



ACTIVITIES DELIVERED AND OUTCOMES



PROGRESS REPORT

2017



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I. ABBREVIATIONS AND ACCRONYMS

CSO	Civil Society Organization
DoF	Department of Forestry
DoM	Department of Mines
EITI	Extractive Industries Transparency Initiative
IA	Independent Administrator
MRA	Malawi Revenue Authority
MGGSP	Mining Growth and Governance Support Project
MWEITI	Malawi Extractive Industries Transparency Initiative
MSG	Multi Stakeholder Group
PEPA	Petroleum Exploration and Production Act

2. A MESSAGE FROM THE CHAIR OF THE MWEITI MSG

The Multi-Stakeholder Group has ensured that Malawi makes meaningful progress towards attaining EITI compliant status. After achieving EITI Candidacy in October 2015, Malawi has moved on to produce its first EITI Report, which was published in April 2017. Having reached this far, I would like to acknowledge and thank the constituents of the MSG and all our supporting partners in building up a working and efficient EITI system in Malawi. In particular the GIZ as a coordinating donor agency and on their own capacity, the DFID and the World Bank through the (MGGSP for their commitment and support.

However, as we all know, publishing reports is not a goal in itself. There is still more work to be done. Malawi must critically look at the systemic weaknesses of the extractive sector as outlined in the report and take corrective actions in order to reform the sector for the benefit of Malawians. Furthermore, next year (2018) Malawi is set to undergo EITI validation. To achieve these milestones, therefore, we are relying on the continued commitment of all constituents of the MSG and all other stakeholders involved and interested in the prudent management of natural resources in Malawi.

Kenneth Matupa,

Chair of MWEITI MSG

June 2017

3. INTRODUCTION

MWEITI is now in its third year of EITI Implementation. Malawi having been admitted in October 2015 as an EITI implementing country immediately was tasked to produce two EITI reports before the validation in September 2018. With support from various Development Partners so far Malawi has managed to undertake various EITI activities and reforms to meet EITI International standards. The major activity being the production of the First EITI Report and its launch by the Minister of Natural Resources, Energy and Mining.

This annual progress report communicates the efforts that Malawi has undertaken during 2017 to adhere to the EITI Requirements. The Report also includes the activities and progress that has been made in achieving the objectives set out in the Malawi Extractive Industries Transparency Initiative (MWEITI) Work Plan.

Malawi was admitted as an EITI Country in October 2015. Government and its development partners are currently funding the implementation of various activities that are essential for Malawi to become EITI compliant. Meanwhile, Malawi has undertaken its first reconciliation of payments and receipts of revenues from the extractive sector and the first EITI report was prepared and submitted by the Independent Administrator in April 2017. The country aims to use issues raised in the aforementioned EITI reconciliation report to champion necessary sectoral reforms designed at making the sector more transparent and accountable.

Following the first EITI report last year, Malawi undertook to make some necessary adjustments and reforms as one way to smoothen the implementation of EITI process. The report highlights these reforms and efforts which the country has embarked on. However, considering the policy and legal environment Malawi EITI process has been operating in, it is appreciative to the players and stakeholder of the EITI process to be able to achieve various milestones which has been achieved so far by Malawi EITI.

All the activities that have been outlined in this annual report have enabled Malawi to acquire good experience in the implementation of the process towards achieving EITI compliance. Therefore, the report gives a good snapshot of some of the efforts and inputs made towards achieving EITI Country Compliant Status.

4. GENERAL ASSESSMENT OF YEAR'S PERFORMANCE

Malawi has made significant progress in 2017 since the last annual progress report of 2016. The Multi-Stakeholder Group has ensured that Malawi makes meaningful progress towards attaining EITI compliant status.

On 27th December, 2016, the MWEITI MSG approved an annual plan of activities for the MWEITI Secretariat for 2017. These activities ranged from producing Malawi's first-ever EITI Report to launching the report. In detail, implemented activities for 2017 include:

- a. Produce the first EITI Report;
- b. Submitted EITI Report to the International EITI Secretariat;
- c. Launched Malawi EITI and Malawi's first-ever EITI Report
- d. Produced a Remedial Action Plan based on EITI Report Recommendations;
- e. Disseminated MWEITI first EITI report findings to the mining communities and journalists;
- f. Reviewed the Terms of Reference for the MSG on 27th November 2017 as well as for three Subcommittees:
 - I. Communications and Engagement Committee
 - II. Finance and Audit Committee
 - III. Beneficial Ownership Disclosure (BOD) Committee
- g. Upgrading of the MWEITI website
- h. Organized and undertook a ten-member study tour to Nigeria to build the capacities of the MWEITI MSG and Secretariat ;
- i. Participated in a Natural Resource Governance Institute (NRGI) training in Budapest ;

- j. Produced a Communication Strategy through a multi-stakeholder consultation process;
- k. Produced a Strategic Plan through a multi-stakeholder consultation process;

