

MINING & TRADE *Review*

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- Poor governance ruins progress at Kangankunde
- Aussie miner suspends work on deposit purchased for K2.5-billion

By Marcel Chimwala

Poor decision making by the government is proving costly to the nation and the investor for the Kangankunde Rare Earth Mining Project in Balaka as the investor, Australia's Lynas Corporation, is failing to develop the resource it purchased for US\$4-million (about K2.5-billion) due to legal complications.

Former President Bakili Muluzi launched construction works of the Kangankunde Mine, which is valued at over US\$1-billion and at that time the tenement was held by a local consortium, Rare Earths Company.

However, a previous tenement holder, South Africa's Rift Valley Resources, sued the Malawi Government and obtained an injunction against the development of the mine on the grounds that the Muluzi administration erred by not renewing its exclusive prospecting licence **cont. on page 3**



Muluzi (L) and Bingu (R), both made erroneous decisions on Kangankunde mine



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Geo-data stagnates at gazetting level

By Chiku Jere

Calls to fast-track the gazetting of the country's mineral anomaly data which was acquired through the World Bank and European Union co-funded High Resolution Airborne Geophysical Survey seems to be falling on deaf ears as government continues to apparently drag its feet.

This publication carried a similar story in the last edition and the prompt feedback from our wide readership base, both local and international, which comprises of technocrats as well as probable and capable investors indicates that there is an aura of frustration due to the delay in making the data available.

Spokesperson for Mines in the Ministry of Natural Resources, Energy and Mining, Levy Wesley Undi recently responded to a questionnaire from Mining & Trade Review indicating that the gazetting process would be completed by the first week of December 2015 but reliable sources from the ministry have confided that there has not been any tangible progress on the issue.

In his response, Undi explains that the data distribution is waiting for the effecting of a legal requirement of having the price schedule gazetted first by the Ministry of Justice.

However, he says that the data is available for viewing and some clients are making requisitions for the data that they want.

The publicist refuses to reveal the price of the data explaining that the amounts are in the price schedule yet to be gazetted. "So let us wait for this process to be completed."

Nonetheless, one investor who e-mailed in exasperation wondered why it was taking such long, six months after the data was officially launched to regularise the data and make it available to those interested.

"Does this gazetting process take that long? I thought this country is seriously making efforts to woo investors,



After Geo-data launch, Min Msaka shakes hands with EU Head of Delegation to Malawi Marchel Gerrmann (1st left) while World Bank Country Manager for Malawi, Laura Kullenberg (2nd left) and PS Ben Botolo (far right) look on.

but with this kind of bureaucratic delays, I don't think it will work," bemoans the investor.

The investor says it is unfortunate that there are such delays despite the promise that the Minister of Natural Resources, Energy and Mining, Bright Msaka made during the data launch, to expedite the process of making the data accessible.

"This is really very sad for a country that desperately needs investment to help it turn its economic fortunes," says the investor.

But Undi insists that there is no need for worry because clients can view the data and make requisitions and once the gazetting is through, it will be just be a matter of giving out which ever data one wants.

He also parries fears that suggest that a price tag on the data would scare away investors, arguing that it is a

standard practice in most countries for clients to pay a nominal fee to access geo-scientific data, "be it geological, geochemical, geohazard, geophysics, or technical reports."

"For serious investors this is a known fact and they cannot fail to invest because of a small fee charged on data that government has spent millions of dollars or alternatively can cost them millions of dollars to generate themselves," says Undi.

He further puts it that the availability of such data is an incentive to investors because it reduces risks in selecting potential exploration targets.

Undi explains that the revenue realised through the data fee is there just to cover some administrative issues related to management of the data and reproduction of the data such as "printing, copies of DVDs, memory stick and courier services, if we are to send data to clients."

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...from front page for the Kangankunde resource, whose rights at that time were with Rare Earth Company.

Seemingly for fear that it will lose the mineral rights, Rare Earths Company sold the resource to Lynas Corporation at US\$4-million in 2007 and surprisingly the then Bingu Wa Mutharika administration allowed the deal to go through despite the prevailing court case.

In its announcement on Australian Stock Exchange, Lynas says the purchase agreement contained a number of conditions precedent that were satisfied before completion, including approval by the Malawi Department of Mines for the transfer of the Kangankunde tenement to Lynas, approval by the Malawi Investment Promotion Agency for the Lynas project proposal and approval by the Malawi exchange control authorities for Lynas to make payment as a foreign investor.

Australian press reports, therefore, say Lynas is blaming the Malawi Government for mishandling the issue.

"We are reassessing the project's risks in the context of Malawi's present governance and institutional frameworks," says the Aussie miner.

Meanwhile, frustrated by the events and in response to the injunction the High Court granted to Rift Valley Resources, Lynas Corporation has vacated the Kangankunde site.

Rift Valley Resources, owned by South African geologist Michael Saner, is claiming US\$100-million from the Malawi Government for damages plus sunk costs, legal costs and interest.

The Kangankunde Deposit has been prospected since the 1950's, and has an inferred resource of 107,000 tonnes of rare earth oxides with an average concentration of 4.24 per cent in their ores.

Lynas was involved in drilling works at the site to improve the understanding and size of the resource estimate.

The Government is also at the centre of another mineral rights scandal with Australia's Paladin Energy after the previous Joyce Banda administration refused to renew the company's five exploration licences and granted two of them to coal miners in the same area.

The current Peter Mutharika administration has, however, renewed Paladin's three of the five exploration licences in the Kayelekera area and is failing to renew the remaining two, which were granted to a coal miner, for fear of complications with regard to the new mining legislation being formulated, which stipulates that licences for different minerals cannot overlap.

The current administration is also involved in a wrangle with oil companies claiming that the previous Joyce Banda administration awarded them dubiously.



Lynas mining activity underway

It is over a year now since the Peter Mutharika administration suspended oil exploration saying it is reviewing the licences and the President threatened in an interview on state-run Malawi Broadcasting Corporation that he can cancel the licences and reserve the resources for future generations.

