

MINING & TRADE *Review*

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The Voice of the Business Sector in Malawi

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CASHGATE SCARE

INSIDE

Corruption preys on investors' perception



Malawi's leaders during multi-party era when corruption has been rife: (L-R) Bakili Muluzi, late Bingu wa Mutharika and Joyce Banda

By Marcel Chimwala

There is need for Malawi to put in place serious measures to guard against the corruption syndrome christened cashgate that has rocked the government system over the past years if it is to successfully attract investors in mining and other economic sectors.

Investors *Mining & Trade Review* interviewed in the aftermath of the recently held Malawi Investment Forum in Lilongwe say revelations of massive corruption in government that have led to the loss billions of kwachas from government coffers since the first days of

the democratic era have eroded a heap of their trust in the Malawi government system.

Paladin Africa General Manager Gregory Walker says in his write-up presented on behalf of mining investors at a mining conference that was part of the same investment forum, that in the internationally recognised Fraser Institute Annual Survey of Mining Companies which rates 122 jurisdictions around the world based on geological attractiveness and government policy encouragement for exploration and investment, Malawi was considered in 2014 but not included due to insufficient response.

cont. on page 3



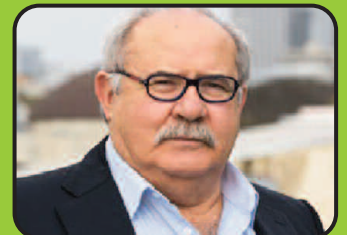
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MALAWI'S SOLE DISTRIBUTOR OF **KOMATSU** & *Challenger* SALES, RENTAL & AFTER SALES SUPPORT

By Chiku Jere

Parliamentary Committee on Natural Resources and Climate Change has confided to *Mining & Trade Review* that Malawi is set to have a new mining law by the end of this year as the long-awaited Mines and Minerals Bill will be tabled during the next sitting of Parliament scheduled for October this year.

Chairperson of the committee, Werani Chilenga, who is also Member of Parliament for Chitipa South, disclosed the development on the sidelines of a Dissemination Workshop on the Assessment of Policy Implementation on mining organised by a local civil society group the Centre for Environmental Policy and Advocacy (CEPA) at Crossroads Hotel in Lilongwe on August 11, 2015.

Chilenga said the draft Bill was referred to the committee for their input and they came up with several proposals and recommendations before returning it to government.

"The committee engaged private consultants from countries such as Zambia, Botswana and South Africa to assist with expertise. Through their advice, we proposed and recommended several amendments that we feel should be considered in the legislation to perfect it," he said, adding that they have sent it back to government to incorporate the recommendations.

Among the major proposals the committee put forward is the suggestion to include a diverse of members in the 'Mineral Resources Committee' after it was noticed that civil servants were dominating.

Chilenga said the initial draft law proposed that the "Mineral Resources Committee," should comprise eight principal secretaries and four directors from several ministries and government departments, as well as the Inspect General of the Police, leaving out the civil society, traditional leaders, the legislature and other equally important stakeholders.

"We noted this to be an anomaly that needed to be addressed as it could compromise the independence of this all important committee, taking into consideration that civil servants' decisions could be easily influenced by politicians who run the executive arm of government," he said.

Chilenga also said the Parliamentary Committee on Natural Resources and Climate Change opposes the creation of the office of the 'Commissioner for Mines and Minerals' within the Department of Mines, which, he said, tantamounts to duplication of roles.

"This would definitely be duplication of duties. How can we create a department within another department? Just imagine, the Bill says the office of the Commissioner for Mines and Minerals will have its own autonomous budget for its running, including staff recruitment. Can our already strained resources afford such duplication? The committee's opinion is that the duties designated to the office of the Commissioner for Mines and Minerals can well be handled within the current set-up at the Department of Mines, which has directors and deputies," observed Chilenga.

According to the draft Bill that *Mining & Trade Review* has seen, the proposed functions of Commissioner for Mines and Minerals include coordinating the implementation of Mines and Minerals policies, provision of technical advice and guidance in the administration of the Act as well as promotion of mineral sector investment.

The parliamentarian said his committee is proposing the establishment of a 'Mining Regulatory Board' that will be playing an oversight role as regards regulating all mining activities.

He reported that government has, meanwhile, engaged other consultants from Tanzania for further scrutiny and advice on the new law.

It is expected that the Bill will be brought back to Parliament for final perusal by the Natural Resources Committee before tabling.

Mines Bill to be tabled in October Parliament sitting

...shake-up at Department of Mines, as 'Commissioner for Mines and Minerals' post is opposed

...Parliamentary Committee proposes establishment of 'Mining Regulatory Board'



Hon. Chilenga: Chairs the Parliamentary Committee

Chilenga has since promised that his committee will take full responsibility of screening the bill, guided by the power vested in them by the law, so that Malawians are given the best ever piece of legislation that will safeguard the interest of the nation.

Meanwhile, the quashing of the proposal in the draft law to establish the office of the Commissioner for Mines and Minerals has triggered a major shake-up within the ranks of Department of Mines.

Charles Kaphwiyo, who was the Commissioner for Mines has now been made Director, with the former Acting Director, Peter Chilumanga, consequently, joining the long list of Deputy Directors at the department.

These changes are being interpreted as an apparent repositioning of chain of command to dodge possible ramifications once the law is passed without the inclusion of the office of Commissioner for Mines and Minerals.

Delivering his closing remarks at the workshop, Board Chairperson for Natural Resources Justice Network (NRJN) Kossam Munthali said the civil society is geared to support the passing of the Bill provided it takes on board sound proposals and recommendations from various stakeholders.

"When the Bill is tabled in Parliament with the inclusion of all the input from the civil society as well as other stakeholders, we are prepared to hold vigils right here in the capital city to push for its quick passing into law," Munthali said, hailing the openness with which government has handled the consultation process as regards the drafting process of the Bill.



Munthali: NRJN board chair



Kaphwiyo now director for Department of Mines

The Mines and Minerals Bill, once asserted to by the President and gazetted, will replace the deemed 'outdated' 1981 Act, which has been blamed for having loopholes rendering it susceptible to possible corrupt practises and underhand dealings.

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Malawi launches countrywide Airborne Geophysical Data

Minister invites investors to sample

By Chiku Jere

Malawi has officially launched the country-wide high resolution airborne geophysical data obtained from the survey dubbed “Kauniuni,” which was carried out with funding from the World Bank and the European Union.

Minister of Natural Resources, Energy and Mining Honourable Bright Msaka SC told delegates at the launching ceremony held at Bingu International Conference Centre (BICC) in Lilongwe on August 20, 2015, that the data will significantly increase the knowledge of Malawians on the country’s geology.

He also said that the data will make it easy for prospective investors to identify anomalies for various groups of minerals as exploration targets.

“The lack of background geological information to assist in selecting areas for exploration has thus far hindered meaningful mineral exploration in this country. This could only be improved by acquiring better geological data as we have now done,” he said.

The minister observed that the data will help reduce needless speculation and the high risks involved in discovering mineral resources, which will, in turn, stimulate mineral exploration and lead to more mineral discoveries.

