



7TH & 8TH MWEITI FINAL SCOPING REPORT
FIN. YEAR 2021/2022
FIN. YEAR 2022/2023



LIST OF ABBREVIATIONS

AER	Annual Economic Report
ASM	Artisanal and Small-scale Mining
ATI	Access to Information
AWP	Annual Work Plan
BO	Beneficial Ownership
BOD	Beneficial Ownership Disclosure
CDA	Community Development Agreement
DAI	DAI Global Belgium SRL
DOF	Department of Forestry
DOM	Department of Mines
GSD	Geological Survey Department
EAD	Environmental Affairs Department
EITI	Extractive Industries Transparency Initiative
EITI-IS	Extractive Industries Transparency Initiative International Secretariat
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plans
FPIC	Free Prior and Informed Consent
FY	Financial Year
GEMMAP	Geological Mapping and Mineral Assessment Project
IA	Independent Administrator
MCL	Mining Claim License
MK	Malawi Kwacha
ML	Mining License
MMA	Mines and Minerals Act
MoE	Ministry of Energy
MFCC	Ministry of Forestry and Climate Change
MoF	Ministry of Finance
MoFEAs	Ministry of Finance and Economic Affairs
MoM	Ministry of Mining
MWEITI	Malawi Extractive Industries Transparency Initiative
MRA	Malawi Revenue Authority

MSG	Multi-Stakeholder Group
MT	Materiality Threshold
NAO	National Audit Office
PAYE	Pay As You Earn
PEPA	Petroleum Exploration and Production Act
PSA	Production Sharing Agreement
RBM	Reserve Bank of Malawi
RFA	Roads Fund Administration
SOE	State-Owned Entities
SSME	Small Scale Mining Enterprise
TPIN	Tax Payer Identification Number
TEVETA	Technical Entrepreneurial and Vocational Education and Training Authority
USD	United States Dollar
VAT	Value-Added Tax

1. INTRODUCTION

The Extractive Industries Transparency Initiative (EITI) is a global standard for good governance (Revenue Transparency and Accountability) in the management of the extractive industries. It is a coalition of Government Entities, Extractive Companies and Civil Society Organisations working together to improve openness and accountability in management of revenues from natural resources. EITI, therefore, promotes better governance in countries rich in oil, gas and solid mineral resources, and seeks to reduce the risk of diversion or misappropriation of funds generated by the development of a country's extractive industries. Its principles are based on the affirmation that public understanding of government revenues and expenditure over time could help public debate and inform choice of appropriate and realistic options for sustainable economic growth and reduction of poverty in resource-rich countries.

Malawi joined the Extractive Industries Transparency Initiative (EITI) community as a candidate country in October 2015 and has since produced six EITI reports which can be accessed through the MWEITI website (www.mweiti.gov.mw).

In the meantime, Malawi is working towards producing the 7th and 8th EITI report based on data covering two fiscal years: July 2021 to June 2022 and July 2022 to June 2023. It is expected this report will be published by end of the first quarter in 2024 following the 2023 EITI International Standard.

Malawi has also for the past 8 years undergone two validation assessments by the EITI International Secretariat successfully earning meaningful progress achievement by the EITI international Board. The first validation assessment took place in 2018 and the second assessment in 2022. The reports of the two validation assessments are published and can be accessed on the MWEITI website. In the meantime, Malawi is expected to undergo a validation assessment from the month of June 2025. Therefore, the 7th and 8th MWEITI report is the defining report which the next validation assessment will base most of their assessment in terms of Malawi implementation of the 2023 EITI international standard.

2. EXECUTIVE SUMMARY

2.1. Objective of the Scoping Report

Scoping work aims to identify what EITI reporting should cover in order to meet the requirements of the 2023 EITI Standard. Scoping sets the basis for producing timely, comprehensive, reliable and comprehensible EITI reporting. The specific objectives of the assignment will include the following at a minimum:

- Production of the 7th and 8th EITI Report and its summary data sheets for 2021/2022 and 2022/2023 financial year data in accordance with the EITI Standard and chapter section 3 and 4 of these ToRs. This report will be based on conventional reporting;
- Collection of all mining, oil and gas and forestry contracts for the MWEITI contract database;
- Analysis and reporting of Beneficial Ownership Disclosure implementation progress during the period and BO register within the scope of disclosures, and for all operating extractive companies with shareholding of 5% and above;

- Provision of timely and relevant information that can help inform ongoing discussions on measures to address the impact of the interrelated factors Green Mineral Energy Transition and offer recommendations of how Malawi can take advantage of Energy Transition (ET);
- Giving a highlight of current minerals and Forest price shocks, and the Economic contribution and impact of the extractive industries to the large economy of Malawi;
- Publishing of revenue and tax collection, corruption risks, projected revenues and the broader sector outlook in the country;
- Undertaking reconciliation of the government and companies' revenues in accordance to the MSG agreed materiality threshold. Reconciliation is a key aspect and a good demonstration of MWEITI commitment to transparency in Malawi. Where reconciliation is not possible, the IA will be expected to provide such information in the 7th and 8th MWEITI report; and
- Reporting on the progress on the implementation of the previous MWEITI reports' recommendations and the validation corrective actions.
- Confirm and present the scope of reconciliation of the revenues;
The reconciliation is expected to follow project-level reporting wherever possible and where not it should be indicated with the reasons.

The following issues will be taken into consideration

- Key elements of reconciliation as done in the conventional reporting will be maintained.
- The risk-based reconciliation may cover only the biggest revenue payments, or payments with the largest discrepancies in previous reports, or few top companies, or it may also focus on subnational related payments due to public interest. That way, there is a robust reconciliation on focusing on few revenue streams and ensuring data comprehensiveness and quality, rather than focusing on the several in-scope companies who may not always report, thus affecting data quality and comprehensiveness. The IA will provide the best options reporting in the scoping study for the MSG decision.
- Production of an overview of the revenue streams that should be reported by project, classifying the revenue streams that are levied on a license/contract basis and should be reported as such as well as the revenue streams that are levied on a company basis and should be reported as such.
- Utilisation of reporting templates, drawn on the model reporting templates for project level reporting developed by the EITI.

2.1 Objective of the Scoping Report

With regard to project level reporting, the IA will:

- ❖ Indicate the Challenges why Companies and Reporting entities still unable to disclose on project level. The report should indicate what these bottlenecks are.
 - ❖ Provide update and progress made so far in addressing project level reporting challenges.
 - ❖ Provide update on payments to the Petroleum Training Fund and Forest Development Fund.
 - ❖ Provide recommendations on strengthening the governance framework for these Funds.
- We intend to engage Ministry of Mining, Ministry of Energy and any other relevant stakeholders in order to gather and provide relevant information on sector developments and industry outlook in light of Energy Transition and the commodity price downturn;
 - Agreeing the fiscal period to be reported – the TORs are clear in that the report will cover two financial years: July 2021 to June 2022 and July 2022 to June 2023;
 - Confirming and presenting contextual information that should be part of the EITI Report;
 - Reviewing the types of assurances that are needed for ensuring that the data disclosed by reporting entities is credible;
 - Determining which revenue streams from mining, oil, gas and forestry are significant, and consequently which companies and government entities should be required to report;
 - Identifying existing disclosures by government and company reporting entities and help inform recommendations for how to improve systematic disclosures in line with the EITI Standard. It is also an opportunity for the multi-stakeholder group to consider the feasibility of extending the scope of EITI reporting beyond the minimum requirements in order to address the objectives outlined in the EITI work plan and national priorities;
 - Determining the materiality threshold for selecting companies for reconciliation; and
 - Giving opportunity to MSG to apply their discretionary powers to review any issue/area or company of their interest which should be left out or added.

Note

Scoping may also investigate likely gaps or issues that may be particularly challenging to include in the EITI Report with a view to identify options, solutions, and recommendations for an appropriate reporting methodology for consideration by the Multi-Stakeholder Group.

2.1 Objective of the Scoping Report

Our findings and proposed scope for the exercise are set out in the relevant sections of this inception report, which is prepared solely for the MWEITI Multi-Stakeholder Group in order to assist it in deciding on the following issues:

- The revenue streams to be reconciled. During this phase, unlike during the production of the 6th MWEITI Report, the reconciliation will follow project-level reporting wherever possible and where not it will be indicated with the reasons;
- Extractive companies to be included in the report;
- The Government Entities to be included in the report;
- The materiality threshold for the revenue streams;
- The reliability of data provided by the reporting entities;
- The degree of aggregation of data in the EITI Report; and
- General context of the Artisanal and Small-Scale Mining Sector in Malawi and how the future of the sector can be improved.