5. ASSESSMENT OF PERFORMANCE AGAINST TARGETS AND ACTIVITIES SET OUT IN THE WORKPLAN

Activities in the Work plan	Target	Progress made (Report)
Objective 1: EITI-compliant status achieved		
Official launch of MWEITI implementation.	EITI launched	MWEITI and Malawi's first-ever EITI Report were launched on 25 th August, 2017.
Coordination and pledging round with international partners, including World Bank, AfDB, EU, BMZ/GIZ, Royal Norwegian Embassy, private foundations.	Donor support earmarked and committed	DFID and GIZ were major donors to MWEITI during the reporting period Some activities were funded by World Bank funded MGGSP
Legal and practical obstacles to implementation: research and identify any legal, regulatory or other practical obstacles that may hinder or prevent the implementation of the EITI process and reporting.	Legal and practical obstacles conducted	Not yet pursued. Planned for 2018.
Scope of EITI implementation: research and identify which natural resources, revenue/payment streams, companies and state authorities should be included in the EITI Report.	Scope of EITI implementation defined	The second scoping study was conducted by the IA (Reconciler) in November 2016 in addition to the one that was commissioned by the MSG in 2015. The two Reports are available.
Preparatory reporting template drafted for IA (Reconciler).	Preparatory reporting template produced	For the first Reconciliation Process, the preparatory Reporting Template was drafted and finalized at a workshop that was held on 10 th January, 2017. The workshop was conducted together with the IA where companies were trained further in EITI reporting. For the second Reconciliation Process, the Reporting Template is yet to be reviewed

		and drafted.
ToRs for IA (Reconciler) approved by MSG, including decision of materiality threshold.	ToR for IA (Reconciler) developed	For the second EITI Report, the ToRs for the IA (Reconciler) have been drafted by the MWEITI Secretariat and MSG approved at its 11th meeting.
IA is contracted. Procurement started in a timely manner (6-9 months).	IA (Reconciler) contracted	Procurement of the Independent Administrator (IA) has not yet started and the agreement has not been signed.
MSG Committee on Contextual Information makes sure that resource persons from relevant government agencies provide information.	Contextual information collected	MSG Committee on Contextual Information is yet to meet and map the way forward for the provision of contextual information for Malawi's second EITI Report.
IA (Reconciler) to collect information from government and companies for reconciliation, and drafting of Report.	Report produced	The IA (Reconciler) for the second EITI Report has not yet been procured and Reconciliation Process has not commenced.
MSG endorses the first Report.	First EITI Report endorsed	Second EITI Report for Malawi is yet to be produced.
MWEITI MSG publishes the first EITI Report.	First EITI Report published	Done
Identify, investigate and address the cause of discrepancies in reconciliation and consider recommendations for improvement for the IA (Reconciler).	Finding consolidated and submitted to government	Remedial Action Plan in place
Objective 2: The MSG forms and strengthens partnerships between government/administration, companies and public for attracting quality investments		
Inform policy and legal reforms in accordance with Africa Mining Vision (AMV), eg. Mines and Minerals Act, Taxation Act.	Harmonized policy and legal framework for investors	Not yet pursued. However, in 2016 a stakeholder training was organized on Africa Mining Vision through Department of Mines where the MWEITI Secretariat participated.
Checklist for license and contract awarding government agencies concerning the due diligence of investors.	Due diligence checklist developed	Not yet pursued
Popularize the Beneficial Ownership Roadmap, including the definitions of Beneficial ownership and Politically Exposed persons (PEPSs) among stakeholders.	Beneficial Ownership information published	Work in progress.
Contract and licenses are publicly disclosed on the MWEITI website in accordance with requirement	Contracts and licenses are disclosed on line	This was done. The contracts that are available have been uploaded on the MWEITI website www.mweiti.gov.mw

3.12.		
MSG visit to mine sites to strengthen partnerships and technical knowledge and competence of members.	Visit to mine sites in Malawi is conducted	Not yet pursued.
Objective 3: Increased revenue base and socio-economic impacts from extractive industries.		
Report on fiscal regime and socio-economic impacts with gender disaggregated data (sector-wide situation and risk analysis) along the decision/value chain in the extractive sector.	Decision/value chain in the extractive sector in terms of revenue management and benefits for the people is assessed.	Not yet pursued.
Conduct community meetings to discuss revenue and non-revenue issues affecting communities in mining areas e.g members of district assemblies or local administrators.	These activities Institutionalized dialogue of national governments, companies and local communities is assessed and improved	Not yet pursued.
Objective 4: Strengthened trust among stakeholders of natural resource management		
Measure the effect of MWEITI on level of trust in the extractive sector, representative, qualitative, quantitative and scientifically robust survey sets baseline before starting with MWEITI - Same survey conducted after first EITI Report.	Baseline and mid-term assessment of stakeholder trust conducted	Not yet pursued.
Form a Committee on Communication and Engagement	Committee formed	A committee on Communications and Stakeholder Engagement was formed at an Extra-ordinary Meeting of the MSG in September, 2016 and has been instrumental in organizing various engagement activities involving various stakeholders including the development of the MWEITI Website.
Form a Media Taskforce	Media Taskforce formed	In addition to establishing the MSG Committee on Communications and Stakeholder Engagement, a Media Taskforce was formed in December, 2016 to enhance impact of EITI communication, and was endorsed by the committee on behalf of the MSG in 2017.
Develop a fully costed Communication and Engagement Strategy and Work plan for endorsement by MSG	Fully costed Communication and Engagement Strategy and Work plan	A fully costed Communication and Engagement Strategy and Work plan has been developed and is awaiting validation and MSG approval.

	developed	
Ensure that Communication and Engagement Strategy and Work plan is implemented and e.g MWEITI website is developed and updated in a timely manner to provide relevant information, customized (content, format, channel) for target groups; conduct outreach and capacity building activities with targeted stakeholders; involvement and mobilization capacities of stakeholders beyond the MSG members.	Communication and engagement strategy and Work plan implemented	The MWEITI website was developed and includes vital information such as contracts and is linked to the Mining Cadastre Portal that the Department of Mines has developed. However, the Communication and Engagement Strategy has not been implemented in full. Most activities have been rescheduled for implementation later in 2017 or early 2018 awaiting identification of funds.
Develop a fully costed Strategic Plan	Fully costed Strategic Plan developed	The strategic plan has been developed and is awaiting validation and MSG approval.