Mining investors at last year's Investment Forum in Lilongwe also complained about the government's poor treatment of investors which, they said, is sending a bad image of Malawi to international investors at the time President Mutharika is busy globe-trotting in the pretext of wooing foreign investors.

Small-scale miners bemoan delays in adopting ASM policy

By Deborah Manda

An umbrella body for small-scale miners, the Gemstone Association of Malawi (GAM), has urged the government to adopt the National Artisanal and Small scale mining policy, which is currently in draft form, in order to ensure that small-scale miners are promoted and protected from exploitation.

Secretary General for GAM, Ian Petros Mbewe, tells *Mining & Trade Review* in an interview that embracing the policy will ensure that the sector is better organized in so doing increasing revenue for both the miners and the government, which is failing to collect adequate tax from the subsector.

He says: "Government is losing a lot of revenue through informal mining activities. We need the policy in place to formalize operations of the sector. As of now, some people are just extracting, buying and selling minerals without licences hence they do not pay taxes to government, which is illegal."

"As GAM, we are advocating for the formal process that will fish out unregistered middle men who dupe small-scale miners by buying their stones at unrealistically low prices to sell them at a fortune," says Mbewe.

In the draft Artisanal and Small scale mining policy produced in March 2013, the government stresses its commitment to the promotion and protection of all ASM operators through effective regulation and facilitation that support prospecting, exploration, mining, quarrying, processing and sale of minerals within and outside of Malawi.

The policy emphasizes that all miners and stone vendors should have licences, and the same is contained in the new Mines and Minerals Act, which is being formulated.

Mbewe asks the Ministry of Natural Resources, Energy and Mining to work closely with GAM in developing the ASM subsector, which, he says, has potential to contribute significantly to Malawi's economy.



ASMs displaying gemstones at the Malawi Investment Forum

Meanwhile, the Gemstone Association of Malawi elected new office bearers at a function held at Livingstonia Beach in Salima early this month.

John Chikokoto was elected as President, Ian Petros Mbewe as Secretary General and Jessie Munthali as Treasurer General.

The Malawi government hopes that the new ASM policy will eliminate smuggling of precious stones, which is costing the government a lot in terms of lost tax revenue.

Through the implementation of the ASM policy, the government hopes to streamline and simplify licensing procedures for artisanal miners and mineral dealers.

Government shall also facilitate the formation and operation of cooperatives and associations, promote investment in downstream value addition of minerals, promote ASM products through foreign missions, and develop a transparent fiscal and taxation regime that attracts investors in the ASM subsector.

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EDITORIAL

Government needs to improve on mining sector governance



BY MARCEL CHIMWALA, PUBLISHING EDITOR

As reported in our main article, it is disappointing that after coughing out a whopping US\$4-million to purchase the Kangankunde deposit, an Australian investor, Lynas Corporation, is failing to develop the mine due to a court case, which emanated from government's poor handling of the mineral rights.

The issue is that the original holder of the tenement successfully sued the government for not renewing its exclusive prospecting licence for the area and while the case was in court, another company that held the rights at that time sold them to Lynas Corporation.

Examining the issue, we feel the Bakili Muluzi administration refused to renew the exclusive prospecting licence for Rift Valley Resources because it wanted to grant the mineral rights to some individuals connected to the ruling clique that time when rare earths were doing better on the world market.

We also suspect that there were some dubious dealings during the Bingu Wa Mutharika reign that resulted in the government permitting Rare Earths Company to sell the Kangankunde resource to Lynas Corporation while ownership of the resource was being contested in court.

To say the fact, it is obvious that this whole Kangankunde deal smacks of dubious dealings that were meant to benefit the powers of the time.

Examining the whole mining sector in Malawi, one would observe that Kangankunde is one of several examples that show that the country is not enormously benefitting from the sector despite its potential because of poor decision making on the part of government resulting from greed and selfishness by ruling politicians and their stooges in the top echelons of the civil service.

Some examples include the Kayelekera exploration licences saga in which the Joyce Banda administration was refusing to renew licences for Australia's Paladin Africa because it suspected that the company had links with Banda's political rival, the late President Bingu Wa Mutharika.

There is also the oil exploration saga which has seen the current Peter Mutharika administration, despite all its bragging to attract investors, suspending oil exploration by the same investors just because the licences were granted by the Joyce Banda administration.

Certainly all these issues are contributing to a slow pace at which Malawi's mining sector is developing as compared to other African countries.

If we had fully developed our oil and mineral resources such as rare earths, coal and heavy mineral sands deposits, would they have been any need for President Mutharika to kneel down before donors for budgetary support aid?

This should be food for thought for the government to make strong decisions that will ensure that the country's resources are developed for the benefit of the nation and avoid governance lapses that are not only spoiling the country's reputation as an investment destination but also costing the country a lot in terms of development.

MINING & TRADE *Review*

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EYE ON MALAWI'S

EITI

Extractive Industries Transparency Initiative

By Rachel Eter-Phoya



Examining Malawi's journey towards EITI compliance

MWEITI in 2016

As we enter the New Year, it is important to take stock of some of the achievements of 2015 and the work that is ahead in implementing the Extractive Industries Transparency Initiative (EITI) in 2016.

Last year was a significant year in Malawi's EITI journey with the approval to join the initiative as a candidate country given by the EITI Board in October. This followed the establishment of the MWEITI Multi-Stakeholder Group with representatives selected and elected from among government, industry and civil society. The Multi-Stakeholder Group also developed a costed work plan and benefitted from a study tour to Zambia which has been implementing the EITI for over six years. The minister responsible for Finance, currently Hon. Goodall Gondwe, was selected as the MWEITI Champion and towards the end of the year work began on the scoping study.

