

# MINING REVIEW

ISSUE NO. 27

July 2015

The Voice of Mineral Sector in Malawi

Order price MK200

Proudly  
Sponsored  
by



Advertisers



## 2015 Malawi Investment Forum

INSIDE

# Mutharika pledges stable environment

By Chiku Jere

Malawi President, His Excellency Professor Arthur Peter Mutharika, has assured investors in the mining industry and other key economic sectors that government will provide “a stable, enabling as well as secure environment for businesses both fiscally and physically”.

Mutharika was speaking when he presided over the official launch of a two-day Malawi Investment Forum at the Bingu International Conference Centre in Lilongwe, which attracted over 400 potential investors from 31 countries.

Mutharika reiterated his government’s belief in private sector as a vehicle that can drive economic development in Malawi to the envisaged levels.

He said his government believes that if the private sector is given adequate support, “it could transform the economy of Malawi from predominately importing and consuming to being predominately exporting and producing”.

“We believe that the private sector will bring the prosperity that our



President Professor Mutharika visiting MITC stand at the Malawi Investment Forum

people so earnestly deserve, hence, we’ll do our utmost to assist in the development of businesses in the country,” the Malawi leader said.

...cont. on page 3



Mineral sector to benefit from transport, construction reforms

Pages 2



New legislation to ensure locals benefit from mining deals

Page 9



Basic concepts for valuation of common gemstones in Malawi

Page 10



**FARMING & ENGINEERING SERVICES LIMITED**

P.O. BOX 918 | BLANTYRE | TEL: 01 879 111 | FAX: 01 879 088  
P.O. BOX 64 | LILONGWE | TEL: 01 754 988 | FAX: 01752 949  
EMAIL: fes@fesmv.com | WEBSITE: www.fesmv.com



MALAWI'S SOLE DISTRIBUTOR OF **KOMATSU** & *Challenger* SALES, RENTAL & AFTER SALES SUPPORT



# Minerals sector to benefit from transport, construction reforms

By Chiku Jere

The mining sector in Malawi stands to benefit from the on-going public sector reforms after government simultaneously launched National Transport and National Construction Industry Policies that would act as guiding-blueprints of operations in these two key sectors.

The double launch was presided over by the Minister of Transport and Public Works, Honourable Francis Kasaila MP, at an event which took place at Crossroads Hotel in the country's Capital City, Lilongwe.

Other dignitaries who spoke at the function included the Ambassador and Head of European Union Delegation in Malawi, His Excellency Mr. Marchel Germann, whose organisation bankrolled the policy formulation process through the Institutional Support to Transport Public Sector Bodies (INSTAP), National Construction Industry Council (NCIC) Chief Executive Officer, Linda Phiri, and Principal Secretary for Transport and Public Works Dickson Chunga.

In his address, the minister said both policies would work collaboratively, driving the mainstreaming and sanitisation of the transport and construction industries, processes that fall under public sector reform programs the government is implementing.

Hon. Kasaila acknowledged tremendous achievements that both sectors; transport and construction, have attained over the years but equally noted a number of challenges that have impeded the growth of these two industries, which the new policies want to address.

The minister said the goal of the Transport Policy which was drawn up in 1999, but was reviewed twice in 2004 and 2012, is to ensure the provision of a coordinated and efficient transport infrastructure that fosters a safe and competitive operation of viable, affordable and sustainable transport services.

He observed that transport costs in Malawi remain amongst the highest within the Southern Africa Development Community (SADC) region, a state of affair which, he said compromises the competitive edge for Malawian products on the international market and increases the cost of imports.

"Our last assessment showed that the transport costs share of landed imports stood at 56% and 30% for imports and the figures are estimated to continue growing at 7% to 8% annually, providing the main challenge to the transport sector," he said.

But the launched policy, he said, guides towards the reduction of such exorbitant transport costs to regionally competitive levels, while increasing the sector's contribution to Gross Domestic Product (GDP).

"The policy promotes a multi-modal approach, maintenance-minded funding of the road network and private sector involvement in the provision of coordinated safe, reliable, efficient, cost-effective and affordable transport systems and services," Hon Kasaila said.

The policy which covers all modes of transport namely; road, rail, air and marine, identifies priority areas of focus such as transport infrastructure, transport service provision, international corridors, private sector participation, among others.

Expectations after the policy implementation include reduced travel times and costs of persons and goods, improved reliability, high levels of service and efficiency, improved intermodal competition, as well as enhanced access to local and international markets by producers.

The effectiveness of this policy is poised to contribute directly to the growth of the extractive industry by easing transportation woes that the existing players are facing, as well as attracting more investors to the sector that has been envisaged to have huge economic potential.

Likewise, a viable, reliable and thriving construction industry would also benefit the mining sector bearing in mind huge construction activities involved in the course of establishing mines and mineral processing factories.

Hon. Kasaila noted that low capacity of local contractors and consultants, lack of supportive mechanisms in terms of financial credit facilities for local firms as well as weak regulatory framework had remained some of the



Ambassador Germann(L) and Hon. Kasaila (R) cutting the ribbon



Ms Phiri: NCIC C.E.O

prohibiting hurdles facing the local construction industry.

But, he said, the implementation of Malawi's first ever Construction Policy would see to it that most of the stumbling blocks are dealt with.

"This policy aims at addressing these challenges that have been exposed this far. And it will also form a base for the consideration of new regulatory frameworks or review of the existing regulatory frameworks," the minister said.

The minister said that the policy will provide a platform for the construction industry to overcome challenges and embrace existing opportunities in a quest to effectively develop, maintain and manage physical infrastructure.

He further said that the policy provides for government intervention in terms of building the capacity of local firms and local construction players so that they should have the muscle to compete on international market as well as take part in local huge construction projects.

Among priority areas that are identified in the National Construction Policy are improvement and development of the regulation of the industry and improvement of standard, quality assurance and increased productivity.

Furthermore, the policy sets stage for the enhancement of regional and international cooperation, good corporate governance as well as the strengthening of the institutional framework, just to say the least.

Speaking on behalf of EU, Ambassador Germann noted the significance of launching what he termed two key policies for the transport and more widely the construction sectors.

He said as a long time development partner, EU was aware of the key role that the transport and construction sectors play in the social economic development of Malawi.

"Transport and infrastructure development are facilitators of economic growth and poverty reduction, which is a key objective in the Malawi Growth and Development Strategy (MGDS) II hence the development of policies to guide these industries is not only

commendable but necessary as well, considering many well-known challenges that are there," noted Germann.

He then announced that his organisation is preparing to 'concretely' contribute a 33 million Euros for capacity development in the construction industry under a programme that will start in early 2016 focusing on technical and vocational training.

