

# MINING & TRADE *Review*

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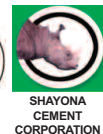
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# Geo-data not yet available

**INSIDE**

## ● Gazetting delays putting off investors

By Chiku Jere & Marcel Chimwala

**F**rustration has gripped the minerals sector due to delays by government to make the Country-wide High Resolution Airborne Geophysical Data that Minister of Natural Resources, Bright Msaka, launched five months ago accessible.

Information that *Mining & Trade Review* has gathered indicates that prospective investors who travel into the country looking for the updated information on mineral anomalies are being frustrated after learning that they cannot access the newly acquired data from the Ministry of Natural Resources, Energy and Mining.

Efforts to seek official comment on the issue from the ministry proved futile as the questionnaire this publication sent to the spokesperson for mines in the Ministry of Natural Resources, Energy and Mining, Levy Wesley Undi, was yet to be responded to as we went to press.

But reports from reliable sources indicate that government is yet to gazette the data from the airborne survey dubbed Kauniuni, five months since its official launch hence it cannot be made available to interested parties.

This is contrary to Minister of Natural Resources, Energy and Mining Bright Msaka's remarks during the launch that took place at Bingu International Conference Centre on August 20, 2015 when he promised to expedite the gazetting process, so that interested individuals, companies and investors should access the data, which he said scientific evidence has proven not only to be useful for mineral exploration but also for general infrastructure development.

**cont. on page 3**



Msaka (C) touring geo-data displays flanked by Salima (L)



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# Press Release

30th October 2015

## Publish What You Pay Malawi

**“Following The Money”: Malawi embarks onto the right path towards ensuring transparency and accountability in the extractives industry**

### Background:

In Malawi, like in many other resource-rich countries in the region, minerals, oil and gas have the potential to raise sustainable revenue for national development. But in order to fulfil this potential, fair deals, tax justice and robust agreements are paramount. It is, therefore, great news that Malawi has just been **accepted** as an EITI candidate country!

On 22 October 2015 during the EITI Board meeting in Berne, Switzerland, Malawi was accepted as an EITI candidate country. This comes just a few months after the coalition of civil society organisations (CSOs) in Malawi was accepted into the international community of the Publish What You Pay (PWYP) coalition on 8 April 2015. These two developments serve as a clear indication that Malawi is heading on the right path towards ensuring transparency and accountability in the extractives sector. These are good achievements for the nation, although not necessarily enough in themselves in that much work remains to be done.

### PWYP and EITI:

PWYP-Malawi applauds the Government of Malawi for its commitment to the EITI principles. Indeed, we believe that the adoption and implementation of a more accountable mining governance practice will greatly contribute to efforts that will better harness the mining sector towards meaningful national development.

EITI operates through a tripartite alliance composed of the government, extractive companies and CSOs; in Malawi this alliance is called the Multi-Stakeholder Group (MSG). CSOs play a very critical role in adopting and implementing EITI at the national level. Good enough, all CSO representatives on the MSG are PWYP members. This being the case, PWYP will strive to, among others;

- Promote sufficient public awareness on EITI issues in Malawi so that citizens' understanding of EITI is reasonably improved.
- Strengthen full, independent and effective participation of member CSOs on the MSG during both the candidature and compliant periods, some emphasis being on the inclusion of oil and gas in the EITI scope.

PWYP Malawi strongly recommends that oil and gas be included in the first report as the Government of Malawi has a number of contracts with companies in this sector. As part of its work, the MSG will engage on improving contract transparency so that contracts are in the public domain and implement the voluntary standard on beneficial ownership. Beneficial ownership will allow us to see who controls which companies and therefore who is actually benefitting from the companies extracting resources in Malawi. We commend the MSG for including these aspects in their workplan.

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## PWYP Malawi applauds Govt. commitment to EITI principles



A cross-section of stakeholders who gathered to celebrate Malawi's EITI 'Candidature'

By Chiku Jere

A coalition of civil society organisations (CSOs), Publish What You Pay (PWYP) Malawi, has hailed the government for its commitment to the Extractive Industries Transparency Initiative (EITI) principles after the country achieved acceptance as EITI 'Candidate.'

Malawi became one of the countries that have successfully made it to the list of EITI candidates after the approval that was made on October 22, 2015 by the EITI board which sat in Bern, Switzerland during for its 30th board meeting.

This development emerged after PWYP Malawi was, on April 8 this year, also accepted as a member of PWYP International.

According to the press release by PWYP Malawi, these two developments serve as a clear indication that Malawi is pursuing the right path towards ensuring transparency and accountability in the extractives sector.

Reads the statement that was signed by Kaulungu Simwaka PWYP Malawi National Coordinator:

"These are good achievements for the nation, although not necessarily enough in themselves in that much work remains to be done."

In another excerpt, the coalition professes belief that the adoption and implementation of a more accountable mining governance practice will greatly contribute to efforts to better harness the mining sector towards meaningful national development.

PWYP is a global network of more than 800 civil society organisations united in their call for an open and accountable extractive sector, so that oil, gas and mining revenues improve the lives of people in resource-rich countries.

These organisations include those advocating for human rights, development, environment, as well as faith-based groups.

CSOs have been advocating for Malawi to join the EITI for over six years in order to improve transparency and accountability in the natural resources sector to ensure greater socio-economic development for all Malawians.

President Peter Mutharika eventually reciprocated by making a public declaration of the government's intention to join the Initiative in June 2014 during his inaugural State of the Nation Address at the opening of parliament.

The EITI Board indaba which approved Malawi's application was presided over by Chair of the EITI, Clare Short, the former British MP and Secretary of State for International Development.

In her declaration, she explained that, "Membership of the EITI comes at an opportune time in Malawi's development as natural resources begin to be of macroeconomic importance."

Short appreciated Malawi government's effort towards asserting its commitment to transparency which, she said, will help the people of Malawi ensure that natural resources are

managed for their benefit.

EITI operates through a tripartite alliance composed of the government, extractive companies and CSOs called the Multi-Stakeholder Group (MSG).

"Good for Malawi, all CSO representatives on the MSG are PWYP members. This being the case PWYP Malawi will strive to promote sufficient public awareness of EITI issues in Malawi so that citizens' understanding of EITI is reasonably improved," said Simwaka.

Soon after the declaration of Malawi as an EITI 'Candidate' country, local EITI stakeholders who included members of Malawi EITI Multi-Stakeholder Group and the media gathered at Capital Hotel in Lilongwe to celebrate the achievement.

