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Cement industry woes worsen



Shayona Cement Corporation plant in Kasungu employs over a thousand Malawians

INSIDE



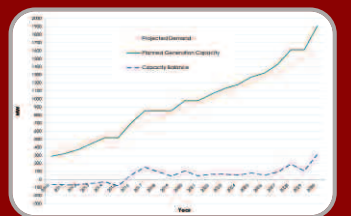
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As Dangote Cement imports saturate market

By Marcel Chimwala

There is growing frustration among local cement manufacturers as massive importation of the product has pushed the industry off its rails threatening the future of investments that have continued to relieve more desperate Malawians from the bondage of unemployment.

The situation has worsened following the move by government to continue granting cement import licences to local distributors who are mostly ferrying Dangote Cement from neighbouring Zambia despite pleas from local cement producers to suspend the process to protect the local investments.

Managing Director for Cement Products Limited, Aslam Gaffar,

told *Mining & Trade Review* that he is now tired of pursuing the government on the issue which has a knock on effect on the company's plans to commission a new clinker plant in Mangochi where it has mineral rights over a limestone deposit.

"We have been talking about this for over two years now and nothing has changed so let the government do what they want to do. Maybe their plan is that there should be no manufacturing here and Malawi should be getting cement from Zambia," he said.

Managing Director for Shayona Cement, Jitendra Patel, said it is imperative for the government to control cement imports and support local investments such as the expansion of the Shayona factory in Kasungu if the country is to achieve socio-economic development.

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Malawi Government
Ministry of Finance, Economic Planning and Development



PRESS RELEASE

December 2016

FOR IMMEDIATE RELEASE



H.E. State President Arthur Peter Mutharika declared Malawi's commitment to EITI

Following this expressed commitment, in keeping with the EITI standard, the Minister responsible for Finance was selected to champion the initiative in Malawi, leading to the creation of the Malawi Extractive Industries Transparency Initiative (MWEITI) whose secretariat is housed in the Ministry of Finance, Economic Planning and Development. A MWEITI Multi-Stakeholder Group (MSG), made up of government institutions, civil society organisations and the private sector, was formed in 2015. Since its formation, the MSG has developed a roadmap and made an application to EITI International Secretariat for Malawi's candidature

I. The Extractive Industries Transparency Initiative (EITI) is a global standard that promotes transparency and accountability in the extractive sector (mining, oil, gas and forestry). It has a robust yet flexible methodology for monitoring and reconciling company payments and government revenues from the extractive industries. Companies publish what they pay and governments publish what they receive in an EITI report. Each implementing country creates its own EITI process adapted to the specific needs of the country.

II. The Malawi Government resolved to join the EITI in June 2014 when His Excellency the State President made a declaration during the State of the Nation Address.

drafting of these policy documents, which must be submitted and published by 1st January 2017. In order to finalise the drafting of these documents, and also to ensure popular ownership, the MSG has decided to engage various stakeholders.

VI. The MSG, therefore, has organised consultative workshops on developing the BOD Roadmap and the Open Data Policy to support EITI implementation in Malawi. Three of the workshops have already been conducted as follows:

- a. Consultative workshop with Media and CSOs was held on 8th December 2016, at the Sogecoa Golden Peacock Hotel, Lilongwe from 8:00 am to 12:00 noon;
- b. Consultative workshop with Government Ministries, Departments and Agencies (MDAs) was held on 8th December 2016, at the Sogecoa Golden Peacock Hotel, Lilongwe, from 14:00 pm to 17:30 pm;
- c. Consultative workshop with natural resource companies was held on 9th December, 2016, at the Sogecoa Golden Peacock Hotel, Lilongwe, from 8:00 am to 12:00 noon;

The last consultative workshop with all other relevant stakeholders will be held on 15th December, 2016, at Bingu International Conference Centre (BICC), Lilongwe, starting from 8:00 am.

VII. It is, therefore, expected that the participation of the aforementioned constituencies (the Media, CSOs, Government MDAs and Natural Resource



Minister of Finance Economic Planning and Development, Goodall Gondwe, is the Malawi's EITI 'Champion'



One of consultative workshops that MWEITI held with the media and CSOs



Members of MSG from various constituencies who attended the 10th Ordinary Meeting

status, which was granted on 22 October 2015 when the EITI Board met in Berne, Switzerland.

III. With the financial support from the Government and its development partners, the MSG is implementing its 3-year Workplan, in keeping with the process towards attaining EITI "compliant status". Being declared compliant means implementing the new 2016 EITI Standard. This standard requires that all EITI implementing countries should develop and implement a roadmap for the disclosure of beneficial owners of extractive assets by 1st January, 2017. By the same date, all EITI implementing countries are also required to develop an Open Data Policy, which aims at ensuring that data relating to natural resources revenue and expenditure is easily accessible, user friendly and understood, and should raise public debate.

IV. The Beneficial Ownership Disclosure Roadmap (BOD) includes plans and activities on how the Government will ensure that corporate entities that bid for or invest in extractive assets disclose the identities of their beneficial owners. A beneficial owner is defined as the living human being who ultimately profits from a company's activities or controls a company's activities. On the other hand, the Open Data Policy relates to access and usage of open data, which is digital data that is made available with the technical and legal characteristics necessary for it to be freely used, reused, and redistributed by anyone, anytime and anywhere.

V. The MWEITI MSG, with the support of the MWEITI Secretariat, has initiated the

Companies) will assist the MWEITI MSG to finalise these two policy documents, which are critical in improving the public's access to extractive sector data, thereby promoting transparency and accountability, and enhancing good governance in the extractive industries.

VIII. It is against this background that the EITI Secretariat is appealing for public participation in the development of the two policies. Citizens are urged to supply their input through either:

- a. Attending the remaining workshop, or
- b. Submitting their suggestions on the two policy documents through email to Mr. Keith Matanda.

IX. For further information, please contact the MWEITI Secretariat through Keith Matanda on 0885636390 or email: kmatanda@gmail.com.

Ronald Mangani
 Secretary to the Treasury
 Ministry of Finance, Economic Planning and Development
 P.O Box 30049
 Capital Hill
 Lilongwe 3

...from front page He said besides providing employment to Malawians, the cement companies support the government in a number of ways including the provision of social amenities as part of corporate social responsibility programmes.

“The government has to appreciate our role as a partner in development and protect our investments. It has to understand that by encouraging cement imports, it is exporting jobs to those cement producing countries and this is retrogressive at this time when all the countries are fighting to retain jobs,” he said.

The Government has, however, defended its decision to introduce licences for cement importers saying the move is important to protect consumers in a monopolized local industry and to prevent smuggling.

Spokesperson for the Ministry of Industry and Trade, Wiskes Mkombezi, said the coming in of imported cement has leveled the playing field in so doing ensuring that the product is sold at competitive prices for the benefit of the consumers.

“The Ministry is encouraging business persons to import cement and pay duty in order to promote competition in the industry and ensure that prices are affordable to consumers,” he said.

He, however, lamented the problem of cement smuggling which he said is distorting the health situation on the market and robbing the government of revenue accrued from payment of import duty.

But industry analysts dismiss government’s assertion saying there can never be health competition between cement produced in different environments.

