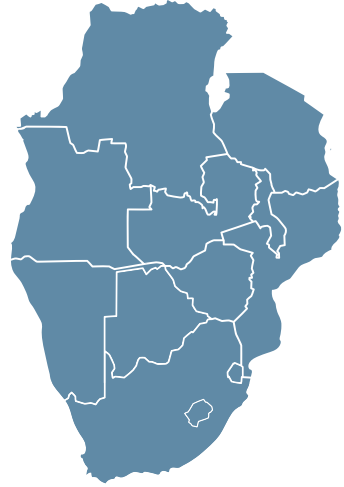




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IMPLICATIONS OF *COVID-19* FOR SOUTHERN AFRICA'S EXTRACTIVE INDUSTRIES, ECONOMIES AND SOCIETY

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Contents

Introduction	3
SADC governments' Covid-19 response strategies	4
Uncommon corporate humanitarianism: extractive companies contribute to fight COVID-19	10
Impact of Covid-19 on the mining and oil economies	15
Mining companies, Covid-19 and mining communities	25
Conclusion	29

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Introduction

The 2019 coronavirus disease (Covid-19) was declared a pandemic by the World Health Organisation (WHO) on 11 March 2020. This is a global health and societal emergency that requires immediate, effective and collective response by governments, businesses and society at large.

In the Southern African region, the Republic of South Africa was the first country to officially announce a case of Covid-19. Today, all countries in the region except for the Kingdom of Lesotho have recorded cases of the virus, and the numbers keep increasing daily. Although the virus is not spreading as rapidly as some experts predicted, there are still concerns that if the virus is allowed to reach the levels it has in other parts of the world (such as China, Europe and the United States of America) its impacts could be devastating.

A number of underlying factors expose Africa to risks that could exacerbate the virus. These include poor economies, weak health infrastructure, high levels of inequality and poverty (due to high unemployment rates). It is therefore not surprising that combatting the threat posed by Covid-19 has become a key national health and security priority for all SADC countries, attesting to the gravity of the current situation. The challenge is how to keep the national economy active while at the same time fighting the virus.

According to scenario simulations of the International Monetary Fund (IMF), global growth could fall by 0.5 per cent for the year 2020. Several other sources are also predicting a fall in global economic growth due to the direct effects of the Covid-19 outbreak.¹ The global economy may enter a recession at least in the first half of the year 2020, and possibly much longer. When assessing the direct and indirect effects of the crisis, for example the commodity slump, it is important to take account of how the Covid-19 outbreak has impacted on SADC's key economic sector which is the extractive industries (oil, gas and mining), on

¹ Africa Union, "Impact of the coronavirus on the African Economy", Accessed 2 April 2020.

national and regional economies, and on society at large.

This analysis is structured in four parts. Firstly, it looks at measures that SADC governments have employed in the fight against the spread of Covid-19, and the economic effects (particularly on extractive industries). Secondly, it assesses the support that mining companies have provided to compliment efforts by national governments in the fight against covid-19. Thirdly, it analyses the impact of Covid-19 on the extractive sector in particular. Lastly, it looks at how mining companies are investing in protecting and supporting mining communities against virus.

SADC governments' Covid-19 response strategies

Governments in the region have responded differently to Covid-19. Some governments have put their countries on total lockdown, others on partial lockdown, and some have opted for an open-door strategy. Essentially the strategy has been to minimise human interactions and promote hygiene mechanisms in line with the WHO guidelines on curbing the spread of the virus.

South Africa was the first country to implement a 21-day total lockdown, as announced by President Cyril Ramaphosa, which became effective on 27 March. This was subsequently extended by two more weeks, to the end of April. Mines and smelters across the country were ordered to shut down by midnight on 26 March 2020 until 16 April 2020. According to Shabir Ahmed “a reduction in the human workforce at mine sites is the only solution to manage the spread of the Corona virus.”² Minister Gwede Mantashe explained that mining operations would be scaled down significantly, in particular deep-level mining, in line with the lockdown regulations.³ However, essential services supporting the sector – including security and related infrastructure, maintenance, water pumping and ventilation – have continued to operate. Mines supplying coal to Eskom were exempted from this decision and continued to operate.⁴

The South African decision was followed by other governments in the region to

² Nickolas Zakharia, “Mining should consider automation to survive coronavirus, expert warns” <https://www.australianmining.com.au/news/mining-must-shift-to-automation-to-survive-coronavirus-expert-warns/> (accessed on 7 April 2020).

³ Remarks by Mineral Resources and Energy Minister, Mr Gwede Mantashe (MP) unpacking mineral and energy industries’ response in preparation for a nationwide lockdown, 25 Mar 2020.

⁴ Dineo Phoshoko, “Update on DMRE lockdown interventions”, <https://miningnews.co.za/2020/04/08/update-ondmrelockdowninterventions/?fbclid=IwAR1UpjL8mJ51nL4Uta4U5GFHORvS4PSJHRegHAnvrMAtigC7pzbADetTol> (accessed on 12 April 2020)

put in place lockdowns.

This move by other countries within the region was not surprising considering South Africa’s regional economic dominance in trade and development, especially in the mining sector.

Lesotho’s Prime Minister Dr Motsoahae Thomas Thabane⁵ had no option but to follow suit and impose a three-week lockdown starting on April 15th, despite the country having no confirmed coronavirus cases to date.⁶ Lesotho’s mines are totally dependent for their supply on South Africa, and Letšeng mine (the country biggest diamonds investment) closed its mine in line with the government’s directive. Firestone Diamonds, which has two mines, had already suspended operations at Liqhobong diamond property 12 months prior to the Covid-19 outbreak, citing volatile market conditions and uncertainty regarding when it would be able to hold its next diamonds sale.