The EU diplomat highlighted one notable similarity between the two policies, saying both will provide an enabling environment for private sector participation, which, he said, is a key step in ensuring the exploitation of the comparative advantages of the public and private sectors in addressing identified infrastructure development needs and challenges.

In an interview with *Mining Review* after the launch of the two policies, NCIC C.E.O Phiri could not hide her excitement, saying the new construction policy will largely benefit local contractors through provision of capital and other relevant incentives.

"We are really excited as an industry as we now believe that the full implementation of this first ever National Construction Policy will address a myriad of challenges we have been facing, among them, lack of capital and necessary equipment to bid for huge projects as well as lack of technical knowledge," she said.

Phiri said with the policy in place, NCIC will soon embark on a project to train its members in many areas of importance, as well as making them understand what the whole policy entails.

"For instance, we will train construction companies in areas of financial management, human resource management and the overall company management so that we create a crop of contractors who can run business in a professional manner for the benefit of the companies, the society and the country as whole," she said.



Group photo of delegates who witnessed the launch of the two policies



...from front page

Mutharika noted that through multi-sector reforms that his government has initiated and is implementing, doing or establishing business in the country would now be much easier.

He, among other interventions, mentioned the establishment of a One-Stop Service Centre at Malawi Investment and Trade Centre (MITC) which will assist investors with registration of companies, land for investment identification, employment permits and issuing of business licences. The centre will also provide information and advice to prospective investors on available investment opportunities.

“We will do all we can to help businesses grow by among others things introducing necessary incentives and motivation that would lead into the creation of a vibrant and thriving private sector,” pledged the President.

Tackling the issue of security, the Malawi leader assured foreign investors of a secure environment both on fiscal and physical fronts further promising government’s flexibility when it comes to repatriation of profits.

He said the local currency, the kwacha, has been stable over a year due to the liberalisation of the exchange rate policy and promised to uphold the status quo for a foreseeable future, as a way of maintaining a stable environment for running of businesses.

Mutharika also said the Government of Malawi has already embarked on projects that would result in the provision of reliable electricity supply, accessible road network, among other necessary developments that would make business operations in mining and other key economic sectors easily manageable.

He cited the upgraded electricity generation capacity and the introduction of demand-stride management measures, which, he said, have resulted in the country’s electricity supply becoming increasingly reliable, with the generation capacity exceeding demand during off-peak hours.

The President announced that Malawi will soon be embarking on the construction of the long awaited electricity interconnector with neighbouring Mozambique and the upgrading of national transmission network - projects which will assist the mining sector that requires reliable and adequate supply of energy for smooth and productive



President Mutharika shakes hands with PTA Bank President Admassu Tadesse at the investment forum. Looking on are US Overseas Private Investment Corporation Vice President James Polan (2nd left) alongside Sade SG Stergomena Tax (2nd right)

operations.

Mutharika also observed that the upgrading of Nacala Transport Corridor, which includes construction of a railway line from Tete to Nacala cutting through Malawi, will provide fast access to the Indian Ocean in the same vein cutting transport costs for imports and exports.

The President then announced that Malawi will recently become a citizen of a Tripartite Free Trade Area, a treaty which brings together 26 African countries and is aimed at boosting inter-regional trade, eventually leading to the opening up of previously unavailable investment opportunities.

In his closing remarks, Mutharika took time to encourage partnership agreements between foreign and domestic investors as a way of allowing Malawians to participate in the economic development of their country.

Available information indicates that Malawi is endowed

with rich deposits of various valuable mineral resources that remain untapped.

Among the proven mineral deposits include that of Uranium, Heavy Mineral Sands, Rare Earth, Bauxite, Niobium, Coal, Titanium, Zinc, Phosphates, Gypsum, Vermiculite, Limestone, Dimension Stone, Silica Sand, Sulphides, Precious and Semi-Precious Stones.

The country has also potential for the discovery of hydrocarbons and sizeable quantities of high value minerals including gold, platinum group metals and diamonds.

The forum included a conference on mining investment where Paladin Africa General Manager Gregory Walker and Globe Metals of Mining’s Neville Huxham made presentations on a private sector perspective.

*(Details on their presentations will be carried in our next edition).*



Mr. Huxham of Globe Metals and Mr. Walker of Paladin Africa



A delegate seeking clarification on investments during a mining conference

shayonacement.com

# AKSHAR CEMENT

## BUILT FOR ENDURANCE

Akshar Cement is the ideal cement for bridges, multi-storey buildings, road works, water storage tanks, suspended slabs and other medium to heavy concrete projects.

**NOW AVAILABLE IN CHIPIKU STORES, FARMERS WORLD, KULIMAGOLD, CASH BUILD AND ALL LEADING HARDWARE STORES AND AGENTS.**

AKSHAR® CEMENT is a product of SHAYONA® CEMENT CORPORATION. P.O. Box 679, Lilongwe, Malawi. **CUSTOMER CARE 088 884 2084 / 088 887 0624**



# Mzimba Gemstone Miners seek to acquire advanced machinery

By Deborah Manda

**M**zimba Gemstone Mining Cooperative has urged well-wishers such as the government, donors and private financial institutions to assist it in acquiring advanced machinery for mining gemstones saying use of primitive machinery is contributing to the cooperative's low production levels.

Chairperson for the Cooperative, Mr. Jerrifon Gama, says despite the mining potential that Mzimba has, the miners are failing to produce more gems due to lack of capital to acquire proper equipment.

"We use shovels and picks, which makes our work difficult as it takes time to extract quality stones using such primitive equipment. If we had machinery, the Cooperative would have advanced quickly," says Mr. Gama.

He says besides mining equipment, the cooperative is in need of tumbling machines for cutting gems because the machines they currently use are meant for mass production.

"The demand for gemstones is high. A day cannot pass without a potential buyer asking for gemstones, but because of the low supply of gemstones in Mzimba, the buyers are being frustrated. I urge well wishers to help us turn around our fortunes by providing us with the equipment," says Mr. Gama.

He, nonetheless, thanks the Malawi Government through the One Village One Product for providing training to members of the cooperative.

The government, which encourages artisanal and small-scale miners to form cooperatives, provides business management and technical training to the gemstone miners.

Mr. James Phiri, a member of the Mzimba Gemstone Mining cooperative, concurred with Mr Gama saying providing advanced equipment to the Mzimba miners will have an impact in alleviating poverty in the district.

"With proper equipment, the cooperative will start thriving which will spur many people to join it and many buyers to come to Mzimba. In such a way, Mzimba will generate more foreign exchange, which will help in poverty alleviation," he says.

Mzimba Gemstone Mining Cooperative, which has 14 members (nine men and five women), started in 2008 with the backing of the Malawi Government through the One Village One Product (OVOP).