Our work included a general understanding of the extractive industry in Malawi which covers the mining sector, petroleum (oil and gas) sector and forestry sector. The work also covered the transport sector especially the railway sector where amongst other issues, we reviewed the concession arrangement between Vale and the Department of Railways. Discussions were held with several entities involved in the EITI process in order to collect relevant data and documentation necessary to the achievement of the objectives of our scoping study. The list of persons/entities contacted or involved during this phase is presented in Annex 2 of this report.

2.2 Approach and methodology

We carried out our scoping study in accordance with International Standards for Related Services (ISRS 4400, *Engagements to perform agreed upon procedures* regarding Financial Information) as well as the Terms of Reference. The scoping study involves:

- Examining and reviewing MSG's work plans, any annual progress reports that have been produced by the MSG to see the progress made in achieving the objectives and any actions undertaken by the MSG to address recommendations from any previous EITI reporting exercises and validations;
- Reviewing of all past EITI Reports, validation report/s and the most recent 2023 EITI Standard to gain an understanding of the current scope and state of EITI reporting process in Malawi and assess areas where further improvement is needed;
- Collecting and examining the contextual data and providing a descriptive overview of the extractive sector in Malawi;
- Reviewing the payments and revenues to be included in the EITI report in accordance with EITI Requirements;
- Analysing and reporting Beneficial Ownership Disclosure implementation progress during the period and BO register within the scope of disclosures;
- Selecting companies and Government Entities which will be required to submit a reporting template in accordance with EITI Requirements;

- Providing timely and relevant information that can help inform ongoing discussions on measures to address the impact of the interrelated factors Green Mineral Energy Transition and offer recommendations of how Malawi can take advantage of Energy Transition (ET);
- Giving highlight of current minerals and forest price shocks, and the Economic contribution and impact of the extractive industries to the large economy of Malawi;
- Identifying revenue streams to be included in the Reporting Templates;
- Reviewing the data currently available on license holders and allocation in the period from July 2021 to June 2022 and also July 2022 to June 2023 and assess its completeness and timeliness;
- Engaging the Environmental Affairs Department in the Ministry of Natural Resources and Climate Change in an effort to obtain and report on such issues as environmental and social Reporting within the extractive communities, shifts in regulatory rules or enforcement related to environmental protection, climate mitigation, Free, Prior and Informed Consent and summarising compliance trends to ESIA/ESMP;
- Engaging the Ministry of Transport and Public Works/ Malawi Railways Fund/ Roads Fund Administration in an effort to obtain and report on such issues as the outlook for transportation arrangements, revenues and any relevant extractive industries supply chain disruptions and related movement restrictions and an update on the transport payments related to major extractive transport infrastructure concession;
- Engaging the Reserve Bank of Malawi in an effort to obtain and report on such issues as the new role for the RBM and EDF with regard to gold and gemstones purchases, updates on SMEs gold business development, brief analysis of gold prices and market in Malawi and other major external gold markets, identification of gold formal sector challenges and informal sector channels and provision of brief analysis and update of gold and gemstone mineral tenants (licensing) and cooperative formulation;
- Documenting the results of the initial phase in a scoping report which will be submitted for adoption by MSG; and
- Analysis of revenue statements from MRA, MoM, TEVETA and Forestry Department for the two financial years.

2.3 Proposed scope

Materiality approach

We understand that principal revenues collected from the extractive sector in Malawi are received by the Department of Mines (DoM) and Department of Forestry (DoF) for specific payments and by MRA for common taxation and Tevet levy which in the past was received through TEVETA. However, considering the significant portion of the revenues are received by the MRA, the materiality analysis has been based on the revenue statement provided by the MRA for the two financial years: July 2021 to June 2022 and July 2022 to June 2023.

Table 1: Summary of adjusted revenues collected relating to extractive sector

Revenue collecting entity	FY 2021/2022 Amount collected (MK)	FY 2021/2022 Amount collected (MK)
Malawi Revenue Authority (including forestry players)	102,684,682,207	74,433,260,624
Total adjusted revenues collected in the period	102,684,682,207	74,433,260,624

Table 2: Analysis of top 27 revenue producing entities during the financial year 2021/2022 (based on data from MRA)

No.	Mining Entity Mining Companies	Entity TPIN	Consolidated Reported Revenue MK	Adjustments MK	Consolidated Reported Revenue after adjustments MK	Percentage relating to mining activities
1	Mota Engil Ltd	20206901	41,238,467,892	(37,114,621,103)	4,123,846,789	10%
2	Alliance One Tobacco Limited	20102208	14,739,057,273	(14,739,057,273)	0	
3	Lafarge Cement Company	20108793	9,024,406,367	(8,121,965,730)	902,440,637	10%
4	JTI	20180361	8,229,158,869	(8,229,158,869)	0	
5	Sinohydro Corporation Limited	20218732	6,712,019,261		6,712,019,261	
6	Shayona Cement	20150059	5,874,737,901		5,874,737,901	
7	Cement Products Ltd	20190063	2,307,934,907		2,307,934,907	
8	Chancellor College	20129567	2,130,006,168	(2,130,006,168)	0	
9	Zhejiang Communications Construction Group Co., Ltd	20226967	2,119,324,257	(1,907,391,832)	211,932,426	10%
10	Mount Carmel Construction Limited	30663604	1,066,391,630	(959,752,467)	106,639,163	10%
11	Terrastone	20112570	802,456,724	(722,211,051)	80,245,672	10%
12	Sawa Group Limited	20184777	643,729,488	(579,356,539)	64,372,949	10%
13	Optichem 2000 (MM) Limited	20157873	466,481,369		466,481,369	
14	Husein Diab	20168135	452,494,377	(452,494,377)	0	
15	China Civil Engineering Construction (MWI) Limited	20218807	397,150,020	(357,435,018)	39,715,002	10%
16	Lotus Africa Limited (formerly Paladin Africa Limited)	20170867	377,874,656		377,874,656	
17	Transglobe Produce	20128783	202,632,950	(202,632,950)	0	
18	McCourt Mining Private Limited - registered as Sovereign Services with MRA	20202123	189,385,642		189,385,642	
19	Zunguziwa Quarry	20184925	184,703,333		184,703,333	
20	Rukuru Mining Limited	20209319	156,157,675		156,157,675	
21	Zalewa Agriculture Lime Company	30400080	144,736,248		144,736,248	

22	China Railway 20 Bureau Group Corporation MWI Limited	20224359	126,120,660	(113,508,594)	12,612,066	10%
23	SOS Construction Company	30306080/ 30332465	115,915,707	(104,324,136)	11,591,571	10%
Sub-total			97,701,343,373	(75,733,916,107)	21,967,427,266	
Forestry Companies						
24	Raibly Malawi Limited	20154457	2,423,880,412		2,423,880,412	
25	Raibly EPZ Limited	20179728	886,927,807		886,927,807	
26	Vizara Plantations	20138386	582,062,602		582,062,602	
27	Total Land Care	20160115	193,059,951		193,059,951	
Sub-total			4,085,930,773	-	4,085,930,773	
Overall total for the top 27 revenue producing companies			101,787,274,146	(75,733,916,107)	26,053,358,039	
Total revenues from other companies not included in the top 27 analysis above (Oil and Gas sector)			66,000,505	-	66,000,505	
Total reported consolidated revenues (financial year 2021/2022)			101,853,274,651		26,119,358,544	

Table 2: Analysis of top 26 revenue producing entities during the financial year 2022/2023 (based on data from MRA)