6. ASSESSMENT OF PERFORMANCE AGAINST EITI REQUIREMENTS

Requirements	Progress
EITI REQUIREMENT I <i>Oversight by the Multi-Stakeholder Group</i>	a) Supervised Malawi's first EITI Report which was published on 22 nd April, 2017. b) Reviewed and commented on Malawi's first EITI Report. c) Reviewed and approved the Remedial Action Plan to address recommendations contained in the EITI Report. d) Reviewed and approved the Communication and Engagement Strategy. e) Reviewed and approved the Strategic Plan f) Reviewed and approved draft of Terms of Reference (ToRs) for the procurement of the IA for the Second Report. For activities which have already been implemented, oversight of MSG was exercised accordingly in terms of participation and approval processes. Same multi-stakeholder consultation processes are planned for activities that are yet to be implemented.

<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>This activity has not been implemented. It been scheduled for implementation in 2016. Due to financial constraints, this activity has been rescheduled to be implemented later in 2017.</p> <p>However, two scoping studies have been implemented since 2015. Furthermore, the first EITI Report was published. These documents have enabled the MSG to understand some challenges which are affecting EITI Reporting including legal issues and framework available.</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>The two scoping studies which have been conducted including the EITI Report which has been published have painted a picture for stakeholders to understand the potential of the extractive sector. Weaknesses have been identified in the regulatory framework. There is need to strengthen the Petroleum Exploration and Production Act of 1983 and the Mines and Minerals Act of 1981 as recommended by the EITI Report.</p> <p>Progress in this direction has been registered. A Petroleum Policy has been drafted as well as the new Mines and Minerals Bill.</p>
<p>EITI REQUIREMENT 4 Revenue collection. Comprehensive reconciliation of company payments and government revenues from the extractive industries.</p>	<p>The First EITI Report now provides a picture of government revenue from the extractive industries. The Extractive Revenue Collections Framework has been crafted and provided in the EITI Report. However, changes are expected when the new Mines and Minerals Bill is enacted. Furthermore, there is need to improve the revenue collection system as recommended by the EITI Report.</p>
<p>EITI REQUIREMENT 5 Extractive industries revenue allocations.</p>	<p>Malawi's first-ver EITI Report provides a picture of revenue allocation in Malawi, which needs to be improved and strengthened.</p> <p>In a bid to improve the system, the Malawi Government, through the World Bank funded MGGSP consultants to assist the Government to design policy options and institutional arrangements both for minerals revenue management and resource allocation. This shall include, but not limited to, the distribution of revenue between central government and local mining communities; current and future generations; recurrent and development (infrastructure, health and education) budgetary</p>

	allocations; and fiscal policy approaches such as the fiscal sustainability framework and permanent income hypothesis.
EITI REQUIREMENT 6 Contribution and impact of extractive industries on social and economic spending	A baseline study on “Fiscal Regime and Socio-Economic Impacts with Gender Segregated Data (Sector-wide Situation and Risk Analysis)”, which was scheduled for implementation in 2016 had been shifted to 2018 in order to secure funds for its implementation.
EITI REQUIREMENT 7 Communication and engagement of Outcomes and Impact of EITI Report	<p>Since 2015, when Malawi was admitted as an EITI Candidate, MWEITI has implemented limited communications and stakeholder engagement activities.</p> <p>MWEITI issues have been covered on Mining in Malawi blog web site , on the International EITI Website and recently on the MWEITI website, by the Malawi Mining and Trade Review Magazine, and sporadically in the newspapers, television and radio. MWEITI issues have also been covered on social media. Some civil society organisations have and continue to periodically provide information to the public on the extractives sector.</p> <p>The above mentioned initiatives are laudable and represent humble steps aimed at reaching out to the public. However, they are inadequate and fall short of meeting the communication and information needs of the public with respect to reasonable knowledge of what the MWEITI is about and the benefits it offers.</p> <p>A Communications and Engagement Strategy has been developed to ensure effective communication of MWEITI to stakeholders in order to raise awareness of the initiative, create better implementation of the initiative, and help shape the future management of the extractive sector. The Strategy is awaiting MSG approval. Most of the activities of the Strategy have been earmarked for implementation in 2018 upon identification of funds.</p>

7. PROGRESS MADE ON THE RECOMMENDATIONS FROM THE RECONCILIATION

This section details observations and recommendations as outlined in Malawi's first EITI Report. Included are progress made and actions to be taken for each recommendations.

No	SUMMARY OF OBSERVATION AND RECOMMENDATION	ACTION PLAN	RESPONSIBLE IMPLEMENTOR	PROGRESS MADE
1	<p>Observation Reliability of the data reports / lack of assurance on reported data</p> <ul style="list-style-type: none"> only seven (7) companies failed to submit reporting templates signed by an authorised officer. These are namely Mota-Engil Engenharia, Terrastone Contraction Ltd, Mchenga Coal Mines Ltd, Optichem (2000) Ltd, Globe Metals & Mining Africa Ltd, Sovereign Services Ltd and Zunguziwa Quarry Ltd; and fourteen (14) companies failed to submit reporting templates certified by an external auditor as detailed in Annex 8; none of the Government Entities submitted reporting templates certified by the Auditor General; MRA and MoF did not submit reporting templates signed by an authorised officer. <p>Recommendation</p> <p><i>We also recommend that the EITI Secretariat raises awareness of reporting entities regarding the importance of the reconciliation process. MWEITI MSG should undertake more effective outreach activities with companies, by communicating with them not only through their website and letters, but also by informing stakeholders of the government's progress in implementing EITI in Malawi and disseminating the EITI Report to a wider audience.</i></p>	<ul style="list-style-type: none"> MWEITI/MSG should undertake more intensified lobbying activities and giving more time for report preparation MWEITI/MSG should come up with legislation to enable government to enforce on EITI Reporting MWEITI should come up with policy as framework for EITI as an immediate action The Secretary to Treasury(ST) should issue a circular to all revenue collecting departments for the extractives sector directing them that EITI templates should be sent to Auditor General for certification in time to be sent to the Independent Administrator. 	MWEITI/MSG	<ul style="list-style-type: none"> MWEITI Secretariat raised the awareness of Mine Managers and Mine Owners on the importance of having their reporting templates signed by an authorising officer and certified by an external auditor in the reconciliation process. This was done at a Mine Managers and Mine Owners meeting in Salima. The meeting was organised by DoM. For reporting Government Entities, a special meeting was conducted between the MWEITI Secretariat and the National Audit Office (NAO) to address recommendation one (1). The meeting was held on 6th October 2017 at the National Audit Office in Lilongwe. Furthermore, a letter has been written notifying MDAs on the need to submit templates to NAO through MWEITI. Training for National Audit Office planned 2018