Mzimba is one of the districts that are rich in gemstones in Malawi but apart from use of primitive equipment, lack of a proper market is another big problem facing the miners.

The gemstones mined in Mzimba include aquamarine, amethyst, garnets, citrine, tourmaline, quartz, epidote and apatite.

Though Malawi has a good number of artisanal and small-scale miners, a large proportion of them are poor due to, among others, lack of exposure to proper markets, which



Gemstones miners in Mzimba



Quartz



Amethyst



Tourmaline

gives a chance to middlemen to buy their stones at unrealistically low prices and sell them at whopping profits in foreign markets.

Malawi is, currently, reviewing its Mines and Minerals Act and the artisanal and small scale miners have urged the government to include clauses that protects them from exploitation in the new law.

The new Mines and Minerals Bill, expected to be tabled in parliament and later assented into law by the end of this

year, confers the power on local government assemblies to grant and regulate artisanal mining permits.

The proposed law will allow only Malawians or Malawian owned companies to hold artisanal mining permits and small scale mining licences.

Experts say if Malawi's artisanal and small scale mining subsector is well regulated, the country, which is encountering the problem of smuggling of gems, stands to adequately benefit from it.



## craton resources consultants

*Specialising in coal, industrial minerals and base metals exploration and assessments; projects supervision, mineral rights acquisitions and negotiations*

Craton Resources,  
P.O Box 320, Zomba City, Malawi.  
Mobile: +265 993 789 398. Email : jchatupa@yahoo.com



## EDITORIAL

## Misguided comments against mining companies may scare away investors



BY MARCEL CHIMWALA  
PUBLISHING EDITOR

For the first time, the Malawi Investment Forum was held right here in our beautiful country christened the warm heart of Africa.

We congratulate the Malawi Investment and Trade Centre, the Ministry of Trade and Industry and the rest of the organisers of the event for making use of the modern and majestic Bingu International Conference Centre to host such a high profile event.

In his speech, Head of State, His Excellency Professor Arthur Peter Mutharika, stressed that Malawi is ready to receive investment in any sector including mining.

The President equally stressed that in order to improve the investment climate for the country, his government is developing various infrastructures that support investment in mining and other economic sectors.

He, among other projects, cited the development of electricity development projects including the Mozambique-Malawi Power Interconnector, upgrading of the railway and road network and intensification of security as some of the measures that his government is implementing in order to facilitate the opening of the investors' wallets.

Indeed, the hosting of an event of such magnitude symbolizes the hunger that the country has to receive investments of different sorts.

Consequently, it is important that we, Malawians, should unite for a common goal, which is to create a conducive and stable atmosphere for investment.

It was, however, unfortunate that while preparations for such an event, which has contributed in putting Malawi on the map as an investment destination of choice, were underway, some individuals were busy making comments discrediting some few investments in mining that the country has had an opportunity to receive.

A case in point was the launch of the report by the civil society that pointed out some alleged irregularities in the operations of Paladin Africa's Kayelekera Uranium Mine in Karonga.

We are not against the report but we feel the timing for the launch leaves a lot to be desired. We feel instead of launching such a report at that crucial time as far as wooing investment is concerned, the best way for the civil society was to initially engage in a dialogue with the Malawi Government and Paladin Africa to iron out any other concerns over Kayelekera and launch the report later (if not satisfied with the results of the negotiations) after the hype on the investment forum had subsided.

We at *Mining Review* believe that the duty of attracting investors is not only for the President, the Ministry of Trade and Industry and the Malawi Investment and Trade Centre, rather it is for all the citizens of the country be it in government, private sector, civil society and the media.

It will, therefore, do more harm than good for some selected individuals to start discrediting mining investors who have invested their time and money to develop our resources not only for their own benefit but also for the benefit of the country, which taxes on the investments and has its citizens securing employment with the mining firms.

In this vein, we are not saying it is wrong to criticise investors who are just like us and not semi-gods but we find it appropriate to give dialogue a chance before going to town tarnishing the image of a particular investor.

In fact, dialogue has already proven the right way forward in this situations as in the case of Paladin, which has been under fire from some quarters for allegedly failing to fulfill corporate social responsibility obligations, an agreement has been scratched with the government and the community, which binds the company to construct a hospital at Kayelekera as part of its corporate social responsibility obligations.

We have to bear in mind that with donor fatigue showing its wings, the best way to go for Malawi is attracting investors and with the prevailing competition for investment among countries globally, no right minded foreign investor can bring money to a country where his colleagues are being ridiculed.

The hosting of the investment forum should, therefore, be a historical symbol that cements Malawi as an investor friendly country. It should be a borderline for transformation of those Malawians that viewed investors with a sense of animosity. Let us turn the peaceful and beautiful nation into a haven for investment for our benefit and that of future generations!

# MINING REVIEW

*The Voice of Mineral Sector in Malawi*

For advertising, subscription and editorial inquiries

Tel: +265 (0) 111 744 071

Cell: +265 (0) 888 356 536/ (0) 993 252 656

Email: marcsmediamw@gmail.com

For electronic copy visit: [www.mininginmalawi.com](http://www.mininginmalawi.com)

or facebook page: Mining Review Malawi

EYE ON  
MALAWI'S

EITI

Extractive  
Industries  
Transparency  
Initiative



## Examining Malawi's journey towards EITI compliance

In May, Malawi received a visit from the Extractive Industries Transparency Initiative (EITI) International Secretariat's Lydya Kilpi. Kilpi, Conference Manager at the EITI International Secretariat, conducted a stakeholders' workshop, participated in the second Multi-Stakeholder Group (MSG) meeting, and met with both the Minister of Finance, Economic Planning and Development, Hon. Goodall Gondwe, and the Minister of Natural Resources, Energy and Mining, Hon. Bright Msaka.

Malawi has committed to this global transparency initiative to promote improved data and dialogue in natural resources governance. The President, His Excellency Prof. Arthur Peter Mutharika, emphasised his ongoing support for ensuring natural resource wealth is used for sustainable economic development through the EITI as he opened the sitting of parliament this May, "let me also report that in view of the commitment by Government to enhance transparency in the mining sector, Government will join the Extractive Industries Transparency Initiative (EITI) to promote revenue transparency. In this regard, Government will formally be applying for candidature under the EITI once all preparatory processes are concluded". The first public declaration to join the EITI was made just over a year ago, in June 2014, during Mutharika's inaugural State of the Nation address.

Kilpi congratulated the MSG representatives from government, industry and civil society on the progress Malawi is making to apply for EITI candidacy. At present, the MSG is finalising the application package and expects to have submitted this by the time the July edition of the Mining Review is circulated. The EITI International Secretariat is providing support in reviewing this package which includes the costed workplan for implementation of the EITI as well as for setting up a National EITI Secretariat in the Revenue Policy Division within the Ministry of Finance, Economic Planning and Development.