No.	Mining Entity	Entity TPIN	Consolidated Reported Revenue MK	Adjustments MK	Consolidated Reported Revenue after adjustments MK	Percentage relating to mining activities
Mining Companies						
1	Alliance One Tobacco Limited	20102208	19,753,072,458	(19,753,072,458)	-	
2	Shayona Cement	20150059	11,583,865,739		11,583,865,739	
3	Lafarge Cement Company	20108793	8,844,496,218	(7,960,046,596)	884,449,622	10%
4	JTI	20180361	6,654,718,187	(6,654,718,187)	-	
5	Mota Engil Ltd	20206901	5,313,502,559	(4,782,152,303)	531,350,256	10%
6	Cement Products Ltd	20190063	4,404,488,250		4,404,488,250	
7	Optichem 2000 (MM) Limited	20157873	2,704,407,462	(2,433,966,716)	270,440,746	10%
8	Terrastone	20112570	1,570,789,503	(1,413,710,553)	157,078,950	10%
9	China Railway 20 Bureau Group Corporation MWI Limited	20224359	1,468,429,232	(1,321,586,309)	146,842,923	10%
10	Chancellor College	20129567	1,467,057,143	(1,467,057,143)	-	
11	Sawa Group Limited	20184777	1,051,019,266	(945,917,339)	105,101,927	10%
12	Sinohydro Corporation Limited	20218732	996,465,770		996,465,770	
13	Lotus Africa Limited (formerly Paladin Africa Limited)	20170867	474,260,694		474,260,694	
14	McCourt Mining Private Limited - registered as Sovereign Services with MRA	20202123	361,072,040		361,072,040	
15	Rukuru Mining Limited	20209319	259,225,936		259,225,936	
16	SOS Construction Company	30306080/ 30332465	247,781,970	(223,003,773)	24,778,197	10%
17	Master Stone Breakers	20183919	184,343,218		184,343,218	
18	Zalewa Agriculture Lime Company	30400080	178,286,512		178,286,512	

19	Zunguziwa Quarry	20184925	162,640,737		162,640,737
20	Globe Metals and Mining (Africa) Limited	20179215	141,566,506		141,566,506
21	World of Granite	31006639/ 30937596	104,936,978		104,936,978
Sub-total			67,926,426,376	(46,955,231,376)	20,971,195,000

Forestry Companies					
22	Raiply Malawi Limited	20154457	4,543,413,891		4,543,413,891
23	Raiply EPZ Limited	20179728	204,785,912		204,785,912
24	Vizara Plantations	20138386	796,558,270		796,558,270
25	AKL Timbers Processing and Lord It	30298740	110,230,023		110,230,023
26	Total Land Care	20160115	214,803,886		214,803,886
Sub-total			5,869,791,982	-	5,869,791,982

Overall total for the top 27 revenue producing companies			73,796,218,358	(46,955,231,376)	26,840,986,982
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Total revenues from other companies not included in the top 27 analysis above (Oil and Gas sector)			4,833,344	-	4,833,344
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Total reported consolidated revenues (financial year 2022/2023)			73,801,051,702	(46,955,231,376)	26,845,820,326
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Mining sector consideration relating to financial years 2021/2022 and 2022/2023

In making proposition as to which reporting companies should be included in the reconciliation scope for the 7th & 8th MWEITI report, the following considerations have been made:

- Chancellor College being an institution of learning, its license might be acquired to aid learning activities and therefore not necessarily involved in actual mining activities. Therefore the total reported revenues have to be excluded from the scope.
- The mining element for Mota Engil Limited, Lafarge Cement Company, Zhejiang Communications Construction Group Co., Ltd, Mount Carmel Construction Limited, Terrastone, Sawa Group Limited, China Civil Engineering Construction (MWI) Limited, China Railway 20 Bureau Group Corporation MWI Limited, Optichem 2000 (MM) Limited and SOS Construction Company activities account for 10% and therefore out of the total reported total revenues, only 10% of it is related to mining activities.
- JTI Company and Alliance One Tobacco Limited are fully engaged in agricultural activities and therefore the total reported revenues are not related to mining activities.
- Husein Diab is fully engaged in retail activities in Lilongwe and therefore the total reported revenues are not related to mining activities.

The analysis of extractive revenues collected during the financial years 2021/2022 and 2022/2023 indicates that the mining sector contributed **84% whilst the forestry sector contributed 16% in the financial year 2021/2022 whilst in the financial year 2022/2023**, the mining sector contributed **78% whilst the forestry sector contributed 22%** of the total Government revenues from the extractive sectors:

Table 3: Sector analysis of revenues collected in the financial year 2021/2022

Sector	Government Receipts (MK)	%
Mining	21,967,427,266	84.10%
Oil & Gas	66,000,505	0.25%
Forestry	4,085,930,773	15.64%
Total	26,119,358,544	100.00%

Note

Total reported consolidated revenues financial year 2021/2022	26,119,358,544
Total reported consolidated revenues financial year 2020/2021	31,802,893,947
Percentage movement (decrease)	(18%)

Table 3.1: Sector analysis of revenues collected in the financial year 2022/2023

Sector	Government Receipts (MK)	%
Mining	20,971,195,000	78.12%
Oil & Gas	4,833,344	0.02%
Forestry	5,869,791,982	21.86%
Total	26,845,820,326	100.00%

Note

Total reported consolidated revenues financial year 2021/2022	26,845,820,326
Total reported consolidated revenues financial year 2021/2022	26,119,358,544
Percentage movement (increase)	3%

Based on these revenue structures where total consolidated revenue decreased by 18% in the financial year 2021/2022 from the financial year 2020/21 position and only increased by 3% in the financial year 2022/2023 from the financial year 2021/22 position and considering the amount of work to be covered during the production of the 7th and 8th MWEITI report, which will cover two financial years: 2021/2022 and 2022/2023 we recommend including companies which made payments over a materiality threshold of MK 200,000,000, same threshold used during production of the 6th MWEITI Report. This threshold will result in coverage of at least 95% and 94% of the total consolidated Government receipts for the financial years 2021/2022 and 2022/2023, respectively.

Given previous challenges with data collection from some companies, we intend to adopt flexible hybrid reporting based on unilateral government disclosure augmented by a risk-based approach to reconciliation for the selected companies. The risk-based reconciliation may cover only the biggest revenue payments, or payments with the largest discrepancies in previous reports, or few top companies, or it may also focus on subnational related payments due to public interest or companies that have a history of not submitting reporting templates for EITI purposes.

Based on the materiality approach detailed above, we have identified 8 mining companies and 9 mining companies that should form part of the reconciliation exercise for the 7th and 8th MWEITI Report covering the financial years 2021/2022 and 2022/2023 respectively.

The total proposed companies under the mining sector therefore is as follows:

Table 4(a): Proposed list of companies in the solid minerals sector to be included in the reconciliation scope based on materiality approach- financial year 2021/2022

No.	Mining Company	Commodity (ies)	Total Revenues MK	Threshold ≥ 200,000,000 MK
1	Mota Engil Ltd	Rock aggregate, gold, platinum group, base metals	4,123,846,789	
2	Lafarge Cement Company	Cement	902,440,637	
3	Sinohydro Corporation Limited		6,712,019,261	
4	Shayona Cement	Cement	5,874,737,901	
5	Cement Products Ltd	Cement	2,307,934,907	
6	Zhejiang Communications Construction Group Co., Ltd	6	211,932,426	
7	Optichem 2000 (MM) Limited	7	466,481,369	
8	Lotus Africa Limited (formerly Paladin Africa Limited)	6	377,874,656	
Total			20,977,267,946	
Total Government receipts			26,119,358,544	
Coverage			80%	

Table 4(b): Proposed list of companies in the solid minerals sector to be included in the reconciliation scope based on materiality approach – financial year 2022/2023

No.	Mining Company	Commodity (ies)	Total Revenues MK	Threshold ≥ 200,000,000 MK
1	Mota Engil Ltd	Rock aggregate, gold, platinum group, base metals	531,350,256	
2	Lotus Africa Limited (formerly Paladin Africa Limited)	Uranium	474,260,694	
3	Shayona Cement	Cement	11,583,865,739	
4	Lafarge Cement Company	Cement	884,449,622	
5	McCourt Mining Private Limited - registered as Sovereign Services with MRA		361,072,040	
6	Cement Products Ltd	Cement	4,404,488,250	
7	Optichem 2000 (MM) Limited	Fertiliser	270,440,746	
8	Sinohydro Corporation Limited		996,465,770	
9	Rukuru Mining Limited		259,225,936	
Total			19,765,619,052	
Total Government receipts			26,845,820,326	
Coverage			74%	

Oil and Gas sector

We recommend including all Oil & Gas companies that made payments to the Government as well as companies with State Shareholding. The lower threshold is due to the limited number of extractive companies in the Oil & Gas sector. With this information, we have identified two oil and gas companies. Considering that these two companies relinquished their licences in Malawi, we will not prepare a reconciliation but will focus on contextual disclosures in terms of what is happening currently with the companies and looking at future prospects in Malawi:

Table 4(c): Proposed list of companies in the oil and gas sector to be included in the reconciliation scope based on materiality approach – financial year 2021/2022