Addressing the gathering on behalf of the country's EITI Ambassador Minister of Finance and Economic Planning, Goodall Gondwe, Director of the Revenue Policy Division in the ministry, Crispin Kulemeka, said Malawi was excited to have been accepted as the candidate and promised to lead Malawians to strive towards meeting all requirements to achieve 'Compliant' status.

Kulemeka called upon all stakeholders to maintain the hard work and cooperation that has led to the achievement of the current EITI status.

He highlighted that the MWEITI reports (the first of which is due in 18 months) will be a useful tool for all Malawians to follow how the country is managing the country's natural resources, and how much revenue is being generated.

The reports will contain information on licences, production data, tax payments, royalties and social expenditure, among other important information for the sector.

"We hope this information will stimulate informed and evidence-based dialogue on ways of how best to utilise our finite and non-renewable natural resources to meet our national priorities," said Kulemeka.

Meanwhile, two GIZ-funded consultants – Lutz Neumann and Hannock Kumwenda – are conducting a scoping study which will help the multi-stakeholder group to determine how the EITI standard will be applied, and what should be included in Malawi's first EITI report due in April 2017.

PWYP Malawi is strongly recommending and advocating for the inclusion of oil and gas exploration companies even though the companies are not yet in production there by not contributing significant revenue to government.

Among other prominent aspects included in MSG work-plan is to engage on improving contract transparency so that contracts are in the public domain and implement the voluntary standard on beneficial ownership.

According to PWYP, this will allow stakeholders to identify the owners of companies and actual beneficiaries of the country's extractive resources.

**...from front page**

“My Ministry is now in custody of this vital data ready to be accessed and used by interested individuals and companies. And having personally reviewed the preliminary data, I have no doubt that the data we are launching today will greatly enhance the mining profile of this country,” he said.

He gave an example of countries that have witnessed increased foreign investment in the mining sector through investment in geological surveys namely Mozambique, Tanzania, and Uganda; saying he was confident that Malawi will equally witness the same.

The Minister said the airborne geophysical data forms an integral part of initiatives his ministry is implementing to transform the mineral industry into one of the key sectors that can significantly contribute to the sustainable growth of the economy.

“Let me assure you all here present, and the whole nation, that my Ministry will do everything possible to support investments in the mining sector, so that Malawi becomes one of the best countries for mining investment,” he said.

He then made an appeal to the private sector to fully utilize what he christened as ‘modern data’ so as to help Malawi in its efforts to realize a modern, efficient, lucrative and beneficial mining industry.

On several occasions President Peter Mutharika has reiterated that, in his own wisdom and knowledge, the private sector has to be a vehicle that should lead the country to economic growth and prosperity, in that line, ending the poverty that the country has remained synonymous with.

The Malawi leader has even engaged several international business bulls, who have well known and documented interest in mining sector investments, among them George Soros, a Hungarian-born American business magnate who also owns Quantum Group, manufacturers of rigid magnetic disk for computers.

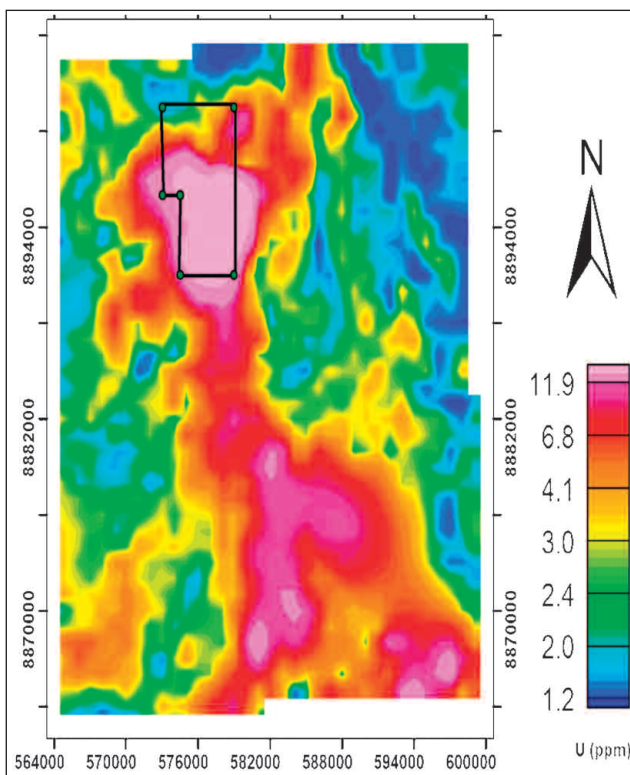
However, the delay in making the data accessible is turning to be retrogressive as it is frustrating the very same private investors that government is making sleepless efforts to woo into mining activities.

Several players in the industry have confided to this publication that the delay is hoarding progress in as far as mining activities are concerned hence holding back the envisaged developments that comes with investors in mines and minerals.

Meanwhile, results of the airborne geophysical data have revealed that the Karonga uranium anomaly, which hosts Paladin Africa’s mothballed Kayelekera Uranium Mine, is bigger than earlier mapped out.

Director of Geological Survey Jalf Salima says in his write up presented at the launch of the geophysical survey data that radiometric exploration technique used in the survey revealed that uranium concentration is high outside Paladin’s 55 square kilometer mining claim.

“There is also some uranium anomaly further south which calls for more ground follow ups. In fact we have had new geology highlighted and boundary of geology improved in this survey,” says Salima in the report.



**Uranium concentration of Karonga Area**

He says the survey also employed gravity methods, which qualified the lower Shire basin as a possible petroleum trap.

“The known fact was that the hydrocarbon anomaly in the lower Shire, which is mostly in the eastern part of Ngabu Fault, was estimated to be 3000 m thick. However, the survey has proved thickness of up to 9000 meters within the threshold of petroleum formation of at least 1500 meters,” says Salima.

He says the survey also used magnetic exploration method which clearly picked the North-South trending dyke, which is not mapped on the existing geological map, probably covered by superficial deposits.

“Delineation in Mchinji, Rumphu and Chitipa showed similar trend and a strong magnetic signal. It may be mineralised with chromium, Nickel, Platinum Group Minerals, Copper and cobalt but requires follow up with ground geophysics and drilling to obtain samples,” he says.

**Procedure for clients to acquire the airborne geophysical data**

Whether a client has a mineral right or not, is entitled to acquire any data of interest covering any part of the country.

Client complete a Data Requisition Form specifying data required.

Geophysicist calculates the nominal fee to be paid.

Client makes payment for the data.

The Client then signs the Data Agreement.

The geophysicist issues out the requested data to the client with any guidance that may be required.