“The production cost in Malawi is higher than in most of the neighbouring countries due to different variables so it is unfair to let locally made products compete at the same level with the imported ones,” said Coordinator for Malawi Chamber of Mines and Energy, Grain Malunga.

Malunga explained that in countries like Malawi where cost of production for cement is high due to environmental factors, there is need to guard against unfair competition such as “dumping” of foreign cement products.

“Profit margin for cement sales are less and there is need to have access to cheap power, high quality limestone and proximity to good markets and other raw materials which are not always readily available in Malawi,” he said.

He, therefore, advised the government to deal with the issue of cement carefully observing that the industry is very sensitive to legal and regulatory instability.

Despite the turbulence on the market, Malawi’s cement companies continue to invest in projects to improve their service delivery.

For instance, Shayona is constructing a new state of the art cement plant in Kasungu, Cement Products Limited is pursuing plans to set up a clinker plant in Mangochi while La Farge Holcim Malawi has launched a new state of the art cement filling machine to improve service delivery.

“Our continued hunger to improve service delivery emanates from recognition of the existence of competitive business environment which moves the company to always strive to benchmark with other competitors to maintain our foothold-grip on our long-standing status as the world’s best cement producer,” said La Farge Holcim Malawi Managing Director Ilse Boshoff at the launching ceremony of the German-made Roto packer that was held at the company’s premises in Blantyre.

But investigations by *Mining & Trade Review* indicate that the local companies continue to lose their market share to the Dangote group, which is spreading its wings in Africa.

Our visit to shops in Lilongwe unearthed that suppliers of Dangote Cement, which is commonly found in the capital city, are offering lower prices to customers mostly contractors who buy the cement in bulk as a way of outdoing their competitors.

The Dangote group is owned by Nigerian billionaire Aliko Dangote, Africa’s richest man who reportedly met

President Arthur Peter Mutharika in UK, and was invited to attend the Malawi Investment Forum held in Lilongwe in 2015 only to fail to turn up at the 11th hour.

In Zambia, the prices of cement fell sharply when the Dangote brand entered the market triggering a myriad of speculations that the billionaire deliberately subsidizes production costs to offer low cement prices and kill off competition.

The Dangote group owns a 1.5-million tonnes per annum cement plant in Ndola, Zambia, a 3-million tonnes

per annum cement plant in Mtwara, Tanzania and is also planning investments in Zimbabwe.

Meanwhile, imported Dangote Cement is flooding the Zimbabwe market and press reports indicate that local producers including LafargeHolcim, Sino Zimbabwe and Johannesburg-based PPC Limited are calling upon the Zimbabwean government to impose a tariff of up to US\$50 per metric tonne on imported cement produced at lower costs in neighbouring countries ■

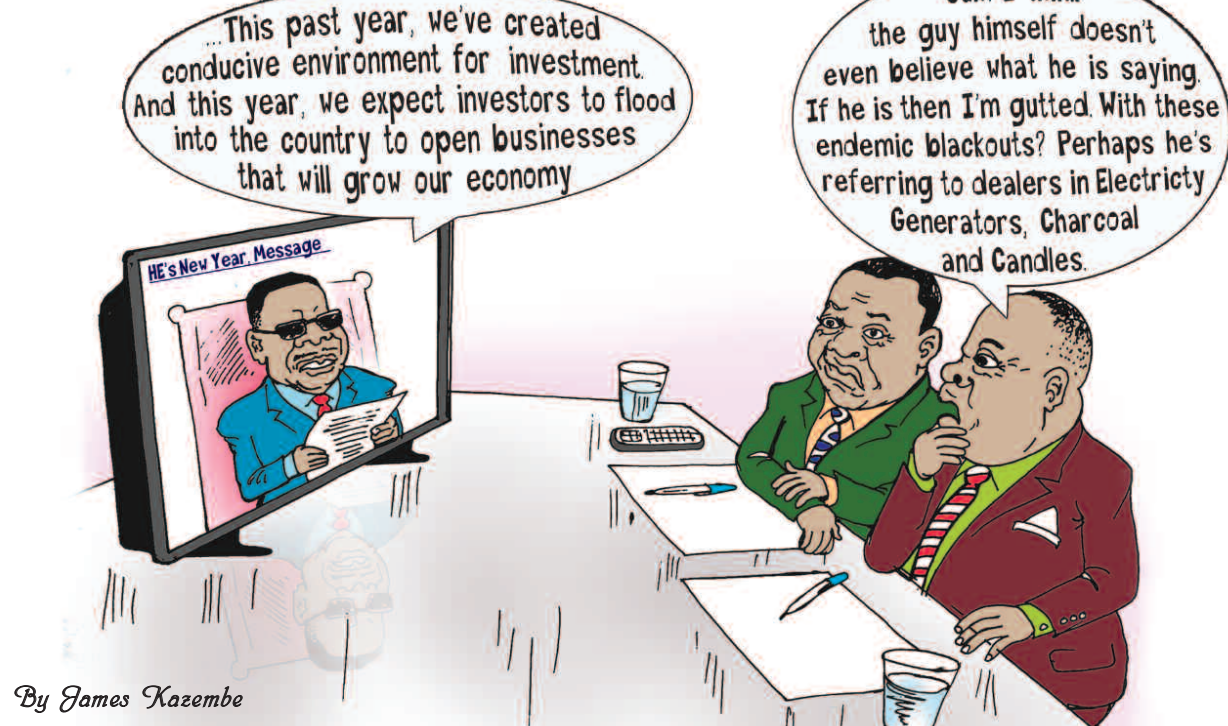
Dangote Fact File



With an estimated net-worth of \$24.5 billion (Bloomberg, 2014), Aliko Dangote has emerged as a self-made billionaire on a continent filled with abject poverty.

1. Dangote was born on April 10, 1957 in Kano State, Nigeria. He was raised in a wealthy merchant family which specialised in the kola and groundnuts trade.
2. From an early age, he always had an interest for business, selling boxes of sweets to people while in primary school.
3. He is a graduate of Al-Azhar University in Egypt with a degree in Business.
4. Back then, his trading firm was financed with a loan of US\$3,000 which he borrowed from his uncle. The business focused primarily on the importation of soft commodities – sugar, salt and flour. This was notably at a time when the Nigerian military government exercised tight controls on the economy, illustrating Dangote’s doggedness.
5. Today, that same small trading firm has emerged to become a Pan-African conglomerate worth trillions of naira. Countries of operation are 15 in total including Benin, Togo, Tanzania and of course, Nigeria. At home, his publicly listed companies reportedly account for one-third of the Nigerian Stock Exchange.
6. The conglomerate consists of Africa’s biggest cement producer and the world’s third-largest sugar refinery. He also has stakes in the telecommunications industry, building 14,000 kilometres of fibre optic cables nationwide.
7. He has big plans to set up a crude oil refinery in Nigeria, a much-needed solution to the oil-rich nation’s dependence on petroleum imports. The project would also lead to production of fertilizers and polypropylene, used for plastics.
8. Dangote has received several accolades over the years in recognition of his achievements. These include Forbes Africa Person of the Year award in 2014. He was also ranked as #71 on Forbes Most Powerful list in 2015, #51 on its 2016 list of billionaires.
9. The 58 year old is happily married and the proud father of three daughters – Zainab, Salma and Halima.