Subsequently, Firestone’s Lucapa⁷ Diamond Co. Ltd was put on care and maintenance until the end of the lockdown. The company indicated that during the lockdown period, its workforce and contractor salaries would be reduced by about 60 per cent, while its non-executives will waive their board salaries.⁸

The government of Namibia put the country on an initial partial lockdown for 21 days to curb the spread of Covid-19) on 27 March 2020. This partial lockdown affected business and other operations in the Khomas region (where the capital Windhoek is located), and in western Erongo (an important mining region).⁹ Following government’s partial lockdown, the Minister of Mines and Energy Tom Alweendo announced the halting of mining and quarrying operations in these regions. For those mining operations outside the lockdown regions, normal mining activities were discontinued, and only critical maintenance work and minimal

⁵ In Lesotho, Covid-19 is competing with the political situation in the country. Lesotho’s political scene has been in turmoil for some months now as the Prime Minister is suspected to have been involved in the murder of his first wife, and he has unsuccessfully tried to shut down parliament.

⁶ Lesotho has no confirmed Covid-19 cases and no testing capability. The country has sent 10 suspected cases to the NICD, but these tested negative.

⁷ According to reports, Lucapa is looking for funds to curb the adverse impact that the pandemic has had on its production due to restrictions in Lesotho.

⁸ Article by Nahum Asher published on 16 April 2020: <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/covid-19-restrictions-weigh-on-lesotho-diamond-miners-58067610>

⁹ The Chronicle Herald, <https://www.thechronicleherald.ca/news/world/namibia-announces-travel-ban-partial-lockdown-after-seventh-coronavirus-case-428951/>, Accessed 26 March 2020.

operations in the sector could take place. The partial lockdown meant that some regions with key mining activities could remain open despite South Africa's total lockdown. President Hage Geingob announced an extension lockdown period starting from 17 April to 4 May 2020, which covered the whole nation. Noting the significant negative economic and social impacts of the Covid-19 outbreak on the economy, businesses and households, the Namibian government acknowledged the importance of suppressing the outbreak of the virus. In addition, the importance of core economic activities (formal and informal) was deemed essential.¹⁰

Botswana, on the other hand, did not wait to put the country on a lockdown, but put in place strict measures for 28 days as announced by President Mokgweetsi Masisi on 31 March.¹¹ However, unlike South Africa and Lesotho, Botswana classified mines among the essential services. This is because the Botswana economy is not as diversified as that of South Africa; mining contributes between 35 and 40 per cent to the country's GDP.¹²

Discontinuing mining activities for a period of a month would have had devastating effects on the Botswana economy. Instead, mine owners took precautionary measures in undertaking operations.

De Beers put its Debswana mining operations on care and maintenance.¹³ Lucara Diamond Corp. implemented a crisis management strategy in relation to Covid-19, to protect the health and well-being of its employees. Other mines (such as the Karowe Diamond Mine and Sandfire, a copper operation) continued with their operations while observing government guidelines to minimise the potential transmission of Covid-19.

Zimbabwe, like South Africa, imposed a national lockdown for an initial period of 21 days through Statutory Instrument 83 of 2020. President Emmerson Mnangagwa highlighted the lockdown as a mechanism to minimise transmission of the coronavirus.¹⁴ The move allowed it to commandeer state resources towards

¹⁰ Republic of Namibia Ministry of Finance, Media Statement "Economic Stimulus and Relief Package: Impact of COVID-19 on the Economy and Households".

¹¹ Article by KO/jn/APA, published on March 31st 2020/ <http://apanews.net/en/news/botswana-declares-28-day-covid-19-lockdown>

¹² Warren Beech, Head of Mining and Infrastructure (South Africa) – Eversheds Sutherland.

¹³ Report by Rapaport News <https://www.diamonds.net/News/NewsItem.aspx?ArticleID=64864&ArticleTitle=Coronavirus+Updates%3A+Impact+on+the+Diamond+Trade>.

¹⁴ Newsday, <https://www.newsday.co.zw/2020/03/mnangagwa-announces-total-21-day-lockdown-starting-31-march/>, Accessed 2 April 2020.

fighting Covid-19, to use emergency regulations, and to deploy personnel for the same purposes. Statutory Instrument 83 of 2020 prescribed essential services that would remain functional during the lockdown.

Fearing a devastating impact on the mining sector and the economy, the Chamber of Mines and small-scale miners (who operate under the banner of Zimbabwe Miners Federation, ZMF) approached the ministry of mines for a greenlight to continue operating during the lockdown period.

President Mnangagwa gave an order noting mining as an essential service whose operations require continuous process, and ruled that it may operate with the minimum staff required for the care and maintenance of its operations as stipulated in the statutory instrument. On 19 April, the government extended the national lockdown by a further 14 days, up to May 3. The further two weeks extension saw government allow mining companies to resume full operations.¹⁵ Government's decision to allow mining companies to resume operations was influenced by the sector (together with the manufacturing sector) being deemed an essential service based on its generation of foreign currency.¹⁶ Mining companies, however, are required to adhere to safety and health measures in accordance to the WHO guidelines.

President João Lourenço of Angola declared a state of emergency as part of the measures to fight the new coronavirus pandemic.¹⁷ Although mining companies were not asked to close, a number of mining operations were put on care and maintenance. Examples include the Catoca Mining Society which released most of its workers as a preventative measure against Covid-19. It shut down all production operations of the Treatment Central number 1 (CT1), as well as the concessions works of Tchifua, Gango and Luangue.

Mozambique's decision to put mines on care and maintenance was directly linked to confirmed cases on mining plants, who were immediately put under quarantine.

¹⁵ Zimbabwe extends coronavirus lockdown but mines can get back to work, <https://www.reuters.com/article/health-coronavirus-zimbabwe/update-1-zimbabwe-extends-coronavirus-lockdown-but-mines-can-get-back-to-work-idUSL8N2C70GL>, Accessed 19 April 2020.

¹⁶ Ibid, Reuters.

