



**MWEITI**

# **ANNUAL PROGRESS REPORT (APR)**

**2018-19**

**MWEITI SECRETARIAT**

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## 1. INTRODUCTION

Malawi has been a candidate member for EITI for approximately three years since 2015. In 2018, after undergoing the Validation assessment for the first time, Malawi was declared to be on track to become a full EITI member having made meaningful progress in the Implementation of the EITI International standards. Therefore, the year 2018 is an important year for Malawi being a year in which Malawi had to undergo validation assessment by an independent validator.

This APR therefore focusses and covers mostly the activities which involved Validation test apart from some other routine and unique activities which were implemented in the 2018/2019 financial year. Building on the efforts of 2017/2018 year MWEITI undertook various activities to ensure that the country should make it for EITI membership after validation. However, 2018/2019 proved to be the most difficult year to make progress mainly due to significant reduction of support from the regular donor GIZ.

Suffice to say, MWEITI overcame the obstacles by initiating new ideas of approaching certain activities by using joint implementation of some activities like communication and dissemination of the report findings, recommendations from previous reports and remedial action plan. MWEITI worked with various stakeholders, Ministries, Departments and Agencies to achieve its objective and its expectations.

MWEITI can therefore again thank its donors and stakeholders for support and sustainance of the initiative whose impact on the citizens and national economic development can not be overemphasised.

This is the fourth Annual Progress Report (APR) and reports efforts and activities that Malawi has been implementing during 2018/2019 financial year in order to adhere to International EITI standards. 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) 2018 Annual Work Plan.

## 2. GENERAL ASSESSMENT OF YEAR'S PERFORMANCE

In assessing general performance, the year 2018 was far much a challenging year for MWEITI than the 2017. While in the 2017 APR the year was described as a more challenging year, things got worse in 2018. The main problem again being low financing for the EITI activities and operations.

In 2018/2019, external financing was at its lowest and MWEITI had to rely upon sporadic Government funding support. This was difficult because MWEITI was not included in the budget as such any support depended on massive lobbying of the Treasury just to sustain the project. In addition to that the Secretariat relied on working with stakeholders with similar objectives and who had interest on the extractive industries transparency initiatives.

The GIZ remained MWEITI biggest partner but with significant reduction of support. The funding reduction was a both positive and negative news because while the Secretariat could no longer conduct certain activities, the MSG and Government begun to think about practical ways for MWEITI sustainability in the short term and long-term. Currently, modalities have been developed on how MWEITI should be sustained in the future.

The technical challenge the initiative encountered in 2018 included lack of expertise to address technical issues during certain period of the year, inability to fully implement the communication strategy, failure to train the Media Task force to achieve its objectives, failure to make and achieve the plans as expected from time to time.

Regardless of the financial and technical challenges experienced by the MWEITI, it managed to achieve some important milestones and produced various strategic reports, implemented some of the Remedial Action Plan activities and recommendations from previous report (First MWEITI Report).

In general the MWEITI Secretariat managed to achieve the following:

- i. The production of the Second EITI report on 30<sup>th</sup> June 2018 covering data and information for 2015-2016 financial years.

- ii. Undertook and underwent through a full validation test successfully.
- iii. Undertook Media task force mining sites visit and assessment in order to write meaningful EITI related articles and reports.
- iv. Conducted a number of MSG meetings and Subcommittee meetings on important issues.
- v. Undertook training for Auditors on certification and EITI data reporting templates.
- vi. Recruitment of the two project officers to work as consultants to support the MWEITI project office and operations.
- vii. Facilitated and implemented some key First and Second EITI report recommendations and the MWEITI Remedial Action Plan (RAP).
- viii. Attended the 2019 EITI International Conference in Paris, France in June 2019 with all representatives of the MSG constituent and part of the Secretariat.
- ix. Achieved a number of work plan targets and activities as discussed in the subsequent sections.

### 3. ASSESSMENT OF PERFORMANCE AGAINST TARGETS AND ACTIVITIES SET OUT IN THE WORK PLAN

The table below shows the approved 2019 annual work plan.

Approved 2019 work plan				Months 2019											
ACTIVITIES		OUTPUT	MEANS/INPUTS	1	2	3	4	5	6	7	8	9	10	11	12
<i>Result area 1: Increased sector contribution to GDP</i>															
	Develop road map of MWEITI project level reporting (source RAP)	Road map report	Transport; upkeep/DSA; materials/stationery; communication/airtime												
	Conduct annual reconciliation of revenues and payments	Approved Third EITI report; data on payments and revenues	Independent administrator; meetings; workshops; venues; transport; upkeep/DSA, materials/stationery												
	Facilitate MSG and its subcommittees special and ordinary meetings	Meeting minutes and reports	Transport; upkeep/DSA; materials/stationery; communication/airtime												
	Facilitate institutionalization and mainstreaming of MWEITI standards	Conference report	Transport; upkeep/DSA; materials/stationery; communication/airtime												
<i>Result area 2: Improved extractives sector growth and performance</i>															
	Technical Assistance: i) Mainstreaming study; and, ii) MWEITI policy and legal impediments	MWEITI Policy framework; reports on legal impediment	Consultants, workshops, meetings; transport; upkeep/DSA;												