No.	Company	Commodity	Total Revenues (MK)
1	Hamra Oil in Joint Operating Agreement with Surestream Petroleum	Hydrocarbons	35,220,700
2	Rak Gas MB45	Hydrocarbons	30,779,805
Total			66,000,505

Table 4(d): Proposed list of companies in the oil and gas sector to be included in the reconciliation scope based on materiality approach – financial year 2022/2023

No.	Company	Commodity	Total Revenues (MK)
1	Rak Gas MB45	Hydrocarbons	4,833,344
Total			4,833,344

Forestry Sector

For scoping purposes and considering that there are a few companies in the forestry sector, the number of companies to be included in the exercise is proposed as follows:

Table 4(e): Proposed list of companies in the forestry sector to be included in the reconciliation scope based on materiality approach – financial years 2021/2022 and 2022/2023

No	Company	Total Revenues 2021/2022 (MK)	Total Revenues 2022/2023 (MK)
1	Raiply Malawi Ltd	2,423,880,412	4,543,413,891
2	Total Land Care	193,059,951	214,803,886
*	Raiply EPZ Ltd	886,927,807	204,785,912
3	Vizara Plantations	582,062,602	796,558,270
4	AKL Timber Processing and Lord IT	-	110,230,023
	Total	4,085,930,773	5,869,791,982
*	<i>This company is part of Raiply Malawi Ltd but deals with exports</i>		

The revenue figures in the table are a position from the Malawi Revenue Authority (MRA) only.

Companies that did not submit reporting templates for the financial year 2020/2021

A review of the 6th MWEITI report showed that the following companies did not submit reporting templates relating to the financial year 2020/2021. Therefore, as the MSG is making an assessment of the companies to be included in the reconciliation scope for the 7th and 8th MWEITI report, the following companies should be included in their consideration for further action if the position is to change during the production of the 7th and 8th MWEITI report.

Table 4(F): List of companies that did not submit reporting templates for the financial year 2020/2021

No.	Company	Sector	IA Comment
1	Mota Engil Limited	Mining	Already scoped in above
2	Cement Products (MW) Ltd	Mining	Already scoped in above
3	Nyala Mining Limited	Mining	To be included in the reconciliation scope
4	Ilomba Granite Mining	Mining	To be included in the reconciliation scope
5	RAK GAS MB45 Limited	Oil & Gas	Already scoped in above
6	HAMRA Oil Holdings Limited	Oil & Gas	Already scoped in above

Comments from MSG members during approval of this scoping report**Oil and Gas Companies**

Considering that Rak Gas MB45 Limited and HAMRA Oil Holdings Limited relinquished their licences in Malawi, there is no need for the IA to undertake a detailed reconciliation as information for such an exercise may not be available and therefore the IA will focus on contextual disclosures in terms of what is happening currently with the companies and looking at future prospects in Malawi.

Ilomba Granite Mining

Considering that Ilomba granite mining company had its records impounded by the MRA in the financial year 2020/2021, there is no need for the IA to undertake a detailed reconciliation as information for such an exercise may not be available and therefore the IA will focus on contextual disclosures in terms of what is happening currently with the company.

Table 5: Summary table of revenues above/below materiality threshold and percentage of companies covered
Financial year 2021/2022

Sector	Designation	Total Government receipts		Revenues above MT "to be reconciled"		Revenues below MT "unilateral disclosure by Government Entities"	
		Value (a)	%	Value (b)	%(b)/(a)	Value (c)	%(c)/(a)
Mining	Σ revenues (MKW)	21,967,427,266	84.10%	20,977,267,946	84.35%	990,159,320	79.26%
	No of reg. companies	55	88.71%	8	66.67%	47	94.00%
Oil & Gas	Σ revenues (MKW)	66,000,505	0.25%	0	0.00%	66,000,505	5.28%
	No of reg. companies	2	3.23%	0	0.00%	2	4.00%
Forestry	Σ revenues (MKW)	4,085,930,773	15.64%	3,892,870,822	15.65%	193,059,951	15.45%
	No of reg. companies	5	8.06%	4	33.33%	1	2.00%
Total	Σ revenues (MKW)	26,119,358,544	100%	24,870,138,768	100%	1,249,219,776	100%
	No of reg companies	62	100%	12	100%	50	100%

With regards to extractive companies which are not included in the reconciliation scope, we are recommending a unilateral disclosure by Government Entities in accordance with EITI Requirement 4.1.d.

Table 5 (a): Summary table of revenues above/below materiality threshold and percentage of companies covered
Financial year 2022/2023

Sector	Designation	Total Government receipts		Revenues above MT "to be reconciled"		Revenues below MT "unilateral disclosure by Government Entities"	
		Value (a)	%	Value (b)	% (b)/(a)	Value (c)	% (c)/(a)
Mining	Σ revenues (MKW)	20,971,195,000	78.12%	19,765,619,052	77.44%	1,205,575,948	91.29%
	No of reg. companies	57	90.48%	9	69.23%	48	96.00%
Oil & Gas	Σ revenues (MKW)	4,833,344	0.02%	0	0.00%	4,833,344	0.37%
	No of reg. companies	1	1.59%	0	0.00%	1	2.00%
Forestry	Σ revenues (MKW)	5,869,791,982	21.86%	5,759,561,959	22.56%	110,230,023	8.35%
	No of reg. companies	5	7.94%	4	30.77%	1	2.00%
Total	Σ revenues (MKW)	26,845,820,326	100%	25,525,181,011	100%	1,320,639,315	100%
	No of reg companies	63	100%	13	100%	50	100%

With regards to extractive companies which are not included in the reconciliation scope, we are recommending a unilateral disclosure by Government Entities in accordance with EITI Requirement 4.1.d.

Materiality approach – Trend Analysis

Table 6: Analysis of materiality trends over a six-year period

Details	FY2015/16	FY2016/17	FY2017/18	FY2018/19	FY2019/20	FY2020/21
Total revenue from extractive sector (MK)	5,346,000,000	11,459,000,000	16,401,000,000	13,313,699,130	13,407,320,327	19,962,561,935
Materiality determined (MK)	33,000,000	125,000,000	100,000,000	200,000,000	200,000,000	200,000,000
Number of companies selected (all sectors)	16	18	17	13	13	13
Coverage achieved if all selected companies are to be reconciled	90%	96%	95%	89%	92%	95%
Materiality as a percentage of total revenues	0.62%	1.09%	0.61%	1.50%	1.49%	1.00%

Conclusion

For the 7th and 8th MWEITI report covering the financial years 2021/2022 and 2022/2023, we are proposing a materiality threshold of K200,000,000, same as that used during production of the 6th MWEITI report

This will cover at least 80% and 75% of the total revenues for the financial year 2021/2022 and financial year 2022/2023 respectively, as analysed on pages 11 to 14.

2.4 Other Contextual Information

Mining sector

Other Contextual Information from Ministry of Mining through the DoM

We intend to engage the Ministry of Mining through the DoM for the provision of some information which will include but will not limited to the following:

- Legal framework and fiscal regime in accordance with EITI Requirement 2.1.
 - Coverage of Sector Specific Legal or regulatory changes, including moratoriums, in response to various economic shocks and National priorities.
 - Coverage of any adjustments to the fiscal regime, incentives or relief requested by or given to companies (e.g. force majeure, modified consultation).
- Information about procedures and practice of allocating licenses in accordance with EITI Requirement 2.2

In addressing this term of reference in the report, the IA will address the following:

- Any new licence/contracts awarded or transferred in 2021/2022 and 2022/2023 with details.
- Delays or postponements of license or contracts awards and reasons for delays and postponement.
- Alternative approaches to licensing in light of social distancing requirements (if still applicable).
- Detailed update on the audit of the licensing process by the Auditor General, anti-corruption mapping exercise by the Ministry of Mines (commitment in the statement issued) .
- Update on the ongoing investigation on corruption allegations in the licensing process consultation with relevant authority.
- Summary report on the corruption risks assessment in the mining licensing process and recommendations.
- Searching, identifying and reporting any new corruption allegations in the extractive industry.
- Assessing whether there are any material deviations between the legal and regulatory framework governing license transfers and awards and actual practice (Requirement 2.2).
- Whether there are material differences between statutory reporting obligations of license- and extraction rights-holders' & actual filings to government (Requirement 2.1-2.4 and 4).
- Information about license holders in accordance with EITI Requirement 2.3

The IA will focus on the following areas in addressing this term of reference:

 - Suspended licenses or operations and relinquished licences and reasons.
 - Suspended license due to some violations of rules and laws.
- Any information requested by the MSG on contracts in accordance with EITI Requirement 2.4