Data shall generally be sold on the basis of existing standard geophysical map sheets at 1: 1,000,000; 1:250,000 and 1:100,000 scales (Refer to map Sheet Layouts).

However, data can also be windowed to any boundary demarcated within standard coordinates on request.

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**POINT OF CLARIFICATION**

In our November 2015 edition on Page 7 under the column, “Mineral Sector Projects 2015,” we erroneously wrote that “unlike Hamra oil and RAKGAS which conducted FTGs using the services of the plane that was hired by Malawi Government to conduct the World Bank funded airborne survey, Pacific Oil failed to conduct the same following a suspension order by the Ministry of Natural Resources, Energy and Mining. The correct information is that Hamra Oil hired Bell Geospace of USA to conduct the FTG which also benefited RAKGAS. They never used the planes hired by Malawi Government from Sander Geophysics Limited of Canada to do their survey. Pacific Oil could also have benefitted from the same Geospace flight, under a private sector arrangement knowing it is relatively expensive to mobilize another plane, but was hindered by the suspension order. - Editor

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# PCL encourages businesses to comply with competition law

By Chiku Jere

One of the country's largest publicly listed conglomerates, Press Corporation Limited (PCL), has urged businesses to be proactive when it comes to complying with Malawi's competition laws, - the Competition and Fair Trading Act (CFTA) and the Consumer Protection Act (CPA).

The call was made by PCL Group Operations Executive Designate, John Biziwick during a competition law compliance programme workshop which was held on November 6, 2015 at Game Haven in Thyolo District and was co-organised by Press Corporation Limited and the Competition and Fair Trading Commission (CFTC).

In his remarks, John Biziwick said the meeting was informative and he encouraged businesses to develop mechanisms that will ensure adherence to the two laws.

"As businesses we need to sensitise all our members of staff about the laws governing competition and fair trading in Malawi to ensure effective compliance," said Biziwick.

The workshop was attended by about 30 top executives from the conglomerate's subsidiaries such as National Bank of Malawi, Malawi Telecommunication Limited (MTL), Telekom Networks Malawi (TNM), Macsteel Malawi, Peoples Trading Centre, Carlsberg Malawi, Press Properties Food Company, Press Cane, Ethanol Company of Malawi and Puma Energy Malawi.

The CFTC is running a series of compliance programme seminars for individual firms, whose main objective is to sensitize enterprises on the development of in-house competition and fair trading compliance programme and support them to put in place adequate measures to detect

and address breach of competition and consumer protection law.

Speaking during the event, CFTC Director of Mergers and Acquisitions, Richard Chiputula described the workshop as exciting and interactive.

"As fair trade authority, we also learned a number of things through the interaction. We received very useful and important feedback that will help shape the way forward," he said.

Chiputula further said CFTC will always be readily available, upon request, to help any company in the implementation of the competition and fair trading compliance programme.

"We would like companies to embrace and consolidate this programme within their operational setup because we believe it is part of an investment as it saves both government as well as company's resources by avoiding investigations and litigation," said Chiputula.

CFTC explains that the overall goal of the compliance programme is to reduce the risk of infringing on the country's competition rules, and ensure that commercial agreements and arrangements are structured in a manner that minimises potential competition concerns.

Additionally, the programme is also aimed at decreasing



Biziwick standing in front addressing the gathering

the risk of members of staff engaging in practices that can subject the enterprises to humiliating experience of being investigated for suspected anti-competitive behaviour and equip the entities with the know-how in handling investigations as regards breaches of the law.

The companies that have so far moved ahead in adopting the compliance programmes for competition and consumer protection are the country's two mobile telephone service providers, TNM and Airtel Malawi, and the health insurance service provider, Medical Aid Society of Malawi (MASM).

The three have since had their respective frameworks for the programme developed and delivered.



Group photograph of the participants



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**EDITORIAL**

# 2015, year of highs and lows



BY MARCEL CHIMWALA,  
PUBLISHING EDITOR

In the extractive sector, the year 2015 will remain a historical year for Malawi as this is the year when Malawi has made substantial progress in its efforts to join the Extractive Industry Transparency Initiative (EITI).

On October 22, Mining & Trade Review was privileged to join celebrations in Lilongwe organized by the Ministry of Finance, Economic Planning and Development with the backing of the German Technical Cooperation (GIZ) after Malawi was certified as an EITI candidate country during the EITI 30th board meeting in Bern, Switzerland.

We, just like our fellow colleagues who joined the celebrations, feel it is a great achievement for Malawi to be part of the global initiative which promotes transparency and accountability in the extractive sector as transparency and accountability are indeed the cornerstones for sustainable growth of the sector.

It is encouraging that this progress on EITI is as a result of the political will shown by President Arthur Peter Mutharika's administration manifested by the President's declaration in his maiden state of the nation address that Malawi should join EITI.

We commend Mutharika and his administration for committing to the policy, which will ensure that secret deals in the mining sector are avoided.

However, it is very unfortunate that despite all this effort on EITI process, Malawi seems to be in reverse when it comes to attracting investment in the extractive sector especially mining.

Of course, this year the government organized the Malawi Investment Forum in Lilongwe which was, among other things, meant to show to the world that Malawi welcomes foreign investors.

Just as he has always done, Mutharika invited investors to bring their money into Malawi's mining and all other sectors.

Malawi also launched the airborne geophysical data within the year with the Minister of Natural Resources and Mining Bright Msaka inviting investors to sample the data.

It is, however, unfortunate that as reported in our lead article, the data the Minister launched with pomp is still not available to investors due to some red tape in government.

So what will investors invited by the President and the Minister sample in the absence of up-to-date geophysical data? Do they still have to sample the old data which the government geologists themselves say lacks more significant details?

On existing mining projects, it is disheartening that Malawi has failed to make substantial progress in 2015. The Keyelekera Uranium Mine remains on care and maintenance with Paladin Africa insisting that the price for the yellow cake is still too low to sustain production.

Another good thing that was expected in Malawi in 2015 was the launch of mine construction at Globe Metals and Mining's Kanyika Niobium Mine. However it is taking ages for the miner and the government to scratch out a development agreement.

In the oil exploration subsector, things that started on a positive note have also grounded to a halt as the Ministry of Natural Resources, Energy and Mining suspended oil exploration last year saying they are reviewing the licences.

The coal industry, which has been operating medium scale mines over the years, is also in the doldrums as imported coal from Mozambique has taken up a good share of the market. While other countries such as Tanzania are controlling imports of coal, it seems the Malawi Government is just watching imports putting our local companies out of the game.