Msaka said the importance of the data cannot be overemphasized since Malawi is initiating drives to diversify its economy that has been agro-based since independence.

According to Msaka, numerous studies have shown that investment in basic geological surveys can achieve significantly high returns to the state, citing countries such as Mozambique, Tanzania, and Uganda that have witnessed increased foreign investment in the mining sector after conducting airborne geophysical surveys and geological mapping.

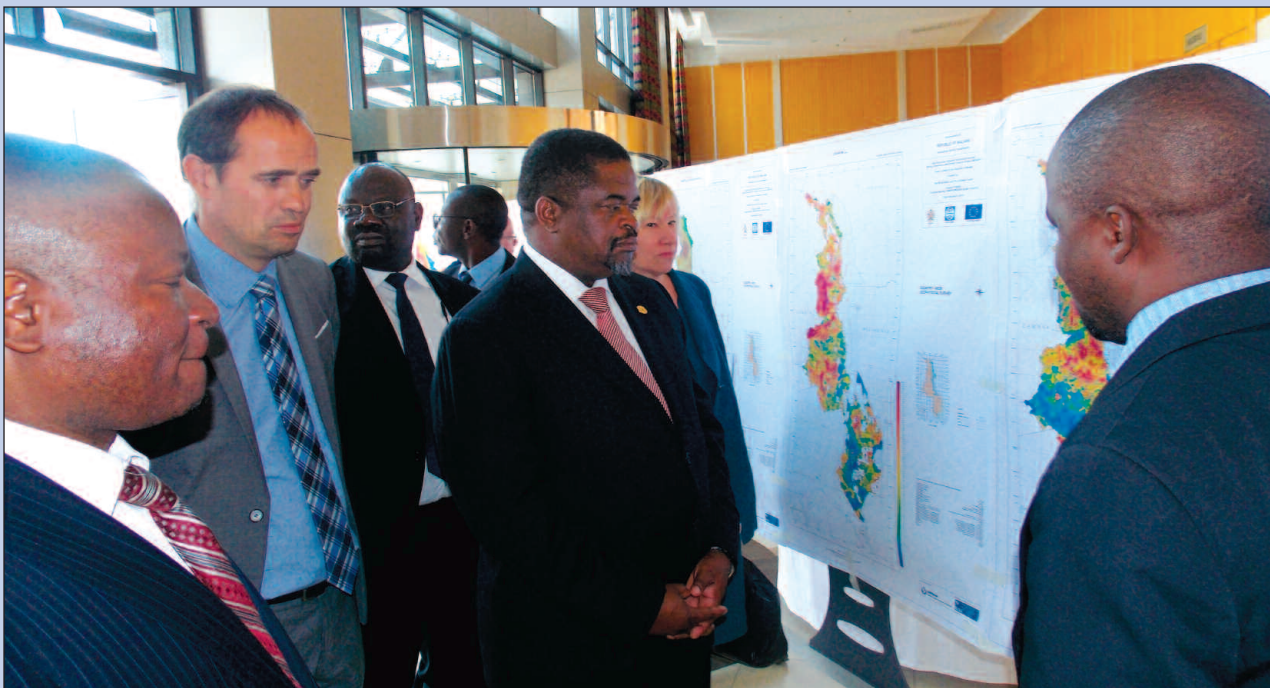
“I am confident that Malawi will witness a similar surge in investments after this survey,” said Msaka, sounding optimistic.

He then appealed to the private sector to fully utilize the data to help Malawi to realize a modern, efficient, lucrative and beneficial mining industry.

He said the Government has this far clearly spelt out in the Malawi Growth and Development Strategy (MGDS II), that the Mineral sector is one of the key priority areas that can significantly contribute to the sustainable growth of the economy.

“The current Government, under the dynamic leadership of His Excellency, Prof. Arthur Peter Mutharika, is committed to ensuring growth of the mining sector through various deliberate initiatives and the airborne geophysical survey is an integral part of such,” he said.

He spelt other initiatives that his ministry is implementing to provide conducive environment for investment in the mining sector which include the reviewing the Mines and Minerals Act, reviewing the mining fiscal and tax regime, establishing a geo-data management centre in order to increase on-line access to geo-scientific data at Geological



Msaka flanked by Ambassador Germann (left) and Ms. Kullenberg (right) conducting tour of displays

Survey Department as well as the establishing a mining cadastre system at Mines Department in order to increase efficiency and transparency in the allocation and management of mineral tenements.

The minister also announced that his ministry is pursuing a capacity building exercise in the Environmental Affairs Department aimed at monitoring environmental issues resulting from mining activities.

He also said government intends to review the curriculum in universities and colleges in mining related programmes in order to produce high quality human resources needed by the mining sector.

Msaka also affirmed the desire of the Malawi Government to manage its natural resources in a transparent manner citing the Government’s commitment towards becoming a member of the Extractive Industries Transparency International (EITI) as a sign of such a commitment.

“These initiatives are aimed at reforming the mining sector to ensure the success of the sector and its eventual benefit to our country,” stressed Msaka.

The minister said he was reliably informed by scientific evidence that the data generated from the airborne survey was not only useful for mineral exploration but also for general infrastructure planning and development.

Msaka expressed gratitude to the World Bank for a US\$ 25 million loan of which 5.7 Million has been spent in acquiring the airborne data through the Mining Governance and Growth Support Project (MGGSP).

He also thanked the European Union (EU) for co-financing the Project with a Grant amounting to 4.1 million Euros.

In her remarks, World Bank Country Manager for Malawi, Ms. Laura Kullenberg foresaw the readily availability of the geophysical data as a tool that would facilitate foreign direct investment for Malawi as it has done in other countries.

However, she advised on the need to manage expectation, saying that benefits from the mining industry would not come over night but over a period of about 10 to 15 years.

She observed that in as far as the endowment in mineral wealth might be viewed as a blessing to a particular country, it might also be a curse in the sense that in some countries minerals have bred internal conflict or civil strife, particularly, when transparency and accountability is disregarded in the management of the mining sector.

On this note, however, she commended Malawi for starting on a good note with the progress already made towards ensuring that there is transparency and accountability in the mining industry by committing to subscribe to EITI.

EU Head of Delegation to Malawi Ambassador Marchel Germann concurred with World Bank Country Manager urging government and Malawians to manage their expectations reiterating that it takes long for a country to start benefiting from its mineral resources.

He pledged continued support to Malawi as regards projects that are aimed at promoting the mining sector, which he said, has potential of replacing agriculture as a major contributor to Malawi’s economy.

Sanders Geophysics Ltd of Canada were the main contractors for the Airborne Geophysical Survey data acquisition, while British Geological Survey international (BGSi) played a supervisory role for the data acquisition and processing.

...from front page

He also says Malawi first appeared on Transparency Initiative’s (TI) Corruption Perceptions Index in 1998 – and ranked 45th of 99 countries surveyed. In 2010, Malawi ranked 85th. Today Malawi has slipped to 110th – “a trend that can and must be reversed.”