	<p><i>We also recommend for the future that the timing of the reconciliation exercise should be better planned in order to avoid tight and pressured deadlines. This is likely to promote better cooperation from reporting entities and they would provide better support to the Independent Administrator.</i></p>			
2.	<p>Observation Reporting deadlines not met by Government Entities and Extractive Companies</p> <p>Despite chasing up reporting entities by e-mail and by telephone as well as visits effected by the MWEITI Secretariat staff, neither Government Entities nor extractive companies submitted their reporting templates by the stipulated deadline. Furthermore, we note the lack of feedback from reporting entities to comment and explain the reconciliation differences.</p> <p>Recommendation <i>We recommend that emphasis should be laid on the importance of the collaboration of reporting entities following the submission of reporting templates. Both Extractive Companies and Government Entities make time for working alongside the Independent Administrator in a bid to resolve differences whenever these arise.</i></p> <p><i>We also recommend that the EITI Secretariat raises awareness of reporting entities regarding the importance of the reconciliation process. MWEITI MSG should undertake more effective outreach activities with companies, by communicating with them not only through their website and letters, but also by informing stakeholders of the government's progress in implementing EITI in Malawi and disseminating the EITI Report to a wider audience.</i></p> <p><i>We also recommend for the future that the timing of the reconciliation exercise should be better planned in order to avoid tight and pressured deadlines. This is likely to promote better cooperation from reporting entities and</i></p>	<p>MWEITE secretariat will take the lead to facilitate continuous training of all stakeholders responsible for filling in the templates. The training will should be hands-on. MWEITI should visit data providers' and meet the onsite and coach them on how to fill in the EITI templates</p>	<p>MWEITI Secretariat, with technical support where need be</p>	<p>The MWEITI Secretariat has used the MWEITI Website and Social Media to stakeholders' awareness on MWEITI, its operations, the importance of the reconciliation process and disseminated relevant data. The Outreach activities of the MWEITI MSG and the Secretariat include participation in the following activities:</p> <ul style="list-style-type: none"> • Mine Managers and Mine Owners Workshop in Salima; • The 2017 Malawi Alternative Mining Indaba held on 18th December 2017; • Panel discussion on merging issues in the extractive industries in Malawi held on 27th September 2017; and • EITI Report Awareness Campaign at Kayelekela Mining Community held on 7th December 2017. <p>Special activities that targeted reporting entities vis-a-vis reconciliation process awareness:</p> <ul style="list-style-type: none"> • Meeting with Department of Mines, • Meeting with Department of Forestry; and • Workshop for Mine Managers and Mine Owners held in Salima

	<i>they would provide better support to the Independent Administrator.</i>			
3	<p>Observation Reporting templates not adequately prepared by several reporting entities</p> <p>Reporting template from extractive companies and Government Entities were not adequately prepared</p> <p>Recommendation <i>We recommend that for future exercises extractive companies, MRA and DoM devote ample time towards the preparation of their respective reporting templates by adhering strictly to the instructions set out by the Independent Administrator and following the supporting schedules carefully.</i> <i>This can be achieved only by all reporting entities being made aware of the importance of the EITI data they are providing and that due care and attention is paid during the preparation of these reporting templates.</i></p>	MWEITI Secretariat to take the lead to facilitate continuous training of all relevant stakeholders responsible for filling EITI templates.	MWEITI Secretariat	<ul style="list-style-type: none"> • This recommendation has been addressed through special meetings that were organised to specifically look at the recommendations pertaining to reporting entities and the reporting process. • According to meeting between DoM and MWEITI, Acting Director of DoM said that the second EITI Report will be better with the presence of the Cadastre System, which he confirmed was now working properly. • Capacity building workshops have been planned and have been budgeted for in the Secretariat Annual Work Plan for 2018 to train the reporting entities further in EITI reporting.
4	<p>Observation Enactment of EITI reporting regulations</p> <p>We understand that there are no exiting legislations in the Extractive Sector, which make EITI reporting obligations mandatory. This is one of the main reasons which led to delays and/or failure to submit EITI reporting templates by some extractive companies.</p> <p>Recommendation <i>We recommend a review of the mining regulations by introducing EITI reporting provisions such as:</i></p> <ul style="list-style-type: none"> • <i>reporting obligations for extractive companies and government entities alike, while specifying the level of disaggregation of the data to be submitted;</i> 	MSG will take a lead to ensure that the enactment of EITI relevant legislation is initiated. This will include formulating detailed regulations which will guide EITI reporting procedures and relevant sanctions against non-compliance.	MSG	<ul style="list-style-type: none"> • Activities aimed at developing the MWEITI Act has been included in the MWEITI Annual Work Plan for 2018. • A draft of the PEPA Policy is being developed