The local cement manufacturing industry is another sector encountering the same problem of imports choking market for their products.

So the year 2015 has been one of more lows than highs for Malawi and we hope the government will work on correcting the negatives and create conducive environment for investment and prosperity in 2016.

All in all, thanks to all stakeholders for supporting us in 2015. We wish you a prosperous 2016 and hope you will continue to be with us in making awareness on mining, trade and investment issues a reality!

## MINING & TRADE *Review*

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**EYE ON MALAWI'S**

**EITI** Extractive Industries Transparency Initiative

By Rachel Eter-Phoya



**Examining Malawi's journey towards EITI compliance**

# EITI and Climate Change

As this goes to press, Malawi's delegation is participating in the 2015 United Nations Climate Change Conference in Paris. The Conference aims for all nations to reach a binding and universal agreement on the climate in order to reduce greenhouse gas emissions.

The agreement will seek to limit the global temperature increase to 2°C above pre-industrial levels. People who follow the annual negotiations of the Conference of the Parties know that this will be no easy feat and that no such agreement has been reached in 20 years.

Climate variability and change, including the increase in extreme weather events such as flooding and droughts experienced here in Malawi, are arguably caused by these increasing global temperatures. At the same time, the G7, formed of some of the world's largest emitters of greenhouse gases, has committed to end their dependence on fossil fuels and decarbonise their economies. As a result, eyes are turned to the extractive industries and its production of fossil fuels (coal, oil and gas) which emit carbon dioxide, a greenhouse gas associated with the rise in temperatures. This year, a debate has arisen about the Extractive Industries Transparency Initiative (EITI) role in addressing climate change.

A letter was sent by a number of civil society organisations including WWF International and Friends of the Earth Europe to the EITI Board in October 2015, prior to the board meeting which saw Malawi's EITI application approved. They have called on the EITI to reflect the "legal and economic realities of climate change in order to remain relevant in a rapidly changing geopolitical environment" by including disclosure requirements for "climate risk". Publish What You Pay's International Director, Marinke van Riet, has further argued that EITI reporting should include more environmental information, such as environmental impact assessments and environmental fines, which in many countries is not easily accessible. She states that this "environmental information is indispensable if citizens, governments, investors and companies are to ascertain the true cost of a project and make better decisions about the social and environmental viability of extractive activity".

According to the letter sent to the Board, a broadened application of the EITI would include climate-related revenue streams such as carbon taxes and repayment of climate finance received, descriptions of the laws, regulations and reforms governing the extractive industries that are associated with climate change, inclusion of civil society groups with climate change expertise in the multi-stakeholder group, an explanation of whether or not each fossil fuel project can proceed in a 1.5°C or 2°C world, and any subsidies awarded to fossil fuel projects. In response, the EITI International Secretariat highlighted that the reason the initiative has been so successful to date is its ability to keep a wide group of stakeholders together and to develop a flexible standard that is relevant across the world. They argue that placing requirements on the type of civil society organisations to include in the multi-stakeholder group would undermine country ownership and not necessary reflect the priorities of countries and that climate risk disclosure would not be relevant for each country. At present, some countries already report on environmental taxes and subsidies paid to fossil fuel companies because payments have been deemed material and relevant - it is up to each country to determine which payments are material and relevant for annual EITI reporting.

In Malawi, this process of deciding revenue streams and amounts for reporting is currently being examined through a scoping study as directed by the MWEITI multi-stakeholder group and secretariat. The findings of this scoping study will be launched in January 2016.

For further information see **The EITI and Climate Risk:**  
<https://eiti.org/news/eiti-and-climate-risk>



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# Top Service Providers to Malawi

For Malawi's budding minerals sector to grow, it needs the work of efficient service providers to support investment. Malawi has witnessed a number of service providers showing their interest in the once neglected sector in the year 2015 with the belief that their products will move the sector to new heights. In this article that may act as a guide to investors interested in Malawi's mining sector, *Mining & Trade Review* has compiled a list of top service providers that have moved the minerals sector in 2015:

## Financial Institutions



Standard Bank remained the leading bank for Malawi's minerals sector in 2015. Boosting of the capacity to arrange financing for a project of any magnitude due to its strength as a major African bank, rich history in mining and connections with major global financial centres, Standard Bank, which is the largest African bank with a strong presence in Malawi, is one of the few banks in Malawi with a fully dedicated investment banking team.

It aspires to be a the leading corporate and investment bank in, for and across Africa with a deep specialization in natural resources.

The Bank's offering to corporate clients comes in three specialist areas namely global markets, transactional products and services and investment banking.

In 2012, Standard Bank was one of the syndicate banks which financed US\$180-million in project finance for Paladin Africa's Kayelekera Uranium Mine in Northern Malawi.

Standard Bank Limited Malawi has established relationships with correspondent banks in all major currencies which enables smooth transfer of funds internationally. As part of the Standard Bank group, the Bank is able to leverage off its long standing presence in the international banking system as well as the strategic partnership with the Industrial and Commercial Bank of China.

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With its policy of uplifting small scale businesses to enable them grow with the bank which is one of the fastest growing banks in Malawi, FDH Bank has emerged a top bank in supporting Artisanal and Small Scale Miners (ASMs) in Malawi.

FDH Bank signed a memorandum of understanding (MOU) with the Ministry of Natural Resources, Energy and Mining that establishes a business relationship between the two parties to provide capacity building and provision of access to finance as well as technical support in the promotion of artisanal and small-scale mining development in the country.

FDH Bank role covers various initiatives, which include:

Capacity building - this covers supporting artisanal and women miners through organizing workshops to impart them with relevant knowledge and skills. The Bank also took some ASMs to Cape Town, South Africa to showcase their products to potential international buyers.

Access to finance - this relates to ASM's having access to FDH Quick loans and Trade Finance Lines as well as Opening of special Foreign Currency Dominated Accounts (FCDA) for the ASMs

Technical support - FDH through its SME Clinics and Suites would provide special business management techniques, cash flow management techniques and financial literacy workshops.

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Export Development Fund is a development financial institution established by the Malawi Government and the Reserve Bank of Malawi in response to the country's export/import imbalance due to the economy's high dependence on tobacco as the major foreign exchange earner.

In view of this, the Government through EDF has prioritised diversification of exports by focusing on oil seeds products, sugarcane products, tourism, mining and manufacturing products as set out in the National Export Strategy.

As a catalyst for export promotion, diversification and growth, EDF's goals include ensuring that Malawi's vast export business opportunities are exploited; and promoting projects that have potential for exports, wealth creation and job creation.