Cashgate also led to the suspension of aid to Malawi by the country’s donors who lost trust in government financial administration during the previous administration of President Joyce Banda.

However, reports of corruption in Malawi Government circles started to emerge since the first days of the multiparty era when the country was under the Bakili Muluzi led administration when donors also suspended aid due to financial mismanagement.

Traditional donors led by the International Monetary Fund also suspended aid during the reign of the third multi-party President Bingu Wa Mutharika citing issues of economic and

political governance.

An audit report by UK consulting firm Baker Tilly has indicated that K577-billion was lost to corruption between 2009 and 2014.

President Arthur Peter Mutharika has, meanwhile, pledged to fight corruption in order for the country to win the confidence of investors and donors.

Taking heed of Mutharika’s call, Chief Justice Andrew Nyirenda also pledges for timely and fair handling of cashgate cases saying appropriate handling of cashgate cases will demonstrate to the general public that the country is serious in fighting corruption.

“I want to assure the public that we will do what we can on our part to ensure that these cases see their way through the courts,” says Nyirenda.

The government is in the process of developing a new system to replace the Integrated Financial Management

Information Systems (IFMIS), which is said to have had loopholes that led to the siphoning of funds, with a new leak-proof system and has ever since advertised for international bids from expatriate firms to install the new system.

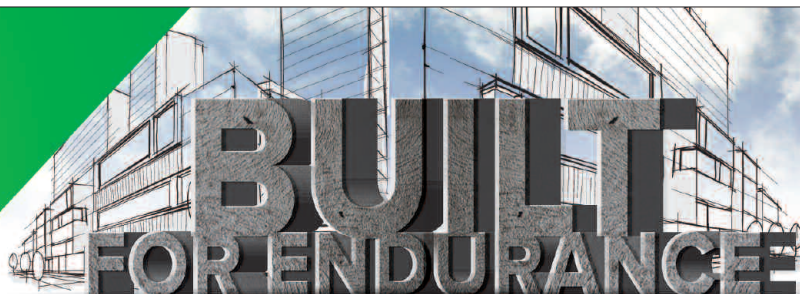
In order to ensure that there is transparency and accountability in the extractive sector, the President is leading the Malawi Government into joining the Extractive Industry Transparency Initiative (EITI) and the government has formally submitted an application to join the initiative.

Point of Clarification

In our August edition on this page, we erroneously reported that the Chimutu Graphite Project is owned by ASX listed firm Sovereign Metals. In fact, it is the Duwi Graphite Project which is owned by Sovereign Metals. We therefore, apologise for any inconvenience caused.

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Standard Bank forecasts tough economic times for Malawi

By Staff Reporter

Standard Bank has forecast challenging times for Malawi's economy in the last half of the year 2015 saying inflationary pressures emanating from rising cost of food will persist and may restrict an expansionary monetary policy.

In its half year financial review report ending June 2015, the Bank says the Government's continued overdependence on domestic borrowing to finance the fiscal deficit will continue to pose a challenge in achieving a low interest rate environment.

On economic highlights in the first half of the year, the Bank observes that the macroeconomic environment continued to be characterised by high lending rates, which constrained credit expansion.

"Treasury bill yields generally abated partly due to high market liquidity that characterised the most part of the period. Headline inflation hit a two year low of 18.2% in March supported by lower food prices and a decline in global oil prices," says the Bank.

It observes that the kwacha remained relatively stable in the first half of the year with minimal volatility as the anticipated appreciation in the first half of the tobacco season was subdued due to soaring demand for foreign exchange.

Nonetheless, despite such economic hiccups, Standard Bank says it leveraged on its diversified product mix to deliver positive half year results.

The Bank's total assets grew by 7% year on year, mainly emanating from a 23% growth in loans and advances to customers, which was as a result of the Group's initiatives of selectively growing its lending portfolio.

NEDBANK report

In a related development, a number of companies in Malawi have portrayed a gloomy picture for Malawi's economy.

In its half year report for the period ended June 2015, NEDBANK points out that Malawi's economic environment has been challenging to the business sector in the first half of the year 2015 as interest rates have been high driven by the high bank and Lombard rates, which remained at 25% and 27% respectively during this period.

NEDBANK notes that on the back of reduced agricultural output due to heavy flooding in the first



Malawi businesses and consumers should brace for tough economic times ahead

quarter of 2015, headline inflation has been on the rise closing at 21.3% in June up from 18.2% in March.

The Bank observes that despite the tobacco season remaining open and the official reserves remaining high throughout the period, where average import cover has consistently been above three months, the Malawi Kwacha depreciated against major currencies trading at K501 to the US Dollar as at July 2015.

"The recent RBM directive on reduction of LRR to 7.5% from 15.5% is, however, a positive intervention that is likely to translate into reduced cost of borrowing to customers," says NEDBANK.

It projects that the second half of the year is expected to remain economically challenging for Malawi with inflation likely to continue to rise driven by the envisaged food shortage, and the projected budget deficit coming from reduced direct donor support to the budget is likely to exert pressure on interest rates.

"On a more positive note though, however, growth projections remain high at 5.4%," says NEDBANK.

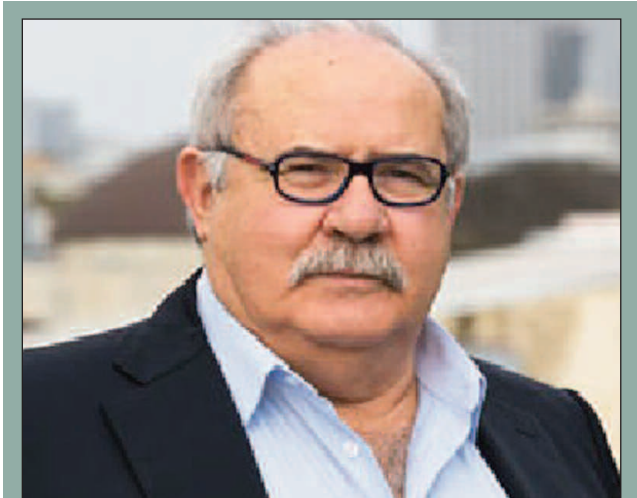
TNM review

But it is not only the financial sector that has painted a bleak future for Malawi's economy. Telecommunication firms also expect the challenging business environment to continue in the short to medium term with mobile phone services provider TNM foreseeing that Malawi's economy will continue to be characterised by high levels of inflation, high interest rates and a volatile exchange rate in the second half of 2015.

"The anticipated impact thereof on TNM is a moderation in the levels of growth achievable by the company for the full financial year," says TNM in its half year financial review.

Paladin struggles with US\$480million debt -As John Borshoff quits as CEO

By Staff Reporter



Borshoff has jumped ship amidst debt crisis

Paladin Energy, which owns the Kayelekera Mine in Karonga, is struggling with US\$480-million debt which it accumulated in developing Kayelekera and Langer Heinrich Project in Namibia.

Australian media reported that the firm, which is listed on both Australian and Canadian Stock Exchanges, is heavily indebted as it is feeling the pinch of the falling uranium price.