		s and mainstreaming	materials/stationery																	
<i>Result area 3: Improved information, openness, awareness on issues of extractive industries</i>																				
	Feedback survey in mining communities for the production of annual activity report for 2019	Data on community perceptions of EITI implementation	transport; upkeep/DSA; materials/stationery																	
	Third EITI Report Launch	120 distributed 2019 reconciliation reports; public awareness of findings	Venue; transport; upkeep/DSA; accommodation; publicity materials; stationery																	
	Dissemination of EITI reconciliation findings	Communication tools (radio and TV programs, jingles); newspaper articles; publicity materials	Facilitator(s)/producers; airtime on radio/TV; materials																	

#### 4. PERFORMAMNCE BASED ON THE APPROVED ANNUAL WORK PLAN FOR 2019

The table below shows the progress made on the annual work plan.

From Approved 2019 work plan			PROGRESS MADE 2018/2019
ACTIVITIES	OUTPUT/ AIM/TARGET	MEANS/INPUTS	
<i>Result area 1: Increased sector contribution to GDP</i>			
1.1	<b>Develop road map of MWEITI project level reporting (source RAP)</b>	Road map report Transport; upkeep/DSA; materials/stationery;	Not yet started to be done in December 2019 based on availability of resources and

			communication/airtime	to be reported in the next APR.
<b>1.2</b>	<b>Conduct annual reconciliation of revenues and payments</b>	Approved Third EITI report; data on payments and revenues	Independent administrator; meetings; workshops; venues; transport; upkeep/DSA, materials/stationery	Not yet done. The process was initiated and expected to be done by December 2019 due to delays in funding support from donors.
<b>1.3</b>	<b>Facilitate MSG and its subcommittees special and ordinary meetings</b>	Meeting minutes and reports	Transport; upkeep/DSA; materials/stationery; communication/airtime	Done. A number of MSG ordinary and extraordinary meetings were conducted as outlined in the section on the MSG meetings.
<b>1.4</b>	<b>Facilitate institutionalization and mainstreaming of MWEITI standards</b>	Conference report	Transport; upkeep/DSA; materials/stationery; communication/airtime	Done. A subcommittee was formed and a consultant engaged to develop MWEITI institutionalization modalities. Various meetings and consultations were conducted and a Report is available on the matter.
<i>Result area 2: Improved extractives sector growth and performance</i>				
<b>2.1</b>	<b>Technical Assistance: i) Mainstreaming study; and, ii) MWEITI policy and legal impediments</b>	MWEITI Policy framework and Act; reports on legal impediments and mainstreaming	Consultants, workshops, meetings; transport; upkeep/DSA; materials/stationery	The policy and legal framework development not yet commenced but expected to be initiated in June 2019 as indicated in the above work plan and likely to be reported in the next APR.
<i>Result area 3: Improved information, openness, awareness on issues of extractive industries</i>				
<b>3.1</b>	<b>Feedback survey in mining communities for the production of annual activity report for 2019</b>	Data on community perceptions of EITI implementation and report	transport; upkeep/DSA; materials/stationery	Not fully Done. The feedback survey for stakeholders outside Lilongwe was expected in June 2019 but due to lack of resources and funding for MWEITI Secretariat personnel the exercise was not conducted.
<b>3.2</b>	<b>Third EITI Report Launch</b>	120 distributed 2019 reconciliation reports; public awareness of findings	Venue; transport; upkeep/DSA; accommodation; publicity materials; stationery	Not done. Awaiting production of third EITI report which is pending and financing.



3.3	<b>Dissemination of EITI reconciliation findings</b>	Communication tools (radio and TV programs, jingles); newspaper articles; publicity materials	Facilitator(s)/producer s; airtime on radio/TV; materials	Not done. Awaiting the third EITI report and financing
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## 5. ASSESSMENT OF PERFORMANCE AGAINST EITI REQUIREMENTS