The scoping study will provide necessary information to guide the Multi-Stakeholder Group in producing the first EITI report, required latest by April 2017. It will contain information about the sector as well as a reconciliation of payments made by companies and receipts of these payments by Government (particularly the Reserve Bank of Malawi, the Department of Mines, the Department of Forestry, and the Malawi Revenue Authority). Revenue streams to be recorded in the report may include corporate tax, value added tax, pay-as-you-earn tax, royalties, ground rent, and licence fees, among others. The final scoping study will be launched early next year and a draft is currently being discussed by key stakeholders.

According to the MWEITI work plan, which aims to contribute to "national sustainable development through revenue transparency" (strategic goal), Malawi is set to produce its first EITI report by December 2016. To be able to do this, an Independent Administrator (usually an auditing company) needs to be identified and contracted to receive data from companies and government to reconcile the relevant revenue data and to compile contextual information for the report. That said, MWEITI's Multi-Stakeholder Group wants to do more than comply with the EITI Standard, which is its first objective, by forming and strengthening partnerships between the stakeholders in order to attract quality investments (second objective), increasing the revenue base and socio-economic impacts from the extractive industries (third objective) and strengthening trust between the stakeholders involved in natural resource management (fourth objective).

In order to achieve the latter three objectives, the Multi-Stakeholder Group will look into making contracts transparent and publishing the beneficial owners of companies engaged in the extractives. Communication is also a key area of intervention to improve the relations between stakeholders and especially with access to information for communities through creating dialogue sessions with technical experts from government, industry and civil society with mining communities. A couple of potentially useful studies are also anticipated; a report on the fiscal regime and socio-economic impacts with gender disaggregated data along the value chain and a study into the impact of MWEITI on trust in the extractives sector. The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the United Kingdom's Department For International Development (DFID) have committed to financing this process.

Early next year, in February 2015, Malawi will also have the opportunity to present its experiences and learn from other countries at the EITI Global Conference to be held in Lima, Peru. This will follow on from a summit of Publish What You Pay civil society coalitions. Malawian representatives will be at both key meetings.

Mr Crispin Kulemeka, Chair of Malawi's Multi-Stakeholder Group and Director of Revenue in the Ministry of Finance, Economic Planning and Development, finished his speech at the celebratory cocktail in October to mark Malawi's acceptance to the EITI with the following words, "Let us remember that after the celebration [...], there is more work ahead of us. And as we have been doing, we will continue to work as a team and with diligence to ensure that the country benefits from joining the EITI". Hopefully these words will resonate as we enter 2016. *Happy New Year!*



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Shayona launches

• ‘Thanthwe’ the ultimate cement

By Chiku Jere

The country's leading cement manufacturer Shayona Cement Corporation has launched a new cement brand, ‘Thanthwe,’ which it has touted as revolutionary saying its attributes are more superior than any other cement available on the market.

The introduction of the new product which also marked the re-launch of another Shayona product, Buildplast, took place on December 7, 2015 at Capital Hotel and was dignified by the presence of top level guests from the government and private sector.

Presiding over the event characterised by pomp and flair was Minister of Industry and Trade, Joseph Mwanamveka who described Shayona's ‘Thanthwe’ and ‘Buildplast’ cement brands as products of innovate minds.

The Minister went ahead to express bemusement as to how Shayona continues to post successes in a competitive and challenging environment.

But it seemed the industry and trade political leader had the answer himself to Shayona's apparent success.

“I believe Shayona is able to do that because the people behind this company put serious thoughts and efforts on product development, innovation, product packaging and creative marketing, something which is required in the modern world for success to flourish,” he said.

Mwanamveka pointed out that there are no shortcuts to success applauding the team behind Shayona for endurance, hard work and perseverance whose results are the achievements that have been attained so far.

“We at the Ministry are quite pleased that there is a company like Shayona in the country that strives for innovation and produces competitive products that thrive on the market,” he said.

Mwanamveka also said his government is delighted with Shayona Cement Corporation's continued huge investment in the expansion of its factory in Kasungu, which will see Malawi becoming self-sufficient on clinker and cement by the end of 2016.

“This will have a massive contribution towards government efforts to cut on huge import bill that has been suffocating the country's economic endeavours for long,” said the minister.

He pledged to provide all the necessary support not only to Shayona but also to other companies that are contributing positively towards economic transformation of the country.

In his remarks, Shayona Cement Corporation founder and MD, Jitendra Patel, said the launch of ‘Thanthwe’ and the re-launch of ‘Buildplast’ was an event worth celebrating as it represents a significant step of the journey he embarked on 20 years ago.

He said the 20 years reflect a journey of millions of experiences from which he and his dedicated team will not rest until the ultimate dream, which is to have the new state of the art cement plant under construction working at full throttle, is accomplished.

“In the first place, it was not easy to get into the Malawian market that had already established brands, for a product like cement in particular. I cannot forget, and shall never forget the bad old days when we failed to convince our customers to offload even 10 bags from a 600 bag truck capacity. However, as days passed by, with support from our customers and many Malawians at large, things started picking up till today,” said Patel.



Some of the top business and government gurus who attended the Thanthwe launch. In the photo India High Commissioner to Malawi, His Excellency Shri Van Lal Huma (2nd right), Reserve B



Some of the invited guests joined the Shayona staff on the dance floor



MD Patel the host chatting with guests



The launched and re-launched product, T

new cement brand

42.5R hits Malawi market



Here is the Patels (Shayona MD and Chairman 2nd and 3rd left), Mwanamvekha (4th front left), Bank Governor Charles (1st right) and two other dignitaries

The Indian trained qualified mechanical engineer said this experience has brought confidence for the company to continue to invest big in Malawi, his country of birth.

He and his father, Shri Narshibhai H Patel who is Shayona Cement Corporation chairman, were all born in Mulanje District.

“The reason to continue investing in this country is due to the fact that we are very sure that the Malawi Government will do everything possible to support private firms like Shayona Cement Corporation,” he said.

