluted due to several factors such as congestion, poor solid and liquid waste management. This project is therefore designed to improve public transport infrastructure, ease traffic congestion, provide a healthy living and working environment and manage the degradation of the environment.

The project will construct two four-storey local and international bus terminals in the two cities for both local and international buses. The first floor will be used for taxi bays and city line buses, the second floor will be for local buses travelling outside the city but within Malawi, the third floor will be for the international buses and the fourth floor will be for passengers' lounges with various accessories such as shops, cafes, restaurants, money bureaus, ATMs and wash rooms. The project will also construct two seven-storey hotels and two five-storey parkades each with a 500-vehicle capacity. The Lilongwe project will also construct a fly over road connecting the bus depot with the Wenela market.

## **PROJECT LOCATION**

In Lilongwe, the project is located in area 1, along Malangalanga road, replacing the central market and bus depot. The location of the project is quite strategic as it is easily accessible through the road network. It is in the CBD, Old town built up sector, close to the City Malls, Game Stores and Shoprite, Lilongwe Police station, Cross Roads Hotel, lodges and Villas. It has direct connection points to international corridors for example Mchinji road that connects Malawi to Zambia through Chipata. The precise location of the Blantyre bus terminal will be determined by the feasibility study which is yet to be conducted.



## **BENEFITS OF THE PROJECT**

The project is expected to develop and maintain bus depots of international standard and parkades with proper facilities necessary for local and international travel. In addition, the project will provide modern booking, storage, communication and internet facilities within the terminals and improve the level of service available such as luggage handling, ticketing, boarding and disembarking bays, customer service and decent public toilet facilities. It will also provide high quality security services to ensure safety of passengers and all users and increase economically viable activities such as food courts, internet cafes, pharmacy shops, coffee shops and forex bureaus for both arrival and departure terminals. The project will further provide a better link of mini buses and taxis to and from terminals and provide the first multistory architectural parkades in the cities and Malawi. Lastly, the project will improve the beauty and outlook of the two cities and enhance the development of tourism in Malawi.

## **FINANCIAL REQUIREMENTS**

The Lilongwe project will require US\$42.1 million in capital investment with 80% debt and 20% equity. The financial requirements for the Blantyre bus terminal will be determined by a feasibility study which is yet to be conducted.

## **PROPOSED INVESTMENT MODEL**

Government preference is to develop the Lilongwe project through PPP arrangement. The project will be implemented following a Build, Operate and Transfer (BOT) model with a 15-year long concession. A feasibility study is yet to be carried out to determine the most suitable investment model for the Blantyre bus terminal.

## **PROJECT FEASIBILITY**

A feasibility study was conducted for the project and the conclusion from the results was that this project is feasible as a PPP. The following aspects were analyzed during the feasibility study; technical, social, environmental, legal, risk, financial, market analysis, affordability and value for money analysis. The results from the financial analysis showed an Internal Rate of Return (IRR) of 24%, a Net Present Value (NPV) of US\$38.6 million.

The project exhibits both positive and negative effects in the economic, social and environmental spheres. These effects have been analyzed and the feasibility study demonstrated that the benefits outweigh the negative aspects of the project.

## 5.2 CONSTRUCTION OF WENELA MODERN MULTI STOREY MARKET IN LILONGWE



CONCEPTUAL CHALLENGE



CONCEPTUAL CHALLENGE



### PROJECT DESCRIPTION

The Wenela market project is one of the project concepts emanating from the Lilongwe City Council Strategic Plan (2020/21 to 2024/25). This is in response to one of the strategic objectives, namely, "to create a conducive environment for the growth and development of trade and industry in the City." Currently, the Council has four markets in the Central Business District (CBD) namely Central, Tsoka, Lizulu and Area 3 Markets. However, overtime the city has experienced rapid urbanization such that the existing markets are overcrowded with traders. The congestion of traders in the markets has led to some of the traders plying their businesses in the streets. As such, there is an imperative need for new and improved infrastructure to accommodate these traders.