	<ul style="list-style-type: none"> • a time frame set for updating and publishing forms and instructions and selection of the reporting entities and submission of declarations and completion of all reconciliation work; and • sanctions which could be imposed against companies or Government Entities in the event of non-compliance. 			
5	<p>Observation Accuracy of production data</p> <p>We understand that the production data provided by the Department of Mines was based on monthly self-declarations submitted from the extractive companies. The Department of Mines does not have its own procedures and systems to collect and control production data reported by mining companies. As a result, data on the mining production is unreliable.</p> <p>Recommendation <i>In addition to declarations submitted, we recommend that the Department of Mines:</i></p> <ul style="list-style-type: none"> • develops procedures to ensure the completeness of the production data reported by companies and implements a computerized system to monitor, and update these data on a monthly basis. This would improve DoM's ability to reconcile royalties and other non-tax payments with production data and investigate any discrepancies; and • provides the MWEITI MSG with a comparison of the production volumes declared by extractive companies with the measurements made by the Department of Mines throughout the year. 	<p>Department of mines is in the process of strengthening the data reporting process of and verification of data reported by the companies.</p> <p>MWEITI will follow up with the Department of Mines on progress.</p>	MWEITI Secretariat	<p>A computerised cadastral system has been implemented starting in 2017. It is expected to have the impact of the new system starting from 2016/17EITI exercise.</p> <ul style="list-style-type: none"> • According to the meeting between DoM and MWEITI, Acting Director of DoM said the Cadastre System was in place and he confirmed that it was working properly and was even able to send SMS notifications on outstanding payments to companies that have outstanding payments. He assures the participants of the meeting that DoM is taking the issue of under declaration seriously and will put in place measures to manage the problem. • The cadastre system is capable of producing reports. • Onsite verifications exercise has been conducted by a team from MoF and DoM (The Mineral Revenue Reconciliation and Production Survey)
6	<p>Observation Incomplete database for extractive industries</p>	<ul style="list-style-type: none"> • MWEITI will implement this database within three months, 30th June 2017. 	MWEITI Secretariat, in consultation with	Focal points have been appointed in preparation for the

	<p>We note that to date the MWEITI Secretariat does not have a comprehensive database of all extractive companies operating in the mining sector</p> <p>Recommendation <i>We recommend that each extractive company and Government Entity included in the reconciliation scope should appoint designated focal points to ensure the smooth running of EITI exercise and the reporting entities should communicate the MWEITI Secretariat of the name and contact details of their focal person. These focal persons would be responsible of providing all relevant information for the EITI process and of should get in touch with all relevant services in their respective entities to ensure the availability of prompt and reliable data to the Independent Administrator.</i></p> <p><i>We recommend that a thorough review of the databases of both MRA and DoM is undertaken to ensure that they capture all existing license holders and all relevant details from each license. We recommend therefore that, in the first instance, the MWEITI Secretariat creates its database following the current reconciliation exercise. The Secretariat should then liaise with the Government Entities to ensure it obtains adequate information regularly and updates its database accordingly. To this end, we believe it is vital that any new entrants to the mining sector are registered with the MWEITI Secretariat as part of the process before or at the same time as they obtain their operating license.</i></p>	<ul style="list-style-type: none"> • MWEITI Secretariat to continuously monitor that MRA is collecting data for EITI reporting on a regular basis e.g. monthly or quarterly • To consult MRA and DoM on the work plan for integration of their systems to ensure that extractive information is shared on a regular basis 	MRA and DoM	<p>2015/16 EITI reporting exercise.</p> <p>Additionally, the identification of companies by DoM is made by the company names which may be spelt differently from one database to another. This does not allow easy matching with MRA database.</p> <ul style="list-style-type: none"> • According to Minute 1 of the Meeting between DoM and MWEITI, an official was selected as the designated a focal point to deal with EITI processes. • Arrangements were made to escalate discussions on implementation of EITI recommendations to the highest level at MRA. • The CADASTRE system is an effective data base • DoM shared with MWEIT an updated Excel Sheet containing licence holders' information and all their contacts.
7	<p>Observation</p> <p>Licenses Register It was noted that the license register maintained by DoM had many missing important information.</p> <p>Recommendation <i>We recommend that in the first place a thorough review is undertaken to ensure, which captures all existing licenses and all relevant details from each license. We recommend</i></p>	<p>To consult MRA and DoM on the implementation of work plan in order to properly implement this recommendation to ensure that extractive information is share between them.</p>	MWEIT Secretariat	<p>An electronic cadastral system has been developed and put online by DoM in 2017.</p> <p>MWEITI comment:</p> <ul style="list-style-type: none"> • DoM has the Cadastre and a Manual Register. • These two Registers are being updated.