Malawi's exports have grown at a slower pace than imports over the past 10 years creating an unsustainable structural deficit that leaves the country vulnerable to foreign exchange shocks.

It is in this regard that EDF was created as a special purpose vehicle to extend financial assistance to export businesses in Malawi with much emphasis on their creation, expansion, diversification and modernisation.

In the mining sector, EDF came into play in 2015 when it urged stakeholders in the mining sector including large and registered small-scale mining cooperatives to take advantage of the existence of its services.

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**Shayona Cement Corporation**

Shayona Cement Corporation is not only known for its quality strong brands of cement but it is also famed for using a large proportion of local raw materials in the cement manufacturing process. In 2015, Shayona Cement consolidated its position among the market leaders when it announced a major expansion project that involved setting up a new state of the art cement manufacturing plant at its Kasungu factory located in Traditional Authority Wimbe's area.

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.

### Contact Details:

**P.O. Box 679, Lilongwe, Malawi**  
Tel: +265 (0) 1 752 791  
Fax: +265 (0) 1 752 909



**CPL**  
Cement Products Limited  
Portland Cement

Cement Products Limited is one of the newest cement producing companies in Malawi but within a short period, its operations have gained a mark on the Malawi market. The company, constructing a new head office at Chirimba in Blantyre, is pursuing plans to set up a cement manufacturing plant. Its ambition is to stop importing clinker in the medium term. Importation of clinker by local cement companies is one of the major contributors to a drain on the country's foreign exchange.

### Contact Details:

**P.O Box 241, Blantyre**  
Tel: +265 (0) 1 683 958  
Fax: +265 (0) 1 683 758

## Equipment Suppliers



**Farming & Engineering Services**

Farming & Engineering Services is one of the country's top suppliers of mining, construction and agricultural equipment. The company is a sole distributor of globally renowned Komatsu and Challenger products. It offers sales, rental and after support services.

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Fax: 265 (0) 1 879 088



**Atlas Copco**

Atlas Copco distributes various compressors and tools valuable for mining and other industries. The company, which offers services across the country, has its head office in Blantyre.

### Contact Details:

**Atlas Compressors and Tools (Malawi) Limited**  
Hayter Road, Ginnery Conner  
P.O. Box 578, Blantyre, Malawi  
Tel: +265 (0) 873 539  
Fax: +265 (0) 874 019  
Email: actl@atlascomw.net

# Malawi's Mineral Sector in 2015



Equipment and Parts Suppliers Limited (EPS) supplies equipment for industrial mining, construction equipment and are also spare parts distributors. The firm is also specialized in irrigation, industrial diesel engines, under carriage and ground engaging tools. Official distributor for Lister Petter and Monopumps, and agent for FRAM, EPS, among other products, supplies gensets and water pumps.

**Contact Details:**

P.O Box 553, Lilongwe, Malawi  
Tel: +265 (0) 1 753 806/867  
Fax: +265 (0) 1 756 016



Camco Equipment is another major service provider in Malawi's mining, agriculture and construction industries as it supplies assorted equipment including backhoe loaders, vibratory road rollers, bulldozers, front end wheel loaders, hydraulic excavators and graders.

**Contact Details:**

Plot No. L/C 13 Mkulumadzi House, Churchill Road, Limbe Blantyre  
Plot No 3/401 at Area 3, Lilongwe  
Tel/Fax: +265 (0) 1 842 546 (BT)/+265 (0) 754 680 (LL)  
Email: malawi@camco.cn



Present in Lilongwe, Blantyre and Zomba, Royal Motors is Malawi's sole authorized distributor of Bosch products. These include motor vehicle applications such as diesel systems, braking systems, gasoline systems, lighting technology, filtration, spark plugs, wiping systems, starters and alternators, body electronics and energy supply products.

Plot No. 111, Paul Kagame Road,  
Area 4, Lilongwe  
Tel: +265 1 759 902/759 904  
Mobile: +265 995 933 786/ 759 904



ETC Agro Tractors and Implements have a range of products to serve a cross section of sectors including mining, agriculture, construction and transport. These include Mahindra Tractor, Bull Master, SAME Laser, heavy duty genset and Scorpion Single and Double Cab Pick Ups. The company has heavy presence across Malawi and sales offices in both Blantyre and Lilongwe.

**Contact Details:**

Blantyre Office: G-1 City Plaza, Maselema, Limbe.  
Tel: 02122929284/02122800801/0212800801/0993029284  
Email: cm.malawi@etcagro.com  
Lilongwe Office: P.O Box 2540,  
Area 5, Opposite Maula Prison, Lilongwe  
Tel: 0212919284/0212800806/0212800808/0991029284  
Email: operations.mlw@etcagro.com

## Contractors



Mota-Engil is arguably the contractor involved in more huge works contracts in Malawi than any other big contractor. The Portuguese contractor was also incorporated by Paladin Africa as a mining contractor for the mothballed Kayelekera Uranium mine in Karonga, which is so far Malawi's largest mining investment.

Mota-Engil is also involved in exploration and other high value minerals in Malawi and reported encouraging results in its update of the works earlier in the year.

**Contact Details:**

P.O Box 31379, Lilongwe 3  
Tel: +265 (0) 1 750 131



GIMM Water Expert and Drilling stands out as a good example of an innovative local contractor. The firm, which contributed K5-million towards the hosting of the Malawi Investment Forum, has state of the art equipment capable of drilling in any geographical terrain and soil formation.

The equipment include a heavy duty DEFY 13/17 Screw Air Compressor with rotate speed of 2200RPM with 17 bar/133/min (2015 model), two drilling rigs with capacity to drill 150-200 metres (where one is trailer-mounted, lorry or tractor pulled), mud pumps for mud drilling as well as pump test gadget.

Government departments, non-governmental organizations and private companies have continued to knock at the door of the Lilongwe based contractor for various water drilling solutions.

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## Cellular Phone Network Service Providers



A local subsidiary of India's Bharti Airtel, Airtel Malawi boasts of a large customer base in Malawi, and mining and other sectors continue to benefit from a range of its innovative Internet and mobile money services. The mobile money service for Airtel is not only beneficial to individual companies as corporate customers are also positioned to keep enjoying from the service with Airtel Money used to pay salaries, wages and allowances to as many employees as possible at a click of a mouse.

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Headed by veteran geologist, Mr. John Nkhoma, Chiwandama Geo-consultants is one of the pioneer firms mastered in geology and mineral resource development. The company's expertise is specifically in geological mapping, mineral exploration and evaluation, geotechnical assessments, mine design and environmental impact assessments for mining and quarrying projects.