Paladin has seen its CEO and Managing Director, John Borshoff, resigning as the uranium miner struggles to recover from the debt crisis.

"Heavily indebted after building Langer Heinrich and then the Kayelekera mine in Malawi, Paladin has struggled with the falling uranium price. Early last year it mothballed Kayelekera. Borshoff's persistent rallying cry that a turn in the uranium price is around the corner has failed to materialize," reported the West Australian.

Dubbed Australia's biggest uranium bull, Borshoff, 70, has been Managing Director and CEO of Paladin since 1993.

According to the West Australian, Borshoff built Paladin from an unheralded gold explorer into a uranium producer worth as much as \$4.2 billion in early 2007, as it prepared for first production from the Langer Heinrich mine in Namibia.

Its shares peaked at \$10.80 that year to value Mr. Borshoff's Paladin stake at more than \$200 million.

However, the global financial crisis and then the Fukushima nuclear disaster in 2011 put a semi-permanent crimp on the uranium price resulting in the current troubles.



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EDITORIAL

Government must tread carefully on Kanyika negotiations



BY MARCEL CHIMWALA, PUBLISHING EDITOR

In our August edition, we reported that the Chinese investor who is ready to parachute over US\$400-million into the development of the Kanyika Niobium Project has signaled to pull out if the Malawi Government does not back down on demands that the investment should be subjected to 5% royalties as stipulated in the country's taxation laws.

In fact, Australia's Globe Metals & Mining, which are owners of the project with the Chinese as financial partners, submitted a draft development agreement to the Malawi Government, which was similar to the one that Paladin Africa scratched out with the Malawi Government on Kayelekera,

which reduces royalties to 3% of the sales in exchange of 15% shareholding to the government.

Desperate to have the project running, sources close to the negotiations say Globe Metals & Mining has indicated that it may rope in local financial partners ready to pay the 5% royalties to government if the Chinese investor pulls out.

We find the development tricky for government because if it sticks to its guns and let the Chinese investor pull out, the country, which is investing a lot of funds and energy to attract foreign direct investment, will tarnish its record to potential international investors.

As illustrated in a research report by a local non-governmental organization Centre for Environmental Policy Advocacy (CEPA), Malawi's taxation and royalty regime is not favourable to mining investors, which are given preferential treatment in other countries taking into account the risky nature of the business.

Our article on Page 4 which shows that Paladin, which heavily invested in Kayelekera Uranium Mine and Langer Heinrich in Namibia, is in debt troubles due to low uranium prices in the aftermath of the global financial crisis and the Fukushima Nuclear Disaster in Japan is a testimony to the risky nature of mining as a business.

In this vein, we request the government to apply a sense of caution when negotiating with Globe Metals & Mining because we do not want Malawi to lose out on mining investment while neighbouring countries such as Zambia, Mozambique and Tanzania are reaping the fruits of investment in large scale mining.

We are aware of some politicians and civil society leaders who made a lot of noise saying Malawi got a raw deal on Kayelekera but we feel the government has to come up with a strong decision that is in favour of the 16-million plus Malawians and not a few individuals that are opposed to development.

Mining Review rebranding

This September edition of *Mining Review* is a historical edition in the development of the publication as it confirms its growing popularity.

We say this as we announce the rebranding of the publication which is from now known as *Mining & Trade Review*.

The decision to rebrand has come about in response to some of our readers from other economic sectors in addition to mining who want to be incorporated as stakeholders.

Despite the rebranding, our major focus will still be on mining as a primary industry but we will also try to adequately cover other economic sectors including agriculture, tourism, telecommunication, information and technology, transport, trade and industry and finance.

We thank our sponsors and advertisers who have enabled us to reach this mile and hope they will keep on being with us.

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For Editorial inquiries

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Examining Malawi's journey towards EITI compliance

Requirements of the EITI Standard

The EITI is a global standard for the governance of a country's oil, gas and mineral resources. The standard is implemented by governments, in collaboration with companies and civil society.

Countries implementing the EITI disclose information on tax payments, licences, contracts, production and other key elements around resource extraction.

To be a member of the EITI, a country must adhere to the EITI Standard.

The EITI Standard lays out seven requirements on how to report activity in the oil, gas and mining sectors along the value chain of extracting a resource to turning it into public benefit. All information is regularly published in a country's EITI Report.

A country pledging to adhere to the Standard as a "candidate" has 2.5 years from the date of admission as a candidate to meet the requirements. The country is then evaluated independently, and if deemed to have met the EITI Requirements for transparency, becomes "compliant". From then on, countries are assessed every three years and can be suspended from the transparency standard at any time.

The following are the seven requirement of the EITI Standard:

1. Effective oversight by the multi-stakeholder group.
2. Timely publication of EITI Reports.
3. EITI Reports that include contextual information about the extractive industries.
4. The production of comprehensive EITI Reports that include full government disclosure of extractive industry revenues, and disclosure of all material payments to government by oil, gas and mining companies.
5. A credible assurance process applying international standards.
6. EITI Reports that are comprehensible, actively promoted, publicly accessible, and contribute to public debate.
7. The multi-stakeholder group to take steps to act on lessons learned and review the outcomes and impact of EITI implementation.

Over 90 major companies involved in oil, gas and mining are committed to supporting the EITI, through operations in implementing countries, international level commitments and industry associations. The EITI has won the support of over 90 global investment institutions that collectively manage over US \$19 trillion.

A broad coalition of governments, civil society and international organisations supports the EITI, including 400 NGOs, World Bank, International Monetary Fund, International Council on Mining and Metals and the regional development banks. These organisations provide technical and financial support to implementing countries, and support EITI outreach.

As of April 2015, 48 countries were implementing EITI, 31 of which were deemed 'Compliant' while 17 had achieve the 'Candidature' status.

Meanwhile, Malawi has just applied for the 'Candidature' and an independent evaluation would be commenced for a period of 2.5 years to determine if the country has met the Standard.

Some of the neighbouring countries that have committed to EITI Standard and are deemed to be 'Complaint' are Mozambique, Tanzania and Zambia.

Other African countries include Burkina Faso, Cameroon, Chad, Côte d'Ivoire, DR of the Congo, Ghana, Liberia, Mali, Nigeria, Republic of the Congo, Sierra Leone, Togo and Guinea



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MWEITI Extractive Industries Transparency Initiative

Malawi Government
Ministry of Finance, Economic Planning and Development

PRESS RELEASE

Date: 6th July, 2015

The Minister of Finance, Economic Planning and Development wishes to inform the nation that Malawi will be joining the Extractive Industries Transparency Initiative (EITI) following the announcement for the decision to subscribe to the initiative by His Excellency the President of the Republic of Malawi, Professor Arthur Peter Mutharika, in his State of the Nation Address of 17th June, 2014.

The EITI is an international initiative targeted at promoting revenue transparency in the extractive sectors as one way of promoting good management of the revenue benefits accruing from a country's finite natural resources.