Once the application is submitted and candidature awarded, Malawi will have 18 months to submit the first EITI report. The implementation of this is governed by the MSG – the coalition of elected government, industry and civil society representatives. This report will include contextual information on the extractives sector in Malawi and data on revenues, licences, production, exports and contribution to the economy; it demands that companies publish their payment and government publishes receipt. Kilpi emphasised during the stakeholder meeting that the report can then be used as a tool to improve extractive sector governance, identify challenges and weaknesses and define priorities for natural resource management, inform dialogue and reforms, and consolidate transparency in government and company operations.

In Ghana, data from the EITI reports has been used to reform revenue sharing mechanisms with regions and district assemblies. According to the EITI 2015 Progress Report Making Transparency Matter, 10% of royalties are supposed to be transferred from the central government to local government authorities, but it was found that regional offices usually did not make the transfer and that transferred money was used for recurrent expenditures rather than development projects. Designated bank accounts have now been set up to track and monitor transfers, which is important for ensuring maximum community benefits and companies' social licence to operate. Malawi's MSG will have an opportunity to learn first-hand how EITI is best implemented for improving natural resource governance. The MSG along with other governmental stakeholders will visit Zambia's National EITI Secretariat at the end of June. Watch this space for information on the trip.

Read the EITI 2015 Progress Report here - <http://progrep.eiti.org/>.

PROVIDING SOLUTIONS FOR ALL KEY SECTORS.  
A NAME YOU CAN TRUST



Spare Parts | Batteries | Tyres | Hand Tools | Power Tools & Accessories | Test Equipment | Water Pumps | Generators | Services | Safety Wear

Blantyre: Tsiranana Road - Tel: 01 84 30 84 / 84 77 45. Lilongwe: Paul Kagame Road - Tel: 01 75 99 02 / 75 99 04. Email: [contact@royalmw.com](mailto:contact@royalmw.com)

ROYAL  
MOTORS



# Shayona Cement developing Kasungu

## ...Minister hails community-investor good working relationship

By Chiku Jere

**M**inister of Transport and Public Works, Honourable Francis Kasaila MP, has commended Shayona Cement Corporation for its investment at its Kasungu Factory, which has seen members of the surrounding community benefitting through securing employment and reaping from the company's corporate social responsibility projects.

The Minister noted that the huge investment at Shayona Cement Factory is playing a big role in uplifting the fortunes of what could have been a remote area of Kasungu.

Kasaila said: "You, people of this area made a right choice by embracing Shayona. Just continue to be patient because I foresee this area continuing to develop."

"As Shayona scales up its activities here, many more locals will secure employment. The company will also continue to invest in corporate social responsibility activities."

With a workforce of 1200 mostly locals, Shayona Cement Corporation has undertaken a number of corporate social responsibility projects at the factory site including construction of school blocks and provision of education bursaries to students from the area.

Kasaila advised the area's community to maintain their investor tolerant attitude saying some communities have ended up regretting after resisting investors who would have developed their areas due to misguided advice from "selfish individuals."

"In such situations, it is not only the people but it is also the country as whole which has ended up losing out in terms of economic development," said Kasaila.

The Minister took heed of a joint invitation from Shayona and the surrounding communities to visit the factory and appreciate the progress of the investment as well as the challenges that are being encountered in the process.

During the meeting it came out that the major challenge the area is facing is the bad state of the 27km earth road which stretches from Mwimila Turn-off to Shayona factory.

During the meeting held at the factory, a number of speakers including Traditional Authority Wimbe, Senior Group Village Headman Mwimila; Member of Parliament

for Kasungu East Constituency Honourable Madalitso Kazombo and the Corporation's Managing Director Mr. Jitendra Patel expressed concern over the sorry state of the road.

"It is not only the mining and cement manufacturing activities that are affected by the alarming condition of the road. This is an agricultural area so farming activities are also bearing the blunt as farmers are finding it difficult to transport their produce to the market due to the poor road condition," said Kazombo.

Mr. Patel thanked Honourable Kasaila "for being the first Minister responsible for works to visit his company's factory and urged the Minister to ensure that the access road to the factory is kept in good condition."

"Our efforts to move our investment to a much higher level are being hampered by the state of this road which is the only access route to this place. The delay to rehabilitate this road means a delay in bringing more development to this area," he said.

In his response, the Minister gave an assurance that as a facilitator of investment, Government would move quickly to rehabilitate the road saying a grader had already been allocated.

"Let me assure you that I will personally see to it that the grading of this road is treated as a priority. This Government is implementing a serious policy of promoting and encouraging huge investors such as Shayona to come into the country to do business because we believe that we need such kind of investments if the country is to develop," Honourable Kasaila said.

The Shayona factory was opened in 1997 with less than 100 employees and an average production capacity of 100 tons of cement per day.

With ongoing investment by the company, the production capacity has shot to 650 tons per day and the workforce has ballooned to 1,200 employees.

Once a remote area, a small town is gradually emerging at the factory site now experiencing a facelift with new infrastructural developments on course.

Among other developments, the place boasts of decent staff houses, portable water, electricity, a police unit and a well stocked health centre courtesy of Shayona Cement Corporation.

The company, which has constructed school blocks at a nearby primary school, has also acquired land to construct



Minister being taken around the factory



Shayona's state of the art plant and new infrastructural developments

a Secondary School as part of its corporate social responsibility initiatives.

"I would like to see people of various professions such as engineers and doctors nurtured through our support being employed at Shayona factory or elsewhere," said Mr. Patel.



## Chiwandama Geo-Consultants

Experts in geological mapping, mineral exploration and evaluation, geotechnical assessments, mine design and environmental impact assessments for mining and quarrying projects.

Located in Capital City Lilongwe CALL: 0888 825 277

Email: johnkhoma@yahoo.com



# Plant gets kudos for Mungu factory site



Planting process underway



Factory control room worker explaining to the minister



New development works at the factory



Plant in progress

Shayona Cement is currently involved in a massive expansion project, which has seen the company installing a German-made state of art MK30billion (\$65 million) plant, which Mr. Patel described as “presently the world champion of cement manufacturing.”

The Rotary Cement Manufacturing Plant includes a crusher, a stacker re-claimer, pre-heater column, raw and coal mill among others necessities, that would be centrally controlled in a room fitted with an automated gadget.

When all is completed, Mr. Patel said the new plant will be able to produce more than 30,000 bags of cement per day.

“Through that, Malawi shall take the pride of being able to export cement thereby avoiding drainage of foreign exchange as the country will be generating forex through exports of the product it is importing today,” he said.

Shayona Cement is one of the companies that substantially contribute to the Government’s coffers remitting MK2.5billion annually in royalties and taxes.