The project is set to develop a multi-storey modern market and office complex that will accommodate 15,000 vendors and 3,000 small scale businesses respectively, providing them with requisite infrastructure and environment for business growth. There will also be a parkade where customers and goods delivery vehicles will park and a minibus depot to accommodate those using public transport. Lilongwe City Council has marked this project as a priority as it will transform the city with modern infrastructure and economic opportunities for the urban population.

The project will have the following components:

- i. Multi-storey to accommodate 10,000 vendors which will be used for selling hardware items, farm produce and food items, cosmetics and groceries and restaurants.
- ii. Multi-storey shops and offices to accommodate 3,000 indigenous local businesses.
- iii. Multi-storey car parkade to accommodate 2,000 cars.
- iv. A mini minibus terminal with a capacity to have 60 minibuses and taxis at a time.

## **PROJECT LOCATION**

The Wenela Complex is situated in Area 4 and it is bordered by the Plant & Vehicle Hire Organization – PVHO, Immigration and Design Printers to the East. The place is ideal for business because it is located the busiest places of the City, the Central Business District (CBD). It is near Immigration and Road Traffic offices which are overcrowded most of the times. It is also within walking distances from some of the major shopping malls in the City namely; Game, Shoprite and Chipiku Stores. Aside from that, the Complex is accessible through robust road network which comprise of Paul Kagame Road, Kenyatta Drive and Kamuzu Procession Road (M1). A road connecting Kenyatta Drive and Paul Kagame directly passes along the Complex. Another road connects this road from Road Traffic Directorate. There is another road connecting the Paul Kagame Road and this same road from Superior Mall. The area is a stone throw away from the City's fire brigade hence making it more secure as compared to other areas as regards to threats of fire accidents to which markets in the City are prone to. Lastly, availability of water and electricity network reinforces the suitability of the area for business.

## **BENEFITS OF THE PROJECT**

The overall objective of the project is to develop suitable infrastructures in the city that provide an avenue for hope and economic growth for the majority of the urban population, which is also living in poverty, thereby increasing access of goods including food crops to all city residents.

Specifically, the project aims to achieve the following objectives; To reduce street vending in the Central Business District of the City, to improve revenue of the Council by 30% annually through market fees, shop rentals, license fees and parking as well as departure fees, improve space and hygiene and outlook at the mentioned area above, to reduce urban poverty by creating employment as many youths will be employed as shop attendants or sales people in the shops constructed at the market, provide ready market for agricultural goods from surrounding areas of the City and provide affordable shops and office spaces to indigenous business people and to ease traffic congestion in the city.

## **FINANCIAL REQUIREMENTS**

The project is expected to require US\$40.7 million in capital investment.

## **PROPOSED INVESTMENT MODEL**

Government preference is to develop the project through PPP arrangement. The project will be implemented following a Build, Operate and Transfer (BOT) model with a 15-year long concession.

## **PROJECT FEASIBILITY**

A feasibility study was conducted for the project and the conclusion from the results was that this project is feasible as a PPP. The following aspects were analysed during the feasibility study; technical, social, environmental, legal, risk, financial, market analysis, affordability and value for money analysis. The results from the financial analysis showed an Internal Rate of Return (IRR) of 27%.

The project exhibits both positive and negative effects in the economic, social and environmental spheres. These effects have been analyzed and have demonstrated that the benefits outweigh the negative aspects of the project.

## 6.0 INDUSTRIALIZATION PROJECTS

### 6.1 DRY PORTS

#### PROJECT DESCRIPTION

The Government of Malawi has envisaged development of Dry ports/Logistics hubs in Malawi. For Malawi to achieve Malawi 2063 Vision, logistics infrastructure and services must become more competitive. Malawi, being a landlocked country, does not have a seaport of its own and it is reliant on seaports of neighboring countries. It is served by the Dar corridor, the Nacala Corridor, the Beira Corridor and the Durban corridors and this leads to high transportation costs and reduction in export competitiveness due to transit charges and diseconomies of scale. The country faces higher transport costs due to underdeveloped transport infrastructure and high reliance on road transport. Roads in Malawi currently carry less than 70% of internal freight, less than 90% of international freight traffic and 99% of passenger traffic in Malawi. The road-freight cost in the country is 43% higher than other countries in the Southern African region. Due to the underdeveloped rail network, there is high dependence on road transportation. Amongst upgradation of transport infrastructure, consolidation of cargo and transshipment are other areas that would help to reduce costs. A logistics facility would also reduce congestion and help bring together economies of scale to reduce trade costs. The development of a logistics facility, alongside programs on logistics infrastructure are expected to lead to better market access.

