

**“ EXTRACTIVE INDUSTRY TRANSPARENCY INITIATIVE: IS IT TIMELY FOR MALAWI TO DEBATE ON? ASKS CFSC.**

We tend to complain about the cost of living. Sometimes we do so with reason. Sometimes the cost of living increases only marginally, as in the month of March 2011. Whatever the case, those at the bottom of the ladder of incomes, are the ones who suffer most. That is why the CFSC has always been advocating for increasing the threshold at which people start paying taxes from K10, 000 to K20, 000. One of the ways to substitute the income thus lost to government is by making up for with income from newly introduced brackets of PAYE tax. But more so with improved income from the extractive industry.

Malawi is not a globally significant producer or consumer of minerals. However, Malawi does have the potential of unexploited mineral deposits such as heavy mineral sand, bauxite, phosphate, uranium and rare earth element. Over the recent years, Malawi has witnessed the appearance of some energy companies such as Paladin Resources Limited of Australia that owns 85% of Kayelekera Uranium and Coal Products Limited that bought Mchenga coal mine from government in 1999. It is high time that Malawi continues exploring the economic benefits from the extractive industry especially at the time when the tobacco industry is facing great challenges. This is critical because these minerals cannot be renewed once its stock is depleted. This is why CFSC commends the idea of Extractive Industry Transparency Initiative (EITI) by Malawi government under Ministry of Finance. EITI is a globally developed standard for companies (mainly in extractive industry) to publish what they pay to government and for government to disclose what they receive from these companies. It is an effort to make sure that natural resources benefit all either directly or indirectly through a coalition of government, companies and civil society. Surely, EITI has the potential to increase the amount of information in the public domain about those revenues from the extractive industries that Malawi government manages on behalf of all its citizens. When the public domain gets better information on payments and revenues made by the energy companies to the government; expectations will be easily managed. The tendency of assuming the worst thing or suspecting that somewhere the revenues have gone missing will be reduced. Usually, it takes some years before substantial revenues are made hence it is vital to ensure that the public understands what goes on in the extractive industry.

The benefits from EITI are not only for civil society but also the government and privater sector. The government also benefits because it is one way of showing its commitment to greater transparency thereby strengthening good governance and accountability. As for companies and investors, it will be easy to see what contribution they make to the country in form of “transparency of payments” made to the government. On the other hand, political and reputational risks are easily mitigated, which is good for any business. As CFSC, we are hopeful that Malawi will embrace EITI with vigour. Currently, the amount of investment in produced capital (buildings, roads, knowledge stocks e.t.c) that is needed to exactly offset the declining stocks of minerals coming from extractive industry cannot easily be pin-pointed. It would be better if there is some investment made from revenue coming from the non-renewable resources of extractive industry to ensure that the standard of living does not fall once mineral stocks are finished. This concern is mainly in the areas where there mining companies such as Kayelekera in Karonga and Mchenga coal mine in Mzimba.

**Cost of Living Trend for March**

In Blantyre, cost of living during the month of March went up to K54, 701 from MK53, 111 in February. The maize price in Blantyre has remained constant at K2, 000 per a 50-kg bag. In Mzuzu, cost of living also rose to K46, 015 in March from MK43, 699 in February. In Mzuzu, the maize price of maize increased from an average of MK1, 800 in February to MK2, 130 per 50-kg bag in March.

Lilongwe city's cost of living for an average household size of six for one month has very slightly moved to K52, 356 from K52, 267 in February. The price of maize also rose from an average of MK1, 600 in February to MK2, 089 per 50-kg bag. In Zomba cost of living went up slightly from MK43, 097 in February to MK43, 377 in March, with the price of maize rising from an average of MK1, 014 to MK1, 300 per 50-kg bag. The changes in the cost of living in the cities is as a result of slight price fluctuations in the prices of other food commodities such as dry fish, tomatoes and vegetables due to seasonal availability of other food commodities.

**Social Conditions Research Programme, Center for Social Concern, P.O. Box40049, Lilongwe,**

**E-mail:** [jkuppens@cfscmalawi.org](mailto:jkuppens@cfscmalawi.org) or [fmkomba@csfcmalawi.org](mailto:fmkomba@csfcmalawi.org) Website: [www.cfscmalawi.org](http://www.cfscmalawi.org)

**Mobile cell:** [The Executive Director \( Fr Jos Kuppens\) on 0888824552](tel:0888824552)  
[or the Social Conditions Programme Officer \(Fydess Mkomba\) on 0995277164](tel:0995277164)