

MALAWI EITI ANNUAL ACTIVITY REPORT 2015



Annual Activity Report 2015

MWEITI NATIONAL SECRETARIAT,

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Introduction

Extractive Industries Transparency Initiative (EITI) is a global standard for improving transparency and accountability in the oil, gas, Mining and other extractive sectors.

EITI implementation has two core components:

- **Transparency:** oil, gas and mining companies disclose information about their operations, including payments to the government, and the government discloses its receipts and other relevant information on the industry. The figures are reconciled by an Independent Administrator, and published annually alongside other information about the extractive industries in accordance with the EITI Standard.
- **Accountability:** a multi-stakeholder group (MSG) with representatives from government, companies and civil society is established to oversee the process and communicate the findings of the EITI reporting, and promote the integration of EITI into broader transparency efforts in that country.

The EITI Standard encourages Multi-Stakeholder Groups (MSGs) to explore innovative approaches to extending EITI implementation to increase the comprehensiveness of EITI reporting and public understanding of revenues and encourages high standards of transparency and accountability in public finance, government operations and in business. The requirements for implementing countries are set out in the EITI¹. Additional information is available via www.eiti.org.

It is a requirement by EITI standard (requirement 7.4) that a country should come up with an EITI Annual Activity report which is comprehensive and approved by the MSG. Therefore the objective of this report is to record all activities, positive and negative development which MWEITI implemented in the previous year, 2015.

General assessment of year's performance

The President of Malawi, His Excellency Arthur Peter Mutharika, made a declaration in June 2014 during the State of the National Address that Malawi would join the EITI. It was on the basis of this declaration that a Multi-Stakeholder Group (MSG) was formed in 2015, a fully-costed work plan was developed, and MWEITI's EITI champion, the Minister responsible for Finance, was selected. In July 2015, Malawi's MSG and Secretariat submitted Malawi's EITI application to the International EITI Secretariat. On 22 October 2015, the EITI Board met in Berne Switzerland and Malawi became the 49th country to have its application approved to join the EITI as a candidate country. Malawi now has 2.5 years to comply with the EITI Standard before undergoing validation in order to be declared compliant.

Following this announcement, MWEITI MSG and Secretariat successfully secured financing for the entire work plan and initiated a scoping study to provide the basis for determining the scope of the first EITI Report due in April 2017.

Below is a summary of our main activities prior to application and after given candidature status.

Application Activities:

- MWEITI Training in Salima, Malawi, to develop the work plan (March 2015)
- MWEITI Study Tour to Zambia EITI Secretariat (June 2015) to familiarize the MSG members on how EITI is implemented
- Fully-costed work plan finalised and EITI application submitted to International EITI Secretariat (July 2015)
- Selected MSG participants and Secretariat staff attended Natural Resources Governance Institute training in Ghana (August 2015)
- Four MSG meetings held: MSG Meeting 1 – 18 March 2015; MSG Meeting 2 – 8 May 2015; MSG Meeting 3 – 16 June 2015, continued on 25 June 2015; and MSG Meeting 4 – 24 September 2015.

Candidature Activities:

- Celebration cocktail of the approval of the EITI Board for Malawi to join the EITI as a candidate country.
- Scoping study: development of ToRs, selection of consulting group, review of initial draft with wide group of stakeholders.
- MSG Meeting 5 – 15 December 2015
- Selection of stakeholders to attend EITI Global Conference in Peru and preliminary

discussion and work on National Expo Booth.

Given that Malawi only just joined EITI as a candidate country at the end of this reporting period, it is a great success that work has begun on three out of the four MWEITI work plan objectives: Objective 1) EITI-compliant status achieved; Objective 2) The MSG forms and strengthens partnerships between government/administration, companies and public for attracting quality investments; and 4) Strengthened trust among stakeholder of natural resource management.

Assessment of performance against targets and activities set out in the work plan

No	Objective (Requirement 1.4)	Target (Requirement 7.2 (a) (iv))	Progress made (Report)
1	1) EITI-compliant status achieved.	1.2 Senior Individual appointed and known to the public	The Minister responsible for Finance was appointed as Champion and it was published in the major press in April 2015
		1.3 MSG established	The MSG representatives composed of 4 members from each three constituencies were transparently and independently established in February 2015 and the list of names and details of the Members was published in the two major newspapers in Malawi in April 2015.
		1.4 Work plan approved 1.5 Workshop conducted and draft work plan developed	The MSG and the Secretariat conducted a workshop and during that workshop drafted a costed work plan with the help of the technical and financial support from GIZ. After further refinement of the work plan by incorporating lessons learnt from the study tour to Zambia EITI, the final work plan was approved by the MSG in June 2015.
		1.6 Candidature status achieved	The Malawi achieved the candidature status on 22 nd October 2015. It applied for candidature in July 2015.
		1.7 EITI launched	The MWEITI launch was expected to take place in 30 th September 2015 according to approved work plan. But due to other important reasons and considerations the launch was rescheduled