Requirements	Progress
<b>EITI REQUIREMENT 1</b> <b><i>Oversight by the Multi-Stakeholder Group</i></b>	<p>In 2018/2019, The MSG discussed and approved the following crucial activities among others:</p> <ol style="list-style-type: none"> <li>1. Self-assessment Validation report</li> <li>2. Commenting and approval of the validator draft report on MWEITI assessment.</li> <li>3. Development of the MWEITI Institutionalization and sustainability Plan.</li> <li>4. Conducted two MSG ordinary meeting and one extra ordinary meeting</li> <li>5. Engagement of the two consultants to manage the MWEITI Secretariat.</li> <li>6. The Annual Work Plan for 2019.</li> <li>7. Discussed and approved the procurement of the third Independent Administrator for the third EITI report for 2019.</li> <li>8. Made Comments and approved the findings and recommendations of the Second EITI Report.</li> <li>9. The MSG developed and approved the 2019 Annual work plan which included plan and approval to</li> </ol>

	undertake an activity to develop national EITI legal framework and EITI policy and Institutional framework.
<b>EITI REQUIREMENT 2</b> <b><i>Legal and institutional framework,</i></b> including allocation of contracts and licenses, disclosures of information related to the rules for how the extractive sector is managed.	The MSG developed and approved the 2019 Annual work plan which included plans and approval to undertake an activity to develop national EITI legal framework and EITI policy and Institutional framework.  The national Assembly enacted a new Mining and Minerals Act in 2018/2019 which contains provision to support EITI operations in Malawi.
<b>EITI REQUIREMENT 3</b> <b><i>Exploration and production.</i></b> The EITI requires disclosures of information related to exploration and production, enabling stakeholders to understand the potential of the sector.	The second MWEITI report and the first report both covers the full and in detail data on exploration and production of various minerals and oil and gas in Malawi.  Stakeholders are now able to find such information through the EITI reports.
<b>EITI REQUIREMENT 4</b> <b><i>Revenue collection.</i></b> Comprehensive reconciliation of company payments and government revenues from the extractive industries.	MWEITI has been on track in publishing comprehensive reconciliation of company payments and government revenues. During 2018/2019 period MWEITI produced on time the Second EITI report on 30 <sup>th</sup> June 2018 covers all material revenues. However, the third EITI report which was expected by June 2019 delayed a bit due to funding but the process already begun.

<p><b>EITI REQUIREMENT 5</b> Extractive industries revenue allocations.</p>	<p>Malawi is yet to develop and implement the extractive industries revenue allocation and sharing policy and law.</p> <p>However, not much was done in 2018/2019 following the 2017/2018 Government Experts study tour to various countries to learn how revenue sharing management works.</p> <p>But, currently, all extractive revenues are allocated through national budget and there is no traceability. Efforts to improve this are under discussion by MSG.</p>
<p><b>EITI REQUIREMENT 6</b> Contribution and impact of extractive industries on social and economic spending</p>	<p>The second EITI report covers the contextual information on extractive industries which addresses requirement number 6. However, more research studies are needed to cover full details on this requirement. The impact study on extractive industries has not yet been undertaken.</p>
<p><b>EITI REQUIREMENT 7</b> Communication and engagement of Outcomes and Impact of EITI Report</p>	<p>The 2017 approved Communication and engagement strategy remain the major tool for use in implementing the EITI report findings.</p> <p>However, due to still lack of funding the strategy remain unimplemented to the great extent. In the period under report 2018/2019 the following was undertaken very little was done on dissemination.</p>

## 7. SPECIFIC STRENGTHS OR WEAKNESSES IDENTIFIED IN THE EITI PROCESS

The EITI process strengths and weaknesses in Malawi have remained the same since last report.

### 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 initiative would collapse;
- 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 operates on the premises of the donor driven policies some of which are not motivating to stakeholders. For instance, staff at the Secretariat are hired on the premises on the donor conditions instead of project terms hence negatively affecting the implementation;
- d. MWEITI does not have a legislation establishing it and as such, there is propensity that some of its decisions could be challenged.
- e. The project has only one vehicle instead of about 3 vehicles and limited office space.

## 8. TOTAL COST OF IMPLEMENTATION

The total cost for implementing MWEITI from the covered period was US\$ .The main source of funding was GIZ, followed by World Bank, then by OXFAM. The Government also made some significant financial contribution in 2018/2019 to support the Secretariat. The estimated break down was as follow.

<b>Total Cost of Implementation</b>			
	<b>Source of Funding</b>	<b>Total Amount</b>	<b>Percentage Contribution</b>
<b>1</b>	<b>GIZ support</b>		
	GIZ -Hiring of Independent Administrator and associated expenses	130,137	
	GIZ-Support on operating activities	65,177	
	<b>Subtotal</b>	<b>195,314</b>	<b>45%</b>
<b>2</b>	OXFAM-support on data collection	13,699	
	<b>Subtotal</b>	<b>13,699</b>	<b>3%</b>
<b>3</b>	Government-support operating costs	18,353	
	Government-support on upgrading of forestry cadastre system	205,479	
	<b>Subtotal</b>	<b>223,832</b>	<b>52%</b>
	<b>Grand Total Amount</b>	<b>432,845</b>	<b>100%</b>

## 9. ADDITIONAL COMMENTS

The new and innovative thing during 2018/2019 was a recommendation in the EITI Second report and decision by MSG to include Forestry Sector in the subsequent MWEITI reconciliation. The second EITI report revealed that more revenue was collected from Forest Sector than the Mining and oil and gas sectors. Therefore, the MSG agreed and advised that the third EITI report should cover the Forest Sector.