The IA will focus on the following areas in addressing this term of reference:

- Establishing whether there are changes in licensing and contract negotiations or amendments to contracts, revisions on work schedules if they are annexed to the contract.
- Mapping contracts disclosure. Determining what agreements have been signed and whether all of them are publicly disclosed.
- Finding out and documenting any development agreement or concessions between the Government of Malawi and Companies
- Provision of a detailed update on any audit of the licensing process by the auditor general, anti-corruption mapping exercise by the Ministry of Mines.
- Establishing whether there are any material deviations between the legal and regulatory framework governing license transfers and awards and actual practice (Requirement 2.2).
- Provision of information relating to progress made towards Contract transparency requirements as of today.
- Establishing whether there are material differences between statutory reporting obligations of license- and extraction rights-holders' and actual filings to government (Requirement 2.1-2.4 and 4).
- Information regarding state participation in the extractive industries, payments to and from state owned enterprises and any quasi-fiscal expenditures in accordance with EITI Requirement 2.6, 4.5 and 6.2

The IA will focus on the following areas in addressing this term of reference:

- Establishing whether there are any changes in state participation and policies for state-owned enterprises
- Establishing what Malawi has benefitted in the companies in which it has shares? What challenges are and what should be done?
- Ad-hoc SOE payments and transfers
- Amendments to the rules and practices related to SOEs' operating and capital expenditures, procurement, subcontracting and corporate governance.
- Cover the Mines and Minerals Act implications for state participation and challenges.
- An overview of the extractive industries, including any significant exploration activities in accordance with EITI Requirement 3.1.

The IA will focus on the following areas in addressing this term of reference:

- Identify prevailing global external and internal economic shocks which affected the extractive industries growth and performance.
- A narrative overview of sector developments and industry outlook in light of external and internal economic shocks and the commodity price upwards turn during the period.
- Effects of global external shocks and the increase in prices on exploration or development plans.
- Update and Information on any sale or changes of ownership of Mines.
- Update on potential and opening of new mining activities and how extractive sector look like.

- Production and export data in accordance with EITI Requirement 3.2 and 3.3.
The IA will focus on the following areas in addressing this term of reference:
 - Documentation of production data and export data with their values for the period. This is information we can gather from the extractive companies through completed reporting templates but also from the published annual economic reports.
 - After gathering relevant information as indicated in the bullet point above, we will also undertake an analysis on production and exports and some of the ‘variances’ and the significant increase in export quantity between 2021/2022 to 2022/2023.
 - Establish the effects of global and internal economic shocks on projected and actual production and export, disaggregated by commodity, company and project.
 - Provision of information relating to production volumes and values disaggregated by company and project level for 2021/2022 and 2022/2023 financial years. (Where it is not possible to report at project level the IA will indicate the reasons).
 - Establishing whether there are concerns about the comprehensiveness and reliability of the production and export data (Requirement 3.2 and 3.3).
 - Provision of analysis of the production data declared by the MoM and that declared by the companies. Since this was identified as a recurrent challenge in previous reports, the IA will outline in the report, how production data is collected.
- Information about the sale of the state’s share of production or other revenues collected in-kind, in accordance with Requirement 4.2.
 - Update and effects of new concession arrangement
 - Update, analysis and summary on the level of compliance by companies
 - Analysis of Price and Markets of Malawi extractive industries commodities.
 - Effects of the declining or increasing in commodity prices on expected revenues from the sale of the state’s share of production and other revenues collected in-kind. This could include analysis of the potentially foregone/ Windfall revenues from commodity sales as a result of the declining or raising in prices.
- Information about infrastructure provisions and barter arrangements, in accordance with Requirement 4.3.
 - Any new or renegotiated infrastructure agreements due to any global crisis.
 - Any new or renegotiated resource-backed loans within the period under review.
- Analysis and documentation of current and future prospects of Oil and Gas exploration and production in Malawi.
- Information and Progress on the formation of Mining State Owned Enterprise (SoE) and the Mining Regulatory Authority.
- Mines and Minerals Act implications for transparency and accountability. Sections 268, 310.
- Updates on the status of the Mines and Minerals Act Regulations.
- Development Agreements with mining companies
We will engage DoM and obtain details of any development agreements between the Government of Malawi and mining companies.
The agreements will be reviewed and analysed with the aim of documenting in the 7th and 8th MWEITI report any key issues or provisions laid out in those agreements.

Malawi Revenue Authority

We intend to engage the Malawi Revenue Authority (MRA) for the provision of some information which will include but will not be limited to the following:

- Effects of global and internal economic shocks on projected and actual revenues and taxes from the extractive industries for 2021/2022 and 2022/2023.
- Analysis of potentially foregone revenues where fiscal relief has been provided or is being considered to the industry. (Tax expenditure on mining incentives analysis).

Transport sector

Ministry of Transport and Public Works/ Malawi Railways Fund/ Roads Fund Administration

As we engage the Ministry of Transport and Public Works, we will also engage the Malawi Railways and the Roads Fund Administration. All these three institutions are key players in the operation of this Fund. We will obtain information and related guidelines and provisions on the operation of the Fund and this information will include transfers into the Fund, payments made out of the Fund, utilization of the funds withdrawn and the outstanding balances at the end of the two financial years. We also intend to obtain more details on whether funds withdrawn from the Fund were utilized on railways related activities.

Other focus areas

We also intend to obtain detailed information on:

- Any changes to extractive commodities transportation arrangements;
- The outlook for transportation arrangements, revenues and any relevant extractive industries supply chain disruptions and related movement restrictions.
- Supply chain disruptions. What are volumes transported on the corridor and the future trajectory
- Update on the transport payments related to major extractive transport infrastructure concession.
- Transparency and availability of the Infrastructure and Transport agreement. Include what are the scopes for disclosure.

The Ministry of Labour

We intend to engage the Ministry of Labour for the provision of some information which will include but will not be limited to the following:

- Extractive Industries labour law and policy challenges.
- Extractive Industries adherences to the laws and policies
- Common labour issues challenges requiring reforms in light of EITI.

The Environmental Affairs Department

We intend to engage the Environmental Affairs Department for the provision of some information which will include but will not be limited to the following:

- Shifts in regulatory rules or enforcement related to environmental protection, climate mitigation, Free, Prior and Informed Consent and other consultations.
- Assessment of the actual enforcement and implementation of these regulations. This should include the accounting for ESIA's for all the licenses under cadastre and a report on the enforcement and monitoring. This may also include details on any fines and payments made for non-compliance and the sureties in accordance with the law. How much in total and utilisation.

- Gender and Extractive Sector labour law and policy challenges.
- The extent on how Environmental and Social Reporting within the extractive communities is being addressed;
- The Mines and Minerals Act highlights a number of environmental related issues such as Community Development Agreements, Community Engagement Plans, Gender issues and Environmental Rehabilitation. We intend to find out and report on the timelines when these provisions are expected to kick in.
- Summary of compliance trends to ESIA/ESMP. Are companies complying, frequency of compliance monitoring, cost of compliance monitoring and gaps.
- Actual expenditure by company against ESMP mitigation budgets. So total annual budget for environmental and social payment according to the ESMP versus the actual expenditure these are obligatory and legally binding payments.
- Preparation of a summary of the accessibility of these reports. Recommendations on how to strengthen the linkage between the coordinating agencies.
- An assessment of the compliance procedures and grievance mechanisms and making recommendations to advance project compliance and monitoring.

The National Audit Office

We intend to engage the National Audit Office for the provision of some information which will include but will not be limited to the following:

- The impact, the introduction of EITI in Malawi has had on the extractive industries, the communities in which these companies operate and on the Country in general and what steps, if any need to be addressed, if the country is to benefit more from the EITI initiative.
- A detailed update on the audit of the licensing process by the Auditor General in the extractive industry, focusing on mining and forestry sectors.
- A summary report on the corruption risks assessment in the mining licensing process.

The Office of the Registrar General and the BOD process

We intend to engage the office of the Registrar General and obtain such details as follows:

- Update and progress in the implementation of BOD process in Malawi considering it was reported in previous EITI reports that progress was being made and that BO Regulations had been submitted to the Ministry of Justice and Constitutional Affairs.
- Follow up on any plans by and Registrar General Department and FIA Malawi on BO reforms
- Update on the implementation of the BOD regulations
- Progress made towards building of BOD requirements as of todate.