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Mobile: +265 (0) 888 825 777/999 288 441

Email: johnkhoma@yahoo.com/nkhomajes@gmail.com



With seasoned mining and environmental management expert, Grain Malunga, at the helm, Geomine Services is one of the companies with a mark in Malawi's mineral sector. The company executes assignments in mineral resource evaluation, environmental management and mining, event management and marketing.

**Contact Details:**

P.O. Box 20679, Lilongwe 2  
Tel: +265 (0) 999 982 801/ +265 (0) 888 829 724  
Email: geomineservices15@gmail.com



Managed by Seasoned Geologist, James Chatupa, Craton Resources Consultants are specialized in coal, industrial minerals and base metals exploration and assessments, project supervision, minerals rights acquisitions and negotiations.

**Contact Details:**

P.O Box 320, Zomba City, Malawi  
Mobile: +265993 789 398  
Email: jchatupa@yahoo.com

## Security Risk Management Experts



Maravi Security Risk Management understands that companies involved in the extractive sector are often faced with a wide range of challenges and risks. These can range from managing local stakeholders, keeping staff safe while operating in remote and arduous areas and securing assets and equipment vital to production operations. The company's understanding of the extractive industry makes it the ideal partner to mitigate against the numerous security challenges posed as part of these types of projects.

**Contact Details**

Mobile (Malawi): +265 996 233 727/992 368 021  
Email: contact@maravigroup.com  
Website: www.maravigroup.com

## Transport and Tourism Services



Strategically located at Golden Peacock Shopping arena in the Capital City Lilongwe, Essential Tours and Travel serves mining and other sectors as experts in domestic and international air ticket bookings, travel consultancy and visa processing support.

**Contact details:**

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With its head office in Sacranie House in Area 4, Lilongwe, Budget Car Hire has positioned itself as a firm ready to serve clients in mining and other sectors. Budget Car Hire has a fleet of well serviced vehicles of all types including 4 by 4 vehicles which investors can use when travelling to exploration and mining sites.

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# Local business gurus push for economic empowerment policy

## “We want to partner foreign investors in mining ventures”

By George Lumwira - Correspondent

Indigenous Businesses Association of Malawi (IBAM) President Mike Mlombwa says the government needs to formulate a deliberate policy to accommodate locals in joint ventures with multinational construction and mining companies working in the country.

Mlombwa says: “We are saying that government should come up with deliberate policies that will see the indigenous Malawians participate in mining and other profitable sectors and if government can do it, in three years, there will be a significant change in the way this economy runs.”

“As things are at the moment, we are spectators in our own country. But in other countries they agree with these mining giants to fairly work with some relevant locals and this system favors a small country which owns the resources but does not have the capacity to extract them on its own.”

He explains that between December (2014) and January (2015), he will be in the United States of America where a series of meetings with potential investors have been arranged and, among the topics to be tabled, is the roadmap for indigenous businesses to partner multinational firms in exploiting fields such as mining for the mutual benefit of the country.

Mlombwa also urges government to put in place deliberate measures to ensure that the economy is in good shape singling out exorbitant interest rates as barring locals from investing in profitable ventures such as mining.

He says: “No one can significantly invest in sectors such as mining with interest rates hovering at 44%. Mining is a long-term project and if you need two or more years before you start making profits, then the current interest rate regime is not favoring the sector.”

“For sure, this has left locals in subsistence mining activities which are widely done at meager capacities, leaving foreign and bigger companies such as Paladin Energy and Globe Metals and Mining leading the sector at large scale.”

Business mogul Jimmy Korea Mpatza concurs with Mlombwa on the need for joint ventures between local and foreign investors to develop mining prospects saying mining is a sector that requires huge investment -which most of the locals can hardly afford overnight.

“The economy should for the time being keep relying on agriculture sector. I feel we have not fully utilized agriculture sector in the country and we do not have any immediate alternatives right now.”

“If you talk about mining, yes mining is another potential sector the country has. But I would tell you that mining is long-term and it needs huge investment and local investors independently, cannot afford.”

Between 2006 and 2010, Malawi’s minerals industry, on average contributed 1.5% to the national economy, and the sector was expected to contribute 2.8 % to the economy between 2011 and this year, according to the World Bank.

Results of this year’s Airborne Geophysical Survey executed with funding from the World Bank and European Union confirm existence of a number of anomalies for high value minerals such as gold, diamond, uranium and platinum group metals.

Malawi is currently mining coal and limestone for cement production at a relatively large scale following the mothballing of Paladin Africa’s Kayelekera Uranium Mine, which is so far the country’s largest mining investment.

There is also gemstone mining taking place in all the three regions of the country but despite the existence of precious gemstones, which can outdo diamonds on the market if well processed, the country



Mlombwa: Govt. should come up with deliberate policies

is failing to substantially benefit from the mining of gemstones allegedly due to smuggling of the resources.

The country is also failing to register substantial gains from gold panning by small scale miners taking place in the Lisungwe Valley area due to the same problem of smuggling.



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# TECHNICAL FILE

by Grain Wyson Phillip Malunga FIMMM  
Mining and Environmental Management Expert

## WEALTH CREATION THROUGH ECONOMIC DIVERSIFICATION

### Abstract

Malawi's economic development path, since independence in 1964, has been through focus on agriculture and agro processing. Sectors such as mining faced negative propaganda by the political leadership up to 2004. Structural Adjustment Programs, between 1980 and 1994 did not produce intended economic growth but slowed the progress made between 1964 and 1979. An open economy regime and export promotion brought its own challenges including decline in manufacturing, heavy domestic borrowing and high interest rates that made difficult for the private sector to access loans for modernisation and expansion.

The paper tries to analyse Malawi's path to wealth creation and offers recommendations for change in economic planning and development.

### 1.0 INTRODUCTION

Wealth Creation can be described as developing revenue streams that are under the creator's control. A nation's wealth creation evolves from Primary Industry to Tertiary Industry through Secondary Industry. Primary Industry is characterised by agriculture and extractive activities. Secondary Industry involves value addition of commodities arising from primary industry. This sector is characterised by manufacturing and/or diversification. Once the secondary industry is established it encourages high mass consumption that promotes international trade and innovation leading to knowledge based industries.

Malawi, Mozambique and Ghana can arguably be placed under primary industry scenario while South Africa, China and Brazil are placed under secondary industry transformation. German, United States and Singapore are under tertiary industry that is characterised by international trade, innovation and knowledge based growth.