¹⁷ Agencia Angola Press, Covid-19: Angola declares State of Emergency from 27 March www.angop.ao/angola/en_us/noticias/politica/2020/2/13/Covid-Angola-declares-State-Emergency-from-March_c63029de-b7e8-4e3c-beae-c45f5285c9ff.html, Accessed 16/04/2020.

Two-thirds of Mozambique's 28 confirmed cases of the coronavirus (at the time of writing this report) were linked to the site of Total SA's \$23 billion natural-gas project.¹⁸ The first positive case recorded at the site, publicly known as "patient number 10," transmitted the disease to at least 10 others, according to the health ministry.

Total SA, however, seemed undeterred and continued with its operations despite being the epicentre of the pandemic. It argued that it had put "business continuity plans in place to ensure the impact to the project of an event like this is mitigated as much as possible". It is imperative that the Mozambique government treats the Total case as a national health emergency issue. The Covid-19 pandemic would add to the problems that have already rocked the project, as evidenced by the increase in the scale and frequency of attacks by insurgents linked to Islamic State in the Cabo Delgado province in recent weeks.¹⁹

In the DRC, the government of President Felix Tshisekedi declared a state of emergency and implemented a strategy of partial lockdown. The lockdown so far has only concerned the capital Kinshasa, which is considered the epicentre of the outbreak. At the time of publishing, the governor of mineral-rich Haut-Katanga province Jacques Kyabula Katwe imposed a lockdown on the mining hub of Lubumbashi and Kasumbalesa (a border town) after recording the area's first Covid-19 case on 25 April 2020.²⁰ The mining province had not previously been affected by Covid-19. All mining companies had been operating except for Chemaf, which supplies Trafigura with cobalt and copper (produced by artisanal miners), Chemaf "halted the building of copper-cobalt plant over coronavirus". Kasumbalesa is the main exit point for exports of copper and cobalt, and would remain open for the export of minerals.

Of all the SADC mining countries, Tanzania has applied the most interesting strategy. Tanzania can be placed in the category of flexible regimes in the fight against Covid-19 in a region characterised by more strict restrictions. President John Magafuli's government approach to fighting Covid-19 has been on a spiri-

¹⁸ Borges Nhamire & Paul Burkhardt, "Total's LNG Project Is Mozambique's Coronavirus Epicenter", https://www.bloomberg.com/news/articles/2020-04-14/total-s-lng-project-is-mozambique-s-coronavirus-epicenter?utm_source=twitter&utm_medium=socialflow-twitter-africa&utm_campaign=socialflow-organic&utm_content=africa&utm_medium=social (accessed on 3 April 2020).

¹⁹ Ibid.

²⁰ Creamer Media's Engineering News, "DRC locks down mining city and Zambia Boarder", 28 April 2020.

tual front. He decreed three national days of fasting and prayer to implore God's mercy to stop the spread of the virus and heal to the sick.

This understanding of how to combat Covid-19 has resulted in the exemption of places of worship (churches and mosques) from the closures that have affected schools, universities and public gatherings elsewhere in the region.²¹ From an economic point of view, the flexibility of the measures taken by the government of Tanzania manifested itself in the non-closure of internal and international borders. Mining companies were left to operate as usual. President Magafuli does not understand why the country's development projects must stop. This position has been strongly criticised by the political opposition,²² which maintains that the president is more concerned with saving the country's economy than protecting the health of the population.

In a year leading up to a presidential election, the president is managing a risky balance between the fight against Covid-19 and the protection of the national economy which has, nevertheless, lost one of its key sources of income: tourism (beaches and national parks).

In Zambia, President Edgar Chagwa Lungu, who very seldom addresses the nation, was forced by the virus to do so. In his address to the nation on 25 March 2020, the president recognised the challenge facing Zambia but fell short of declaring a lockdown. However, he recognised that, being a landlocked country with most its neighbours in lockdown, Zambia was in forced lockdown anyway. This situation was deemed to make the country economically vulnerable.²³ The government of Zambia, like that of Tanzania, did not close its borders and did not put mines on care and maintenance, but put in place strict control measures. The government introduced measures to provide relief for the mining industry, but warned mining companies not to take advantage of the current circumstances.²⁴

²¹ Lucie Sarr, 'In Tanzania, fasting and prayer to fight Covid-19,' cross www.africa.la, Assessed 20 April 2020.

²² COVID-19: Tanzania der and over with God and refuses to sacrifice its economy», <https://fr.africanews.com/2020/04/20/covid-19-la-tanzanie>, Evaluated 21 April 2020.

²³ State House, Statement by His Excellency, Dr Edgar Chagwa Lungu, President of the Republic of Zambia on the COVID-19 pandemic, Wednesday, 25 March 2020.

²⁴ News Diggers, Govt forecasts stability in mining sector amidst COVID-19 pandemic, <https://diggers.news/business/2020/04/02/govt-forecasts-stability-in-mining-sector-amidst-covid-19-pandemic>, accessed 8/04/2020.

In Malawi, the government has introduced normal restrictions to fight the pandemic. There are no specific guidelines for the mining sector in Malawi in managing Covid-19. Companies in the sector are using the general guidelines outlined in the Malawi Government Covid-19 Response Plan. They are operating as normal, but are observing the safeguard guidelines that are stipulated in the general response plan. The mining department is currently formulating specific mining industry Covid-19 management guidelines, which will give mining inspectors the mandate to ensure that the guidelines are being followed properly.

Uncommon corporate humanitarianism: extractive companies contribute to fight COVID-19

Extractive companies (mining, oil and gas) are big investors in Southern Africa, and play an important role in supporting broad-based socio-economic development. Often, companies are criticised for failing to rise to the occasion in undertaking operations and corporate social responsibility initiatives aimed at promoting community development and the promotion of human rights.