In order for a country to join the initiative, it is a mandatory requirement that Malawi nominates an EITI Champion to lead the process and that the Government commits to work with the civil society and the private sector under an independently constituted body called the EITI Multi-Stakeholder Group (MSG). The EITI MSG assumes the responsibility of implementing the EITI under the leadership of a National EITI Champion. There is also a requirement to establish a National EITI Secretariat to support the MSG with daily technical and administrative assignments.

In complying with the above EITI requirements, members of the general public and all stakeholders are being informed that the Minister of Finance, Economic Planning and Development has been designated to act as the Champion of the EITI process in Malawi. In addition, a Multi-Stakeholder Group (MSG) and an interim National EITI Secretariat for Malawi EITI have been established. As per EITI requirements, the members of the MSG from civil society and the private sector were independently elected by their respective constituents without any interference of government. Published here is a list of the Members of the Malawi EITI MSG.

	Name	Title	Organisation
1.	Crispin C. Kulemeka	Director Revenue Division.	Ministry of Finance, Economic Planning and Development
2.	Mr. Charles Kamphwiyo	Commissioner of Mines	Ministry of Natural Resources, Energy and Mining
3.	Mr. Bartwell Chingoli	Manager (ECO)	Reserve Bank of Malawi
4.	Mr. Charles Maseya	Deputy Auditor General	National Audit Office
5.	Mrs. Martha Khonje	Country Director	Action Aid
6.	Mr. Reinford Mwangonde	Executive Director	Citizen For Justice (CfJ)
7.	Mr. Success Sikwese	Project Officer Extractives	CCJP
8.	Mr. Kossam Munthali	Executive Director	FOCUS
9.	Mr. Greg Walker	General Manager	Paladin (Africa) Ltd
10.	Mr. Neville Huxham	Executive Manager	Global Metals Ltd
11.	Mr. Mesheck Munthali	Director	Bwanje Cement Co. Ltd
12.	Mr. Burton Kachinjika	Country Manager	Mkango Resources Ltd

Members of the general public and all stakeholders are further informed that for a starter, the EITI process in Malawi will cover mining. Other extractive sectors (such as oil and gas) shall be considered at a later stage.

Finally, the public is being informed that the application to join the EITI will be formally submitted to the International EITI Board for approval within the first half of the 2015/2016 fiscal year.

Goodall. E. Gondwe
Minister of Finance, Economic Planning and Development

MPs drilled on oil operations



Chilumanga



Major

By Chiku Jere

In an effort to make Members of Parliament understand mining issues, government with funding from United Nations Development Programme organised a day-long workshop where parliamentarians were taken through the processes regarding the oil and gas industry operations.

During the event held on August 11, 2015 at Sunbird Lilongwe Hotel, Deputy Director at the Department of Mines, Peter Chilumanga, made a presentation outlining the formation and structures, exploration, drilling, production, and post-production of oil and gas.

Chilumanga schooled the MPs that formation of oil takes millions of years.

He described oil as an organic matter compound (Hydrogen and Carbon) whose formation begins with accumulation of organic matter on the sea and delta beds

Chilumanga said tons of organic matter is accumulated shaped by tinny organism like plankton and algae which are in the process covered by sediments due to the erosion process on the mountains.

Little by little, Chilumanga said, these sediments shape layers which are bigger and after millions of years the organic matter is trapped thousands of feet beneath the surface where under the right conditions of pressure and temperature, decomposition takes place, transforming the matter into hydrocarbons.

The accumulation of sediments and the organic matter trapped shape reservoirs, which are a subsurface body of rock surrounded by impermeable rocks with enough porosity for keeping fluids, such as gas, oil and water and can be classified as gas reservoirs or oil reservoirs," he said.

One of the MPs who attended the function Alex Major, a parliamentarian from Kasungu West, who is also deputy chairperson for Parliamentary Committee on Natural Resources and Climate Change, described the workshop as very important because it gives members of parliament the opportunity to understand issues as regards the mining sector.

"We need to have such topical presentations now and then so that, as law makers, we are able to deliberate and present

our arguments on such issues based on a well-informed points of view," said Major.

Among other corresponding presentations made to the MPs on the day included the Status of Energy Resources in Malawi, by an official from the Department of Energy, the state of Biotechnology and Biosafety - Opportunities and Concerns as well as Environment and Outlook 2010 which was respectively presented by Mrs. Caroline Theka and Mr. Benon Yassin, all from Environmental Affairs Department.

Malawi is believed to have massive deposits of oil and gas reserves mainly on Lake Malawi and some exploration is already taking place as several companies have already been granted hydrocarbons prospecting tenements.

The Government divided the Lake Malawi peninsula, which has prospects for oil discovery into six blocks with Block 1 tenement granted to a South African Company, Sacoil Holdings, Blocks 2 and 3 to United Arab Emirates (UAE) firm Hamra Oil Holdings; Blocks 4 and 5 explorations rights to UAE firm RAKGAS, while Block 6 licence was granted to another expatriate firm Pacific Oil Limited.

Hamra Oil and RAKGAS have since completed Full Tensor Surveys for their Blocks but Pacific Oil is yet to conduct the same, following the suspension order for oil exploration by the Malawi Government, aimed at giving a chance for the review of oil exploration licence terms.

Meanwhile, ten months down the line, government is yet to lift the suspension order, a move which is creating anxiety and panic among the investors in the industry.

Ironically, Malawi Government has gone full-throttle upping its promotional efforts to attract investors into mining and other key sectors that are seen to have the potential of contributing to the projected growth of the country's economy.

With funding from World Bank and European Union through Mining Governance and Growth Support Project (MGGSP), Malawi has launched new Mines and Minerals Policy, the development of the Artisanal and Small Scale Mining Policy is underway, so is the reviewing of the Mines and Minerals Act of 1981 and Petroleum Exploration and Production Act of 1983.



WORLD BANK GROUP



**MINING GOVERNANCE AND GROWTH SUPPORT PROJECT
MINISTRY OF NATURAL RESOURCES, ENERGY AND MINING**

REQUEST FOR EXPRESSION OF INTEREST (CONSULTING SERVICES – FIRMS SELECTION)

Country: Malawi. **Name of Project:** Mining Governance and Growth Support Project. **Assignment Title:** Consultancy for Interpretation of Airborne Geophysical Data. **Procurement Reference Number:** MNREE/MGGSP/COMP-C/C/02. **Issue Date:** 12 August, 2015

1.0 Background

This invitation of Expression of Interest (EOI) follows the General Procurement Notice for this Project that appeared in the UN Development online of 23rd June 2011.

The Government of Malawi (GoM) through the Ministry of Natural resources, Energy and Mining is implementing the Mining Governance and Growth Support Project (MGGSP) with support from World Bank and European Union. Among others, the project has a component to promote the mineral sector. One of the outputs under this component is to acquire country-wide high resolution airborne geophysical data. A total of approximately 442,933.4 line-km of new magnetometer and gamma ray spectrometer data was acquired at 250m line spacing, over an area of about 95,000 km² and a total of 14,546.54 line-km airborne gravity data was acquired at 1000m and 500m line-spacing over three discrete blocks with a total area of about 11,533km². Two of the discrete blocks are onshore while the third one is on Lake Malawi. The Project would like to apply part of the resources to finance the interpretation of the data.