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Mining communities urge MPs to pass Mines Bill

“We are suffering due to lack of effective mining legislation”



Mining communities and MPs sharing a table during the dinner

By Chiku Jere

Communities from mining areas last month had an opportunity to meet Members of Parliament at an interface dinner in Lilongwe and had one demanding but common voice to the legislators – “Table and Pass the Mines and Minerals Bill and stop the suffering we are facing!”

Centre for Environmental Policy and Advocacy (CEPA) and Catholic Commission for Justice and Peace (CCJP) under the banner of Natural Resources Justice Network (NRJN) organised the meeting between 25 members of Parliamentary Committee on Natural Resources and Climate Change (PCNRCC) and 15 community representatives from three mining districts of Karonga, Mzimba and Phalombe at Lilongwe Hotel on December 14, 2016.

During the interface, the citizens gave passionate recount of unpleasant experiences and injustices they have encountered in respect to mining activities in their respective areas, which have remained unabated under the current legal framework deemed to be outdated.

Justice Mwaulambo, a community representative from Karonga’s Mwaulambo area where Eland Coal Mine Company Limited opened a coal mine in 2007 which it later unceremoniously abandoned said people continue to suffer in the area due to environmental complications as a result of the mining operations.

In his address to the MPs, Mwaulambo, who is a son to

Group Village Headman of the area situated almost 30 kilometers away from Karonga business centre, said the Mwaulambo Coal Mine deal was a sham from the start.

“The investor ignored the entire procedures. Even chiefs were not consulted. We only came to know about the existence of the investor at the site when work had already begun. When we questioned their mission on our land, their only explanation was that they had been awarded licences to mine coal in the area and that we should ask government for details,” he said.

Mwaulambo explained that before the communities could seek clarification from government, huge machinery had already been installed at the site.

This marked the beginning of a telling ordeal for the citizens, as they were subjected to unfair treatment in the whole process of the mining activity.

“Imagine during what they termed Phase 1 relocation, 17 households were told to move and were given a meagre compensation of only K45,000 per household -K15,000 for the house and K30,000 for the land,” claimed Mwaulambo.

However, things improved during Phase 2 after the intervention of Church and Society Programme of the Livingstonia Synod with funding from Tilitonse Fund, which successfully pushed for fair compensation packages for 20 households ranging up to MK3million per household.

But the joy for the improved compensation packages did not last long though as the impact of immense environmental damage to the area begun to be felt.



Chiphwanya: CCJP National Secretary

First, he said, was the problem of water contamination on the area’s much-relied-upon Lufilya River, which led to the death of fish and exposed the communities to health implications.

The company has since closed shop and left the site without fulfilling mine closure obligations which demand that the investor rehabilitates the environment at the mining site.

cont. on page 9

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EDITORIAL



BY MARCEL CHIMWALA,
PUBLISHING EDITOR

Govt needs to protect local cement investments

Malawi's economic malaise has over the years seen multinationals closing their factories and opting to import their products from sister companies in neighbouring countries where due to a number of variables such as adequate low-cost electricity from the main grid, production costs are reasonably low.

Despite such a sad syndrome, there are some investors in the cement industry who have shown courage and determination to invest in Malawi against all odds.

Such companies include Shayona Cement and Cement Products, which are investing in new clinker plants to expand production and LafargeHolcim Malawi which continues to invest in new technologies to improve service delivery.

As reported in our main article, in pursuing their investments, these firms continue to provide employment to Malawians and carry out corporate social responsibility projects to improve sectors such as health, education and agriculture in areas where they are carrying out their projects.

It is, however, unfortunate that in the face of a government which claims to promote investment, these cement manufacturers are facing stiff competition from imported cement mainly from Dangote Cement, a giant brand which has taken the market by storm not only in Malawi but also in other African countries.

We, therefore, join cement manufacturers in urging the government to put in place policies to check the importation of such cement to protect the local industry from collapsing.

We feel Ministry of Industry and Trade's claims that it is encouraging cement importation to protect consumers from exploitation because the local industry is monopolized and charge exorbitant prices do not hold water because there is already competition among local producers.

The government should also take into account that production costs in Malawi are higher than in neighbouring countries due to a number of factors including unavailability of low-cost energy and poor transport infrastructure.

Therefore, it is unfair for the companies that the government is backing cement importers to bring in low-cost cement as a matter of leveling the playground.

It should also be understood that the local firms source some of the raw materials such as limestone, gypsum and clay locally so in killing these firms in support of the importers, the government is also killing the businesses of local miners who supply raw materials to these companies.

Likewise, the government is not doing any favour to suppliers of equipment, factory clothing, foodstuffs and all the other necessities required at the local factories.

Listening to President Arthur Peter Mutharika's New Year Message, as usual the catch word was "investment" implying the President is very keen on attracting investment which we feel is very important for an impoverished nation like Malawi which needs adequate Foreign Direct Investment to get to its feet.

However, it has to be noted that the best way of attracting investors is to treat fairly the existing investors.

Surely, investors such as Billionaire Aliko Dangote would decide to open a cement plant in Malawi after establishing that the investment climate is conducive to cement manufacturers. Otherwise, if the investment climate favours importers, he will just continue saturating the market with cement produced from Zambia and other neighbouring countries which will be a drain to Malawi's foreign exchange reserves ■

EYE ON MALAWI'S EXTRACTIVES

With Rachel Etter Phoya



Envisioning Mining in Malawi in 2017

Happy New Year! Let's look ahead to some of my aspirations for Malawi's extractive industries in 2017.



- Tabling and passing of a new and improved Mines and Minerals Bill and completion of accompanying regulations.
- Ensuring meaningful and collaborative implementation of the new clause for community development agreements, recognising that this is new territory for all stakeholders.
- Producing the first Malawi Extractive Industries Transparency Initiative report by April 2017.
- Making all agreements signed with exploration and mining companies public and easily accessible.
- Progress on developing the Petroleum Policy, on revising the draft Model Production Sharing Agreement, and on amending the 1983 Petroleum (Exploration and Production) Act.
- Expanding the courses for technical and tertiary training in professions relevant for the mineral value chain.
- Developing Malawi's Country Mining Vision aligned with the Africa Mining Vision.
- Launch of the completed cadastre at the Department of Mines and the Geological Data Management Information System at the Geological Survey Department.
- Finalising and implementing the Draft Artisanal and Small-Scale Mining Policy.
- Greater budget allocations to the Environmental Affairs Department and other key departments involved in environmental monitoring.
- Increases in commodity prices.
- Improvements in infrastructure, particularly electricity access and reliability.
- Better stakeholder relations and communication between Government, residents in mining and exploration communities, industry, civil society, and elected and traditional leaders.

I also look forward to expanding the scope of this column in the *Mining & Trade Review*. This is my 21st column and we have decided to make a few changes.