“Let me put it on record here that the imports of cement from surrounding countries are killing our business but I am pleased to say that the ministry responsible has assured us that everything shall be done to address the situation,”

Patel said that his company is facing two main big challenges that need urgent address by government, which include importation of cement from surrounding countries when local manufacturers can satisfactorily supply the market and delays to upgrade the 29km Mzimba Turn-off to Shayona Factory Road, which in addition to the factory serves many farming communities.

“Let me put it on record here that the imports of cement from surrounding countries are killing our business but I am pleased to say that the ministry responsible has assured us that everything shall be done to address the situation,” he said.

He said he was also pleased to receive an assurance from the Ministry of Transport and Public Infrastructure that the road would be treated as a priority and that government was in the process of sending a technical team to survey and quantify the rehabilitation process.

The dignitaries at the function included the High Commissioner of India to Malawi, His Excellency Shri Van Lal Huma and the Governor of Reserve Bank Charles Chuka.

Several top government officials from Ministry of Industry and Trade as well as Ministry Natural Resources, Energy and Mining were also in attendance.

Shayona substantially contributes to the Government’s coffers with an annual remittance of MK2.5billion in both royalties and taxes and its Akshar Cement caters for over 25% of the market share for cement in the country expected to shoot to 80% when phase II construction of the clinker plant is completed next year.

Shayona has a workforce 1200 mostly locals, which is expected to substantially increase when the expansion works at the factory are completed and production is increased further.

When the expansion project is completed, the factory will cover an area of over 500 acres of land creating a ‘mini city’ with all essential requirements to support basic human life such as potable water, education and health facilities, shops and a standard market.



Thanthwe (left) and Buildplast (right)



Smiles, the Minister is led to the podium by MD Patel



The team behind Shayona Cement success

Shayona scales up support to Kasungu community

By Chiku Jere

Malawi's largest cement producer Shayona Cement Corporation has upped its corporate socio-responsibility efforts in Kasungu, the base of its huge cement manufacturing plant, with investments in the district's education and health sectors.

Shayona's MD and founder Jitendra Patel said the move is a deliberate endeavour to enhance economic productivity for communities that surround the factory and the district at large.

Patel was speaking when he welcomed the Indian High Commissioner to Malawi His Excellency Shri Van Lal Huma to the factory where the diplomat presided over several engagements, among them, a factory tour and donation of drugs to the Shayona community clinic.

Patel said the vision of Shayona is to have a productive community that positively contributes to the development of the nation because a health and educated society is essential towards achieving any development goal.

"As Shayona we believe that by assisting in building a health and educated society around our factory with the provision of high quality, affordable and sustainable health care and good learning infrastructure, we are not only helping the nation, but our company as well, as with such an investment, we will be in a position to draw qualified personnel for the factory from within," Patel said.

Patel, the Mulanje born entrepreneur of Indian origin further stated that, when all is done, Shayona Cement Corporation wants to be remembered not as a rich investor but as a partner and a friend of Kasungu who contributed to the transformation of local livelihoods.

In his remarks, the top Indian envoy to Malawi, who also made a personal donation of books to Shayona-aided Chigumba Primary School, commended Shayona for helping to fly the Indian flag in Malawi.

"People of this area are really very fortunate to have such a huge investment in their midst, from which they are enjoying support in terms of the corporate assistance Shayona is rendering in the areas of education as well as health, and, above all the employment opportunity that the investment has created," Shri Van Lal Huma said.

The envoy also took time to hail the bilateral relationship that his country has with Malawi which he said continues to mutually benefit both countries.

He also appreciated the hospitality that Malawi people continues to accord to India nationals which he said has allowed many Indian investors to establish businesses that are helping improve the economy of the country through reciprocated benefits to both the investors and the people of



His Excellency Shri Van Lal Huma making symbolic drug presentation to Shayona Health Centre Clinician, Sunshine Mfungwe



Indian High Commissioner making a personal donation of books to Chigumba Primary School with smiles from MP Madalitso Kazombo and Shayona's MD

Shri Van Lal Huma commended Shayona and many other Indian investors for exercising fairness by acquiring most of their personnel locally.

"Some countries, whom I cannot mention for obvious reasons, bring workers from their countries to do the job that can ably be handled by Malawians which is unfair but I am happy that most investors from India source their workforce from within hence creating job opportunities for the citizens, improving their livelihoods in the process," said the diplomat.

He assured Malawians that his country will continue assisting the government of Malawi in its endeavours to

improve the economy though he was quick to say that he has known Malawians as very capable people who will soon turn the social and economic challenges that are currently being faced into fortunes

The envoy stressed that, as a true friend with a relationship that goes back decades, India will always be there for Malawi.

He highlighted notable investments that India has brought to Malawi recently which include, the Balaka based Cotton Ginnery and Sugar processing factory in Salima.

The diplomat disclosed that the Indian government has also provided financial and technical assistance towards the construction of strategic fuel storage facilities and it is now corroborating with the US government to assist the agriculture sector by coming up with better and productive seeds that would benefit Malawian farmers.

In the education sector, it was learnt that apart from providing short-term technical training to Malawian citizens, India annually offers 15 undergraduate scholarships to Malawians to pursue studies in Indian Universities.

Shayona assisted Chigumba Fully Primary School through the construction of additional school blocks.

The company also introduced scholarships for outstanding pupils, which cover secondary school as well as tertiary education.

A part from constructing a 24hour-service clinic at the factory that caters for health needs of the surrounding communities and making sure that it is fully operational, Shayona, recently donated an ambulance to Kasungu District Hospital.

Meanwhile, the 'Shayona dream' continues with huge expansion works dubbed phase II underway and it is estimated that once the venture is completed 7 to 10 thousand people stand to benefit through a diverse of imminent opportunities.



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Malawi Government
Ministry of Finance, Economic Planning and Development

PRESS RELEASE

Date: 30th November 2015



MALAWI DESIGNATED AS EXTRACTIVE INDUSTRY TRANSPARENCY INITIATIVE (EITI) CANDIDATE COUNTRY

The Government of Malawi through Ministry of Finance, Economic Planning and Development and the Malawi Extractive Industries Transparency Initiative (MWEITI) Multi-stakeholder Group (MSG) are pleased to inform all Stakeholders, Development Partners and the General Public that the EITI Board, during its meeting on 22nd October 2015 in Berne, Switzerland, designated Malawi as an EITI candidate country based on the application made by Malawi in late July 2015.