			for September 2016.
		1.8 Formation of interim EITI Secretariat based in the MoF	The Interim Secretariat was formed as expected and it facilitated various tasks and coordination of MSG meetings since. The Secretariat was composed of One representative from CSO, One from GIZ support technical support and three officers from Ministry of Finance.
		1.9 Formation of EITI Secretariat based in the MoF	The Independent Secretariat with fully employed independent officers had not been recruited by the end of December 2015 due to delay in finding Development partner support. The interim continued to undertake all secretariat roles.
		1.10 MSG approves ToR for National Secretariat	The MSG discussed and approved both the ToRs for the national Secretariat and MSG in June, 2015.
		1.11 Conduct MSG study tour	The MSG undertook a one week study tour to Zambia from 22 nd to 27 th June 2015. The study tour report is available for more information and details.
		1.12 Donor support earmarked and committed	The MSG through the support of the Secretariat managed to solicit donor support from to support the initiatives for about 1 year from GIZ and DfID. It was agreed that GIZ will administer the financial support on behalf of DfID through a Financing agreement with the MWEITI.
		1.13 Legal and practical obstacles study conducted	This study was rescheduled for 2016 after the first EITI report. Meanwhile it was agreed that the scoping study would cover all important areas which would affect the EITI first report.
		1.15 Scope of EITI implementation defined	The EITI scoping study was undertaken from November 2015 to define the scope of implementation of the EITI Initiative. One 15 th December 2016, the MSG and All stakeholders met to discuss the preliminary scoping study report at BICC. It was agreed that the final scoping study would be ready by 8 th February 2016. The financial support came from GIZ to support the study. Now the scoping study is available for more information.
		1.16 Preparatory Reporting Template	The MSG rescheduled this activity from 1 st Nov3mber 2015 to 2016 when the Independent Administrator would be hired to support different activities including development of

		produced	EITI reporting Template and training of stakeholders.
		1.17 ToR for Independent Administrator (Reconciler) developed	The initial plan to produce this on 1 st November 2015 was rescheduled for 2016.
2	2) The MSG forms and strengthens partnerships between government/administration, companies and public for attracting quality investments.	2.6 Participation in EITI Global Conference	Under this objective only participation at LIMA EITI Global conference was planned for 2015. The MSG representatives and Secretariat participated at the EITI Global conference from 23 to 24 th February as planned. The International EITI Secretariat, GIZ and the World Bank supported the delegates. There were many lessons learnt and for more details, there is a Global Conference Report available.
3	3) Increased revenue base and socio-economic impacts from extractive industries.	None	No activities or targets under this objective were scheduled for 2015.
4	4) Strengthened trust among stakeholders of natural resource management.	4.1 Baseline and mid-term assessment of stakeholder trust conducted	In an approved plan this activity was expected to be conducted in September 2015 but it was not conducted because funding had not yet been identified. It was expected that the study would be conducted after the secretariat was fully established probably 2016.
		4.2 Committee on Communication and Engagement formed	This was expected to be formed in October 2015, but because by then the Communication and Engagement officer had not yet been recruited it was delayed until when the officer is recruited to oversee and manage the committee.

Assessment of performance against EITI requirements

Requirements:	Progress:
EITI REQUIREMENT 1	The MSG was formed and has been working following the