Over the last two years, this column – formerly Eye on Malawi's EITI – has focussed on following Malawi's journey towards compliance with the Extractive Industries Transparency Initiative (EITI). We joined EITI as a nation in 2014 in a bid to improve transparency and accountability in the management of mining, oil, gas and forestry sectors with a concentration on how to best collect and use revenue from non-renewable resources. We have made great strides in the last two years by establishing a multi-stakeholder group of civil society, government and industry representatives to oversee the process, starting the first reporting cycle, and agreeing to disclose beneficial owners and make contracts public and easily accessible.

EITI is a key part, but only one part, of ensuring Malawi's extractive industry is used to contribute to the national development agenda. It is especially valuable because it brings together as equals stakeholders with different interests. Beyond revenue management, the Africa Mining Vision, endorsed by all African heads of state at the African Union in 2009, points out the importance of enhancing geological and mineral information systems, building human and institutional capacity, promoting artisanal- and small-scale mining, improving mineral sector governance, increasing linkages, investment and diversification, and addressing environmental and social issues. This new column with a slightly new name – Eye on Malawi's Extractives – will give room for more attention on these other areas over the next year while also following EITI. Using this space, I will explore borrowing some words from the Africa Mining Vision, how mineral resources can be exploited transparently, equitably and optimally to underpin broad-based sustainable growth and socio-economic development. Much has already been researched, said and done in these areas across the world, and it is worth reflecting on this as we move forward for our vision as a nation ■

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Malawi tunes up on mini

By Chiku Jere

There has been an outcry from members of the public that Malawi is not adequately benefitting from the exploitation of its mineral resources because the country gets raw deals on mining investments due to failure by government officials to negotiate win-win deals with multinational mining firms.

But it seems this will soon be a thing of the past thanks to the African Minerals Development Centre (AMDC) two-year project entitled “Strengthening the capacity of African governments to negotiate transparent, equitable and sustainable contracts in the Extractive Industries (EI) for broad-based sustainable growth and socio-economic development,” which is being implemented in Malawi and four other pilot countries namely: Chad, Congo, Equatorial Guinea and Niger.

The project launched on June 2, 2016 encompasses training programmes for stakeholders to competently negotiate deals with mining investors who unlike government officials are mostly technically equipped and experienced in negotiating such deals.

In Malawi, the project included a five day African Development Bank Group (AfDB) financed training workshop that drilled local stakeholders in ‘Best Practices for Negotiating and Drafting Mining Contracts’ which took place at Bingu International Convention Centre (BICC) in Lilongwe and attracted participants from government ministries and departments, Malawi Revenue Authority, the private sector, civil society, and Parliamentary Committee on Natural Resources and Climate Change.

AMDC conducted the training workshop in partnership with the African Legal Support Facility (ALSF) and International Senior Lawyers Project (ISLP) under the Africa Mining Vision (AMV), an initiative adopted by African governments in 2009 to ensure that natural resources form inclusive sustainable foundation for the continent’s socio-economic development.

Minister of Natural Resources, Energy and Mining, Bright Msaka SC, whose speech to officially open the workshop was delivered by the Ministry’s Principal Secretary Patrick Matanda, said in the case of Malawi, the project could not have come at an opportune time as the country under the leadership of President Peter Mutharika is undertaking reforms aimed at improving service delivery to its citizenry.

Msaka said for more than a century of mining; many African countries, including Malawi, have not derived maximum benefits from mining in terms of soliciting tangible sustainable development outcomes, including improved livelihoods of people across the continent due to several complex causes including inadequacy in negotiating mining development agreements (MDAs).

He said MDAs are often highly complex and many African governments are less informed about the technical details and geological endowments than the mining companies which come to negotiate, backed by highly qualified international lawyers and reputable technical experts.

“It is, therefore, timely that the AMDC, partnering with the ALSF and ISLP, has considered it necessary to conduct this workshop which will technically and legal-wise equip and empower our negotiating team to ensure sustainable development and exploitation of mineral resources in the country,” Msaka said.

He applauded the AfDB, AMDC, and ALSF for considering Malawi’s mining industry as one of the beneficiaries of the technical and financial support, a development, which he said is in line with the ongoing review of Malawi’s mining sector legal and regulatory framework.



Group photo of Participants at ‘Best Practices for Negotiating and Drafting Mining Contracts’ workshop held at BICC

“It is our ambition to be one of the model countries in Africa whose extractive industries optimally and equitably benefit the citizenry,” he said.

He said with support from AMDC, the Ministry, in conjunction with relevant stakeholders, is also developing

initiatives and efforts made at sub-regional, continental and global levels to formulate policy and regulatory frameworks to maximize the development outcomes of mineral resources exploitation.

ALSF, which is hosted by the AfDB, was set up to



Participants at the workshop listening to opening speeches

an AMV-inspired Country Mining Vision (CMV), to complement other equally important initiatives to ensure promotion of sustainable mineral development in the country.

The AMV is informed by the outcomes of several

strengthen the legal capacity of African governments in negotiation and conclusion of agreements that are sustainable and maximise their economic benefit, and about 40 % of its operations to date constitute that of extractive sector.

ing contracts negotiations



The ALSF has assisted many African countries in negotiation of extractives agreements (petroleum and mining) and in training government officials on negotiation of complex contracts in the extractives sector.

Resident Representative of African Development Bank Group, Andrew Mwaba, said the AfDB believes that the extractive sector can help drive the continent's economic



Mwaba: AfDB Country Representative

He pointed out that the Bank has a long history of involvement in Africa's extractive resources sector and over the years, the entity has been working with African countries in promoting private investment, institutional capacity building; facilitating policy reforms and in providing direct investment in private sector operations.

He said such initiatives are necessary because Africa's rich natural resources -land, water, forests and minerals- have become valuable in global trade and the object of investor attention.

"We believe that sustainable investments in the sector are inextricably linked to economic growth, job creation and by extension poverty alleviation in Africa," he said.

In his remarks, Senior Mining Engineer and Coordinating Officer of AMDC/ALSF led projects in Malawi's extractive sector, Cassius Chiwambo, said Malawi will hugely benefit from the capacity building project, which covers all critical areas of MDA's including fiscal, environmental and technical.



Msaka: Want minerals to equitably benefit the citizenry

resources are used to benefit the citizens of a particular country as well as the continent.

Busia said: "In this sense, it goes beyond the issue of just simply mineral sector policy but rather it goes to the heart of how we view minerals and what role we want mineral resources to play in the economy and society at large."

"We have to ensure that contracts are on board human resource development, technology transfer, safety measures and transparency, which are needed for growth and development."

More recently, the issue of illicit financial flows in the extractive sector has attracted attention on the continent with former South African President Thabo Mbeki led high-level panel on Illicit Financial Flows (IFFs) revealing the loss of the continent's much needed funds for investment and developmental spending.

The panel disclosed that over 50 billion dollars leave the continent every year driven largely by the extractives sector.



PS Matanda who represented the minister at the event



Busia: AMDC Director & Coordinator



Joseph Bell: Legal matter consultant -a partner at Hogan Lovells US LLP



Hon. Chilenga: Chair of PCNRCC



Chiwambo: Sr. Mining Engineer & Malawi AMDC/ALSF Coordinator

transformation by providing much needed resources for inclusive, sustainable and diversified development.

"So to reap the full benefits from our natural resources and catalyse economic growth and development, countries need to address some of the challenges being faced in the extractive resources sector - among them, policy weaknesses and unfairly negotiated extractives contracts," he said.