The EITI Board through its congratulatory letter to His Excellency the State President Prof. Arthur Peter Mutharika commended the government and stakeholders for the sustained commitment in support of the process leading up to the candidature application. The Board expresses hope that the EITI process in Malawi can fulfil its potential as a tool to improve the management of natural resources, strengthen government systems, increase high quality investment, improve accountability, and help to ensure that Malawi's natural resource wealth benefits all its citizens.

The decision of the EITI Board reads as follows:

"The EITI Board admits Malawi as an EITI candidate country on 22 October 2015. In accordance with the EITI Standard, Malawi is required to publish its first EITI Report within 18 months of becoming a candidate, i.e. by 22 April 2017. Malawi is required to publish an annual activity report for 2015 by 1 July 2016. Validation will commence within 2.5 years of becoming a candidate (by 22 April 2018)".

Brief background to the EITI process in Malawi.

Advocacy for Malawi to join the EITI began in 2008 in Malawi and there have been many activities since. At some point, the process seemed to drag. However, as soon as the current administration took office, in June 2014, a public commitment was made to join the EITI. His Excellency, President Arthur Peter Mutharika announced during his inaugural state of the nation address in June 2014 that Malawi would sign up to the EITI.

The decision came as it was believed that EITI will improve the management of the country's natural resource wealth, including minerals, oil and gas and forests. These may not all be included at the beginning of the EITI process, but it is the MSG's aim to see all natural resources included in the near future in order to enhance the outcomes of exploiting these resources for Malawians both present and future generations.

What is EITI and what will it achieve in Malawi?

EITI is a global transparency standard that was launched over a decade ago following a civil society movement to promote open and accountable management of natural resources. It seeks to strengthen government and company systems, inform public debate, and enhance trust. In return, Malawi natural resources sector is expected to develop and flourish in addition to enhancing transparency and accountability in use of public resources.

What are the EITI Candidature Criteria?

Before a country can be accepted as an EITI candidate, it is required to fulfil certain requirements, including making a public declaration to join the EITI, appointing an EITI Champion, establishing a MSG, and developing a costed workplan to be managed by the MSG. Malawi complied with all four sign-up criteria: the Minister of Finance, Economic Planning and Development was appointed as the Malawi EITI (MWEITI) champion, and an independent EITI Multi-Stakeholder Group was established and announced to the general public through the media. An interim EITI National Secretariat housed in the Revenue Policy Division of the Ministry of Finance, Economic Planning and Development was also established.

Who drives the MWEITI?

The Multi-Stakeholder Group (MSG) is responsible for overseeing the implementation of the EITI, which is supported by EITI National Secretariat. This was established towards the end of last

year (2014) when the Government, private sector and civil society selected the institutions, companies and organisations to be represented on this group.

What is next or the way forward?

In order for Malawi to implement the EITI Standard and to become compliant with the initiative, Government will be required to disclose information on tax payments, royalties, fees and charges, rent, licences, contracts, and production, among other key elements around resource extraction. Natural resources companies will also be required to disclose the payments they make to the Government on the same. This information will be disclosed in an annual EITI report, of which the first one is due within 18 months from the date of acceptance as a candidate country. Malawi must work hard to produce the first report successfully and pass the validation test to become a compliant country. Malawi's MSG has also committed to working for contract transparency in the extractives as well as complying with requirements to make beneficial owners of companies known.

Scoping Study

The MSG through support from GIZ has instituted a scoping study which is underway, facilitated by the MWEITI Secretariat, and being led by independent consultants. The study is intended to assess and determine which natural resources and which companies should be included in the first EITI report. It is also intended to establish the materiality threshold and track and pre-test revenue flows into MG account number 1 and documentation.

These EITI reports will be a useful tool for all Malawians to see how the country's natural resources are being managed, and how much revenue is being generated. We hope this information will stimulate informed and evidence-based dialogue on ways of how best to utilize our finite and non-renewable natural resources to meet our national priorities, outlined in the Malawi Growth and Development Strategy II. It is therefore a great honour for all of us as Malawians for our country to have received approval to join the EITI as a candidate country as we now join 48 other countries, which are already part of the EITI, including all our neighbours, as well as the USA, UK and Germany.

Word of Appreciation

We would like to recognize and commend all the stakeholders. Accordingly, we are appreciative of the technical work of the former EITI National Task Force, the EITI Multi-Stakeholder Group, and the EITI Secretariat throughout the process. We are also appreciative of our Development Partners, who have played a crucial role in funding EITI-related activities in the country. Special recognition goes to GIZ, the Norwegian Embassy and the World Bank for their financial and technical support throughout. We believe that this working relationship will continue and that other Development Partners will also consider joining in the process of the EITI implementation.

We are also appreciative of the continued support we received and continue to receive from the International EITI Secretariat in Oslo, Norway. They have made life easy for us up to this point, and they share this joy with us.

Finally, we would like to inform Development Partners and all stakeholders that the Multi-Stakeholder Group and the interim National Secretariat have developed a work plan for the next three years to move Malawi from a candidate country to a compliant one. The real work of implementing this plan to make the EITI a reality in Malawi starts now. We are therefore relying on the continued commitment and diligence of the MSG group and all other stakeholders involved and/or interested in the prudent management of natural resources in Malawi. **We will hold an official launch for Malawi EITI, or MWEITI as the initiative will be known in Malawi, early next year, 2016.**

Let us remember that after the celebration as a newly accepted candidate nation, there is work ahead of us. And as we have been doing, we will continue to work as a team and with diligence to ensure that the country benefits from joining the EITI.