The sudden spread of Covid-19 found most SADC governments under serious financial constraints and facing economic stagnation and decline. Most governments have been unable to respond effectively and in a consistent manner to the spread of Covid-19. Cooperation between the private and the public sector is thus expected to compliment state efforts. It is not surprising that countries within the region have appealed to companies in the extractive industries to assist with finances and health equipment in fighting the spread of Covid-19. Indeed, in several countries, companies have demonstrated their solidarity with governments and the people through various unexpected interventions.

Extractive companies have commendably responded positively to calls from governments across the region.

In South Africa and the DRC, governments set up solidarity funds which are open to individuals and companies to make contributions. In the DRC mining companies did not directly support the solidarity fund, but instead preferred to support provinces where they have their operations. The Chinese consortium of mining companies operating in Haut-Katanga contributed US\$1 million to the provincial government efforts. Kibali Barrick Gold operating in Ituri contributed US\$1.5 mil-

lion in equipment to fight the coronavirus,²⁵ with US\$632 000 going to the capital Kinshasa (where most cases are found), US\$488 000 for the province of Haut-Uélé and Ituri, and US\$380 000 for Watsa territory where the mine is situated.²⁶ Glencore (which runs two mines, Kamoto Copper Company/ KCC and Mutanda Mining/ MUMI) and Tenke Fungurume Mining (TFM, an affiliate of China Molybdenum Co., Ltd./ CMOC) offered US\$750 000 and US\$400 000 respectively to the provincial government of Lualaba (where they mine copper and cobalt) to fight the pandemic.²⁷ More is expected from these mining giants. Glencore recently committed to supply Samsung with 21 000 tons of cobalt in the next five years,²⁸ which will be extracted from its DRC mines. In the diamond-rich province of Kasai Oriental, Societé d'Annhui et d' Investissement Minier (SACIM) donated buckets, gloves and masks to the provincial government. It has also announced a \$120 000 contribution.²⁹ However, the gesture from the Congolese Federation of Companies (FEC), which includes mining companies, came as a shock: FEC promised to pay taxes equivalent to 5 billion Congolese Francs (an equivalent of US\$2 915 452) in advance "to allow government to have the means to deal with the pandemic."³⁰

In South Africa, mining companies have come out very strongly in support of the government in its fight to slow the spread of the virus. Following President Ramaphosa's announcement of a solidarity fund which has seen contributions from all sectors (including mining companies), at the time of publishing this report there was a total of R2.6 billion (\$91 305 561) in the fund.

The Motsepe Foundation (owned by mining magnate Patrice Motsepe) and the Oppenheims donated R1 billion and R2 billion respectively, which are managed separately from the solidarity funds.

Besides these two rich mining families, other mining companies have reacted and responded to the Covid-19 restrictions. Anglo American Platinum, Impala Platinum, and Exxaro have decided to pay all employees their basic salaries and housing allowances and continue with company's contributions to medical and pen-

²⁵ @actualitecd, April 3rd, 2020, accessed 3 April 2020.

²⁶ RDC-Coronavirus : Barrick Gold mobilise 1 500 000 USD pour les matériels de lutte dont des respirateurs», <https://actualite.cd/2020/04/03/rdc-coronavirus-barrick-gold>, Accessed 5 April 2020.

²⁷ www.7sur7.cd, accessed 07 April 2020 .

²⁸ www.zoom-eco.net, accessed 07 April 2020.

²⁹ Kasai-Oriental: des kits de matériels de lutte contre le Coronavirus remis au gouvernement provincial», <https://www.radiookapi.net/2020/04/11/actualite/societe>, Accessed 15 April 2020.

³⁰ La FEC s'engage à payer 5 milliards de FC de taxes pour permettre au gouvernement d'appliquer l'état d'urgence sanitaire», <https://www.politico.cd/encontinu/2020/03/28/la-fec-sengage-a-payer>, Accessed 2 April 2020.

sion funds throughout the lockdown period.³¹ Anglo American has been praised for its corporate humanitarianism in taking firm steps to support employees, host communities, contractors, suppliers, hospitals, and water authorities, even producing educational videos on Covid-19 for 70 local clinics.³²

Also in South Africa, AngloGold Ashanti pledged to donate protective face masks, procured a further 27 electronic intensive care beds for Soweto's Chris Hani Baragwanath hospital, and is providing and servicing 24 mobile toilets for the hospital. The company has also pledged R20m (US\$1m) to the Solidarity Response Fund, a government-backed fund run by the WHO to help in the international effort against the Covid-19 pandemic.³³ Gold Fields management pledged a contribution of R15 million to the solidarity fund,³⁴ and Manganese mining company Tshipi é Ntle also donated R5 million to the fund.³⁵ Sibanye-Stillwater will be donating a third of its executive team's salaries to the Covid-19 solidarity fund. Despite all these contributions, people expect the sector to do more, considering that that in 2019 the total market capitalisation of the sector increased to R884 billion.³⁶

The Zimbabwean government did not set up a solidarity fund, but appealed through the call made by President Mnangagwa for donations worth US\$2 billion to assist government in the fight against Covid-19. This comes at a time when Zimbabwe's healthcare system is faced by a lot of challenges (which predate the Covid-19 pandemic).³⁷ These challenges range from shortages of drugs and equipment, to inadequate protective equipment for health practitioners and poor remuneration for doctors and nurses. As a result, many Zimbabweans from all walks of life (including the corporate sector) have been making donations to support the work against Covid-19.

³¹ Ed Stoddard, "Amplats and Implats declare forces majeures, employees to be paid during lockdown. By Ed Stoddard", <https://www.dailymaverick.co.za/article/2020-03-30-amplats-and-implats-declare-forces-majeures-employees-to-be-paid-during-lockdown/> (accessed on 3 April 2020).

³² Martin Creamer, "Anglo going to great lengths to support South Africa in its Covid-19 hour of need", https://www.miningweekly.com/article/anglo-going-to-great-lengths-to-support-south-africa-in-its-covid-19-hour-of-need-2020-04-06/rep_id:3650 (accessed on 2 April 2020).