Mwaba said the AfDB is committed to working with African countries to address some of these challenges and to ensure that African countries derive the maximum benefits from their natural resources.

Chiwambo, an expert in technical and mineral law, conquered with Msaka on the timeliness of the project saying Malawi may soon start engaging mining companies in contract negotiations.

"There are already several projects in advanced stages of their exploration and we hope this training will equip us to engage the mining firms. Possibly, there will not be talk of Malawi getting a raw deal on a mining investment in the future," said Chiwambo.

On his part, AMDC Director and Coordinator, Dr. Kojo Busia, said contract negotiation is the cornerstone of the Africa Mining Vision as it goes to the heart of how mineral

In this regard, Busia advanced the need for stronger contracts governing the declaration and payment of taxes at each step in the mineral value chain and the need for tougher rules and measures to be enforced both within Africa and abroad.

According to AfDB, if fully utilized, Malawi's natural resources will contribute over USD 30 billion annually in government revenues over the next 20 years.

The Bank also estimates that revenues from oil, gas and natural resource discoveries could contribute between 9% and 31% of additional government revenues for the first ten years of production ■



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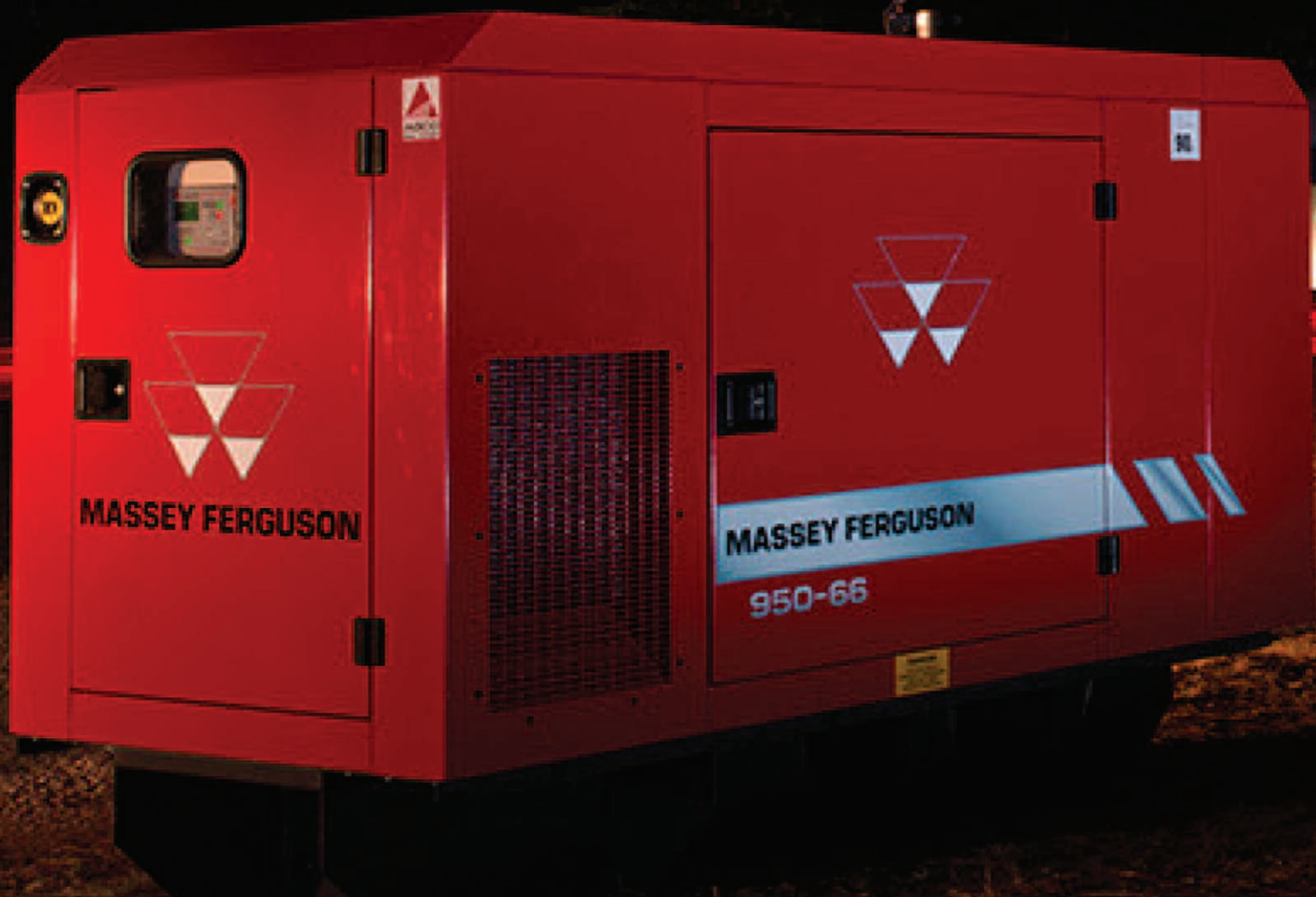
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...from page 10 Records indicate that the then Ministry of Energy and Mines, now Ministry of Natural Resources, Energy and Mining, granted a mining licence to Eland to mine coal at the site on December 19, 2007, after the Environmental Impact Assessment approval by Department of Environmental Affairs through National Committee on Environment.

But Mwaulambo told the PCNRCC that what is now left are heaps of useless coal and deep gullies filled with water believed to be toxic and is a health hazard to people and their livestock such as cattle, goats and pigs.

He also lamented that the coal spillage and dust has led to the loss of soil fertility in the area, rendering the land agriculturally less productive.

He claimed that a farmer, who used to produce over ten bags of rice before Eland's mining activity, is now yielding less than five bags, because rice fields are now contaminated with coal dusts.

"We expected development which could have brought happiness to our area, only to be left in tears. We suffered a lot when mining was going on and we are still suffering

and betrayed," he said.

Nkhata implored the MPs to push the authorities to compensate the Kanyika people for the five years of disturbance they suffered after they were stopped from developing their households, let alone farming their land.

He also urged the MPs to make sure that the new mining law is quickly passed as the communities think that it could have prevented the injustices they have suffered as a result of mining activities in their areas.

On his part, Songwe Mining Action Group chairperson



Nkhata from Mzimba Kanyika area spelling out woes to the MPs

Joster Namonde, said though they have not faced major problems with M k a n g o Resources, currently exploring for rare earths at Songwe Hill in Phalombe, it is important that the legislatures pass the Mines and Minerals Bill (MMB) because communities view it as a tool that will safeguard the interests of communities in mining areas.

"We are told this law addresses many aspects that will benefit us. We have heard that it includes issues of transparency, addresses dangers of mines, protects the environment, looks into revenue accountability and also tackles the issue of Community Development Agreements. Please do us a favour as our representatives, pass this law and we will be happy,"



Hon. Nyirenda: We will do the needful

Chilenga, among other things, said that the committee is not comfortable with a stipulation in the bill that delegates the task of mining revenue collection to the Malawi Revenue Authority (MRA) which, he said, implies that the money collected will end up in government's **Account Number 1**.