<p>Oversight by the Multi-Stakeholder Group. (EITI standards followed in the subscription process. Indicating Governance process.</p>	<p>EITI standard requirement 1. To fulfil this requirement the following was strictly observed.</p> <ol style="list-style-type: none"> 1. The Government issued an unequivocal statement in June 2014 by His Excellency the President on the Government intention to subscribe and commit to EITI standards. 2. The Minister responsible for Finance (Hon. Goodall E. Gondwe) was appointed as EITI Champion through a general consensus by all MSG members in a transparent environment. The MSG members indicated that they were all comfortable with the Minister of Finance. 3. The MSG composition and membership was conducted transparently whereby the CSOs and Companies were left to engage themselves and select members to represent them in the MSG. 4. The MSG was formed in such a way as to give equal rights, representation and votes for government, CSOs and Companies. 5. The members of MSG were published in the media for the public to know them. 6. All members of MSG were accorded a conducive environment for fully engagement and free participation in all meetings and deliberations. 7. Every activity proposed and carried out includes representation of the Companies, CSOs and Government. 8. There is a ToR for the MSG which was approved by all MSG members. 9. The MSG developed and approved the costed work plan in an open environment. 10. All members of MSG are equally supported in terms of all necessary logistics which enables them to participate in all MSG meetings. 11. All record of MSG meetings are recorded and kept for reference. 12. Information on meetings and materials required for all MSG members to fully engage and participate in Meetings are passed in advance for their preparations. 13. Written invitation and emails were sent to all
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	<p>members through the emailing list and follow up phone calls made to make sure every MSG member is well aware of the meeting and prepare in advance for participation.</p> <p>14. Internal governance rules and procedures: All the rules and internal governance of MSG members was documented in the approved MSG ToRs which is available for all and was circulated to all.</p> <p>15. The MSG works in harmony and ensures that all reports, work plan and any issue is handled in a transparency manner and fully endorsed by all.</p> <p>16. The MSG was fully involved and participated in the implementation of scoping study through a MSG subcommittee on the scoping study which was composed of equal representative of the members.</p>
<p>EITI REQUIREMENT 2 Legal and institutional framework, including allocation of contracts and licenses. EITI requires disclosures of information related to the rules for how the extractive sector is managed, enabling stakeholders to understand the laws and procedures for the award of exploration and production rights, the legal, regulatory and contractual framework that apply to the extractive sector, and the institutional responsibilities of the State in managing the sector.</p>	<p>1. Legal framework and fiscal regime: The MSG members though not fully involved in the review of Mining and Minerals Act (MMA) as an MSG, were involved in the process of the review of the Act. When the consultations were taking place the EITI and MSG had not fully become operational as such MWEITI MSG did not get involved in the MMA review. In subsequent reviews of legal frameworks and fiscal regime including contracts the MSG will be taking a proactive role to ensure that all things are done in a transparent manner and made available for the public.</p> <p>2. MSG instituted a scoping study which also enabled the MSG to understand some challenges which would affect EITI report including legal issues and framework available. However, the study specifically designed for the understanding legal impediments was rescheduled for 2016.</p>
<p>EITI REQUIREMENT 3 Exploration and production The EITI requires disclosures of information related to exploration and production, enabling stakeholders to understand the potential of the sector.</p>	<p>Not much was done with regards to exploration and production data because the first EITI report was not produced in 2015. However, the scoping study was able to show the direction and level of available data and information on exploration which included oil and gas and its challenges. The MSG was expected to make a final agreement after the final study report is made in Feb 2016</p>

	on how to go about making exploration and production information available as recommended by the scoping study proposals.
EITI REQUIREMENT 4 Revenue collection. comprehensive reconciliation of company payments and government revenues from the extractive industries	Since 2015 was preparatory year for MWEITI, the requirement 4 work was not achieved. However, the scoping study gave a picture of government revenue streams which should be expected. This gave the MSG and all stakeholders an understanding of the scope and what likely may happen in 2016 EITI report.
EITI REQUIREMENT 5 Extractive industries revenue allocations.	This was not applicable in 2015. The EITI requires disclosures of information related to revenue allocations, enabling stakeholders to understand how revenues are recorded in the national and where applicable, subnational budgets, which is expected in 2016 when the EITI report is produced.
EITI REQUIREMENT 6 Contribution and impact of extractive industries on social and economic spending	There was need for the baseline study to be conducted as soon as possible. However, the study to cover this requirement in the work plan is entitled “fiscal regime and socio-economic impacts with gender disaggregated data (sector-wide situation and risk analysis) along the decision/value chain in the extractives sector.” Which was scheduled for 31 st March 2016.
EITI REQUIREMENT 7 Communication and engagement of the Outcomes and impact of EITI report	As a preparatory year and without a full-time Secretariat, MWEITI was only able to carry out limited activities in communication and engagement. The general public was informed of the MWEITI initiatives and progress so far through press. The general public and stakeholders were also communicated on Malawi acceptance as candidate country and what that meant and the work which was waiting ahead. However, the effectiveness of this communication was very minimal because it was not done on wide range of media and no community meetings were held. This meant that only few elite stakeholders who use newspapers have specifically been targeted, however, companies and CSOs have also been involved in communication and engagement on the EITI.