To achieve this, the Ministry of Natural resources, Energy and Mining would like to seek services of a decided experience and qualified firm with specialised geophysicists and geologists to interpret the country-wide high resolution airborne geophysical data that has just been collected.

2.0 Scope of Work

The successful bidder will carry out the interpretation of the acquired country-wide high resolution airborne geophysical data (magnetometer and gamma ray spectrometer) which covers almost all the land area of Malawi, plus three blocks of airborne gravimeter coverage.

2.1 Objective of the Assignment

The objective of the assignment is to compile digital interpretation maps at scales 1:100,000; 1:250,000 and 1:1,000,000 (with reference to the existing map sheet layout) integrating the new geophysical data with all geoscientific data of the country that is presently known.

2.2 Specific Tasks

The consultants' duties and responsibilities will include but not be limited of the following:

- a) Carry out interpretation of geophysical data at scales 1:100,000; 1:250,000 with reference to the following:
 - i. Potential sites of kimberlite intrusions and their relation to known diamond occurrences in the region
 - ii. Potential sites for gold and base metals mineralization in Malawi
 - iii. Potential sites for hydrocarbons in Malawi
 - iv. Neo-tectonics, rifting structures and the existence of basins of any age that may have potential for oil and/or gas.
 - v. 3D modelling for the three blocks covered on the project.
 - vi. The underlying structure of Karoo-age rifts and their relation to earlier and subsequent rifting events.
 - vii. The distribution of Phanerozoic alkaline intrusions and their mineral potential.
 - viii. Terrane boundaries within the Basement Complex of Malawi and their relation to known or suspected boundaries in Mozambique, Zambia and Tanzania.
 - ix. Key locations of age-dating either within or outside the project.
 - x. Dykes and their relationship to known or new dykes swarms in the region.
 - xi. Depth estimation to significant anomalous magnetic sources.
 - xii. Surficial geomorphological features such as soil types, land-use potential, erosion and flooding hazards.
 - xiii. Relevance of the geophysical data in evaluating ground water resources.
- b) Compile a synoptic interpretation map of the whole country at scale 1:1,000,000 in a standard format in effect updating the national geological map of 1966.
- c) Carry out any necessary processing of all the geophysical survey data to provide definitive national grids to which future geophysical survey work in Malawi may be keyed.
- d) Identifying the relationships between geophysical signatures and known mineral occurrences and structures across the whole spectrum of potential mineral resources in the country.
- e) Compile geophysical image maps at scale 1:250,000 combining an optimised ternary radiometric image with a suitable derived shading of magnetic anomaly in grey scales which will be delivered as PDF files suitable for publication as well as for geological field use.
- f) Come up with short programme of field checking during the project and plans for this should be submitted in advance for comments from the supervising consultant and the Director of Geological Survey Department.
- g) Carry out on-the-job training for counterpart geoscientists.
- h) Prepare a short paper that could be submitted for publication in a peer reviewed and well regarded geological journal.
- i) Prepare a scheme for effective communication of the final results of the work to the broader earth science community, both local and an international. In addition the bidder should prepare a compendium of potential areas of mineralization in Malawi for promotion purpose.
- j) Compile a final report which will accompany the interpreted maps and shall be in form that may be easily adapted and published (digitally) as a memoir of the Geological Survey in Malawi.

3.0 Invitation of Expression of Interest

The Ministry of Natural resources, Energy and Mining now invites eligible Consulting Firms to indicate their interest in providing the services. Interested Consultants should provide information demonstrating that they have the required qualifications, expertise and relevant experience to undertake the assignment.

4.0 The short-listing criteria

Interested consulting firms must provide information indicating that they are qualified to provide the services through provision of the following:

- i. Proof of track record of successful execution of similar regional-scale geophysical interpretation assignments in recent years to a high technical standard supported by examples of (published) maps and reports resulting from such assignments
- ii. Proven record of financial and institutional soundness.
- iii. The firm should have a team leader with the following.
 - . A minimum of MSc in Geophysics;
 - . A minimum of ten years' experience in heading projects of similar nature;
 - . At least five (5) years experience undertaking similar assignment in Africa with the last 10 years two of which should have been done within Sub-Saharan Africa; and
 - . A good command of written and spoken English.
- iv. A proposed project team staff and key professionals with the following attributes:

Sl	Key Professional	Specific Expertise Desired	Minimum Qualification and Professional Experience Desired
1	Geophysicists	Potential field geophysics in support of geological mapping	BSc in geophysics, at least 5 years experience in geophysical interpretation
2	Geologists	Structural Geology	BSc in geology, at least 5 years experience in hard rock terranes
3	Geologists	Economic Geology	BSc in geology, at least 5 years experience in front-line mineral exploration
4	Geologists	Geological Mapping	BSc in geology, at least 5 years experience in geological mapping

5.0 Selection Criteria

The successful firm will be selected in accordance with the Quality and Cost Based Selection Method set out in the Consultant Guideline.

6.0 Conflict of Interest

The attention of interested firms is drawn to paragraph 1.9 of the World Bank's Guidelines: Selection and Employment of Consultants (under IBRD Loans and IDA Credits & Grants) by World Bank Borrowers January 2011, setting forth the World Bank's policy on conflict of interest.

7.0 Further Information

Further information can be obtained at the address below during working hours from 08 - 12 and 13 - 16 hours local time (Monday - Friday) except National Public Holidays.

8.0 How to Submit

Expression of interest must be delivered in written form to the address in paragraph 9 below (in person or by email or courier) on or before 4th September, 2015. Late bids will automatically be rejected. The EOI must be clearly marked, "Expression of Interest for Consultancy for Airborne Geophysical Data Interpretation".

9.0 Address for Clarification, further details and submission of the EOIs:

Physical Address:

The Project Coordinator
Mining Governance and Growth Support Project (MGGSP)
Ministry of Natural resources, Energy and Mining
Area 4
Next to Immigration Department
Opposite Plant Vehicle Hire Organisation (PVHO)
Lilongwe
Malawi
Attention: The Procurement Specialist

Postal Address:

The Project Coordinator
Mining Governance and Growth Support Project (MGGSP)
Ministry of Natural resources, Energy and Mining
Private Bag 350
Capital City
Lilongwe 3
Malawi
Attention: The Procurement Specialist
Telephone: +265 1 759 906/ +265 999 698 536
Email: malawimining.growth@mggsp.gov.mw/ Andrew.mopiha@mggsp.gov.mw

The Chairperson
(Internal Procurement Committee)

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Govt. to curb illegal cement imports



Cement manufacturing process underway

By Deborah Manda

The Ministry of Trade and Industry has said that cement that is being smuggled into the country from neighbouring Zambia, Tanzania and Mozambique is a big threat to the local cement manufacturing industry as it is being sold at lower prices.

Speaking in an interview when he toured Shayona Cement factory in Kasungu, Minister of Trade and Industry Joseph Mwanamveka said traders are selling the smuggled cement at lower prices, which is illegal, because they do not pay import duty.