He said his committee and many other members in the house want proceeds from mining revenue into a separate account for easy monitoring and accountability.

"We want people to be able to trace what development activity, particularly monumental infrastructural development – roads, hospitals, stadiums, and what have you, have been derived from mining revenue," he said.

MP for Nkhata Bay North West Commodious Nyirenda said the passing of a mining law that serves the interests of the people and the nation will be a non-partisan endeavour in as far as the consensus of members of the committee is concerned.

"We cannot afford to betray both our people as well as our conscious on this one, because the stakes are so high, as this law deals with the long term future of this beloved nation," he said.

On the Kanyika issue, the committee promised to inform the Secretariat of Parliament to produce a report on the matter for further action, while on Mwaulambo Mine they assured the community that they will lobby for funding to have the gullies filled.

In his opening remarks, CCJP National Secretary,

Martin Chiphwanya, said the interface dinner was planned to give a chance to people to have face to face encounter with their representatives in parliament on what they want to be in the bill in order to avert the problems they have faced before.

He said interaction will help the legislatures appreciate the needs of the communities in as far as the mining law is concerned by hearing it from the horse's mouth

"Ideally, we want the bill to have input from the people from the grassroots, because they are the ones facing direct impact of mining activities in their areas. On the other hand, we want MPs, whom the communities elected as representatives, to champion what is in the best interest of the people of this country," he said.

Chiphwanya stressed that mining communities' needs need to be heard and upheld in the new mining law.

Coincidentally, the interactions took place on the same day parliamentarians passed the Access to Information Bill (ATI), and participants cheered as the MPs, one by one trickled into the dinner room after a long day in Parliament where they passed the ATI.

According to Chiphwanya, the passing of the ATI

Bill was equally important as it will compliment the yet to be passed MMB in enhancing good governance in the minerals sector.

"What I can say is that ATI is a sister to MMB, so we applaud our honourable members for doing the needful in passing the law that will facilitate access

to information in all government dealings to ensure transparency and accountability, and we believe they will equally do the same once the MMB is presented to the House," he said.

The country's mining sector still operates under the 1981 Mines and Mineral Act which has been declared 'archaic' and 'outdated' by stakeholders in the sector as it does not address the dynamics synonymous with a modern mining industry ■



Mwaulambo narrating the ordeal before MPs

after mine closure. Please make sure that when formulating this new law, it should carry remedies for the problems we have faced," concluded Mwaulambo.

A similar story came from John Nkhata, chairperson of Kanyika Mining Native Forum (KAMNAF), a community grouping formed to advocate for the interests of the people from areas surrounding Globe Metals and Mining's Kanyika Niobium Project in Mzimba.

Nkhata said people had high expectations after they were told that a mining project was coming in their areas and they will cart home with handsome packages as compensation.

"We were told to stop farming our land, which we obliged and 248 households were earmarked for relocation. When we saw heavy machinery arrive, we thought that was it but alas! We were cheated for that was the beginning of our miseries," he said.

Nkhata explained that the heavy machinery exploration works resulted in pollution of their farming land.

"The company cleared a large stretch of land, felling a lot of trees and we believe this is what has caused a widely-felt environmental glitch that has a disturbed the rainfall pattern, as we no longer experience good rains for our crops as before," he claimed.

Five years down the line, Nkhata said, the project's future is uncertain, so are all the promises of employment, business opportunities and infrastructural development.

"It appears the promised infrastructure including schools, hospitals and banks will no longer become a reality despite years of sacrifice. We really feel abandoned



Namonde from Phalombe-Songwe Hill area urging legislatures to pass the Bill

said Namonde.

In response, the MPs gave a solemn promise to pass the law once it is presented in the House; saying hearing it from the people themselves, they feel compelled to do the needful.

"We will do everything possible to pass this bill into law, but we'll have to vet it first, and confirm that it addresses the interests of the citizens, let alone, that of the nation," said Welani Chilenga, PCNRCC chairperson.

He said that there is a consensus within the committee to come up with a people centred mining law because they feel duty bound to do so, as they are representatives of the people.

"How will we face our bosses – the people who sent us to Parliament – if we fail them on this?" said Chilenga.

Nevertheless, he highlighted what he described as shortfalls that need to be addressed before the Bill is passed into Law.



One of the MPs assuring communities that they will pass the Bill into Law



MP Aisha Adams (in Hijab) making an explanation



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TECHNICAL FILE

by Grain Wyson Phillip Malunga FIMMM
Mining and Environmental Management Expert

From Poverty to Prosperity in Malawi

Abstract

The development agenda for Malawi seems to be missing the key to kick-start. Energy and skills development should be in the fore front to transform Malawi from poverty to prosperity. The above combined by transport and agro processing form a good linkage with the mining sector. Greenbelt Irrigation development and tourism come in as other areas of priority for economic development. This paper tries to narrate this thinking.

Introduction

The country is undergoing a series of economic shocks requiring getting out of traditional and theoretical thinking. Listening to people's aspiration and the author's independent analysis, there is need to have a period of deviating from common economic development theories and concentrate on Energy development, skills development, mining and transport infrastructure, commercial agriculture (focussing on commercial agriculture agro processing) and tourism. It is worth noting that countries that are developing rapidly have infrastructure services and manufacturing ahead of agriculture. The first two create wealth and the last one promotes food security.

Energy

Energy is the driver of any industrialisation. Energy capacity should always be ahead of demand. Energy is required for irrigation farming and agro processing, mining and mineral processing, manufacturing and services. The activities mentioned above are the main source of government revenue through taxation and fees.

There is need to continue upgrading transmission and distribution systems ahead of increasing generation capacity. Focus should now be through hydropower generation using dams and thermal power using clean technologies. Regional interconnectivity should offer an opportunity to export power and not rely on drawing power from neighbouring countries.

Issuing of licenses to Independent Power Producers (IPP) should be simple with clear negotiation path. Economic rent seeking and inefficient administrative procedures frustrate investments. The guiding principles should be provisions in the energy policy, strategies and recent electricity laws.

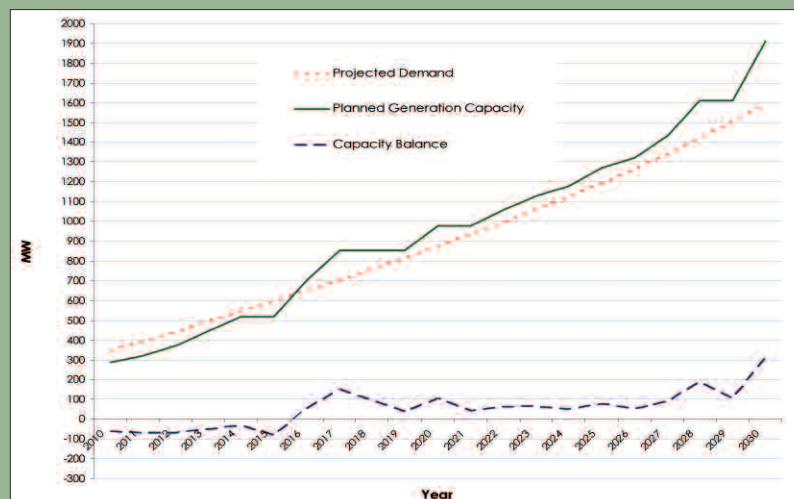
Malawi generates about 353.1 MW the majority of which is hydro power (Table 1)

Table 1: Malawi's power generation capacity

Power Station	Total Installed Capacity
Kapichira Falls	129.6 MW
Nkula	124 MW
Tedzani	92.7 MW
Wowwe Mini Hydro	4.35 MW
Mzuzu Diesel Unit	1.1 MW
Likoma Islands Diesel Units	1.050MW
Chizumulu Islands Diesel Units	2 Units at 150 KW each
Total	353.1 MW

The current electricity generation does not give hope to industrialisation or manufacturing. Malawi Electricity Investment plan (2010) projected energy demand which is currently at around 650 MW, 850 MW in 2020, 1150 MW in 2025 and 1,550 MW in 2030. The growing demand is attributed to industrialisation and increased prospects in the mining sector.