Some specific Weaknesses or Strength identified in the EITI process

The identified weaknesses in the process were:

- Delay in enactment of the legal framework on minerals and mining and the Access to Information Act which will reduce barriers to EITI implementation.
- Lack of knowledge and technical skills by MSG, Secretariat and other stakeholders on EITI implementation and management since EITI is new in the country.
- Scanty data and lack of readily available consolidated data in Forestry Departments and other missing information from the Department of Mines.
- Accessibility of Production Sharing Agreements (PSA) were not clear though the The Ministry of Natural Resources, Energy and Mining assured that the documents will be available as the Government through MWEITI MSG has committed to contract transparency.
- Lack of linkages and trust between Communities, Mining Companies, CSOs and Government on extractive industries.
- Lack of very clear legal instruments to support and sustain EITI to the expected standards.
- Lack of EITI awareness by stakeholders and public and misconception for example of what EITI is about by other group of stakeholders and public which required quick intervention.

The identified strengths in the EITI process were:

- Willingness by the stakeholders to work together and the general public who understands EITI for Malawi to implement EITI.
- Political will and support by Government and Members of Parliament including the Office of the President and Cabinet (OPC) earmarking EITI as one of the major projects Government is undertaking under Open Government Partnership (OGP) which Malawi subscribed to in 2013.
- Willingness of Government to publish contracts and the general agreement by MSG to implement mandatory beneficial owner disclosure in the first EITI report.
- Potential expansion of Mining, Oil and Gas industry in Malawi and the national geophysics data which was released by Government indicating mineral potentials which would attract investors in the country. This necessity the need for EITI since the extractive sector will become more significant in the near future comparing with the current level of investment and revenue contribution of the sector.
- Donor willingness to support the initiative amid government tight budget so that financial and technical support is not a barrier to the process.
- The all MSG meetings participation and deliberations had indicated and revealed the wiliness of stakeholders and members to work together in harmony and respect of each other.
- The expertise and experience of some MSG members in different field sped up the process and achievements of 2015 goals.

- The MWEITI MSG created a platform where certain issues raised in the press which were misleading could be clarified in the meeting.

The most important effort to strengthen the EITI Implementation process came in due to commitment of MSG members in actively participating in meetings consistently and freely. Also the MSG agreed that MWEITI should support all the costs of participation of members travelling from outside Lilongwe to avoid making participation of MSG meeting an additional cost to members. This was agreed against GIZ views that MSG members participating from outside Lilongwe should be paying for their accommodation and transport. by members themselves. Because of this logistic challenge for participation was not an excuse for members not attending MSG meetings or workshops. However, there is no sitting allowance for members who participate in the MSG meeting.

Total costs of implementation

The total cost of implementation for the first year 2015 was estimated at **US\$ 400,000.00**. The cost mainly covered the following activities:

1. MSG meetings which were five in 2015. This includes the travel cost and accommodation of MSG members who travelled from outside Lilongwe City, meeting refreshments, stationary and other meeting cost.
2. Publications of press statements on MWEITI on Champion and MWEITI MSG members and the announcements of the Malawi candidature acceptance to the public and stakeholders and cocktail for cerebation of Malawi achievement to candidature status.
3. MSG workshop on orientation and MWEITI workplan development in Salima.
4. Cost of scoping study by the consultant and the cost of secretariat logistic support during scoping study activity including validation workshop cost.
5. MSG and Secretariat NRGi Summer school training.

Some additional comments

The total cost of implementation did not cover secretariat staff because Ministry of Finance, Economic Planning and Development staff because EITI work was assigned to their current jobs in their respective portfolio. Significant support from civil society, companies and technical advisors was also at no cost to the Secretariat.

The financial support of the total implementation was contributed by three major development partners through direct activity support. The name of development partners who supported the

activities were GIZ, DFID and World Bank through Mining Governance and Growth Support Project. The GIZ and DFID co-financed an estimated 90% of the MWEITI activities in 2015.

Has this activity report been discussed beyond the MSG?

In accordance with requirement 7.2.b, the annual MWEITI report issues were discussed beyond the MSG members but not extensively. The EITI implementation was discussed in a Centre for Environmental Policy Advocacy (CEPA) workshop in Salima from 25th to 26th May 2016. The title of the workshop was “Knowledge Exchange by Stakeholders with Oversight of the Mining Sector”.

The workshop was composed of different stakeholders providing an oversight role in the extractive sector namely; Government, Mining Companies, Civil Society Organizations, Local Councils, Community Representatives and Media house. Most of the workshop participants were not members of the MSG and only 3 out of about 20 participants in the workshop came from the organizations which were part of the MSG. However, these organisations and institutions are represented by the MSG members.