Ministry of Finance and Economic Affairs (MoFEA)

We intend to engage the Ministry especially the revenue section and obtain such information as follows:

- Regulatory and policy framework and developments that have taken place
- Budget re-alignments for extractive industry revenues.
- Update on the distribution of revenues from the extractive industries. Any changes.
- How extractive revenues are used and what should be done to enhance the transparency and accountability.
- Revisions to revenue and budget projections (including breakeven commodity price assumptions).

2.4 Other Contextual Information (Continued)

Ministry of Finance and Economic Affairs (MoFEA) - Continued

- Rescue funding, stimulus packages, or subsidies related to the extractive sector or its state-owned enterprises).
- Shifts in sector-specific borrowing.
- Establishing what Malawi has benefitted in the companies in which it has shares? What challenges are and what should be done?

Reserve Bank of Malawi

We intend to engage the Reserve Bank of Malawi and obtain such information as follows:

- Regulatory and policy framework and developments that have taken place;
- Economic analysis and updates on the Extractive Industries sector contribution to the GDP during the two financial year.
- Impact of the commodity price movements on the extractive sector and general economic outlook.
- Geographic information on the Extractive industries contribution and performance.
- Other information we intend to gather during our engagement:
 - New role for the RBM and EDF with regard to gold and gemstones purchases.
 - Updates on SMEs gold business development.
 - Brief analysis of gold prices and market in Malawi and other major external gold markets.
 - Identification of gold formal sector challenges and informal sector channels.
 - Brief analysis and update of gold and gemstone mineral tenants (licensing) and cooperative formulation.

Forestry sector

VIZARA Plantations

During our engagement with the officials at the Department of Forestry (DoF), it was established that the DoF has on several occasions engaged the company to resolve the issue of whether the company operates in agriculture or forestry sector. Considering the nature of products that the company deals in, but also that their permits are processed by the DoF, it was resolved that the company is one of the players in the forestry sector and therefore has to comply with EITI requirements and be able to complete the reporting templates.

During the actual reconciliation process, we intend to engage management of the company and confirm this position. We will, where necessary visit Vizara Plantations in the company of DoF officials and MSG members. They will also be required to complete the reporting templates in an effort to comply with the EITI Reporting Requirements. This will ensure that going forward this matter does not arise.

RAIPLY Malawi Limited

During the financial year 2017/2018, it was established that in May 2020, the company and the Government of Malawi agreed on a new Concession Agreement where Raiply Limited is now the ultimate owner of the trees in Chikangawa Forest and all the risks including fire were transferred to the company. The DoF undertook a stock count of all the trees in the forest and cost them. It is expected that the company will pay to the Government an amount between MK13 billion to MK14 billion for the trees.

2.4 Other Contextual Information (Continued)

RAIPLY Malawi Limited

This will be paid within a period of less than 10 years. Besides payment for the trees, the new agreement also requires the company to pay 10USD/hectare as an opportunity cost for the use of the land. One of the reasons for the change in the agreement was that Government was losing a lot of money through fires which meant a large number of trees would be sold as wood rather than timber.

During the actual reconciliation process, we intend to re-engage the DoF in order to obtain any updated information on the new concession agreement and on the effects of this new concession agreement. We will also engage management of the company to confirm their position.

Forest Development Fund

As we engage the DoF and the MoFEA on various aspects of the process, we intend to obtain information and related guidelines and provisions on the operation of the Fund. The information will include such issues as transfers into the Fund, payments made out of the Fund, utilisation of the funds withdrawn and the outstanding balances at the end of the two financial years. We also intend to obtain more details on whether funds withdrawn from the Fund were utilised on forest related activities.

Government Entities

Based on the list of extractive companies and payment flows to be included in the scope, the Government Entities which will be requested to submit reporting templates for the period from July 2021 to June 2022 and July 2022 to June 2023 are as follows:

Table 7: List of Government entities required to submit reporting templates

No Government entity	
1	Malawi Revenue Authority (MRA)
2	Department of Forestry (under the Ministry of Forestry and Climate Change)
3	Department of Mining (under the Ministry of Mining)
4	Ministry of Finance and Economic Affairs (MoFEA) – with respect to the Malawi Railways Fund, Forest Development Fund
5	Technical Entrepreneurial and Vocational Education and Training Authority (TEVETA)
6	Geological Survey Department (under the Ministry of Mining)

Payment flows

Based on our scoping study for the period of two financial years: 2021/2022 and 2022/2023, the payment streams exceeding a materiality threshold of MK200,000,000 will be included in the reconciliation scope. These are as follows:

Table 8: List of direct payments to Government Agencies

Department of Mines (DoM), Department of Forestry, Geological Survey Department, MRA and TEVETA

- 1.1 Royalties paid
- 1.2 License fees
- 1.3 Annual charges / ground rent
- 1.4 Application fees
- 1.5 Dividend paid to Government (Government as being shareholder)

- 1.6 Penalties
- 1.7 "Mandatory" training fees
- 1.8 Other material payments to the Department

Department of Forestry (DoF)

- 1.9a Sale of logs
- 1.9b Royalties paid
- 1.9c License fees
- 1.9d Annual charges / ground rent
- 1.9e Application fees
- 1.9f Concession fees
- 1.9g Penalties
- 1.9h Other material payments to the Department

Payment flows

Based on our scoping study for the period of two financial years: 2021/2022 and 2022/2023, the payment streams exceeding a materiality threshold of MK200,000,000 will be included in the reconciliation scope. These are as follows:

Geological Survey Department

- 1.10a Sale of tender doc stationery/ sale of bulletin and maps
- 1.10b Lab analysis/ sample analysis/ seismic data/ chemical analysis
- 1.10c Hire of plant and equipment
- 1.10d Geological publication/geophysical and geological maps
- 1.10e Magnetic grid map
- 1.10f Inspection/identification
- 1.10g Other

Malawi Revenue Authority (MRA) /TEVETA

- 2.1 Corporate tax
- 2.2 Resource rent tax
- 2.3 Non-resident tax
- 2.4 Pay As You Earn "PAYE" tax
- 2.5 Withholding tax on payments
- 2.6 Fringe benefits tax
- 2.7 Dividend tax
- 2.8 Value Add Tax (VAT)
- 2.9 Customs duty / Excise tax
- 2.10 Penalties
- 2.11 Other material payments to MRA

Technical, Entrepreneurial and Vocational Education and Training Authority (TEVETA)

- 2.12 TEVET Levy

Ministry of Finance and Economic Affairs (MoFEA)

- 3.1 Dividend paid to Government (Government as being shareholder)
- 3.2 Other material payments to MoFEA

Social Payments

- 4.1 Voluntary social contribution
- 4.2 Mandatory social contribution

Infrastructure provisions and barter arrangements


- 5.1 Total budget of the engagement/project
- 5.2 Value of engagements/project incurred from 01/07/2020 to 30/06/2021
- 5.3 Cumulated value of engagements/project incurred on 30/06/2021

Roads Fund Administration (RFA)

- 6.1 Railway Fund income & distribution report for the period from July 2020 to June 2021

2.5 Declaration forms

The data and information categories to be disclosed in the reporting templates of this report for disclosure are summarised in the table below:

			
MALAWI EITI PROJECT LEVEL REPORTING AND GENDER TEMPLATE			
Period covered: FY 2021/2022 AND FY 2022/2023			
N°	Template	Reporting Entity	
		Company	Government
1	1. Identification sheet	To fill	N/A
2	2. Summary Reporting Template	To fill	To fill
3	3. Non-Project Payments	To fill	To fill
4	4. Project 1 Payments	To fill	N/A
	4.1 Payment Flow details - Project 1	To fill	To fill
	4.2 Social Payments - Project 1	To fill	To fill
	4.3 Production details - Project 1	To fill	To fill
	4.4 Export details - Project 1	To fill	To fill
5	5. Project 2 Payments	To fill	To fill
	5.1 Payment Flow details - Project 2	To fill	To fill
	5.2 Social Payments - Project 2	To fill	To fill
	5.3 Production details - Project 2	To fill	To fill
	5.4 Export details - Project 2	To fill	To fill
6	6. Project 3 Payments	To fill	To fill
	6.1 Payment Flow details - Project 3	To fill	To fill
	6.2 Social Payments - Project 3	To fill	To fill
	6.3 Production details - Project 3	To fill	To fill
	6.4 Export details - Project 3	To fill	To fill
7	7. Legal ownership	To fill	N/A
8	8. Beneficial ownership	To fill	N/A
9	9. Public Interest	N/A	To fill
10	10. Infra prov & Barter arrangement	To fill	To fill
11	11. Payments Flow definition	N/A	N/A
(*) Select yes or no on the dropdown once you completed to fill the template			
N/A : Not applicable			

2.6 Reliability and Credibility of Data

In order to ensure credibility of the figures reported by extractive companies and Government entities, we recommend that:

- All reporting templates submitted by extractive companies should be signed by an authorised officer, preferably someone at senior management level;
- All reporting templates submitted by Government entities should be signed by an authorised senior official;
- All reporting templates submitted by extractive companies should be certified by an external auditor;
- All reporting templates submitted by Government entities should be certified by the National Audit Office;
- Extractive companies selected in the reconciliation scope are also encouraged to submit their audited financial statements for the financial years 2021/22 and 2022/23.