Figure 1: Electricity Demand Analysis (Source: Malawi Electricity Investment plan, 2010)



There is a lot of hydro power potential in Malawi on Ruo, Bua, South and North Rukuru; and Songwe Rivers (Table 2).

Table 2: Investment potential for hydropower generation (various sources)

PROJECT DESCRIPTION	POTENTIAL CAPACITY (MW)	INVESTMENT COST ESTIMATE (MW)	
SHORT TERM INVESTMENT OPPORTUNITIES (0-5 Years)			
Upgrading of Nkula A Hydro Power Plant	Shire River	26	25.0
Ruo River Power plant	Zoa	41	57.0
Lunyina Mini Hydro Power Plant	Nyika	7	10.5
Sub Total		74	92.5
MEDIUM TERM INVESTMENT OPPORTUNITIES (5-10 Years)			
Coal Fired Power Plant	Northern Coal Field	300	400.0
Songwe River Basin Hydro Power Project	Manolo	150	218.0
	Mbongozi (Dam)	55	40.0
Shire River	Mpatamanga	310	310.0
South Rukuru River	Lower Fufu	170	140.0
North Rukuru River	Kayelekera	10	20.0
Installation of Wind Systems	Hills and Mountains	25	5.0
Sub Total		1,020	1,133
LONG TERM INVESTMENT OPPORTUNITIES (More than 10 years)			
Shire River	Kholombidzo	365	410.0
Dwambazi River	Chimgonda	50	31.0
Shire River	Rumphi	15	75
	Henga Valley	40	200
	Fufu Falls High Dam	175	300
Sub Total		645	1,085
GRAND TOTAL		1,729	2,310.5

Wind energy installation is possible in areas with adequate wind speeds. The minimum annual average wind speed should be rated at 6.7 m/s while the average cut-in speed should be 4m/s and average rated speed is 12 m/s. Wind energy is used to drive wind turbines which are connected to a generator for electricity generation. Table 3 shows that the month of October, has highest wind regime which is suitable for harnessing. Districts like Chitipa, Nkhonkhotakota, and Blantyre have wind speeds ranging from 3.1m/s to 9.6m/s almost the whole year. This means that at heights of more than 20 metres these places should have higher wind speeds which can easily be harnessed for power generation.

from page 9



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...from page 10 Table 3: Wind speed measurements in selected areas of Malawi at about 20 metres height (Source: Climate Change and Meteorological Department)

STATION	JAN	APR	JUL	OCT	MEAN
Chitipa	3.1	5.6	7.7	9.6	6.3
Karonga	2.8	3.7	4.5	4.7	3.8
Mzimba	2.3	3.0	4.0	4.7	3.4
Mzuzu	3.3	4.1	3.8	4.8	3.9
Chitedze	2.9	3.0	4.1	5.4	3.9
Nkhota Kota	3.4	4.5	6.0	6.2	5.0
Salima	3.2	4.6	5.1	4.8	4.3
Chichiri	3.5	4.3	5.6	7.1	5.5
Dedza	3.9	4.0	4.1	6.2	4.5
Ntcheu	3.6	4.6	5.0	5.1	4.6
Makoka	3.2	3.2	4.0	5.4	3.9
Chileka	5.3	5.6	6.2	7.4	6.1
Mangochi	2.8	3.7	4.3	4.8	3.8
Bvumbwe	3.3	4.1	4.5	5.5	4.2

The country's two main coal fields, one in the North and the other in the South have proven coal reserves of about 17.5 million metric tonnes and probable reserves of 66 million metric tonnes. The Southern Coal Fields have estimated reserves of 5 million metric tonnes and probable reserves of 10 million metric tonnes. These can easily support coal fired power plants which can generate 300 MW. This will contribute to energy generation diversification. The 300 MW plant will require an annual coal supply of 1 million metric tonnes with an average life span of 40 years. Other efforts include use of imported coal for Kamwamba Coal Fired thermal power plant. Its sustainability depends on peace in Mozambique, interconnection economics and foreign exchange availability. More exploration work on Malawi coal should be encouraged.

High energy consuming mining projects that are failing to take off include Mulanje (**Bauxite**), Salima and Nsanje (**Mineral Sands**) and Kasungu (**tantalum, niobium, uranium**). Kayerekera uranium project is under care and maintenance partly due to lack of cheap hydro power. Energy deficit has contributed to low industrial productivity and inability to attract more industrial projects.

Solar energy is not currently preferred for industrial applications. Experts believe that up to 20% of solar energy generated can find its way into national grids. There is potential to tap solar energy for process heat production. Other studies suggest that about two-thirds of the heat in the 100°C to 400°C range is used in industry at temperature levels lower than 200°C. This can be obtained through solar heating. The challenge is high capital costs, availability at night and affordability. Careful investment analysis is necessary.

Skills Development

Vocational education in Malawi should have the ability to forge a working relationship between learning institutions and the private sector for promoting socio-economic development. Reforms in technological development should reform education systems in Malawi. Areas of focus should be plastic recycling and moulding, automation, electronics, electrical installation, fabrication and welding. Vocational education should be associated with economic goals of promoting production and exporting. This means providing the necessary skills for technological advancement related with agriculture productivity, agro processing, mining and manufacturing.

The above skills development will form very good linkages or promote local content in mining and manufacturing. Expatriate employment will also be reduced.

Mining and Transport infrastructure

The Mining sector has the potential to generate significant economic benefits for Malawi. The Mining Governance and Growth Support Project (MGGSP) has opened efforts to improve governance of the mining sector and unveil mineral potential of the country. The project is focussing on country-wide geological mapping and mineral Assessment. The following activities will be included:

- Geochemical surveys in selected areas
- Enhancing human and infrastructure capacity in the mining sector
- Supporting Artisanal and Small-Scale Mining (ASM) to contribute to economic growth and poverty reduction

Reliable Road Transport infrastructure network will be key to improve access to markets and resource rich areas. Government should look at opening up resource rich areas with the aim of improving access to markets and mineral resources. Priority should be put on roads such as Tsangano Road (T397), Manjawira-Katsekera Road, Malindi Road (S129), Nambazo Road, Kachulu Road (S143), Makawa-Njereza Katema Road (Undesignated), Mbenje-Lulwe-Marka Road (D397), Mzimba-Chisenga-Chitipa Road (M9), Dedza-Kamalinga Road (T371/T375), Mwanza-Chapananga-Chikwawa Road (S136), Mwenitete-Ifumbo Road (T301), Mwandenga- Mwenechendo (S100) and Kalikokha Kapichira Road (S113).