This paper tries to analyse the historical perspective of Malawi's efforts in wealth creation.

### 2.0 MALAWI'S HISTORICAL ANALYSIS OF WEALTH CREATION

Malawi's trade policy actions and development plans, since 1964, have brought mixed results in wealth creation and diversification of the economy. Three periods of policy changes have been noted as follows:

**1.0 - 1964 to 1979:** This period emphasised on import substitution and export-led or Estate Based Agriculture. This period improved manufacturing output from 8 to 12 % with a resultant average GDP growth of 5.3%. Sweetening factors included low inflation, stable prices commodities, low balance of payments (BOP), low interest rates and a manageable fiscal budget deficit. ADMARC and Press Agriculture played a leading role.

**2.0 - 1980 to 1994:** These years saw a period of Structural Adjustment Program (SAP) and export promotion through price liberalisation, currency devaluation and restructuring of government businesses or State Owned Enterprises (SOE). Small holder farmers were able to grow special crops after the repeal of the Special Crops Act and this led to over production, reduction in quality of crops and fall of commodity prices. It can be argued that this initiative was good for wealth distribution at community level but had a negative impact on wealth creation for the nation.

One of the SOEs that was abolished was Mining Investment and Development Corporation (MIDCOR). This was incorporated with the aim of spearheading Mineral Development in Malawi. One of the projects that can be attributed to this SOE is the mining of coal at Kaziwiziwi and Mchenga after civil war blocked transport infrastructure into Malawi. The Corporation undertook also feasibility studies for bauxite mining and high grade lime production at Malowa hill east of Golomoti. These projects were meant to support sugar and uranium ore processing, an important component of wealth creation through import substitution and export of alumina/aluminium. Its abolition led to death of mining in Malawi. One is left wondering also whether Structural Adjustment Program was a success story since privatisation of SOEs led to slow growth of manufacturing if not death of industrialisation in agro processing in Malawi. SAP affected ADMARC Holdings Limited, Malawi Development Corporation and Press Corporation Limited. Individuals and Companies bought SOE manufacturing arms and turned them into warehouses.

**3.0 Post 1995 period:** This period to date has seen efforts to establish open economy regime and export promotion. This has promoted non-strategic trade and non-protectionist policies without first modernising what was left of Malawi's manufacturing industry to promote competitive level field with cheap imports. Excessive government borrowing has led to real interest rates increasing at the expense industrial investment that could not borrow from banks due to high interest rates. This has damaged growth of the manufacturing sector. This situation is being made worse due to floatation of the Malawi Kwacha, uncontrolled currency devaluation leading to market instability and poor administration of the taxation regime. Instead of widening tax base, we see intensifying of tax collection and deliberate misinterpretation of administrative policies of taxation.

The mining sector has equally been affected due to high capital and technological requirement. The damaging of the local manufacturing industry means that the mining sector will take time to promote local content such as supporting goods and services made locally.

Other areas that have brought this economic constraint of wealth creation are poor planning of increasing electricity supply and maintenance, weak public services, land allocation constraints and unsystematic exchange rate management.

### 3.0 LESSONS DRAWN

The period under review (1964 to 2015) has seen policies and development plans that promoted

the primary industry for export of raw materials e.g. tobacco and other crops without proper value addition. There has been no proper diversification of the economy through mining and modernisation of industries. Government has given much emphasis on social development rather than on support to industrial growth. This is evidenced by more allocation of budget to social development than to electricity and transport infrastructure to stimulate industrialisation.

Increased industrialisation will increase government revenue base through employment effects and taxes. This is only possible if government starts with industrial subsidies that support import substitution and certain level of employment. Government should support goods and services that are linked with public goods e.g. infrastructure and merit goods such as health and education to improve labour productivity. There is need to graduate from short term political gain projects such as subsidies for consumption e.g. in subsistence farming to commercial farming and promoting vocational training in areas of automation, electrical, fabrication and general fitting. This training is crucial for supporting a vibrant mining industry.

The country will only progress to economic prosperity if a "one term" president comes in and sets an agenda for economic take off from primary industry to tertiary industry.

Wealth creation for Malawi failed due to SAP. It failed to create growth in the manufacturing sector. This is manifested by the increase in imports that have exposed poor manufacturing base. It is documented that pre-SAP manufacturing growth was 6% while annual growth during SAP was 4% (Munthali, 2004). There is no doubt that current manufacturing growth is at around 2%. Let it be emphasized that inflow of foreign aid distorts economic growth and is therefore a disincentive for wealth creation. This is the time to assess our economists if they fish out our floating economy before it sinks.

### 4.0 RECOMMENDATION FOR ECONOMIC DIVERSIFICATION

The path to economic diversification is enshrined in the Vision 2020 (1998) and Malawi Economic Growth Strategy I and II (2007 and 2012). These documents have failed to effectively

guide wealth creation because of populist attitude of our political governments in implementing their manifesto promises instead of medium to long term programs that can create wealth for the nation. Subsidy programs to vulnerable groups are not a path to wealth creation. Programs that support or stimulate economic development in terms of infrastructure, health and technical education can go a long way towards supporting industrialisation.

Source: Turner and Abelin, 2012

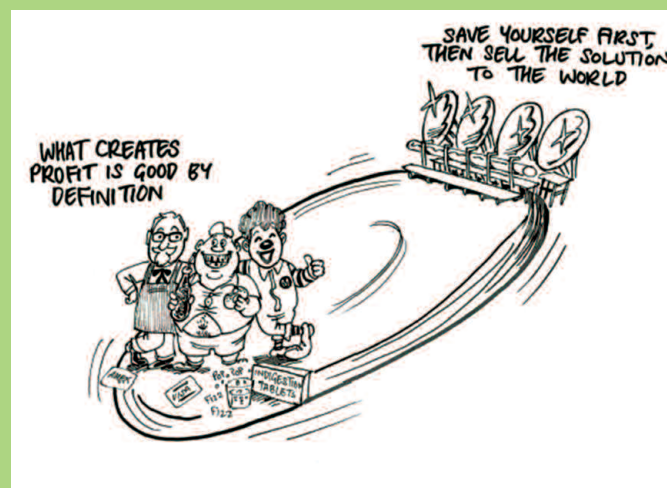
Our national budget and support programs mainly support social development in areas whose investments do not bring any tangible returns that bring sustainable development. It's now time to budget for programs that support infrastructure growth, health and technical education, mining and commercial agriculture. These programs will have ability to support access markets, agro processing and relevant manufacturing to support mining and import substitution. More jobs and technical; innovations will be created and will generate revenue for government through taxes and import substitution and improve export base.