	<p><i>that inactive licenses should be removed from the register of licenses. DoM should conduct a thorough review of the cadastre and need to follow up with companies on the status of each license. Once the register of licenses is comprehensive, DoM need to ensure that the cadastre is kept up to date and that all new information on licenses is systematically recorded therein.</i></p> <p><i>The register of licenses should include the integration of TPIN of current license holders or any other identification number rather than using mere company names. Only TPIN would enable an efficient way of tracking tax collections, which would facilitate the corroboration of data from one database to the other as well as communications between two government entities.</i></p>			<p>According to meeting between DoM and MWEITI, Mineral Rights Manager at DoM, said that the new system is a reliable licence register... and companies are now required to submit a TPIN during registration.</p>
8	<p>Observation Publication of statistics and information on the extractive industry We noted that currently comprehensive database of contextual information and statistics per Malawi Financial year is yet to be completed at the level of the MWEITI Secretariat.</p> <p>Recommendation <i>In order to improve the accuracy, reliability and accessibility of contextual information, we recommend that the MWEITI Secretariat in conjunction with DoM, DoF and MRA gather and update (at least annually) contextual information including: the industry potential, the contribution to the economy, the strategy for the sector, relevant events and facts, current regulations and upcoming changes, amongst others.</i></p> <p><i>In order to comply with Requirement 6.3 (a), we recommend that the Forestry sector is segregated in the Annual Economic Report or any workbook the MWEITI Secretariat considers as a reference. and that statistical data compiled on GDP and for the Government accounts be structured on a monthly or quarterly basis to be presented by financial year running from July N to June N+1.</i></p>	<ul style="list-style-type: none"> • MWEITI will maintain the contacts database for all relevant institutions: keep their contacts updated and regularly following up to update EITI information they collect. • Explore the provision of forestry data in the Economic Report on its own. 	<p>MWEITI Secretariat, in consultation with Economic Planning and Forestry Departments on second point</p>	<p>The contribution of the forestry sector to GDP has been separated in the 2018 AER. However, the AER and NSO still does not present the GDP and the main macro-economic indicators based on Malawian financial year running from July (N) to June (N+1).</p> <p>MWEITI comment:</p> <ul style="list-style-type: none"> • According to Minute 2, Forestry and Fisheries data will be segregated in the next financial year. • Ecosystem Services might be included in the forestry segment depending on the outcome of next meeting with NSO, DoF <p>According to Minute 4 on production of quarterly figures, EP& D indicated that work has already started on producing GDP quarterly figures, which MWEITI may use to capture data covering specific months in order to be in line with Government financial year.</p>

	<p><i>In order to comply with Requirement 6.3 (b), the Department of Forestry should be in a position to provide comprehensive information on the exports for the entire financial year period rather than compiling it at the end of March of each year as detailed in Section 3.3.6.</i></p> <p><i>As such, the Forestry sector should compile its own statistics, such as GDP, employment, exports and revenues. This will contribute towards improving visibility in the sector and would lead to compliance with the EITI Secretariat's expectations.</i></p> <p><i>In order to improve the accuracy, reliability and accessibility of contextual information, we recommend that the MWEITI Secretariat in conjunction with MNREM, MoF and MRA gathers and updates (at least annually) contextual information including: the industry potential, the contribution to the economy, the strategy for the sector, relevant events and facts, current regulations and upcoming changes, amongst others</i></p>			
9	<p>Observation Weaknesses in the non-tax administration/Non-collection of payments. We noted that there were weaknesses in the monitoring and collection of non-tax revenues such as royalties, ground rents etc in the Department of Mines.</p> <p>Recommendation <i>We recommend that DoM follows up systematically all amounts due from companies to ensure that all fees are collected on a timely basis. DoM should also improve its tax administration and collection capacity to effectively discharge its duties and maximize tax collection. We suggest the following approach:</i></p> <ul style="list-style-type: none"> • <i>perform a desk review of all ground rent payments outstanding;</i> • <i>enquire about non-payment of royalties on active licences – these should be fully documented in the mining cadastre;</i> • <i>perform spot checks at the mining sites of the key mining companies in order to review the level of</i> 	<ul style="list-style-type: none"> • MWEITI to request for action plan from DoM and Forestry Department. (MWEITI to issue a formal letter to them) 	MWEITI Secretariat	<p>We noticed that Oil and Gas companies did not pay any Mandatory Social Contribution.</p> <p>MWEITI comment:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The Forestry Act is under revision and DoF confirmed that the draft of the Bill will be completed 2018. According to Minute 6 of the Meeting between DoF and MWEITI on Waiver of Fees, Forestry Management Board should make a recommendation to the PS and that duties and mandate of the Board were also under review. A recommendation was made that during this review, appropriate reference should be made to the Public Finance Management Act. <input type="checkbox"/> The Mining Cadastre has reduced weaknesses in non-tax revenue collection. According to Minute 6 of the Meeting between DoM and MWEITI, DoM now

	<p>activity and assess the genuineness of the declarations made by these companies as well as the payments made; and</p> <ul style="list-style-type: none"> perform annual audits of amounts declared. <p>We strongly advise a revision of the Forestry Act in order to ensure that any fee waiver should go through a committee comprising representatives, with no direct connection at all with the Forestry sector (e.g. representatives from the following institutions: Reserve Bank, FIU, AG Office, MSG and possibly one or two members of Parliament). The reasons for the waiver should be fully documented, discussed in the presence of the committee, minuted and a decision taken on the basis of votes.</p>			<p>has the Cadastre System in place and is able to issue SMS notifications for outstanding payments.</p> <p><input type="checkbox"/> Companies that did not submit EITI templates will be written letters signed by PS of MNREM to comply in the second reconciliation exercise.</p>
10	<p>Lack of basis for charging royalties</p> <p>We noted that current legislation do not specify the basis for charging royalties on production amounts basis or on the selling price basis.</p> <p>Section 78 (u) of Petroleum Exploration and Production Act (1983) and Section 128 (2.g) of the Mines and Mineral Act (1981) stipulate that royalties may be paid in kind at the discretion of the Minister of Natural Resources, Energy and Mines. The legal framework does not provide any guidelines to the Minister of Natural Resources, Energy and Mines for determining royalties payable.</p> <p>Recommendation We recommend that both the Petroleum Exploration and Production Act (1983) and the Mines and Mineral Act are amended in order to stipulate the precise basis for charging royalties along with recommended rates in order to avoid any disputes.</p>	<p>MWEITI to follow up with DoM on the status of this observation (To write them formal letter.</p>	<p>MWEITI Secretariat</p>	<p>MWEITI comment:</p> <p>The Petroleum Policy Draft has been developed. Internal PEPA review meetings have also started at Department of Mines.</p> <p>The Mines and Minerals Bill which is under review might consider incorporation of some of these first EITI Report Recommendations under mineral title regulations.</p>
11	<p>Observation Extractive Sector Contracts' awarding procedures</p> <p>We noted that there are no requirements to award contracts through any tendering process or to advertise requests for proposals when awarding contracts.</p>	<ul style="list-style-type: none"> MWEITI Secretariat to follow up the progress of the bill of the revised Minerals Act The Secretariat to follow up on the forestry and Petroleum for similar developments and 	<p>MWEITI Secretariat</p>	<ul style="list-style-type: none"> PEPA review has started. Review of the Forestry Act is in progress. Mines & mineral Act is also being revised