Water Transport should see the launch of budgets for bulk goods transportation north to south of Lake Malawi. Focus should be on transportation of agro products, minerals and fuel. Important ports for rehabilitation should include Chilumba, Nkhata Bay, Nkhota Kota, Chipoka and Monkey Bay.

Rail Transport improvement to include reviving Nsanje port from Beira to Blantyre. Consider extending rail line from Lilongwe to Chitipa via Kasungu and Mzimba (along M9). Bilateral agreement to link Mchinji with Lusaka should be enhanced. The Chitipa line can join the TAZARA Railway line to Dar-es-Salaam. An extension of Chitipa to Karonga is another important link.

Agriculture

The agriculture sector has deteriorated a lot due to reduction in extension workers through natural attrition and due to lack of training adequate technicians. Most Extension Planning Areas have empty vandalised houses. Livestock development has lost direction and most dip tanks are idle or only serve as cattle and goat markets. Farm input subsidy has become the main focus of the ministry and has recently not been effective in providing food security due to poor administrative and distribution logistics.

The fisheries sector faces over-exploitation of valuable fish species and aquaculture programs seem to face implementation and sustainability challenges. The private sector's participation is weak due to inadequate support to access capital and extension work.

Irrigation farming has concentrated on small schemes and greenbelt projects seem to face land acquisition challenges and private sector participation is not clearly supported to introduce commercial irrigation. The greenbelt initiative will be highly successful if incorporation of integrated water resources management is done. This is a concept where water development encompasses hydro power development (**Energy**), portable water supply (**Health**), irrigation development (**agriculture**), and biodiversity sustainability (**ground water recharge for flora and fauna survival**). This in short is WEHAB concept.

Have we ever thought of subsidizing commercial farming with the intention of sharing staple food for poor and vulnerable families? This will be more effective than the farm input subsidy program. At least that is if we are focusing on economic development.

Greenbelt Irrigation should concentrate on river basins such Lower Shire Valley, Bwanje Valley, Kasitu/Henga Valley and Songwe River Basin. These should be managed by River Basin Authorities. This will attract much needed agro-processing, potable water reticulation, livestock development, aquaculture and commercial crops on top of staple food.

Tourism

The Tourism sector can generate foreign exchange and create jobs in the country. Business tourism will thrive with increasing conference facilities and favourable investment climate. Cultural tourism will thrive when we protect our game reserves and national parks through forest regeneration and animal restocking and protection from poaching. There is need to develop human capital skills and infrastructure. Enforce daily reporting of room occupancy in major accommodation facilities. We also need to capture pre-tour payments that happen abroad in order to obtain government's fair share of the revenue.

Encourage participation of local communities in tourism through community-based initiatives.

Direct access to Malawi will reduce air fares. This is sustainable if we concentrate on rebuilding our economy to produce and export valuable goods.

Conclusion

Malawi's economic development success will depend on energy development and skills development to support mining and manufacturing. Agriculture and tourism development are other areas of focus but require reforms to bring about food security and easy foreign exchange generation respectively. Commercial farming should be supported through greenbelt initiatives to modernise and increase agro processing activities for food preservation and export. Revenue from Tourism should be tracked and Malawi as a destination for tourism should be easy and cheap to visit.

The country needs home grown solutions and all skilled and learned citizens should be encouraged to take part in Malawi's economic transformation. Patriotism, hard work and integrity should indeed be the pillar for economic growth.

Our transport systems should be planned in such a way as to cater for access to markets and resource rich areas. We can extend this to rural electrification programs too.

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New consultancy firm to help formalise ASM sector

By Marcel Chimwala

A new consultancy, The Mentorship and Philanthropic Centre (TMPC), has been created to help formalize the artisanal and small scale mining (ASM) sector so that it plays a greater role in socio-economic development.

Consulting Director, Sitabene Majamanda, says her organisation is working with an umbrella body for the ASMs, the Gemstone Association of Malawi, and has formulated a comprehensive programme to empower the ASMs.

“The aim of the Centre is to ensure that ASMs adequately benefit from their business and on the other hand the government collects the stipulated taxes and royalties. It is very unfortunate that many ASMs have been toiling in the business for a long time but they are still poor because they are duped by foreigners mostly middlemen who buy their stones at unrealistically low prices to sell at a whooping profit,” she says.

Majamanda, a former Head of Corporate Banking at FDH Bank, says her consultancy’s programme will include training the ASMs in marketing, business and financial literacy.

She says if well managed, the ASM subsector can be a good source of employment for the country’s youths.

“Why are we waiting for foreign investors to employ our youths when we can use the abundant natural resources we have to generate employment opportunities?” questions Majamanda, who presented the concept to stakeholders who gathered in Mulanje House, World Bank Building in City Centre, Lilongwe.

Gemstone Association of Malawi National Coordinator Qina Lungu says his organisation supports the Centre’s move as it will help in getting rid of illegal miners and stone smugglers.

He also explains that the Centre’s programme is in tandem with his organisation’s plan to work with the government to establish a market centre for gemstones.

Lungu explains that his organization is also lobbying the government to adopt the National Small Scale and Artisanal Mining Policy which is currently in draft form and contains clauses that the government will use as guidelines to regulate the ASM subsector.

According to Majamanda, TMPC was founded by young Malawians in 2016 to deliver an innovative “Change Agent” Social Enterprise Model in Malawi and grow into a halfway house providing cognitive, systemic business incubation services and shared value principles to individuals and organizations with the core aim to changing livelihoods; their niche being the youth and the women and with poverty reduction as a core intent.

The Centre was founded with a conviction to reduce poverty and unemployment levels in Malawi by coordinating social capital and maximizing from the least economic capital available to drive progress through execution.



Majamanda: Middlemen are duping ASMs

The comprehensive programme for the Centre encompasses a number of activities including housing pilot secretariats for ASM cooperatives, presentation of a brief program concept on business incubation and development

Malawi is endowed with a number of gemstones including agate, apatite, aquamarine, amethyst, citrine, garnet, jade, tourmaline, sunstone, sodalite, rose quartz, ruby and sapphire, which are mostly mined by ASMs.



Lungu: Let’s regulate the sector



Chauluka: AHLGX Head of Operations



Chipongwe: MGGSP Coordinator

process for artisanal and SME players in mining, and piloting of the business symposium model with mining, agriculture and energy sector.

It also includes meetings members of staff of the Centre will conduct with ASM cooperatives leaders and representatives of the government and local commodity market, the AHL Commodities Exchange on the establishment of the gemstone market centre.

However, most of the ASMs remain poor despite that they mine the precious stones mainly because of lack of technical and marketing skills and use of primitive equipment such as hand-held hoes.

The meeting at City Centre, among others, attracted Coordinaor for Malawi Growth Governance Support Project (MGGSP) Hastings Chipongwe and AHL Commodities Exchange (AHLGX) Head of Operations Wise Chauluka ■



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