Mr. Crispin C. Kulemeke

(MSG Chairperson)

MWEITI Secretariat

REVENUE POLICY DIVISION,

MINISTRY OF FINANCE, ECONOMIC PLANNING

AND DEVELOPMENT



TECHNICAL FILE

by Grain Wyson Phillip Malunga FIMMM
Mining and Environmental Management Expert

A 20 MW COAL FIRED PLANT FOR NORTHERN COALFIELDS

Abstract

Coal is a fossil fuel that is abundant, cheap and easy to mine. It has been used for a long time as a source of heat in electricity generation. Its proven technology makes coal power plants easy to maintain. It is second cheapest source of electricity after hydro power but poses challenges in mitigating against climate change. Its pollutants include CO₂, NO_x, SO₂ and heavy metals released from its ash which may be difficult to manage over the years. Countries that are resource poor in natural gas and hydropower have no alternative but to rely in this fuel in order to solve their energy deficit but should strive to use well developed technologies that release less pollutants into the environment.

INTRODUCTION

Malawi is undergoing an energy crisis that has affected manufacturing sector and will slow the development of the mineral sector as it consumes a lot of energy for mining and agro processing.

The use of coal for power generation may give quick gains although issues to do with environmental degradation and climate change resulting for coal combustion and mining require proper attention.

The main challenge for northern coalfields is the distance to main industrial and commercial cities of Lilongwe and Blantyre which are closer to Moatize coalfield in Mozambique. Still there is need to consider import substitution and employment creation as contributors to economic growth and fostering security of supply to avoid incidents such as those that happened during Mozambique civil unrest.

PRINCIPLES OF COAL POWER GENERATION

Coal is mined, processed and fired to produce heat that is used to boil water in a boiler to produce steam that is transported through a pipe into a turbine. The steam which is under high temperature (540 – 600 °C) and pressure (around 200 bars) rotates a turbine which in turn rotates a generator to produce electricity (Figure 1). The steam used in the turbine is then condensed using water from river or lake to about 3 or 40 °C and then returned to the boiler for more steam generation. The cooling is by hydrogen or water.

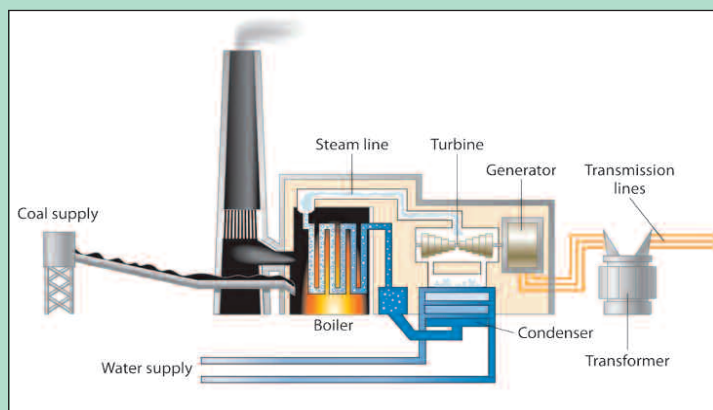


Figure 1: Coal Power Plant system (Source: chemwiki.ucdavis.edu)

Carbon dioxide is a product of coal combustion. The carbon in coal plus air (oxygen) forms carbon dioxide. It is a fact that coal combustion is one of the main contributors of greenhouse gases and that it is estimated that 1.0 MJ of heat produces 0.1 kg of CO₂. There is a lot of concern on combustion of fossil fuels because of their contribution to climate change.

Coal contains Sulphur as an impurity. This is found in pyrite and chalcopyrite. Sulphur in coal ranges from 0.1 to 3.5%. During combustion, it reacts with oxygen to form SO₂. The presence of other gases can lead to SO₂ forming Sulphuric acid that can precipitate down as acid rain leading to destruction of eco systems.

The residue arising from coal combustion is called ash and often contains toxic elements such as lead, mercury, nickel, tin, cadmium, antimony, and arsenic, as well as radio isotopes of thorium and strontium. Coal in Malawi contains on average 14 to 34% ash and less than 1% Sulphur. The above toxic elements if absorbed in substantial amounts through ground water leakage or air pollution may cause behavioral changes, neurological problems, tumors, cardiovascular diseases and growth defects.

Nitrates create visual and respiratory problems. They may combine with water to form acid rain, smog, and ground ozone.

It is important to monitor installation of modern combustion technology that will help reduce greenhouse gas emissions and installation of Selective Catalytic Reactors in power plants to meet emission regulations. Growing or maintaining forests around power plants help with CO₂ sequestration.

ECONOMICS OF COAL FIRED POWER

Coal fired power plants are more reliable, affordable and have proven technologies that are safe and efficient. Coal is abundant and easy to mine. This makes it cheaper than any other sources of energy. Most industrialised countries use coal as a source of energy and forms over 50% of their energy mix. United States of America generates about 45% of its electricity through coal while Australia generates about 75%.

Quantity, quality and cost of fuel are essential for running a power plant. Coalfields in northern Malawi are estimated to have over 245 million tonnes. Construction of a coal power plant in Karonga can promote coal mining in the northern region. This can create employment and boost energy availability for the development of agriculture (agro-processing and irrigation farming) and mining sector.

The cost per unit of electricity depends on the efficiency of the boiler and combustion which is

around 30 to 45 %. Boilers to generate around 20 Mw of power can have an efficiency of about 16 to 20%.

Heat rate to produce one unit of electricity (1 kw hr) depends on energy efficiency which when it is 100% will produce 3600 kJ/hr.

The amount of coal required to produce 1 kw hr will depend on the quality of coal supplied to the boiler. Northern region coal is sub bituminous to bituminous having an energy content of 18,000kJ/kg to 23,000 kJ/kg. A 100 Mw plant may require 54 tonnes per hour while a 20 Mw plant may require about 10 tonnes per hour. This means that 87,000 tonnes may be required per year to support a 20 Mw plant. Such coal requirement can revamp the economy of Karonga as all small coal mines will be operational.