³³ Matthew Hall, <https://www.mining-technology.com/features/how-are-mining-companies-helping-tackle-coronavirus/>, <https://www.mining-technology.com/features/how-are-mining-companies-helping-tackle-coronavirus/>.

³⁴ Martin Creamer, "Gold Fields promoting widespread human welfare during lockdown", https://www.miningweekly.com/article/gold-fields-promoting-widespread-human-welfare-during-lockdown-2020-04-07/rep_id:3650.

³⁵ Manganese mining company Tshipi é Ntle donates R5 million to Covid-19 Solidarity Fund". <https://www.iol.co.za/news/south-africa/gauteng/manganese-mining-company-tshipi-e-ntle-donates-r5-million-to-covid-19-solidarity-fund-46870087>.

³⁶ Luyanda Mngadi & Andries Rossouw, "SA's mining industry returns to profitability in 2019 – but the industry remains in transition", <https://www.pwc.co.za/en/press-room/sa-mine-2019.html>

³⁷ 'How will we survive?': Health woes deepen Zimbabwe COVID-19 fear, <https://www.aljazeera.com/news/2020/03/survive-health-woes-deepen-zimbabwe-covid-19-fear-200323065933020.html>. Accessed 20 April 2020.

Mining houses in Zimbabwe, through the Zimbabwe Chamber of Mines, have commendably contributed towards the fight against the pandemic by giving the government US\$1 million plus materials to rehabilitate and make ready health centres which will receive Covid-19 patients, as well as procuring sanitisers, ventilators and other equipment.³⁸

Caledonia Mining, through its Zimbabwean subsidiary Blanket Mine, gave US\$8 million to be channelled through the Chamber of Mines, and an equal amount that will go through government.³⁹ Anglo-American-owned Unki Mine donated R10 million to support health workers in the midlands where it operates.

In Botswana, the Botswana Labour Migrants Association & Botswana Mineworkers Union (BoLAMA) issued a press release calling on the private sector (and particularly the mining industry) to support the government's efforts to combat Covid-19. As a result, some extractive companies have joined the general effort to fight the pandemic. De Beers Group has contributed US\$1 700 million for the Covid-19 Relief Fund and for logistics, supply and community support.⁴⁰ However, De Beers is not the only mining company in Botswana and the rest of them should also join in and contribute to the government efforts to face the pandemic.

In Lesotho, with no known cases of Covid-19, mining companies have not seen the need to support government efforts. Apart from Letšeng Diamond Mine who donated a mobile office for Covid-19 testing to Lesotho's Department of Health,⁴¹ mining companies have not yet done anything significant.

In Zambia, mining companies are playing a critical role in the fight against Covid-19. Grizzly Mining donated sanitary materials worth 100 000 Kwacha to Lufwanyama district. First Quantum Minerals has put in place contingency plans to deal with the global Covid-19 pandemic by further strengthening clinical healthcare facilities and stepping up prevention awareness for employees and communities surrounding its mining operations in the Kalumbila and Solwezi districts of

³⁸ The Herald, "Support growing for pandemic fight", <https://www.herald.co.zw/support-growing-for-pandemic-fight/>, Accessed 11 April 2020.

³⁹ Ibid, Herald.

⁴⁰ Article by Felicity Carter, Forbes, Published on: 8 April 2020: <https://www.business-humanrights.org/en/botswana-mining-giant-pledges-25-million-to-help-efforts-of-fighting-covid-19>.

⁴¹ Papaport News on April 13th : <https://www.diamonds.net/News/NewsItem.aspx?ArticleID=64864&ArticleTitle=Coronavirus+Updates%3A+Impact+on+the+Diamond+Trade>.

North-Western Province.⁴² Barrick Gold has shown tremendous commitment to contribute to the fight against Covid-19; through its Lumwana Mine it has funded the provision of medical equipment to the value of \$340 000 at the national level, \$100 000 for the North-Western province, and \$90 000 for the Kalumbila district.⁴³ Konkola Copper Mines (KCM), which is currently engaged in a liquidation dispute with the government, has also set aside K1.2 million for stocking all consumables and supplies that will be used in the fight against the coronavirus at Nchanga South Clinic which the mining company has ceded to government as a quarantine centre for suspected cases of the deadly virus.⁴⁴

The ongoing dispute between Glencore and the Zambian government has resulted in Glencore putting its two mining operations (Nkana and Mufulira) on care and maintenance for three months,⁴⁵ and laying off more than 11 000 mineworkers with basic pay (and for the contractors an ex gratia payment). Glencore argues that it cannot maintain its mines because of the disruptions to international mobility and the decline in the copper prices. It also accused “the operating, regulatory and macro-economic environments in Zambia” as the being main reasons behind its decision. The Zambian government has not taken kindly to what it considers blackmail by Glencore.

According to Richard Musukwa, Minister of Mines and Minerals Development, the steps taken by Glencore are unjustifiable and illegal.⁴⁶ According to the Zambian government, there is “no decision that is beyond the reasonable control of Mopani Copper Mines and which makes mining impossible.”

Glencore only made a U-turn to keep the mines open when the Zambian government arrested the CEO Mr Nathan Bullock who was about to exit the country. It is surprising that Glencore reacted differently in the DRC. Both countries are facing the same Covid-19 and the same international market conditions for copper and

⁴² Zambian Mining Magazine, Fqm Health teams extend safety protocols to covid-19, <http://www.miningnewszambia.com/fqm-health-teams-extend-safety-protocols-to-covid-19>.

⁴³ Mining Journal, Barrick donates to COVID-19 fight in Zambia, <https://www.mining-journal.com/covid-19/news/1384584/barrick-donates-to-covid-19-fight-in-zambia>, accessed on 13/04/2020.