The presentation was made on the implementation of MWEITI and what had been achieved so far. Participants were requested to ask questions and comment on the MWEITI Implementation and the following are some of the pertinent issues which were raised and observed.

1. Most stakeholders and the Public are ignorant of EITI and whatever it was doing. Most of the participants were hearing about EITI for the first time.
Recommendation and way forward: MWEITI Secretariat will be set up in 2016 and a Communications and Engagement Officer will be employed and responsible for developing and implementing a Communications Strategy with the MSG.
2. Media House noted that little had been done to specifically engage and educate the media and journalists on EITI which makes it hard to report objectively. Radio stations which have a far wider reach than the print press have had even less sensitisation than the print media. EITI has been covered in some specialist publications and online but these have limited circulation and audiences.
Recommendation: Journalists must be trained and involved in the MWEITI process. Need to have media as permanent observer in the MSG meeting. This will be included in the MWEITI Communications Strategy.
3. The participants noted that EITI is a good idea for Malawi, and many CSOs have advocated for it since 2008, but for the impact to be felt a lot was required to be done by the MWEITI Secretariat and MSG members including activities which would involve stakeholders outside the MSG. Most of the participants were unable to identify any impact of EITI in 2015.

Details of membership of the MSG during the period (including details of the number of meetings held and attendance record)

Five (5) Multi-Stakeholder Group Meetings were held in 2015. These were held on the following dates:

MSG Meeting 1 – 18 March 2015

MSG Meeting 2 – 8 May 2015

MSG Meeting 3 – 16 June 2015 in Lilongwe, continued on 25 June 2015 in Lusaka Zambia

MSG Meeting 4 – 24 September 2015

MSG Meeting 5 – 15 December 2015

All the meetings participants' details, discussions and agreements are recorded and included in the minutes accordingly.

	Alternate/Member	Name	Institution	Attendance of Meetings	Changes to Membership in the year
1.	Member (Chair)	Crispin C. Kulemeka	Ministry of Finance, Economic Planning and Development	3 of 5	No Changes
2.	Coordinator	Mr George C. Harawa	Ministry of Finance, Economic Planning and Development	5 of 5	No changes
3.	Member	Charles Kaphwiyo	Ministry of Natural Resources, Energy and Mining	3 of 5	No Changes
4.	Alternate	Peter Chilumanga	Ministry of Natural Resources, Energy and Mining	4 of 5	No Changes
5.	Member	Mr Charles Maseya	National Audit Office	1 of 5	No Changes
6.	Alternate	Mr George Chikwana	National Audit Office	5 of 5	No Changes
7.	Member	Mr. Bartwell Chingoli	Reserve Bank of Malawi	4 of 5	No Changes
8.	Alternate	Mr Frank Chikuta	Reserve Bank of Malawi	2 of 5	No Changes
9.	Member	Mr Mesheck Munthali	Bwanje Cement Company Ltd	5 of 5	No Changes

10.	Alternate	Mrs Dina Longwe	Bwanje Cement	0 of 5	No Changes
11.	Member	Neville Huxham	Globe Metals & Mining	3 of 5	No changes
12.	Alternate	Chris Ngwenya	Globe Metals & Mining	5 of 5	No Changes
13.	Member	Burton Kachinjika	Mkango Resources Ltd	2 of 5	No Changes
14.	Alternate	Chikondi Mcheka	Mkango Resources Ltd	5 of 5	No Changes
15.	Member	Alan Cumming	Paladin (Africa) Ltd	1 of 5	Alan Cumming replaced Greg Walker
16.	Alternate	Grain Malunga	Paladin (Africa) Ltd	5 of 5	No Changes
17.	Member	Martha Khonje	ActionAid Malawi	2 of 5	Martha Konje replaced Blessings Botha
18.	Alternate	Martha Kwataine	ActionAid Malawi	1 of 5	Martha Kwataine replaced Elyvin Nkhonjera
19.	Member	Success Sikwese	Catholic Commission for Justice and Peace	5 of 5	No changes
20.	Alternate	Chris Chisoni	Catholic Commission for Justice and Peace	1 of 5	No changes
21.	Member	Reinford Mwangonde	Citizens for Justice	1 of 5	No changes
22.	Alternate	Rachel Etter-Phoya	Citizens for Justice	4 of 5	No changes
23.	Member	Kossam Munthali	Foundation for Community Support Services	4 of 5	No changes
24.	Alternate	Jabess Nyirenda	Foundation for Community Support Services	3 of 5	No changes

Approved by MSG:

Date: 29th April 2016.