“Smuggled cement is reducing demand for local cement as it is sold at cheaper prices, which is a threat to our local industry. Government will strengthen security at the borders to create a fair playing ground for our local cement industry,” said Mwanamveka.

The Minister added that local companies, which are remitting huge sums of money in taxes to the Government and investing billions of kwacha in their businesses, cannot thrive with such type of unfair competition posed by the smugglers.

“We want people to be buying cement made here in Malawi to promote our local industry and secure jobs for thousands of Malawians working for these companies,” said Mwanamveka.

He also said that he is impressed with the heavy machinery being used at the Shayona factory and the quality cement that the company is producing mostly using raw materials sourced locally.

The Minister encouraged other investors to emulate Shayona’s example by investing in more cement plants in order to promote competition in the industry and ensure that prices of cement are affordable to many poor

Malawians.

“We came here to appreciate and see the challenges they are facing and to see how best Government can assist them so that they can be on course. I am impressed with the great investment and hope other investors will be inspired by this magnificent task,” said Mwanamveka.

The Minister applauded the company, which has



Mwanamveka captured at Shayona factory

created 1200 jobs, for blending well with the communities around the factory.

Mwanamveka also said he is impressed with the corporate social responsibility aspect of the project that has seen Shayona constructing school blocks and assisting a local police station and a clinic.

MD for Shayona Cement Corporation, Jitendra Patel, also expressed concern over the influx of smuggled cement saying it is posing unfair competition to his company.

“Government should assist us by making sure any trader importing cement pays duty so that there is fair competition on the market,” said Patel.

He also thanked the Government for gravelling the road to the factory which was in bad shape.

Patel disclosed that the company is investing K600 million in corporate social responsibility projects in T/A Wimbe’s area where the factory is located.

The Minister visited the factory and the nearby mine where limestone is extracted for cement production and also Chigumba Primary School where the Company has constructed additional school blocks.

Shayona Cement Corporations has been operating in the country since 1994, but started production in 1997.



By James Kazembe



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TECHNICAL FILE

by Grain Wyson Phillip Malunga FIMMM
Mining and Environmental Management Expert

FISCAL REGIME AND MANAGEMENT OF REVENUE FROM MINING

Abstract

Malawi needs to come up with a fiscal regime that that comes with a fair share of revenue benefits between government and mining companies. Government should come up with clear policies that govern management of petroleum and mineral revenue for the benefit of its people through fostering of social development and stimulation of economic growth through local content and further attraction of foreign investments in the mineral sector. Access to revenue and contract information will be key to bring transparency, accountability and mitigation of mistrust from its citizens.

INTRODUCTION

This paper identifies issues that need to be addressed to ensure that Malawi obtains a fair share of mineral rents and manages its revenues wisely. Malawi must strive to devise a fiscal regime that takes account of the uncertainty, risks and rewards inherent in mineral resource development within the context of offering competitive investment incentives with its neighbours in the region. There is need to ensure that revenue from the minerals sector benefit its people especially those that live in mining areas. At all costs, Malawi, should avoid over reliance of mineral revenues in order to promote economic diversity and sustainable economic development without fueling political and social conflict that comes with poor management of mining revenue. Support to local content using petroleum and minerals sector revenue will bring economic benefits and sustainable development.

FISCAL REGIME

Taxes and fees imposed on businesses form part of state income. This income is managed in such a way that it benefits its citizens through contribution to social development and triggering of economic growth.

The fiscal regime obtained in the petroleum and minerals sector is designed with the understanding that

- Petroleum and mineral resources are exhaustive and there is need for government to generate revenues that justify their exploitation;
- Investment in petroleum and mining requires high capital before starting to generate revenues;
- Project risks, including geological risks, volatility of commodity prices, technical uncertainties, and political risks, and
- Extractive revenues have the potential to represent a dominant share of a country's public revenues, a thing that needs to be avoided in order to create economic diversity.

Fiscal instruments that are applicable to the petroleum and minerals sector include;

- Signature Bonuses which are a one-time payment made upon the finalization of a contract or launch of activities on a project especially in petroleum projects
- Royalties that are paid to government to compensate for depleting of a resource. These are either ad valorem or value per unit (tonne) produced.
- Income Tax deducted based on overall company profitability
- Windfall Profits Taxes or resource rent that are imposed when profits exceed the levels necessary to attract investment.
- Government Equity that gives government or a state-owned company or another public body equity stakes that can give the state access to a portion of dividend payments.
- Other Taxes and Fees include withholding tax on dividends and payments made overseas, excise taxes, customs duties, and ground rent.
- Production Sharing prevails in many petroleum contracts that entitle the state to a share of the physical quantities of petroleum produced.

For countries to benefit from the above instruments, they need to understand and mitigate against;

- Transfer pricing arising from companies that use sales and services among various subsidiaries as a means to reduce their fiscal obligations within a particular country.
- Debt-Equity ratio that is restricted and punishable by non-deductible for tax purpose.
- Ring-Fencing which allows companies that have multiple activities within one country to use losses incurred in one project to offset profits earned in another project, thereby reducing overall tax payments
- Loss Carry-forwards by limiting them to a fixed term in order to control loss of long term revenue generation
- Stability clauses that are effective and limited to a part of the life time of the project
- Double taxation agreements that provide for the avoidance of double taxation on international income such as earning, dividends, interest, and royalties that are derived in one country and remitted to another country. Malawi has double taxation agreements with the following countries: Denmark, France, Kenya, Norway, South Africa, Sweden, Switzerland and United Kingdom. Double Taxation with Netherlands ceased in 2014.

Tax Revenue
Malawi fiscal regime as stipulated in the Mines and Minerals Act 1981 and Taxation Act is shown in the table:

Instrument	Status	Rate	Other Terms
Mineral Royalty	Can be negotiated	Rates specified in the regulations are: 5% generally or 10% for exports of rough uncut precious and semi-precious stones; and 7% for exports of unprocessed industrial minerals	Valuation basis in regulations is gross sales value less transport costs to point of sale
Income Tax	Fixed	30%	100% write-off of all eligible mining expenditures; loss carry forward permitted

Resource Rent Tax	Fixed	10% when return exceeds 20%	Base and method of determination is unspecified
Dividend Withholding	Fixed	10 – 20%	
Import Duty	Fixed	Varies by item in the Tariff Book	
VAT	Fixed	16.5%	Exemption for range of capital items
State Equity	Can be negotiated	No legislated level	

CONTRIBUTION TO NATIONAL BUDGET

The current system of revenue management does not take into account that the extractive industry is finite and therefore there is need to use revenues from the industry prudently for creation of local content and a future fund that will support the budget and future generation for it to benefit too.

Local content support should be to technical education, agriculture and infrastructure development. These sectors are crucial for supporting the mining and manufacturing sector in terms of availability of crucial technical personnel, food security and supply to the mining sector and support infrastructure (roads, electricity and telecommunication) to mine areas thereby benefiting rural areas and mining communities.