⁴⁴ Zambia News and Information Services – ZANIS, KCM Joins Covid 19 Fight, <https://www.znbc.co.zm/news/kcm-joins-covid-19-fight>, Accessed 5/04/2020.

⁴⁵ Open Zambia, Mopani Places Mines On Care And Maintenance, <https://www.openzambia.com/economics/2020/4/8/mopani-plac-es-mines-on-care-and-maintenance-5/03/2020>.

⁴⁶ Miningmx.com, Zambia says Glencore unjustified and illegal in planned shuttering of Mopani Copper, https://www.operanewsapp.com/zm/en/share/detail?news_id=505b247bc0affc22c72ccef8db8755&news_entry_id=360beb16200408en_zm&open_type=transcoded&request_id=DETAIL_EXPLORE_cd222d6e-5ba7-40d2-bfe0-59e08555d08e&from=news, Accessed on 8/04/2020.

cobalt, but Glencore kept its mines open in the DRC (and even provided substantial financial support).

In Tanzania, the private sector is contributing to government’s efforts in the fight against Covid-19. The Tanzania Oil and Gas Service Providers Association (ATOGS) offered equipment (vehicles), and Oryx Gas supplied gas to government-designated hospitals and isolation centers. Barrick Gold (through Twiga Minerals Corporation (a joint venture with the Tanzanian government) has set up a support programme to assist the Tanzanian government to contain Covid-19. Measures put in place to protect workers and their families living in and around its mines have been estimated at US\$1.7 million in essential equipment and expertise, with US\$960 000 going to national level, US\$505 000 to the regional level, and US\$250 000 to local level. At the national level, Barrick Gold has focused its efforts in the areas of Mloganzila, Mabibo and Dar-es-Salaam where isolation units and quarantine centres have been set up. Barrick Gold’s interventions will focus on the northern part of the country, particularly in the cities of Musoma, Shinyanga and Geita where isolation centres are being set up and equipped. Geita Gold Mining Limited has committed TZ1.6 billion to support government efforts.

There has not been much noise from Malawi on Covid-19. So far there is nothing that has been publicised on extractive companies supporting government initiatives against Covid-19, despite notable negative impacts on both small-scale and large-scale miners. Some companies have closed operations while others are finding it difficult to comply with government-imposed social distancing and lockdown measures.

Impact of Covid-19 on the mining and oil economies

Covid-19 has become a global emergency, given its impact on the entire world population and the global economy.⁴⁷ According to scenario simulations of the IMF, global growth could fall by 0.5 per cent for the year 2020. Several other sources are also predicting a fall in global growth due to the direct effects of the Covid-19 outbreak.⁴⁸ There are strong predictions that the global economy may enter a recession at least in the first half of the year 2020, due to the direct and

⁴⁷ The outbreak was declared a Public Health Emergency of International Concern on 30 January 2020, <https://www.who.int/emergencies/diseases/novel-coronavirus-2019/events-as-they-happen>, Accessed 27 March 2020.

⁴⁸ Africa Union, “Impact of the coronavirus on the African Economy”, Accessed 2 April 2020.

indirect effects of the crisis. Apart from the commodity price slump, there is declining production due to the closure of mines in mineral-producing countries and of factories in consuming countries, and the threat of mass unemployment. SADC is characterised by extractive economies, with countries' national budgets mostly depending on mining, oil and gas (which contribute between 40 and 90 percent of GDP). The survival of most SADC economies is therefore largely centred on the survival of the extractive industry. SADC is a top producer of cobalt (DRC), copper (DRC and Zambia), diamonds (Botswana, South Africa, Angola, Namibia,⁴⁹ Lesotho), platinum and chrome (South Africa and Zimbabwe), gold (South Africa, Tanzania, DRC, Zimbabwe and Zambia), uranium (Namibia⁵⁰), oil (Angola and DRC), and gas (Mozambique, Tanzania). Covid-19 threatens to collapse the extractive sector in several countries if it spreads at an uncontrollable rate.

According to the World Bank, the price of minerals will decline by 13 percent in 2020. The biggest consumer of SADC minerals is China. Copper inventory levels in China have reached their highest in almost four years, mostly due to a 13.5 per cent decline in the country's industrial output in a single month, from January to February 2020. It is not surprising that SADC countries are among the countries seeking debt relief from the IMF. China's trade links potentially affect many SADC countries' commercial interactions. The prospects for renegotiation of the country's loan repayments to China might be stifled by the fact that its economy has slowed. The International Monetary Fund (IMF) has responded with small financial support to most SADC countries as they face the devastating impact of COVID on their finances.

In all SADC countries, it is still too early to be able to analyse the data on government tax and royalty receipts from mining. However, based on how different fiscal tools are designed, and from previous experience, price drops have a stronger impact on profit-based taxes (such as income taxes, rent taxes, or state equity dividends) and a smaller impact on output-based taxes (such as most mineral royalties, turnover, or local development taxes). Other taxes (including value added tax, customs duties, and withholding taxes) would be affected only to the extent that a price

⁴⁹ Namibia is the world's top producer of marine diamonds.

⁵⁰ Namibia is the world's fifth largest producer of uranium.

⁵¹ See <https://resourcegovernance.org/analysis-tools/publications/primer-fiscal-regime-design>.

decrease leads to cost-cutting measures or reduced economic activity.

Due to the coronavirus outbreak, countries globally have banned incoming and outgoing flights to and from almost all countries (including SADC countries). This has disrupted the international shipping of minerals.⁵² Even for gold, border restrictions and flight cancellations have created gold gluts in local markets, depressing prices for small-scale miners even while global prices are pushed back towards seven-year highs as investors pile into bullion as a safe-haven asset.⁵³ Whether you put mines on care and maintenance or not, the sector and the economy will be adversely affected. It is expected that the mining sector in Lesotho, South Africa, Zimbabwe and Namibia (all of whom took a decision to close the mines during the lockdown) will be the hardest hit and will suffer serious revenue loss. In 2018, the South African mining sector contributed R351 billion to the country's gross domestic product (GDP), and a total of 456 438 people were employed in the mining sector. Each person employed in the mining sector has up to nine dependants.