The dry port would be an inland intermodal terminal directly connected by road, rail and good connectivity to the Lilongwe airport. The facility will be operating as a centre for transshipment of sea cargo to inland destinations and vice versa, with facilities of custom clearance services. The functions related to receiving, processing through customs, inspecting, sorting and consolidation of shipping containers going to the same seaport can be handled at an inland dry port, bringing in efficiency in logistics supply chain and reduction in cost for the shipper. In addition to the role in cargo transshipment facility, this will also include facilities such as state-of-the-art handling equipment and storage facilities (covered and open), parking, consolidation of goods area, provisioning of value-added services such as value-added services such as fumigation, packaging, bagging, stuffing/destuffing etc., container cleaning, repair and maintenance, availability of first-aid, banking and insurance services amongst many others, all under one facility. Also, apart from the EXIM container and break-bulk cargo, this dry port is conceptualised to have storage area and value-added services for non-bonded cargo (local cargo – both break bulk and cold storage).

The dry port at Lilongwe is being conceptualised as development over 20.9-hectare land in two phases, where Phase 1 is development of 10.5-hectare land followed by Phase 2 where 10.4-hectare land is developed.

## LOCATION

Lilongwe was identified as the most viable location to establish the dry port or logistics hub. The area allocated for a Dry Port Hub in Lilongwe is Area 55. The site is spread across 26.11 hectares.

The site is well connected to the M1 highway (main road, which lies to the east and is 750–1,000 meter away). The M1 highway in Malawi is the main road that connects the capital city, Lilongwe, to other major cities in the country, such as Blantyre and Mzuzu. This road is considered the backbone of the national transportation system – it is crucial for economic development and connecting different regions of the country. It also connects Malawi to neighbouring countries Mozambique and Zambia through the Chitipa and Mchinji border posts, respectively. The M1 highway is a major artery for trade and commerce in Malawi.

There is no metaled road connecting the site from the M1 highway – this needs to be constructed to ensure smooth construction and operation of the dry port. Rail connection for goods movement currently ends at Kanengo.

Adjacencies to Site

In north – Kamuzu International Airport, at a distance of approximately 6 km  
In northwest – CP Feeds Ltd

In south – Lilongwe freight terminal (NOCMA, Puma depots)  
In southwest – Kanengo Industrial Park

The land is in a fairly regular shape.



## **BENEFITS OF THE PROJECT/ALIGNMENT OF PROJECT TO GOVERNMENT GOALS**

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The development of a logistics facility is expected to lead to improved and better market access as it is currently a challenge in the country. The logistics hub will also help reduce congestion, bring together economics of scale, thereby reducing trade costs.

Benefits if this project include:

- Reduced delay/congestion along Kanengo–Lilongwe–Blantyre Corridor and in Lilongwe city
- Job creation
- Reduced congestion along Lilongwe–Lumbadzi Corridor and in Lilongwe city
- Reduced vehicle emissions as a result of reduction in congestion around Lilongwe.

Under the category of key strategies and interventions for industrialization in the Malawi 2063 10-year implementation Plan, creation of (Special Economic Zones) SEZs and (Export Processing Zones) EPZs is a major target area, which also aligns with National Export Strategy II. The idea is to improve infrastructure to build and maintain SEZs and ensure that the same is in operable condition. This will be achieved by building freeport facilities in places like Kamuzu Chileka and Mzuzu airports by 2030. There is also a target to launch a single-window system for trade in the country. Another major leading strategy under the policy is promoting industrialization through economic incentive structures and programs. This would be done by developing SEZs that potentially target products for both domestic and export purposes with all commensurate support services by 2030. The dry port/ logistics hub would play a major role in the freight forwarding and EXIM of products produced in the SEZs.