Tax revenue policy should be designed in a way that it is to collect and monitor and does not fall to encourage tax evasion. The appropriate policy for Malawi is to collect royalties, VAT, withholding tax and income tax efficiently.

Royalties are easy to collect because they are deducted early and based on current value of minerals or petroleum. VAT and withholding tax are also collected when transactions are happening. Income tax is usually paid on profit income. Incentives such as tax holidays to assist the company pay its initial capital dates can lead to over borrowing with the intention of avoiding income tax. Government should guard against low debt-equity rate and should impose a debt-equity rate of over 60-40 to avoid thin capitalization.

The petroleum industry commonly uses petroleum sharing agreements. The common agreement is to agree on reimbursements of production costs, then split the remaining "profit" oil or gas between the operating group of companies and the government. Government may also impose royalty and taxes on oil belonging to the group of companies.

The above discussion calls for a fiscal regime that minimizes discretion to vary fiscal terms in individual contract enforcement. This reduces risks and perception of corruption in negotiations. Increase in government revenues can also be achieved through introduction of progressive elements such as progressive income tax, windfall profit tax (resource rent) and variable-rate royalties in situations where super profits are being generated. Government needs to develop a fiscal regime that corresponds with national development plan such as the Economic Growth and Development Strategy without being tempted to adopt "Party Manifestos" that destabilize national development plans.

A good measure of assessing and keeping within fair limits of taxation in petroleum and mining industries is to be within common effective tax rates. Effective tax rates are calculated based on operational income and total tax revenue. The common effective tax rate in mining is between 30 to 40% while that of the petroleum industry is between 50 and 60%.

CONTRIBUTION TO LOCAL ECONOMY

Good revenue management should take into account mine community benefits through allocation of higher mine revenues to mining districts. This requires effective management of the revenue at district level and transparent allocation of this revenue for mining community development programs such as those that enhance local content in terms of employment, commercial agriculture (food supplies to the mine) and provision of social amenities.

Some extractive companies may practice corporate social responsibility. This should not be to a degree where the local communities fall into a trap where they are to forget the role of government in providing macro projects through social development. High expectation of the local communities on mining companies should be mitigated at all costs.

THE WAY FORWARD FOR MALAWI

Malawi is a very poor country whose credit worth limits availability of capital for investment into the extractive industry. There is need to come up with a competitive, attractive and stable fiscal regime that is designed not from financial desperation but that which offers a fair deal between government and mining companies. Particular attention should also be put to environment, local development, community engagement and right to information on revenue management.

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Contact Persons

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

P.E. Makungwa:
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Standard Bank – Landmark deals in the mining sector

				
<p>African Barrick Gold Bulyanhulu Gold Limited Tanzania 2013 USD 150 million Mandated lead Arranger and Underwriter of ECA backed funding</p>	<p>Impala Platinum Holdings 2013 ZAR4.5 billion (USD 500 million) Convertible Bond Joint Bookrunner Debt Sponsor</p>	<p>Namibia 2014 USD 130 million Project Finance and Working Capital Facilities to Refinance Existing Debt Joint Mandated Lead Arranger</p>	<p>Namibia June 2014 BWP68,705,000 Property Finance facility Lender</p>	<p>BCM 2013 USD 18.8 million Term Lending Joint Mandated Lead Arranger / Lender</p>
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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 	<p>Paladin Energy Financing</p> <ul style="list-style-type: none"> 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 	<p>Diamond Technology Park (DTP), BWP68.7mn, Lender</p> <ul style="list-style-type: none"> 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. 	<p>BCM International Limited</p> <ul style="list-style-type: none"> 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



Moving Forward™

Airtel, TNM get kudos for mining sector role



Phalira presenting the results of the study

Chadza: CEPA's Executive Director

By Chiku Jere

Malawi's leading mobile telecommunication network services providers, Airtel and TNM, are playing a major role in providing reliable services which are contributing to the gradual but noticeable growth of the country's mining sector.

This is according to the results of a study commissioned by Centre for Environmental Policy Advocacy (CEPA) with support from Tilitonse Fund on the assessment of policy implementation on mining, which was presented to Mining Sector Governance Stakeholders.

In his presentation at Crossroads Hotel in Lilongwe on August 11, 2015, Welton Phalira of a local consulting firm that executed the study, Geomine Services, singled out what he termed 'tremendous contribution' that the two companies, Airtel and TNM, have made towards easing the operations in the mining sector.

"Not only that companies have benefited, but through these companies reliable services, advocacy to strengthening mining governance and mining policy implementation in Malawi has also been made easier, as the stakeholders were able to communicate and disseminate important

information via Airtel and TNM services such as phone calls as well as internet services," observed Phalira

He explained that apart from robust infrastructure such as good road network, informational data and energy supply, mineral and mines development also requires reliable telecommunication services to facilitate easy communication and access to information through, among other channels, internet.

"Hence it is in order to recognise the commendable improvements that these two mobile telecommunication network companies have made in easing communication in the country, which has also aided the mining sector," Phalira said.

Apart from the telecommunication sector the study also tackled other equally important areas as well as carrying out a systematic review and analysis of several thematic aspects such as mineral development, marketing, governance, environmental management, integration of social issues and regional and international integration.

"The results were achieved by, among other methodologies, interviewing key informants in the sector such as technical personnel (Government, NGO, Private Sector), local leaders and through a questionnaire sent to technical departments, academia and district councils," said Phalira.

Among other key findings, the survey cited the need for

robust infrastructure in terms of data, roads and energy supply for the development of the mining sector.

The study observed the existing gaps in energy and transportation sectors, as some of the shortfalls that are stifling growth of the sector.

It was also noted that participation of local Malawians was still low as there was no effective vehicle (implementation strategy) for their engagement and support.

The report recommended the need to work towards developing requisite technical and financial capacity amongst Malawians in order for them to competitively venture into mining business

It also called for initiatives towards acquiring expertise as regards mineral development and research.

But on positive note, the report noted of the increased interest and engagement of the private sector in mineral development and increased discourse on mineral development.

It was also observed that there has been active participation of the civil society, a development which will enhance transparency, accountability and good governance of the sector.

Nevertheless, the survey recommended need for deliberate policy that would provide permitting environment for investors stating that mining operations require good and stable investment climate.

"Most countries provide preferential tax treatment for investors in the mines and mineral sector, because the sector, unlike others, is capital intensive and it takes time for the investor to retain the capital and start realising profits after commencement of the actual mining process," Phalira explained, observing that as of now, Malawi has no clear tax regime for mining sector.

Making his opening remarks, CEPA's Executive Director William Chadza commended government for the direction it has taken towards regulating the mining sector for the mutual benefit of both the investors and local communities.

"Let me also applaud government for initiating measures that would curb the exploitation of Artisanal and Small Scale Miners (ASMs) by unscrupulous middlemen who always take advantage of the current legal framework," he said.

Mr. Chadza said the initiative that government has rolled out of sponsoring regional trips for ASMs for experience sharing and learning is quite encouraging, but he further urged government to spearhead formation of cooperatives for ASMs, so that they speak with one voice and deal as a block to avoid being duped by middlemen.



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