In South Africa, government has recently allowed the reopening of mining operations through amendments to the Disaster Management Act regulations, permitting up to 50 per cent capacity and introducing workplace regulations. The shift to "Level 4" lockdown at the end of April sees a further relaxation of restrictions. Considering the enormous contribution of the mining sector, companies have developed an action plan to soften the impact of the coronavirus on the industry. The industry is putting in place risk-mitigating measures to rapidly identify any cases of the virus, to ensure rapid isolation and contact tracing, and could – if necessary – mobilise large-scale medical facilities according to the SA Minerals Council.

The Association of Mineworkers and Construction Union (AMCU) wants mining companies operating in South Africa to urgently convene a summit to discuss how prepared the industry is to handle the Covid-19 outbreak. Fearing the collapse of the sector following the lockdown, mining companies lobbied government to resume operation after the first leg of the lockdown, a request to which

⁵² Keith Sungiso, "Zimbabwe Shutdown, implications on mining", https://miningzimbabwe.com/zimbabwe-shutdown-implications-on-mining/?amp&_twitter_impression=true, Accessed 1 April 2020.

⁵³ Reuters, Helen Reid, Jeff Lewis, "Subsistence miners lose out as coronavirus crushes local gold price", <https://www.reuters.com/article/health-coronavirus-mining-artisanal/subsistence-miners-lose-out-as-coronavirus-crushes-local-gold-prices-idUSL8N2BN670>, Accessed 1 April 2020.

government agreed.

The steps taken by the mining companies and government have been heavily criticised by the labour union. AMCU has instituted court proceedings to challenge the resumption of mining operations.⁵⁴ The union argues that allowing workers to resume activities without specific considerations for the mining industry would put employees at risk of contracting the coronavirus.⁵⁵

However, companies are confident that workers also want to return to work. They point to the considerable investment in protective measures which they have in place, and to the “extra mile” they have gone to ensure that workers are fully remunerated and that host communities are generously funded during the national lockdown.

Lesotho, Zimbabwe and Namibia’s mining industries depend directly on South Africa for their supply in goods and services. Namibia, however, realised earlier on that closing all the mines could be catastrophic. It allowed diamond producers to continue with operations despite the Covid-19 outbreak.⁵⁶ Unfortunately, the outlook for the diamond industry has also dimmed dramatically, and even if production continues global diamond demands are very depressed.⁵⁷ The second global sight holder sales of De Beers recorded a sharp drop, registering a decrease in demand for rough diamonds during the second sales cycle of 2020. Furthermore, the diamond giant has cancelled the third sales event. Eloise du Plessis, head of research at PSG Namibia, predicts that Namibia is set to record significant contraction in gross domestic product (GDP) this year.⁵⁸

The governments of Botswana and Zimbabwe, despite putting their countries on lockdown, placed mines among the essential services. Despite this precaution, the sector is expected to suffer big losses in revenue because of Covid-19.

⁵⁴ Sibongile Khumalo “AMCU heads to court over ‘unlawful’ return to mining operations”, <https://www.fin24.com/Companies/Mining/amcu-heads-to-court-over-unlawful-return-to-mining-operations-20200421-2> accessed on 25 April 2020.

⁵⁵ *ibid.*

⁵⁶ Evans Mumba, “Diamond Producers to continue operations despite COVID-19 outbreak”, <http://namibianminingnews.com/diamond-producers-to-continue-operations-despite-covid-19-outbreak/>, Accessed 3 April 2020.

⁵⁷ Bain and Company in association with the Antwerp World Diamond Centre, Global Diamond Report 2019.

⁵⁸ Xinhuanet, “Namibia’s lockdown amid COVID-19 pandemic ‘detrimental’ to economy”, http://www.xinhuanet.com/english/2020-04/05/c_138949444.html, Accessed 5 April 2020.

The Zimbabwean Chamber of Mines, which represents major mining companies in the country, notes that mineral production could fall 60 per cent in the second quarter, which represents revenue losses exceeding \$400 million – in a country that relies heavily on the sector for scarce dollars.⁵⁹

The Chamber of Mines also warned that the lockdown in South Africa would hurt platinum and nickel producers due to “logistical complications” in transporting minerals to that country. In addition, the smelters will be shut and the refineries significantly scaled down. Zimbabwe sells unprocessed platinum and nickel to South African refineries, as well as gold⁶⁰ to Rand Refineries. South Africa’s Rand Refineries halted the shipment of gold to London because of a lack of commercial flights, and said it is exploring back-up plans and alternative measures to be able to meet its delivery commitments to the London gold market.

Covid-19 found the Zimbabwe mining economy in very bad shape. Zimbabwe’s ferrochrome producers were already feeling the effects of changes in the market, with the country’s largest producer ZIMASCO going into care and maintenance due to falling prices. Miners said they had asked the government to waive payroll tax, allow the companies to settle tax obligations in local currency, and extend a royalty tax holiday during the second quarter of the year. China consumes approximately 50 per cent of the world’s metals and mining resources, and a prolonged disruption to production in China results in a fall of commodity prices, especially platinum, chrome and nickel which account for millions in export earnings for Zimbabwe. Covid-19 has plunged Zimbabwe into an even deeper economic and financial crisis, from which it will need exceptional efforts to emerge.

Botswana has just come out of its most competitive elections since independence, and it is also in the process of renegotiating its agreement with De Beers. Botswana remains a leading producer of diamonds by value, so the government of Botswana is focused on diamond sale agreements with De Beers and on promoting local beneficiation.⁶¹ A key question is whether the impact of Covid-19 will influence the negotiation in favour of De Beers. De Beers is not expected to

⁵⁹ Reuters, MacDonald Dzirutwe, <https://www.reuters.com/article/zimbabwe-cenbank/update-2-zimbabwe-cuts-rates-miners-send-coronavirus-distress-signals-idUSL8N2BJ84Q>, Accessed 9 April 2020.