	<p>Recommendation</p> <p><i>We recommend that the legislation governing the extractive industries is amended in order to ensure that the Minister is provided with adequate guidance in exerting the powers conferred upon him/her in all transparency, while at the same time ensuring that his/her decisions do not become questionable. To that end, the legislation should clearly state the steps to be followed by the Minister before granting a license to a particular company.</i></p> <p><i>We also recommend that the legal framework is revised in order to provide Model Agreements for Production Sharing Agreements, Forestry Management Agreements and for solid mineral development agreements as a guidance and which should also detail the technical and financial criteria to be applied for awarding contracts.</i></p>	update the MSG(To write them a letter)		
12	<p>Observation</p> <p>Beneficial Ownership</p> <p>We noted that there is no current legal requirements for extractive companies to disclose the actual beneficial owners i.e. the actual persons who own extractive companies in order to make the EITI process transparent.</p> <p>Recommendation</p> <p><i>The current legislation should be amended in order to provide a clear definition of beneficial ownership. This is vital in order to ensure full transparency of the EITI process. To that end, we recommend that the MSG initiates a beneficial ownership roadmap in order to ensure compliance with the EITI Requirement.</i></p>	<p>MWEITI has already prepared Beneficial Ownership Disclosure Road Map and submitted to the International Secretariat for publishing.</p> <p>MWEITI will lobby for the enactment of MWEITI Act for which disclosure requirements will be outlined.</p>	MWEITI Secretariat	
13	<p>Observation</p> <p>Weaknesses in the accounting records of DoM and DoF</p> <p>During the reconciliation process, we noted that government systems are not always set up in such a way that it is easy for government to capture information required for EITI reporting to be made on a timely basis. We</p>	MWEITI should follow through accounting reforms which the Accountant General is implementing for relevance and inclusion of EITI requirements.	MWEITI Secretariat	<ul style="list-style-type: none"> • DoM will organise a meeting with the Accountant General, MRA, MWEITI to sort out the accounting records issue. • According to minute 9 of the minutes of the meeting between DoF and MWEITI, DoF acknowledged this

	<p>note that the Department of Mines and the Department of Forestry reported over 5,900 and 11,300 receipts respectively and both departments keep manual records of the revenues.</p> <p>Recommendation</p> <p><i>Good accounting practice is crucial to ensure providing data that it is timely and reliable and to meet the EITI reporting requirements. Accounting records need to be updated on a daily basis and reconciled with the bank accounts. Any discrepancies arising from bank reconciliations should be fully investigated and resolved in a timely manner.</i></p> <p><i>Cashbooks should include an identification number such as TPIN or other rather than using names for identifying payers. This would lead to an efficient tracking of non-tax collection and ensure sharing of information and synergy between different tax authorities.</i></p> <p><i>We recommend that the Government Entities involved, in particular DoM and DoF should review their systems for recording and reporting information on receipts from extractive companies, so that information can be reported reliably, completely and in a straightforward manner.</i></p>			<p>challenge and attributed it to the fact that the Forestry Cadastre System at the Head Quarters is unable to track what is happening at the regional offices.</p>
14	<p>Observation</p> <p>Decentralized cadastral system of DoF</p> <p><i>We recommend that DoF adopts the use of the computerized system in order to manage the sector</i></p>	<p>MWEITI Secretariat to follow up with the Department of Forestry to determine whether to revamp the current system or establish new system. Also to establish plans for sourcing of funding for such system</p>	<p>MWEITI Secretariat</p>	<p>MWEITI comment:</p> <ul style="list-style-type: none"> • According to between MWEITI and DoF, FCAS (Decentralised Cadastral System of DoF) will be upgraded by Government resources in 2018.

8. SPECIFIC STRENGTHS OR WEAKNESSES IDENTIFIED IN THE EITI PROCESS

STRENGTHS

- a. MWEITI has effective governance structures that would foster transparency and accountability in the sector. These are a Multi-Stakeholder Group (MSG) comprising corporate entities, Government entities and Civil Society Organizations as well as a Secretariat housed within the Ministry of Finance, Economic Planning and Development. In addition, MWEITI has a champion being Minister responsible for Finance
- b. MWEITI has linkages to international partners/networks which enables it to have a wider base for information sharing and references.
- c. There is a political will and support for the initiative
- d. EITI has been included in the Open Government Partnership Initiative as one of the major issue.

WEAKNESSES

- a. MWEITI has a weak financial base and heavily relies on unstable donor support. This entails that the EITI implementation process is donor dependent such that, if donors decided to withdraw their support due to any problem, the continuity of the initiative would die;
- b. MWEITI Secretariat is operating as a Project Unit under Revenue Policy Division in the Ministry of Finance, hence there are some office space challenges affecting some administration activities. ;
- c. MWEITI does not have a legislation establishing it and as such, there is propensity that some of its decisions could be challenged.
- d. MWEITI has limited resources in terms of vehicles , office space and budget for operations.