The firm is also contributing to the local economy by sourcing a considerable amount of raw materials locally including limestone mined from its Livwezi Mine, iron ore and clay.

The firm imports gypsum from Tanzania and coal from Mozambique but is negotiating with local suppliers of these cement production ingredients to ensure that a bigger proportion of raw materials is sourced locally.

Shayona Cement, which produces Akshar Cement, caters for over 25% of the market share for cement in the country and is expected to take up to 80% of the market share when the new rotary kiln plant is commissioned in 2016.



Mr. Patel making his speech



SGVH Mwimila speaking at the event



Work at the mine on course



Minister being shown designs of a plant under construction



Social responsibility: School blocks that Shayona constructed



# Engineers appreciate expansion works at Shayona factory

A group of engineers under the banner of Malawi Institution of Engineers visited Shayona Cement factory in rural Kasungu where they appreciated massive expansion works taking place at the site.

Shayona Cement is, currently, in the second phase of the construction of the rotary cement manufacturing plant, which will have a crusher, stacker, reclaimer, raw mill, coal mill, pre-heater column, cooler, conveying systems and central automated control room.

The completion of the phase will see the company increasing its production from 650 tonnes per day to 1200 tonnes, which is enough to meet the current local demand and leave a surplus for export.

Director for Zingano and Associates who was guest of honour at the function, Mr. Banard Zingano, said such a planned increase in cement production will help the country environmentally by saving trees used for brick molding since the country will move to a position where it can adopt the use of cement in

making bricks.

“Engineers can save the country from deforestation through such great plans. With such big factories rolling, locally produced cement can reach all corners of the country,” he said.

Managing Director for Shayona Cement, Mr. Jitendra Patel, said at the function that after completion of the second phase of the expansion project, the company will install cement mills in Blantyre and Mzuzu to ensure uninterrupted supply of cement to the Southern and Northern Regions respectively.

“We have ambitious plans to expand our production so that besides catering for the Central Region, we are able to reach the North and South with ease,” he said.

Shayona, which currently has a 1200 workforce started producing cement in 1997 with a workforce of 100 and a rated production of 100 tones per day from 250 kilns but the production has now grown to 400 tonnes per day.



Engineers being taken around the factory



New factory plant



Heavy duty motor at Shayona factory



## Geomine

## SERVICES

Experts in Mineral Resource Evaluation, Environmental Management and Mining, Events Management and Marketing.

Mining Review Design





# New law to ensure locals benefit from mining deals

## ...CSOs applaud government for accommodating diverse proposals into bill

By Chiku Jere

**G**overnment says it is spearheading a process of coming up with a new Mines and Minerals Act that would equally address needs of citizens and investors, ensuring a win-win situation that would prevail with utter fairness, transparency and accountability.

Commissioner for Mines and Minerals, Mr. Charles Kaphwiyo, said this during a national public debate organised by Catholic Commission for Justice and Peace (CCJP) in partnership with Church and Society of Livingstonia Synod, Quadria Muslim Association and Evangelical Association of Malawi with support from Tilitonse Fund as part of national advocacy intervention on social issues.

The commissioner was one of the panellists during the debate held at Crossroads Hotel in Lilongwe on June 15th, 2015 and aired live on Zodiak Broadcasting Radio Station as part of activities under CCJP's Tonse Tipindule Project that is aimed at strengthening participatory, transparent, accountable and responsive mining governance.

Other panellists were Executive Director of Institute for Policy Interaction (IPI), Rafik Hajat, who represented the civil society and seasoned Mining and Environmental Management expert and former Minister of Natural Resources, Energy and Environment, Mr. Grain Malunga.

The debate which also involved soliciting views and suggestions from people across the country through live phone calls and the audience present at the event lasted for about an hour.

The main question that the debate tackled was: **"Is the current Mines and Minerals Draft Bill responding to the burning issues that Malawians in civil society organisations, faith based organisations and local communities have been raising?"**

In response, Mr. Kaphwiyo said government is committed to providing an impeded room for any sound proposal that would ensure the country come up with a

legislation that would act as a legally-binding blueprint to guide operations in the mining sector for the mutual benefit of the communities within the mine area, the nation as whole, as well as the investor.

"Let me report here that most of the comments, recommendations and proposals that were previously made during the stakeholders' consultative workshop were incorporated in the draft bill and those that are being expressed this time around are seriously going to be taken into consideration," he said.

The commissioner urged the public to come forward with proposals relevant to all aspects to do with mining that would cover all shortfalls in order to seal loopholes that permitted unfair or individual self-enriching dealings in the mining sector.

"My plea is that let us join hands and come up with a very tight bill that would curb the suspected tendency by some individuals in authority of taking advantage of situations due to laxity of laws," stressed Mr. Kaphwiyo.

In his remarks, Hajat said, as the civil society, they presented about 140 proposals and recommendations to the bill drafting team for consideration and so far, they are pleased with the way government is handling the matter.

"As a civil society, we believe that the proposed Act is aimed at setting a proper policy framework that would guide the fair, transparent and accountable operation of the mining sector. So we had misgivings as regard some areas, which we noted and we presented our proposals on how we can address them," said Hajat.

Hajat said the Civil Society input mainly focused on the need of ensuring that communities in which mining activities are taking place should sustainably benefit from the investment and there should be no room for abuse of human rights in this respect.

He said, among other issues, they proposed that the bill covers

issues to do with compensation in terms of resettlement of people and environmental damage suggesting the inclusion of 'the polluter pays it all' principal.

Hajat also advocated for clear stipulation in the bill binding mining companies to shoulder responsibility of managing the post mine closure effects as well as the sustainability of development in the area in the course of mining and after mineral exhaustion.

He commended government for being open on the handling of the bill and accommodating proposals from different stakeholders, which he said would result in a law beneficial to the country and its citizens.

Nonetheless, he said there is a need to consider restructuring the management structure that the bill proposes saying the stages the investor would need to pass through to obtain licences or mineral tenements creates what he termed 'Byzantine bureaucracy' which, he was afraid would slow down the process.

On his part, Mr. Malunga advised government to up its game when it comes to providing appropriate information to the concerned communities relating to any proposed mining activity in a particular area.

"Government's quietness on people's complaints is what is leading to the build-up of suspicion and skewed assumptions. As a result, public trust in government on the way it handles mining deals is being lost," noted Mr. Malunga.

He said providing clear and accurate information to the public through appropriate channels such as using traditional leaders and experts to conduct general public sensitisation would clear all the misconceptions that create unnecessary animosity toward investors.

"There is need to involve communities on the onset so that they should embrace the investment as an initiative, which will benefit them; the nation, not few individuals, as some are made to believe," Mr. Malunga suggested.