Secondly the initial MSG tenure of office finished in December 2018 having served for three years as stipulated in the MSG terms of Reference. The new MSG commenced their work in January 2019. The right procedures required by the EITI standard in selecting MSG was properly followed to ensure that the selection of new MSG members was free from Government and other external influence.

## 10. DISCUSSION OF THE REPORT BEYOND THE MSG

Due to resources constraints an exercise to verify and find out what discussion happened beyond MSG was not conducted. However, the MWEITI Secretariat made an effort to distribute the Second EITI report to various stakeholders across the country.

## 11. DETAILS OF THE MEMBERSHIP OF THE MSG DURING THE PERIOD

During the 2018/2019 the MSG held the following main meetings among other Subcommittee meetings:

1. Extra Ordinary MSG Meeting – 28<sup>th</sup> August 2018
2. Extra Ordinary MSG Meeting - 18<sup>th</sup> October 2019
3. Extra ordinary MSG Meeting – 20<sup>th</sup> December 2018

### MSG Membership Attendance and Changes During the period 2018/2019

	<b>Member/ Alternate Member</b>	<b>Name</b>	<b>Institution</b>	<b>Attendance of Meetings</b>	<b>Changes to Membership in the Year</b>
1	Member Chair	Kenneth Matupa	Ministry of Finance, Economic Planning and Development	2/3	No changes
2	Alternate	Grecium Kandio	Ministry of Finance, Economic Planning and Development	0 Of 3	No Changes
3	Member	Jalf Salima	Ministry of Natural Resources, Energy & Mining (Department	2 of 3	New Mines Director replaced the

			of Mines)		former Director who past own in 2018.
4	Alternate	Peter Chilumanga	Ministry of Natural Resources, Energy & Mining (Department of Mines)	1 of 3	No changes
5	Member	Charles Maseya	National Audit Office	1 of 3	No changes
6	Alternate	Caroline Buliani	National Audit Office	2 of 3	She replaced George Chikwana as an Alternate
7	Member	Mr. Khoswe	Reserve Bank of Malawi	2 of 3	No changes
8	Alternate	Chisomo Kuyenda	Reserve Bank of Malawi	2 of 3	No changes
9	Member	Dina Longwe	Bwanje Cement Company Ltd	3 of 3	No change
10	Alternate	Misheck Munthali	Bwanje Cement Company Ltd	3 of 3	No change
11	Member	Prajeesh Padmanabhan	Shayona Cement Co.	2 of 3	No changes
12	Alternate	Spence Mbaka	Shayona Cement Co.	2 of 3	He replaced Rowland Mwalweni who retired.
13	Member	Burton Kachinjika	Mkango Resources Ltd	2 of 3	No changes
14	Alternate	Stewart Chibanda	Mkango Resources Ltd	3 of 3	Exchanged with Chikondi Mcheka
15	Member	Andries Kruger	Sovereign Services Limited	1 of 3	No Changes
16	Alternate	Andrew Musavengana	Sovereign Services Limited	2 of 3	No changes
17	Member	Elyvin Nkhonjera	OXFAM	2 of 3	No changes
18	Alternate	Lusungu Dzinkambani	OXFAM	1 of 3	No Changes
19	Member	Moses Mkandawire	Church Aid & Society Programme	3 of 3	No Changes
20	Alternate	Paul Mvula	Church Aid & Society Programme	1 of 3	Replaced Fumu Moyo

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	Replaced Jabess Nyirenda as an alternate
23	Member	William Chadza	Centre for Environmental Policy and Advocacy (CEPA)	3 of 3	No changes
24	Alternate	Herbert Mwalukomo	Centre for Environmental Policy and Advocacy (CEPA)	1 of 3	Replaced Cynthia Simukonda who left CEPA.
25	Observer	Davie Khonje	Malawi Revenue Authority	3 of 3	No changes
26	Observer	Evelet Manda	Malawi Revenue Authority	1 of 3	No changes

## 12. CONCLUSION

The 2018/2019 year shows mixed results for MWEITI. The positive result was that MWEITI managed to be declared EITI compliant having achieved and made meaningful progress by the EITI International Board. On the negative side, the funding support for the initiative was very low to such an extent that the office partially closed with only Government support staff remaining in helping with Secretariat related work. It is therefore expected that the MSG and Government will agree on the proposed Institutionalization strategy and sustainability modalities proposed by the consultant for future smooth implementation of the initiative.