Domestic borrowing should be a way of funding technical education and mining for import substitution and energy development. The proposed coal fired thermal plant should be able to support coal development in Malawi as opposed to rely wholly from Mozambique coal. If poorly planned it will be another forex drainer that will kill also the coal mining industry in Malawi.

It is important to be politically unpopular in the short to medium term in order to sort out the economic mess in which the country finds itself. Programs such as National Export Strategy, commercial agriculture (through Greenbelt Initiative), agro processing, mining and technical education should support or complement each other in order to promote wealth creation. A State Owned Enterprise should be created to spearhead mining of industrial minerals for import substitution and stimulate investment in mining through management of government shareholding and local economic empowerment through divestiture of mature mining, oil and gas projects.

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<ul style="list-style-type: none"> <li>African Barrick Gold Plc, Structured Export Finance Loan Facility</li> <li>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).</li> <li>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.</li> <li>We were able to structure the transaction in a very innovative way to ensure the most attractive pricing for the client (Libor + 2.50%).</li> <li>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.</li> <li>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.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Implats, ZAR4.5bn (USD500mn), Dual Currency Convertible Bond ("CB")</li> <li>Standard Bank acted as Joint Bookrunner and Debt Sponsor on the transaction</li> <li>Through Standard Bank's extensive local and global distribution network, we were able to:</li> <li>Execute a highly successful local and international marketing campaign pre-launch</li> <li>Secure key early anchor orders locally which gave the Company the confidence to launch the CB</li> <li>Build a book of demand that was 8x oversubscribed</li> <li>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</li> <li>Provide extremely attractive financing terms for Implats, well inside normal debt levels in South Africa</li> </ul>	<p><b>Paladin Energy Financing</b></p> <ul style="list-style-type: none"> <li>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)</li> <li>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</li> <li>The facilities reached financial close during January 2014</li> </ul>	<p><b>Diamond Technology Park (DTP), BWP68.7mn, Lender</b></p> <ul style="list-style-type: none"> <li>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.</li> </ul>	<p><b>BCM International Limited</b></p> <ul style="list-style-type: none"> <li>Standard Bank was a joint mandated lead arranger with Caterpillar Financial Services</li> <li>Additionally, Standard Bank was a lender in an amount totalling USD 9.4 million towards the purchase of mining equipment</li> <li>Standard Bank is also acting as both Facility and Security Agent for the transaction</li> </ul>



Moving Forward™

# Power blackouts

## ○ Crisis hits industry hard

By Chiku Jere

**E**lectricity crisis characterised by persistent power blackouts has continued to weigh on the productivity of mining and other key economic sectors in Malawi with many industry players opting to generate their own power mainly using diesel powered generators.

A snap survey by Mining & Trade Review has revealed that sale of diesel powered generators has become big business in Malawi as the industry is still uncertain on whether the government will find a solution to the persistent power crisis.

On its part, Escom has been placing advertisements in

newspapers claiming that the power crisis is as a result of low water levels in Lake Malawi, which is limiting generation of electricity at its power stations located on the Shire River-an outlet of Lake Malawi.

Escom's Marketing and Business Development Manager, Wiseman Kabwazi, told Mining & Trade Review that the parastatal has the capacity to provide power to the industry if it shifts production to night hours when the demand from its consumers is a bit lower.

However, Kabwazi could not provide answers to our

questionnaire in which we wanted him to explain why blackouts extend into the night despite his suggestions.

Malawi's largest mining investment, the Kayelekera Uranium Mine, which is now on care and maintenance, was powered by diesel generators.

"There is need for Malawi to seriously look at means on how the country can address this energy problem, because investing in Malawi is proving too risky with this power deficiency issue," said



Under pressure Escom officials attributed blackouts to low water levels

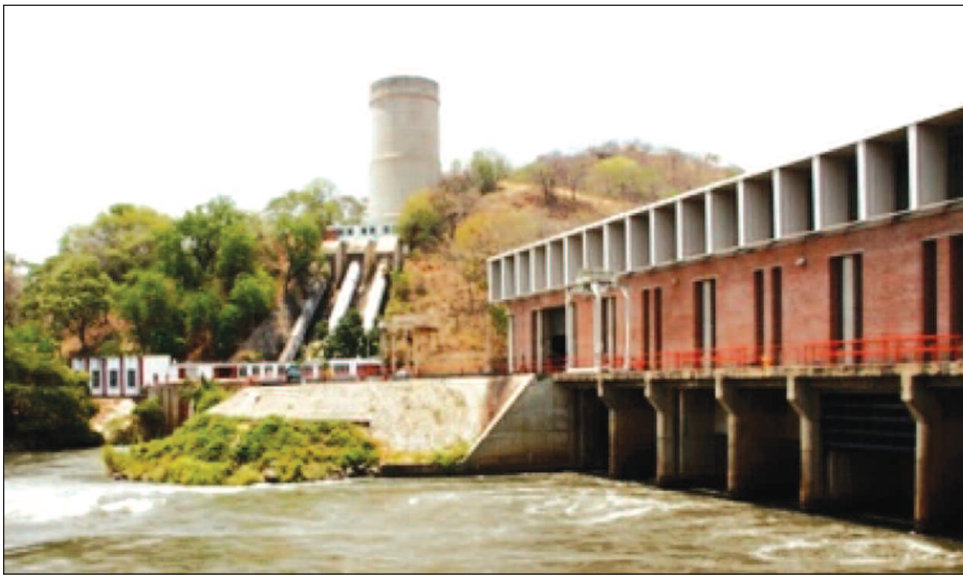
former Paladin Africa General Manager Gregory Walker in his presentation at this year's Malawi Investment Forum.

A document sourced from the Department of Energy Affairs indicates that Malawi's current electricity consumption falls way behind at 85 kWh per capita, with a minimal overall access rate of 9.8% with less than 2% in rural areas, while in Africa it is at 579 kWh, and the World uses 2,777 kWh.

The paper notes that country's total installed power generation capacity is 351.75 MW against a demand of over 450 MW, projecting a rapid growth of demand to over 1000 MW by 2020.

According to the paper, Malawi is prone to an energy crisis because it does not have diverse sources as 99% of the electricity is generated from hydropower stations cascaded on Shire River with only 4.5 MW generated on Wovwe River in the North.

It attributes the intermittent power supply to a number of factors among them, inadequate generation capacity, ageing transmission and distribution networks, non -cost reflective tariffs, as well as environmental degradation or deforestation.



Nkula is one of Escom's power plants on Shire River



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