Panellists from left to right: Mr. Kaphwiyo, Mr. Malunga and Hajat



PS in the Ministry of Natural Resources, Energy and Mining Mr. Ben Botolo (taking notes) was part of the audience

## Atlas Copco

## Committed to Sustainable Productivity

### Contact Persons

S.I Mojobo:  
+265 (0) 999 963 944

P.E. Makungwa:  
+265 (0) 999 926 409



Atlas Compressors & Tools (MW) Ltd, P.O. Box 578, Blantyre, Malawi. Hayter Road, Ginnery Corner Blantyre. Contacts: Tel.: +265 (0) 1 873 539, Fax: +265 (0) 1 874 019. E-mail: actl@atlascomw.net



# TECHNICAL FILE

by Grain Wyson Phillip Malunga FIMMM  
Mining and Environmental Management Expert



## BASIC CONCEPTS FOR VALUATION OF COMMON GEMSTONES IN MALAWI

### Abstract

Malawi is believed to be losing foreign exchange earnings because of lack of support to artisanal-small scale mining. Usually gemstone miners are equipped with poor knowledge of gemstone mining, grading and pricing. This paper tries to put into perspective basic concepts of identification, grading and pricing of gemstones.

### Introduction

Gemstones are inorganic minerals that are rare, beautiful and durable. They become precious when cut and polished. They are desirable if they have good colour, good shape, good size and good clarity.

In Malawi common gemstones are sapphire, ruby, aquamarine, tourmaline, zircon, amethyst and agate.

### Properties of gemstones

Gemstones can be distinguished from synthetic materials through an analysis of their properties. These may be chemical or physical properties. Synthetic materials include glass and plastic.

### Chemical properties

Gemstones are a composition of chemicals expressed by elements and relative number of their atoms. The following are examples of chemical formula for gemstones:

GEMSTONE	FORMULA	COMPOSITION
Diamond	C	Carbon
Ruby (corundum)	Al <sub>2</sub> O <sub>3</sub>	Aluminium oxide
Aquamarine (Beryl)	Be <sub>3</sub> Al <sub>2</sub> (SiO <sub>3</sub> ) <sub>6</sub>	Beryllium aluminium silicate
Pyrope (garnet)	Mg <sub>3</sub> Al <sub>2</sub> (SiO <sub>3</sub> ) <sub>6</sub>	Magnesium aluminium silicate

Figure 3: Cobbing hammer

### Chemical resistance

Durability of gemstones includes resistance to chemical attack. It is also important to note that a few gemstones may be prone to chemical attack. These include pearls and apatite.

The use for chemicals in gemmology is limited because it is destructive especially for carbonate materials such as pearls which effervesce. Use of hydrochloric or nitric acid help detect plastic limitation. Use of micro chemical tests under a microscope or magnifier is favoured as small acid spots are used.

### Physical properties

#### Crystal form

The use of crystals help to identify certain gemstones, especially those that formed in caves, voids or fractures. Crystals are grouped into classes according to symmetry and number of corners (shapes). 32 shapes or forms have so far been identified:

Here are some of the terms used to describe crystals:

- Prismatic:** a crystal with an elongated prism form, e.g. beryl.
- Acicular:** needle-like, e.g. tourmaline.
- Columnar:** a number of prismatic crystals in parallel growth, e.g. quartz.
- Radial:** crystals radiating from a common centre, e.g. tourmaline.
- Concentric:** crystals form layers around a nucleus, e.g. malachite.
- Massive:** no directional features (such as crystal faces) are exhibited, e.g. turquoise.

### Colour and streak

Gemstones can be identified by their colour due to presence of impurities or structural peculiarity. Others produce coloured or colourless powder when scratched or drawn across a plate porcelain plate. This type of powder colour is called streak. Pyrite produces black colour while malachite produces green colour.

Many well-established gemstones are simply colour varieties of a mineral. A few examples of many are given here:

Table 1: Colour of gemstones

Mineral	Colour	Name
Corundum Al <sub>2</sub> O <sub>3</sub>	Red Blue	Ruby Sapphire
Beryl 3BeO Al <sub>2</sub> O <sub>3</sub> 6SiO <sub>2</sub>	Green Blue Yellow Pink	Emerald Aquamarine Heliodor Morganite
Tourmaline B, Al, etc silicate	Red Blue Colourless	Rubellite Indicolite Achroite
Quartz SiO <sub>2</sub>	Colourless Mauve Yellow	Rock crystal Amethyst Citrine



Figure 1: Red agate



Figure 2: Ruby sapphire

### DICHROISM

Some gemstones have the ability to absorb light differently when it passes through the gemstone in different directions during rotation. Those that exhibit two colours are said to be dichroic while those that exhibit more colours are said to be pleochroic. Tourmaline exhibits dichroism.

### LUSTRE

The appearance of a gem as it reflects light is called lustre. Lustre can range from glassy (vitreous) to metallic. Aquamarine is vitreous while gold is metallic. Common examples are shown below:

Table 1: Common examples of lustre

Lustre	Material
Vitreous (like glass)	the lustre of ruby, emerald,
Resinous (like resin - greasy)	the lustre of amber.
Waxy	Turquoise
Turquoise	gold, pyrite

Figure 3:  
Aquamarine



Figure 4:  
Amethyst



### Quality of gemstones

Quality of gemstones is determined by colour, size, clarity and shape.

#### Colour

Colour contributes about 60% of the value in any coloured stone. Examination of colour is done in various kinds of light including under fluorescent, incandescent and sunlight. Good stones show good colour if lit above white paper. It has been proved that stones that are back lit and show good colour often display dark colour after being cut so be careful about stones displayed with back light.

Remember use the "white-paper test" for colour quality and density because dichroism and pleochroism may affect the desirability of the colour you prefer in a gemstone.

#### Size

The size of a gemstone determines the size of cut gemstone that will be a final product. A common rule is that a 1 gram gemstone will produce a 1 carat cut stone. 80% is lost. Please note that 1 gram is equivalent to 5 carats. The bigger the stone the more carats it will weigh and more value will be obtained from it. Coloured stones are measured in millimetres and sold by carats.

The rule is "never attempt to cob a stone with wrong tools since you will break it into useless pieces and you will introduce more flaws". You are advised to use a cobbing hammer.

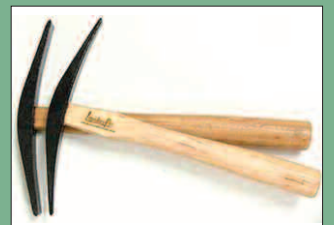


Figure 5: Cobbing hammer

#### Clarity

Clarity in gemstones is affected by intensity of flaws in them. Typical flaws include cracks, voids open cleavages and inclusions. These compromise appearance and structural integrity of gemstones. Flaws affect light penetration into gemstones and absorb light and interfere with the optics of a gem. Flaws like inclusions of water bubbles and air voids help to identify origin of gemstones and differentiate them from synthetic material. The less the flaws, the higher is the price of gemstones and they can be removed during cutting.