Focus is given to developing industrial parks in various strategic locations across the country. This is including the upcoming industrial park coming up in Area 55 of Lilongwe. There are plans to develop an industrial extension program linking farmers and agro- processing industries. Presence of a dry port/ logistics hub would no doubt be of prime importance for this program.

Another major target under strategies and interventions for industrialization is on investing in an inclusive, integrated, and multi-modal transport system to reduce over-reliance on road transport. The target year to achieve this is 2025. The high-priority interventions in this strategy are building of dry ports in strategic places to augment the water ports. There are also plans to upgrade jetties and water ports to increase their capacity. The strategy also discusses expanding railway coverage to international and domestic routes for cargo and passengers; and introducing an intercity railway system. This would further synergize the upcoming dry port/ logistics hub in Lilongwe.

On the other hand, the National Export Strategy II aims to expand and branch out exports of goods and services from Malawi – in terms of value and volume, and market outreach.

The idea behind launching NES II is to increase exports. The government believes that exports end up generating jobs, create foreign exchange, and increase investments, including FDI. This will also help bring in more knowledge and technology into Malawi and will drive entrepreneurship and MSMEs.

Malawi has always experienced negative balance of trade over the past few decades. Hence, this strategy is of prime importance to Malawi to compete at the international stage. NES II provides great synergy to the upcoming dry port/ logistics hub. The dry port will be able to harness the policy changes and the traffic being driven by this policy to export 'made in Malawi' goods.

### **FINANCIAL REQUIREMENTS AND FINANCIAL FEASIBILITY**

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The financial viability considers the capital expenditure for civil and construction work of the facility along with investment in equipment / plant / machinery, software installation cost etc., which amounts to total of ~105.79 million USD for development of option 1 which is phase 1 only of the project. NPV for this option is around 11 million USD.

Option 2 of the project which includes both phase 1 and phase 2 is ~462.29 million USD. NPV for this option is around 24 million USD. Project IRR for both options is around 25%.

The debt equity ratio of 70:30 was envisaged when carrying of the financial feasibility for this project.

### **PROPOSED INVESTMENT MODEL (ACTIONS REQUIRED/ IMPLEMENTATION ARRANGEMENTS/ CONTRACT TYPE)**

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Government preference is to develop the project through PPP arrangement. The project will be implemented following a Design-Build-Finance-Operate-Transfer (DBFOT) model. The Private Partner will be responsible for the finance, design, construction under a turnkey risk basis, operating and maintenance of the project for a specified period, after which the project facilities will be transferred to the Contracting Authority without payment of any compensation.

In this model, the Private Partner will recover their investment and operating and maintenance expenses plus a commercial return thereon, through user fees of the different components of the Dry Port as specified in the PPP agreement. The concession period is envisaged to be 25 years.

## **PROJECT FEASIBILITY**

The dry port at Lilongwe is envisioned as a facility situated in Malawi's capital city, remote from connected gateway ports (Beira Port, Nacala Port, Durban Port, and Dar-es-Salaam Port), providing end-to-end logistics services for both international and local goods.

Features in the dry port

The dry port project is expected to include a variety of features to support its efficient operation, including but not limited to:

- A container yard, which will be an open paved area suitable for the deployment of heavy-duty handling equipment.
- A covered warehouse for the storage of containerized cargo.
- A workshop for repairing and cleaning of containers.
- Warehouses for international and domestic break bulk cargo.
- Railway sidings that will enable the transfer of cargo between different modes of transport.
- An office area that will be used by stakeholders, users, and service providers, including customs officials, shipping lines, freight forwarders, banks, and logistics service providers.
- A gate complex to monitor and control access to the port.
- A parking area that will provide ample parking space for vehicles, including trucks and cars of visitors.

On market sounding, interaction with financing organizations like asset management firms, global banking institutions included discussions on the financial viability of the project along with risks involved for private as well as public entities.

The market sounding exercise concluded that various logistics players as well as financiers are interested in the dry port establishment and would participate, individually or even as consortiums.

A high level Environmental and Social Impact Assessment was conducted and identified way of mitigation environmental risks emanating from the project. A detailed ESIA will need to be undertaken.

Technical feasibility concluded that the project is viable using the Public Private Partnership framework.



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Commission