Assuming that price of coal will be between \$50 and \$60 per tonne, then the economic value of the unit price for electricity will be around 25 to 35 cents per kw hr.

Construction of a 20 Mw power plant can cost about \$40.0 million. The plant will be able to generate \$10.0 million per year and be able to pay back in six years.

Coalfields in Malawi have been explored, but very few areas have been evaluated through drilling. Substantial work remains to be done in order understand its structural dimension and come up with reliable reserves. Table 1 below shows available data obtained to date.

Table 1: Estimated coal reserves of Northern Malawi

NAME	ESTIMATED TONNAGE (Mt)	OWNER
Mwaulambo Coal Basin	50.0	Eland Coal Mine
Nkhachira Mine (North Rukuru)	38.4 (10.1 measured)	Intra-Energy
Kopa Kopa (North Rukuru)	23.9 (3.5 measured)	MalCoal
Kasikizi (Mwankenja)	17.4	Magnum-ZAGAF J.V
Nkhauti Mine	10.0	Nkhauti General Dealers
Ngana Coal Field	50.0 (15.0 measured)	Intra Energy Corporation
Livingstonia Coal Field	20.0 (1.4 measured)	Mchenga Coal Mines Ltd Kaziwiziwi Coal Mine
Nthalire Basin	15.0	
Hara Coal Basin	20.0	Lisikwa Investments
TOTAL ESTIMATED	244.7	

CONCLUSION

Sustainable economic growth in Malawi can be triggered through energy development that will support industrial growth. The county has over relied on hydropower installed on Shire River whose catchment has been heavily degraded with human activities just like any other major catchment areas. Alternative reliable source of industrial energy is to go into coal power (thermal) generation. Utilisation of own coal resources using climate friendly technology will bring Malawi back to industrialization and economic growth. Energy security stimulates economic growth, and sustainable use and management of natural resources.

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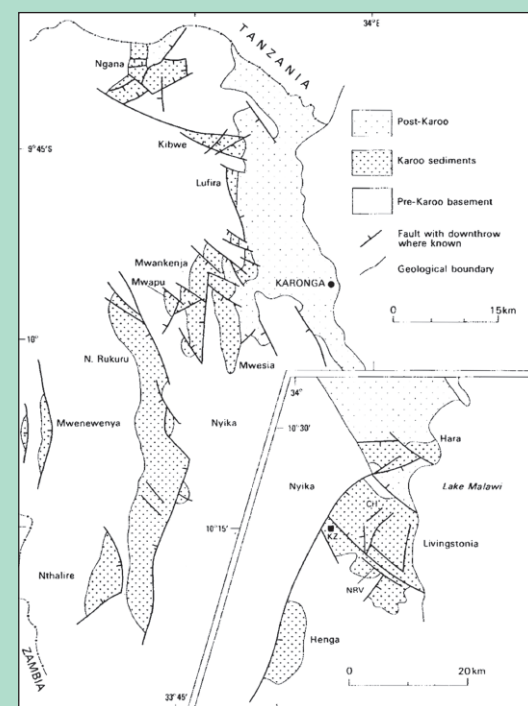


Figure 2: North Malawi Coal Basins



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Govt. asked to move fast on ethanol-driven vehicle project



One of the ethanol fuel pumps in Sao Paul Brazil

By George Lumwila - Correspondent

Ethanol producers Ethco and Presscane have appealed to the Malawi government to accelerate the adoption process of ethanol as an alternative fuel for driving Malawian vehicles.

The two firms, which are subsidiaries of publicly listed conglomerate Press Corporation, say on their part they have gained a lot of ground on the project since it was initiated by the government.

CEO for Ethco Lusubilo Chakaniza and for Presscane Abel Chanje say the firms, which are working on improving their production capacity to cater for the anticipated challenge, have now a combined capacity of 36 million litres per year.

They say they are only waiting for Capital Hill to approve their pricing model in order to have the project in full swing, and currently they are only implementing a pilot phase of the project.

Such a delay in approving the pricing formula is surprising as it was government that sanctioned the project in early 1980s to start blending petrol with ethanol at a rate of 80:20.

Chakaniza explains that with the current 20% blending, the total annual production of ethanol at 36 million litres outstrips the demand pegged at 22 million litres.

He says: "We submitted to the ministry of finance a proposal; a pricing model for ethanol (at 85% petrol price) a proposal that will benefit the producer, a proposal that will see that a consumer is motivated to actually buy ethanol. We are still waiting for the

Minister of Finance to actually digest that proposal and approve it so that it can be adopted as the pricing of ethanol."

"We presented the initial proposal in April 2015 and after that they asked us for more information which we submitted, I think it was in May 2015, and we have been waiting since then."

Chanje, whose firm Presscane has the capacity to produce 18 million litres per year, laments that the delays in approving the proposed pricing model are denying Malawians the opportunity to fully benefit from the locally produced fuel.

"We are ready as ethanol producing companies but the government is taking too long to approve or finalise discussions on the proposed pricing formula," he says.

He says the companies gave the best model to the government after it had gone through the scrutiny of various institutions including Malawi Revenue Authority (MRA), Malawi Energy Regulatory Authority (MERA) and National Council for Science and Technology (NCST).

Since 1982 Malawi has been blending petrol with ethanol at a ratio of 80:20 and by then, it was the largest ethanol producer in Africa trailing Brazil in the world by a fraction.

Surprisingly, the country has stuck at 20% after thirty years—a period that saw a host of African nations surpassing Malawi in production capacity—though in reality it is Malawi which critically needs the commodity to complement its fuel supply shortages.

"Ethanol, as you know, is a renewable fuel so there are environmental benefits for Malawi if it fully adopts its use. The other advantage is that by using more of locally produced fuel, Malawi will save on import charges and foreign exchange for procuring the imported fuel.