#### Shape

Good stones for cutting should be blocky, chunky and rounded. Any stone outside this description will lead to a lot of waste during cutting or faceting. Flat or twisted faces can as well be sold as industrial material for recovery of elements such as beryllium in beryl or zirconium in zircon.

### Simple Toolkit for rough gemstone identification and valuation

Basic tools required for rough gemstone identification and valuation can be obtained under USD4,300.00 or MK2,000, 000.00. These are; Cobbing hammer, Loupe, Lamp with solid opaque shade, Fluorescent Light, Incandescent Light, Tweezers, Glass of water, White paper, Millimetre gauges, Optivisor binoculars, Gram scales model PJ-600, Carat scales, Chelsea filter, Pocket diffraction grating scale, Dichroscope, Gravity Travel Kit, Gem Shovel, Analogue Faceting machine, Ultratec facet saw kit



Figure 6: Some gemmology tools

### Grading and pricing

Gemstones are graded according to quality and size. These determine the pricing of gemstones.

Remember the price of gemstones takes into account loss during faceting, colour intensity and uniformity and clarity. Generally tradable rough gemstones should be more than 1 gram (5 carats) and with less inclusions. The price of gemstones are not fixed and depend on willing seller and willing buyer. Reverse pricing is usually a good method. The Text Box below tries to illustrate the rough price of a ruby:

- a. A cut and polished ruby weighs one carat (0.2 gram).
  - b. Original piece of rough ruby = 5 carat (1.0 gram)
  - c. If it is an exceptional stone a retailer will sell it for \$200.0
  - d. The wholesaler needs to make 50% net profit, so his cost is = \$100. But he has to pay cutting, shipping and export royalty. He may also have to pay an import duty at the final destination.
- Typical costs will be:
- |  |                   |
|--|-------------------|
| Cutting (per cut carat)                              | = \$ 2.00         |
| Shipping   | = \$ 1.00         |
| <b>Total</b>   | <b>= \$ 3.00</b>  |
| So now he can only pay \$100.00 – 3.00               | <b>= \$ 97.00</b> |
| But he has to pay an export royalty of 10%           | <b>= \$ 9.70</b>  |
| And an import duty of 16.5%                          | <b>= \$ 16.01</b> |
| So he can only pay the trader \$100- (2+1+9.7+16.01) | <b>= \$ 71.29</b> |
- e. The trader also needs a profit. His price for 1 gram for ruby requires experience in quality and accumulated inventory to sell the whole saler. This trader needs also a 50% profit man. He pays the miner 71.29 – (50% of 71.29) = **\$ 35.65**
  - f. This then means the miner gets \$35 or \$36 per gram of rough ruby.

### ADDING VALUE TO RUBY

The process above indicates that a good value of gemstones is in the cut stone. Therefore there is need for miners to go into value addition.

GRADE	COLOUR	CLARITY (%)	SIZE (in gm)
I	Deep colour	>90% clear: Minor visible to no visible inclusions	> 1
II	Some colours with one dominant deep colour	75 to 80% clear: Light inclusions that may not be avoidable in cutting	1-3
III	May have one or more colours	60 to 75% inclusions and will be clouded when cut	>3
V	May have one or more colours	Heavily included with rock like texture. Good for cabochon	>3

Taking into account quality factors given above, a tentative grading system can be devised by miners or traders as per the following example:

GRADE I ROUGH STONES	PRICE/GRAM (US\$)
Ruby/ Sapphire	500
Tourmaline	40
Garnet (Pyrope)	10
Garnet (Rhodolite)	40
Aquamarine	26
Agate	35 (US\$/Kg)

### Conclusion

Gemstone business requires a lot of experience and knowledge in understanding the quality and value of stones. The miner gets a smaller share of the whole cake and therefore there is need to form up cooperatives in order to benefit from economies of scale and be able to acquire lapidary equipment for value addition.



# AFRICA IS RISING AND WE'RE HELPING BRING LIGHT TO IT

A thriving Africa. That's the objective that underpins every investment banking deal we execute. We are honoured and humbled that the mining sector recognises our efforts in pioneering landmark transactions in Africa. We are committed to helping Malawi and the rest of Africa move forward through ground breaking deals.

## Standard Bank – Landmark deals in the mining sector



African Barrick Gold  
Bulyanhulu Gold Limited  
Tanzania  
2013  
USD 150 million  
Mandated lead Arranger and  
Underwriter of ECA backed funding

- African Barrick Gold Plc, Structured Export Finance Loan Facility
- Standard Bank arranged a USD 142 million structured export finance loan to Bulyanhulu Gold Mine Limited, a 100% owned subsidiary of African Barrick Gold Plc (ABG).
- We acted as the SOLE mandated lead arranger and agent bank for the seven year facility, which will be used to fund the expansion of the carbon in leach circuit at Bulyanhulu, their flagship operation in Tanzania.
- We were able to structure the transaction in a very innovative way to ensure the most attractive pricing for the client (Libor + 2.50%).
- The transaction is underpinned by expropriation insurance cover from the Export Credit Insurance Corporation of SA (ECIC) as well as a seamless guarantee from ABG covering all causes of loss that are not covered by the ECIC insurance policy.
- ECIC was able to insure the transaction on the back of the capital spend associated with this project being mostly placed with a South African Exporter, MDM Engineering Projects Limited.
- The Bank underwrote the full facility and sold down 50% of the facility pre financial close to Standard Chartered as well as ABSA Capital. Financial close on this transaction occurred on 18 January.



Implats Platinum Holdings  
2013  
ZAR4.5 billion  
(USD 500 million)  
Convertible Bond  
Joint Bookrunner  
Debt Sponsor

- Implats, ZAR4.5bn (USD500mn), Dual Currency Convertible Bond ("CB")
- Standard Bank acted as Joint Bookrunner and Debt Sponsor on the transaction
- Through Standard Bank's extensive local and global distribution network, we were able to:
  - Execute a highly successful local and international marketing campaign pre-launch
  - Secure key early anchor orders locally which gave the Company the confidence to launch the CB
  - Build a book of demand that was 8x oversubscribed
  - Generated significant orders which meant the upside option was used entirely on the ZAR Bond tranche and moved the bookbuilding to the tighter end of the range
  - Provide extremely attractive financing terms for Implats, well inside normal debt levels in South Africa



PALADIN ENERGY LTD

Namibia  
2014  
USD 130 million  
Project Finance and Working Capital  
Facilities to Refinance Existing Debt  
Joint Mandated Lead Arranger

### Paladin Energy Financing

- Standard Bank, jointly with Nedbank Capital, refinanced the existing project finance facilities at Paladin Finance (Langer Heinrich uranium mine) and Paladin Africa (Kayelekera uranium mine)
- The deal consisted of a project finance facility to Paladin Finance Ltd, advanced through the Standard Bank of South Africa's Isle of Man Branch, and a working capital facility to the project company by Standard Bank Namibia
- The facilities reached financial close during January 2014



Namibia  
June 2014  
BWP68,705,000  
Property Finance facility  
Lender

### Diamond Technology Park (DTP), BWP68.7mn, Lender

- Stanbic Bank was appointed as property finance lender of BWP68,705,000, to fund the construction of a specialised building consisting of offices, workshops and laboratories for further refinement of diamonds in Gaborone, Botswana. The building will be let to various diamond downstream companies.