Level of disaggregation

With regards to the level of disaggregation to be applied to the data, we recommend that the EITI data is presented by mining company, by Government entity and payment flow.

Signed:

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KCM Consulting Limited
European Business Centre
Area 3
Lilongwe, Malawi

Date:February 2025

3. APPROACH AND METHODOLOGY

In order to be effective and compliant, EITI reports must be timely, reliable, comprehensive and comprehensible. Scoping decisions are critical in ensuring that the EITI reports meet these requirements. The scoping study involves:

- Defining the reporting period and based on the terms of reference, it is understood that the period will be two financial years: July 2021 to June 2022 and July 2022 to June 2023;
- Determining material revenue streams from each extractive sector (oil and gas and mining) and the other sector included in the EITI process in Malawi (forestry);

Note

In establishing materiality definitions and thresholds, the IA will consider the size of the revenue streams and the payments by companies relative to the government's total revenues. Where is it considered necessary, the IA may use materiality thresholds used in previous reporting periods, or adjust these to focus on the most important revenue streams and reporting entities.

- Deciding which extractive companies and Government entities would be included in the process;
- Developing, reviewing and ensuring that the MWEITI data reporting templates reflect the new 2023 EITI standard requirements and specifically Gender requirements; Project Level reporting; BO requirements;
- Proposing procedures to ensure credibility of the data submitted by reporting entities; and
- Proposing training timelines for Companies and Government reporting entities. Training is necessary and required in order to prepare and train them to fill the reporting template. This enhances quality of data and information submitted. Further, the delay in the submission of the data is minimised and compliance of data submission is enhanced.

We conducted a preliminary analysis, in order to:

- Obtain a good understanding of the extractive resources and industries of the country;
- Review the fiscal regime and other relevant revenue streams applicable to the extractive industry, including any potential in-kind payments, social payments, infrastructure provisions and other bartering agreements;
- Consider the current auditing practices for companies and Government entities in the country;
- Review existing data for the relevant period to determine significant revenue streams;
- Define the materiality threshold for revenue streams to be covered in the EITI Report;
- Identify extractive companies which make material payments within the scope of the agreed material revenue streams; and
- Identify Government entities, including those at sub-national level, which collect material revenues within the scope of the agreed material revenue streams.

3.1 Opening meeting, data preparation/training of the key Government Departments

The scoping phase started in January 2025 with a kick off meeting with the MWEITI Secretariat team at the Ministry of Finance and Economic Affairs during which we were able to:

- Discuss the draft reporting templates (bearing in mind the need for project level reporting) and the list of the type of documents and information to be requested from the reporting;
- Discuss the timing in which the MSG would be briefed on the issue of Innovative disclosures where the IA would provide information and a recommendation on how this aspect should be covered in the 7th and 8th MWEITI report;
- Discuss the objectives of the inception phase;
- Request all documents and information required for the preliminary analysis; and
- Preparation of the roadmap that would guide all processes on the assignment, schedule introductory meeting and interviews to be conducted with key focal points from Government Entities. It was agreed to meet Department of Mines, Department of Forestry, Malawi Railways, Malawi Revenue Authority, TEVETA and Geological Survey Department.

Opening meeting, data preparation/training of the key Government Departments

In order to fast track the process, the MWEITI Secretariat intends to organise a workshop during the month of January 2025 for key Government Departments for the completion of revenue streams, training on completion of reporting templates and commencement of completion of the actual reporting templates for top 27 companies covering the two financial years 2021/2022 and 2022/2023. This information was vital for the production of the scoping report.

3.2 Meeting with stakeholders

We conducted interviews with key officials of Government Entities, during which, we explained that this phase would involve understanding and documenting the size of the Malawi Extractive industries, the legal environment and the tax payment system. The persons/entities contacted during this visit are listed in Annex 2 of this report.

During these meetings we also identified all companies and Government Entities involved in the extractive sectors, including entities which trade and export minerals extracted by artisanal and small scale mining operations.

3.3 Data Collection

In order to understand and document the size of the Malawi Extractive Industry, the commercial practices, taxation systems and the payment flows as well as extractive companies and Government Entities involved in this industry, we collected data on:

- Legislation applicable to the extractive sector;
- The structure of the extractive sector in Malawi, its size and the main stakeholders;
- The statistics and financial indicators of the extractive sector in terms of production and contribution in the Malawian economy;
- Changes which occurred during the reconciliation period with regards to legislation, new contracts or agreements that could impact the results of our work;

3. APPROACH AND METHODOLOGY (Continued)**3.3 Data Collection (Continued)**

- Preliminary statement of revenues from Department of Mines, Malawi Revenue Authority and TEVETA.

In addition to meetings held with the above-mentioned entities, we obtained data from these entities, which formed the basis of our scoping study for the mining sector. These documents are summarised as follows:

Table 9: List of documents already collected at inception stage

Documents / Data	Source
Mines and Minerals Act 2023 published	Department of Mines (DoM)
Mines and Minerals Regulations	Department of Mines (DoM)
2023 EITI Standard	MWEITI Secretariat
Petroleum (Application) Regulations	Department of Mines (DoM)
Documents / Data	Source
Petroleum (Constitution of Blocks) Regulations	Department of Mines (DoM)
Petroleum (General Provisions) Regulations	Department of Mines (DoM)
Petroleum (Prescribed Fees and Annual Charges) Regulations	Department of Mines (DoM)
Petroleum (Records, Reports and Accounts) Regulations	Department of Mines (DoM)
Petroleum (Registration and Transfer of Licenses) Regulations	Department of Mines (DoM)
Petroleum Act 1983	Department of Mines (DoM)
National Forestry Policy effective June (2016)	Department of Forestry (DoF)
Forestry Act (FA) (1997)	Department of Forestry (DoF)
Forest Rules (2010)	Department of Forestry (DoF)
National Environmental Policy (2004)	Department of Forestry (DoF)
National Land Policy (2002)	Department of Forestry (DoF)
National Decentralization Policy (1998)	Department of Forestry (DoF)
Water Policy (2005)	Department of Forestry (DoF)
National Parks and Wildlife Policy (2000)	Department of Forestry (DoF)
Land Resources Management Policy (2000)	Department of Forestry (DoF)
Energy Policy (2003)	Department of Forestry (DoF)
Annual Economic Reports 2020	Ministry of Finance and Economic Affairs (MoFEA)
Annual Economic Reports 2021	Ministry of Finance and Economic Affairs (MoFEA)
Annual Economic Reports 2022	Ministry of Finance and Economic Affairs (MoFEA)
Annual Economic Reports 2023	Ministry of Finance and Economic Affairs (MoFEA)

3. APPROACH AND METHODOLOGY (Continued)

3.3 Data Collection (Continued)

Documents / Data	Source
Integrated Planning and Budgeting Manual	Ministry of Finance (MoF)
Public Finance Management Act	Ministry of Finance (MoF)
Auditors Report - Accounts of the Government 2021/22 and also 2022/23	National Audit Office (NAO)
GDP by sector for period July 2021 to June 2021 and July 2022 to June 2022	National Statistical Office of Malawi
Latest exports from the forestry and extractive industries in value and volume	National Statistical Office of Malawi
Latest Employment Labour Force Survey	National Statistical Office of Malawi
Statement of all revenues during the period July 2021 to June 2021 and July 2022 to June 2022	Department of Mines (DoM)
Any new license/contract awarded or transferred in 2020/2021	Department of Mines (DoM)
Statement of all revenues during the period July 2021 to June 2021 and July 2022 to June 2022	Department of Forestry (DoF)
Statement of all revenues: July 2021 to June 2021 and July 2022 to June 2022 from the extractive industries	Malawi Revenue Authority
Taxation Amendment Bills 2020-21 FY	Malawi Revenue Authority
Taxation Amendments 2020/2021	Malawi Revenue Authority
Value Added Tax- latest consolidated Nov 2020	Malawi Revenue Authority
VAT Act Amended	Malawi Revenue Authority
Value Added Tax Act (2006)	Malawi Revenue Authority

3.4 Analysis of legal and tax documents

We examined all relevant legal texts applicable to the Malawian extractive industry in order to identify:

- All taxes paid by oil and gas, mining and forestry companies;
- The basis of calculation of these taxes in the extractive sectors;
- The Government Entities which collect the taxes paid by extractive companies; and
- Audit regulations and practices with regards to extractive companies and Government Entities.