THREAT

- a. Weak infrastructure to support the growth of the sector/. For instance, Malawi experiences erratic energy/power supply which can disrupt operations of the industries;
- b. Availability of legislation and code of conduct promoting official secrecy in the public service;
- c. The regulatory framework is weak and outdated and does not promote disclosure of beneficial ownership disclosure of corporate entities

OPPORTUNITIES

- a. Proliferation of state institutions promoting transparency and accountability, including fighting corruption such as Anti-Corruption Bureau (ACB), Public Officers Assets Declarations, Financial Intelligence Authority, National Audit Office, etc
- b. Availability of the Access to Information Law, and similar legislation to counter money laundering and financial crimes;
- c. Potential for investment is high, prospects for oil and gas, rare earth and other mineral deposits;
- d. Corporate entities have a strong buy-in of the initiative and;
- e. There is a strong presence of the civil society organizations and the media to promote EITI implementation in Malawi

9. TOTAL COST OF IMPLEMENTATION

The total cost for implementing MWEITI for the covered period was US\$ 345,177. The main sources of funding was GIZ and DFID co-financing, followed by World Bank. The actual estimated break down is like.

1.	GIZ / DFID	US\$ 311, 436
3.	World Bank	US\$ 20, 408
Total		US\$ 331, 844

10. ADDITIONAL COMMENTS

Malawi has made significant progress in EITI implementation despite some resource challenges that the Initiative continues to face.

- a. There is a great need for other development partners to come in and support various activities and Secretariat.
- b. Need to continue build the capacities of both MSG members and the MWEITI Secretariat.
- c. Developed a strategic plan and a communication strategy
- d. Launched MWEITI and First-Ever EITI Report for Malawi

Malawi is now looking forward for:

- a. Preparation of the Second EITI report due 30nd Junel 2018
- b. Validation of the implementation of EITI in Malawi to be carried out from 1st September, 2018 by the International EITI Secretariat

11. DISCUSSION OF THE REPORT BEYOND THE MSG

The MWEITI MSG members, its constituents, development partners and the MWEITI Secretariat have reviewed the report and provided comments to this report. The Report was launched in August, 2017 to stimulate debate around various issues raised therein.

Further, In May 2017 the Natural Resources Justice Network (NRJN) which is a coalition of various civil societies organizations involved in extractive Industries, organized their national annual conference where the First EITI report was also discussed. The NRJN developed a plan of action to facilitate further dissemination of the EITI report to citizens and communities were for members of the coalition. The MWEITI Secretariat was invited and contributed to the Report discussion and drafting of the NRJN EITI report communication plan.

12. DETAILS OF THE MEMBERSHIP OF THE MSG DURING THE PERIOD

One (1) MSG meetings was held in 2017. This was held on the following dates:

MSG Meeting – 27th March, 2017

MSG Meeting – 24th August, 2017

MSG Meeting - 19th December 2017

Membership of the MSG during the reporting period was as follows:

	Member/ Alternate Member	Name	Institution	Attendance of Meetings	Changes to Member in the Year
1	Member Chair	Crispin Kulemeka	Ministry of Finance, Economic Planning and Development	1 of 3	C. Kulemeka retired as the MSG Chairperson and Director of Revenue
	Member Chair	Kenneth Matupa	Ministry of Finance, Economic Planning	2/3	Mr. Matupa replaced Mr.

			and Development		C. Kulemekaka
2	Alternate	Grecium Kandio	Ministry of Finance, Economic Planning and Development	0/3	No Changes
3	Member	Peter Chilumanga	Ministry of Natural Resources, Energy & Mining (Department of Mines)	3 of 3	No changes
4	Member	Charles Maseya	National Audit Office	3 of 3	No changes
5	Alternate	George Chikwana	National Audit Office	0 of 3	Was transferred but alternative yet submitted.
6	Member	Bartwell Chingoli	Reserve Bank of Malawi	1 of 3	He retired and was replaced by Ken Khoswe
7	Alternate	Rabecca Mwale	Reserve Bank of Malawi	2 of 3	No changes
8	Member	Mr. Mesheck Munthali	Bwanje Cement Company Ltd	3 of 3	No changes
9	Alternate	Mrs. Dina Longwe	Bwanje Cement Company Ltd	2 of 3	No changes
10	Member	Neville Huxham	Globe Metals & Mining	0 of 3	No changes
11	Alternate	Chris Ngwena	Globe Metals & Mining	1 of 3	No changes
12	Member	Burton Kachinjika	Mkango Resources Ltd	2 of 3	No changes
13	Alternate	Chikondi Mcheka	Mkango Resources Ltd	2 of 3	No changes
14	Member	Alec Sharland	Paladin (Africa) Ltd	0 of 3	Alec Sharland replaced Alan Cumming
15	Alternate	Grain Malunga	Paladin (Africa) Ltd	2 of 3	No Change
16	Member	Peter Pangani	Action Aid	3 of 3	No changes
17	Member	Success Sikwese	Catholic Commission for Peace and Justice	1 of 3	Sikwese was replaced by Agnes Mpoto
	Member	Agnes Mpoto	Catholic Commission for Peace and Justice	1 of 3	
18	Alternate	Martin Chiphwanya	Catholic Commission for Peace and Justice	1 of 3	No changes
19	Member	Reinford Mwangonde	Citizens for Justice	0 of 3	No changes
20	Alternate	Rachel Etter-Phoya	Citizens for Justice (Cfj)	1 of 3	Rachel resigned from Cfj but there was no replacement
21	Member	Kossam Munthali	Foundation for Community Support Services	2 of 3	No changes
22	Alternate	Jabess Nyirenda	Foundation for Community Support Services	0 of 3	No changes
23	Permanent Observer	Davie Khonje	Malawi Revenue Authority	3 of 3	No changes

13. CONCLUSION

The MWEITI Secretariat and the MSG would like to continue acknowledge and express its appreciation to all our supporting partners. In particular the GIZ and DFID under co-financing arrangement who were main financiers of MWEITI during the reporting period; the World Bank through MGGSP who supported the launch of the first report and other activities; CEPA and OXFAM also funded some of EITI awareness activities.