BCM  
2013  
USD 18.8 million  
Term Lending  
Joint Mandated Lead Arranger / Lender

### BCM International Limited

- Standard Bank was a joint mandated lead arranger with Caterpillar Financial Services
- Additionally, Standard Bank was a lender in an amount totalling USD 9.4 million towards the purchase of mining equipment
- Standard Bank is also acting as both Facility and Security Agent for the transaction



Standard  
Bank

Moving Forward™



# MINING REVIEW

VOICE OF THE MINERAL SECTOR IN MALAWI

**Essential Tours**  
& Travel Bureau

Experts in domestic and international air ticket bookings, travel consultancy and visa processing support.

Location: Golden Peacock Shopping Center Room B2, Ground Floor, P.O. Box 206 Lilongwe, MALAWI  
Tel: +265 1 770 709/659/694  
Mobile: +265 999 308 436 / 888 300 133 / 995 645 749  
Email: info@essentialtravelmw.com

Issue No. 27

July 2015

## No to tax holiday for mining investors, civil society urges ...Malawi's royalty rate on higher side - Industry expert

By Marcel Chimwala

Civil Society groups have urged government to refrain from giving tax holidays and other incentives to mining investors in order to ensure that Malawi, which is one of the poorest countries in the world, adequately benefits from mining projects.

Leaders of various civil society groups made the call to government at the launching ceremony of a report by British Charity Actionaid critiquing Malawi Government's tax dealings with Australian miner Paladin on the Kayelekera Uranium mine in Karonga, which is Malawi's largest mining investment.

The report says Malawi has lost US\$43.16-million of tax revenue over a six year period starting from Paladin's launch of mining operations in 2009 to 2014 when the mine went on care and maintenance as the company was failing to make profits because of a decline in cost of uranium on the world market.

Uranium prices dramatically fell on the world market in the aftermath of the Fukushima Nuclear Disaster in Japan which led to the closure of many nuclear plants in Asia thereby having a knock on effect on the global demand for the yellow cake.

In the report, Actionaid says there were no illegal dealings by Paladin despite that in addition to enjoying the tax incentives granted by the Malawi government, the company took advantage of an international taxation treaty that Malawi signed with the Netherlands, where the dual listed firm has a subsidiary, in order to enjoy tax breaks.

The Kayelekera Development agreement that Malawi signed with Paladin Africa in 2009 granted the Malawi Government 15% shares in the mine in exchange for a reduction of royalties from the 5% stipulated in the taxation law to 3%.

Actionaid says Malawi would have adequately benefitted from the mine during this production period if the deal had maintained the royalties at 5%.

The NGO also critiques the Malawi Government for including a 10-year stability clause which implies that the deal cannot be altered during that given period saying its neighbor Zambia has recently broken some of these clauses in existing agreements.

It says Malawi, whose mining industry is in its infancy, should take the mistakes it made in the Paladin deal as a lesson as it negotiates with various companies to explore for oil and gas and different minerals.

Says Actionaid: "Malawi cannot afford to repeat previous mistakes and must ensure it makes the most of its natural resources to maximize the revenue it gets from them in order to fund its national development plan. This means ensuring that it does not give large-scale harmful incentives to multinational companies exploring oil and gas or any



Group photo of civil society representatives from across the country during the report launch

other natural resource in Malawi. In particular, it should ensure it gets decent royalty rates for the one-off selling of its precious natural resources."

"Malawi must also do its utmost to ensure that companies pay taxes in Malawi even if they shift funds out of the country. This means ensuring that its own network of tax treaties minimizes opportunities for companies to shift profits out of Malawi without paying withholding taxes."

Actionaid's report follows an earlier report by CCJP that also alleged similar accounting flaws on Paladin's operations in Malawi and shortfalls in the deal signed between the dual listed miner and the Malawi Government.

In his response, Paladin General Manager for International Affairs, Greg Walker, disputes claims by the NGOs on transfer pricing saying Paladin's annual financial statements are prepared in accordance with Malawi and international accounting principles and are approved by the board of Paladin on which the Malawi Government is represented.

He says the Malawi Government as a shareholder can analyse Paladin's accounts and interrogate Paladin management if it has any queries concerning the accounts.

"Paladin accounts are audited by independent accounting firm, Ernest & Young Malawi Limited which is a member firm of Ernst and Young Global Limited, a global leader in assurance, tax, transactions and corporate advisory services."

"Ernest and Young would not provide the necessary annual audit clearance for Paladin's accounts if it found evidence of irregularity in those accounts, which it has not," says Walker.

On the royalty rate, Walker says at 3% Kayelekera's royalty rate is not unusually low as it is the same as Namibia's for uranium adding that the average royalty rate in Africa including neighbouring Southern Africa Development Community (Sadc) countries is 3% of sales value.

"Malawi's standard royalty rate of 5% is at the high end of the scale and is a disincentive to investment," he says.

Acting Director for Mines Department, Mr. Peter Chilumanga, comments that as Malawi is in the process of formulating a new Mines and Minerals Act, all the oncoming deals with mining investors will be formulated in accordance with the new law and the Taxation Act to erode all suspicions by Malawians.



Act. Dir. of Mines: Mr. Chilumanga

"We want the new law to be complete so that we should do away with development agreements that create suspicion among Malawians," he says.

State President Professor Arthur Peter Mutharika also highlighted the wish for his government to subscribe to the Extractive Industry Transparency Initiative (EITI) to ensure that there is transparency in scratching out any mining deals.

**CAMCO**  
Durable and Affordable



**CAMCO EQUIPMENT LIMITED**

Cell: 0999-888678 0888-851888

Tel/Fax: 01-842546(BT) 01-754680(LLW) E-mail: malawi@camco.cn

Plot NO. : L/C 13 Mkulumadzi house Churchill road Limbe, Blantyre

Plot NO. : 3/401 at Area 3, Lilongwe