"More still the move will create more employment opportunities

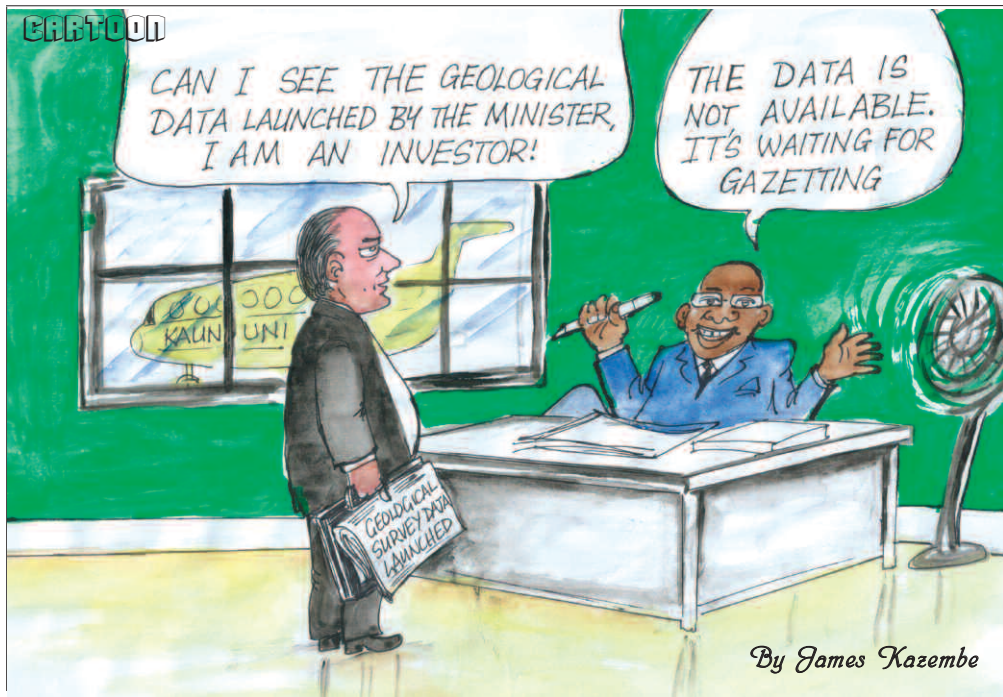
for Malawians in ethanol producing companies and other support service providers," Chanje says.

When contacted to respond to the queries, Minister of Finance Goodall Gondwe refers us to MERA which also refers us back to the finance ministry.

Puma Energy Limited's MD Davis Lanjesi says, on their part, pump stations are ready to accommodate ethanol as tests have proved that the commodity is environmental friendly and can be more affordable to consumers.

Ethanol fuel can be an import substitute for petrol as it drives petrol vehicles fitted with a complimentary gadget without negative effects, and can also be used either concurrently or simultaneously with petrol.

Information sourced from Presscane and Ethco indicates that over twenty vehicles are currently successfully being powered by 100% ethanol under the pilot programme, which saw Lilongwe Technical College fitting the vehicles with the gadgets to turn them into fully flexi-fuel vehicles that can either be powered by ethanol, petrol or any combination of the two.



By James Kazembe



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Mfiti casts spell on oil drilling

○ Prospectors have comprehensive environmental management plans

By Marcel Chimwala

Local environmental activist, Godfrey Mfiti, has spelt out the dangers of drilling for oil in Lake Malawi saying the process will endanger the lake's sensitive environment.

Mfiti says in his write up presented at a public lecture in Lilongwe that drilling for oil in Lake Malawi brings with it fears as waste water is often produced along with hydrocarbons.

Says Mfiti: "More often than not the water is salty with the salt concentration often exceeding that of sea water. Disposal of produced waste water, even after removal of hydrocarbons, onto either land or water can cause adverse environmental impacts due to its high salinity. This is a point of concern on Lake Malawi oil and gas exploration."

He also expresses doubt on Malawi's capacity to enforce regulations preventing disposal of waste treated water claiming that judging from past experience this is a fear most Malawians and environmental experts share.

Mfiti says there is a need to protect Lake Malawi's environment pointing out that the lake has natural scenic beauty that distinguishes it from the rest of the lakes all over the world.

He notes that the lake has over 300 types of fish only found in Malawi and in this lake due to its special evolutionary processes endemic to it.

"Scholars confirm that Lake Malawi makes about 15% of the world's population of rare species of fish and indeed of the world's fresh water lakes," says Mfiti.

He, therefore, recommends that Malawi must take appropriate action for the implementation of Sustainable Development Goals (SDGs) particularly the provisions in Goal 6 : sustainable management of water and sanitation for all.

He urges the government to promote valuation of Lake Malawi so as decisions which are made on its

utilization are evidence-based and economically fool proof.

"There is need to conduct transparent environmental impact assessments for development projects and strategic environmental assessments to guide the development strategies especially in a fresh water like Lake Malawi. We should also promote good corporate social responsibility for the private sector which goes beyond government regulations thus corporate social responsibility should not end at delivering school desks," says Mfiti.

He says Malawi must also realize the importance of water to all development sectors in terms of water provision for agriculture, energy, urban development and fisheries.

The Malawi Government demarcated the potential area for oil and gas prospecting into six blocks which were granted to expatriate firms.

Block 1 located in the Northern Region bordering Tanzania and Zambia was granted to South Africa's Sacoil Holdings, Blocks 2 and 3 tenements located in the northern part of the lake in Karonga and Nkhata-Bay Districts are held by Hamra Oil, Blocks 4 and 5 are with RAKGAS MB45 Limited while Block 6 is with Pacific Oil Limited.

The expatriate firms have devised comprehensive environmental management plans and committed in their meetings with the communities to protect Lake Malawi's



Mfiti fears oil exploration will cause environmental damage

sensitive environment.

In their corporate social responsibility plans, the companies pledged to the communities to finance a number of development projects of the communities' choice.

However, everything is at a standstill in the oil and gas exploration subsector now as the Government a year ago suspended exploration saying it is reviewing the exploration licences to establish if the previous Joyce Banda administration awarded them dubiously.



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