3.5 Compilation of statistics on the extractive industries

The compilation work to identify all payment flows as well as relevant entities in the extractive sectors included:

- Collection of the list of all active licenses during the reconciliation period;

- Collection of information on all receipts made by the State from companies operating in the extractive sectors;

3. APPROACH AND METHODOLOGY (Continued)

3.5 Compilation of statistics on the extractive industries (Continued)

- Reconciliation of the list of licenses for exploitation and exploration with the list of companies registered at MRA;
- Consolidation of revenues collected by Government Entities by type of flow and by company;
- Calculation of the impact of the consolidation results on the materiality analysis; and
- Amending the reporting templates in accordance with the results of the scoping study and the Requirements of the 2023 EITI Standard.

4. RELIABILITY AND CERTIFICATION OF DATA

4.1 Reliability and certification of data to be reported

In order to comply with 2023 EITI Standard which aims at guaranteeing the credibility of the data submitted by reporting entities, we propose the following approach in the context of the preparation of the 7th and 8th MWEITI report covering the two financial years: July 2021 to June 2022 and July 2022 to June 2023.

For extractive companies

The Reporting Templates submitted by extractive companies selected in the reconciliation scope should be:

- Signed by a person authorised to represent the extractive company;
- Accompanied by detailed receipts of the payments reported;
- Accompanied by the audited financial statements of the extractive company for the period July 2021 to June 2022 and July 2022 to June 2022;
- Certified by a registered external auditor that the data reported in the Reporting Templates are in accordance with instructions issued by the MWEITI MSG, are accurate and comprehensive and are in agreement with the accounts for the financial years July 2021 to June 2022 and July 2022 to June 2022.

For Government Entities

Reporting Templates submitted by Government Entities included in the reconciliation scope must be:

- Signed by a person authorised to represent the Government Entities;
- Accompanied by detailed receipts of the payments reported; and
- Certified by the Auditor General as a confirmation that the transactions reported in the Reporting Templates are in accordance with instructions issued by the MWEITI MSG, are accurate and comprehensive and are in agreement with the accounts of government in the financial years 2021/2022 and 2022/2023.

4. RELIABILITY AND CERTIFICATION OF DATA

4.2 Level of disaggregation

We recommend that the Reporting Templates (project level) and the data are submitted:

- By extractive company;
- By Government Entity for each company/taxpayer selected in the reconciliation scope; and
- By tax and by type of payment flow as detailed in the Reporting Template.

For each payment flow reported, companies/taxpayers and Government Entities must provide details by receipt / payment, by date and by beneficiary.

The companies will also be requested to provide information on their Beneficial Ownership.

For any changes to the information provided on the original data collection templates, supporting documents and/or confirmation from reporting entities will have to be made available to the Independent Administrator.

5. FOLLOW UP ON THE RECOMMENDATIONS MADE IN THE PREVIOUS SIX MWEITI REPORTS/TWO VALIDATION REPORTS AND THE STATUS OF IMPLEMENTATION OF THE SAME

Considering that there have been six MWEITI Reports in the past, we intend to undertake the following tasks:

- Review all the six previous MWEITI Reports and prepare an analysis of the issues raised, recommendations made and actions proposed. This will be done by entity for easy follow up. (we will also make use of the recent study on the review of previous MWEITI reports, implementation of recommendation and the proposed costs required for the implementation) :
- Engage through a meeting, key officials in the Government entity concerned where we intend to understand from them:
 - Status of the implementation of the recommendations made in previous reports;
 - Plausible explanations relating to recommendations not yet implemented (if any); and
 - Action plan for the implementation of those recommendations not yet implemented.
- Follow up on the issues identified in the previous two validation reports for 2018 and 2022
In particular, the Independent Administrator should seek to address previous gaps identified in EITI Reports and Validation report.

The purpose of this exercise is to provide insights to the MSG regarding what steps they can take and engage all key sector players to ensure that the recommendations made in previous MWEITI reports and the wealthy amount of data that has been generated is being fully utilized but also learning from the process to make significant improvements in the governance of natural resources in Malawi.

6. CHALLENGES FACED AT THE INCEPTION PHASE

We set out below the limitations of the inception phase.

- (i) Introduction of new staff members at the Department of Forestry has made it difficult for them to provide some information for the EITI reporting in time. At the time of preparing this report, the department had not yet provided a statement of revenues for the forestry companies, for the two financial years 2021/2022 and 2022/2023..
- (ii) Project level reporting challenges due to the single use of TPIN at MRA and therefore difficult to trace revenues from a specific project.

7. ROADMAP FOR THE PRODUCTION OF THE 7TH AND 8TH MWEITI REPORT

Phase (Milestone)	Activities	Start Date	End Date	Means of Verification
Planning and Preliminary Analysis	Contract Signing		Jan. 2025	Scoping Report
	Kick-off meeting		Jan. 2025	
	Preliminary discussion and analysis of the reporting templates and request of information and documentation		Jan. 2025	
	Submission of the reporting templates and request of information and documentation to MWEITI Secretariat for sending to all relevant stakeholders		Jan. 2025	
	Gathering of information necessary for the scoping report/ preparation of draft scoping report	Jan. 2025	Jan. 2025	
	Submission of draft scoping report		Jan. 2025	
	MSG Meeting for the approval of draft scoping report	Jan. 2025	Jan. 2025	
	Incorporation of MSG comments into the draft scoping report	Jan. 2025	Jan. 2025	
	Submission of final scoping report		Jan. 2025	
Data collection (including template preparation, capacity building and training) and certification process	Capacity building, training of Government Agencies on Completion of Reporting Templates followed by completion of the reporting templates by Government Agencies	Feb.2025	Feb.2025	Data Collection Progress Report, including Template Data Collection Document, Data certification report
	Final amendments to the reporting templates, Capacity building, training of extractive companies on Completion of Reporting Templates (Extractive companies in the Southern Region)	Feb.2025	Feb.2025	
	Final amendments to the reporting templates, Capacity building, training of extractive companies on Completion of Reporting Templates (Extractive companies in Central Region)	Feb.2025	Feb.2025	
	Final amendments to the reporting templates, Capacity building, training of extractive companies on Completion of Reporting Templates (Extractive companies in the Northern Region)	Feb.2025	Feb.2025	

Phase (Milestone)	Activities	Start Date	End Date	Means of Verification
	Meetings with and collection of contextual information from Government Agencies (DoM, DoF, MRA, DSG, TEVETA, RFA, Malawi Railways, RBM, NAO, EAD, Ministries of Labour, Finance and Economic Affairs etc)	Feb.2025	Feb.2025	
	Participate in the Government reporting entities data template certification exercise with National Audit Office (NAO). The purpose is to ascertain the level quality assurance and Data credibility of the information and data collected from Government MDAs as a requirement by EITI standard	Feb.2025	Feb.2025	
Initial reconciliation + Investigation of discrepancies and resolution	Initial reconciliation processes, resolution of discrepancies, collection of contextual information, follow-ups with extractive companies and some Government Agencies for the unsubmitted reporting templates and reconciliation discrepancies through emails, telephone calls and physical visits where necessary. This will also include all necessary meetings where the MWEITI Secretariat may be invited	Feb.2025	Feb.2025	Draft MWEITI Report
	Preparation and drafting of the report			
Reporting	Preparation and drafting of the report and submission to MWEITI/MSG	Feb.2025	Feb.2025 to First Week of March 2025	Final MWEITI report
	Validation of the draft report	First/Second Week March 2025	First/Second Week March 2025	
	Incorporation of comments from the validation process, resolution of any other outstanding matters and then submission of final draft report to MWEITI/MSG	First/Second Week March 2025	First/Second Week March 2025	
	Submission of final report to MWEITI/MSG	First/Second Week March 2025	First/Second Week March 2025	

Annex 1: Reporting templates and supporting schedules (See Attached)