⁶⁰ In the first weeks of April, gold prices fell from \$1,590 to \$1,455 before recovering to around \$1,500. The fall is approximately 8.4 in percentage terms, which is very high compared to average weekly movements.

⁶¹ Paper by Warren Beech for Eversheds Sutherland, published on 3 April 2020: <https://investafrica.com/member-insights/botswana-mining-and-natural-resources/>.

do anything which will jeopardise its long-term investment and its control of one of the best diamond reserves in the world. Also, political stability and a relatively stable economy due to good governance of its diamonds put the country in a unique position to keep De Beers in the country and possibly inject fresh investment to keep the sector afloat.

Botswana is the only country in the region in the short to medium term that could deal with the impact of Covid-19 on its diamonds sector, because of a committed investor. If Covid-19 does spread rapidly within Botswana, it might still be in a far better position to recover than other mineral-rich countries, and to benefit more quickly from any upturn in the global economy.

However, if Covid-19 forces De Beers to keep its mine on care and maintenance for a long period, Botswana might be forced to seek external financial support as it did during the 2008 financial crisis when it approached the African Development Bank. An uncertain future for the diamond market could influence De Beers and could push the government of Botswana to give up certain advantages in their agreement. In Africa, Botswana is an economic success story mainly because of its governance of the mining sector, and is likely to remain an investment destination of choice for the foreseeable future. *The Economist* ranks Botswana as the strongest economy among 66 emerging markets worldwide.

Mozambique, Angola, Zambia and DRC did not put mines on care and maintenance, although certain mining companies on their own initiative decided to reduce their activities. However, their extractive sector still experienced the Covid-19 shock. In Mozambique, the extractive industries contributed 30 per cent of the economy, 3.5 per cent to export, and 20.6 per cent to gross domestic product in 2018.⁶² The Mozambican economy was on track for a “strong rebound” in 2020, said the IMF, as it urged the government to ensure that an expected gas boom benefits all citizens.⁶³

Covid-19 now puts this growth trajectory in doubt as gas and mining companies react to the uncertainties across the supply chain affecting commodity prices.

⁶² By EITI, “Overview of Mozambique, 2018” <https://eiti.org/mozambique>.

⁶³ By NEWS24 “Mozambique economy set to bounce back in 2020 – IMF” <https://www.fin24.com/Economy/mozambique-economy-set-to-bounce-back-in-2020-imf-20191113>.

ExxonMobil slashed \$10 billion from its 2020 capital spending plan, in response to low energy prices caused by collapsing demand. Exxon said it would also cut its cash operating expenses by 15 per cent to survive the downturn.⁶⁴ The Mozambican government warned that the disruption caused by Covid-19 to the sector could result in further devaluation of the Mozambican currency, the metical, against the US dollar.⁶⁵

Exxon Mobil Corp. also plans to delay the final investment decision for its \$30 billion Rovuma liquefied natural gas project next to Total’s. The Mozambique LNG Project (Total, formerly Anadarko) worth \$20bn, Coral FLNG Project (ENI and ExxonMobil) worth \$4.7bn, and Rovuma LNG Project (Exxon Mobil, ENI and CNPC) worth \$30bn is the lifeline to the Mozambican mining sector and its economy. The Brazilian mining company Vale, which operates Mozambique’s largest coal mine, at Moatize in the western province of Tete, has decided to send its Brazilian staff and their families (a total of 250 people) back to Brazil because of the threat posed by the Covid-19 pandemic.⁶⁶ Mining group Kenmare Resources⁶⁷ has suspended its guidance for this year due to the uncertain outlook caused by the Covid-19 pandemic and drawn down debt facilities to cope with the crisis. The Irish company, which operates the Moma Titanium minerals mine in northern Mozambique,⁶⁸ said that although its mine has not been materially impacted by the crisis, the restrictions are having an operational impact. As a result, the company has taken the decision to suspend its guidance for 2020 “until further notice”.⁶⁹

It is clear, even for mining companies that did not close, the conditions of work to protect workers against Covid-19 and the disruption of international trade have slowed down the rhythm of work and production, which will have impacts on companies’ financial results this year.

⁶⁴ Jordan Blum, “ExxonMobil slashes 2020 capital spending by 30%”. <https://www.spglobal.com/platts/en/market-insights/latest-news/oil/040720-exxonmobil-slashes-2020-capital-spending-by-30>.

⁶⁵ By Club Mozambique “Mozambique: Warning of Covid-19 impact on Mozambican economy – AIM report”, <https://clubofmozambique.com/news/mozambique-warning-of-covid-19-impact-on-mozambican-economy-aim-report-155208/> (accessed on 27 March 2020).

⁶⁶ “Yogender Panchoi, “Vale Sends Brazilian Workers Home from Mozambique” <https://steelguru.com/coal/vale-sends-brazilian-workers-home-from-mozambique/557565> (accessed on 26 April 2020).

⁶⁷ See https://www.irishtimes.com/topics/topics-7.1213540?article=true&tag_company=Kenmare+Resources.

⁶⁸ See https://www.irishtimes.com/topics/topics-7.1213540?article=true&tag_location=Mozambique.

⁶⁹ Peter Hamilton, “Kenmare resources suspends guidance on Covid-19 uncertainty” <https://www.irishtimes.com/business/energy-and-resources/kenmare-resources-suspends-guidance-on-covid-19-uncertainty-1.4224953> (accessed on 26 April 2020).

Angola is the second-largest producer of oil on the continent. The country is not only faced with the challenges of the spread of Covid-19, but is also experiencing shock from the decline of oil prices in the international market. Even if Angola is spared from Covid-19 devastation, the weaker international environment with the decline of oil prices is impacting on the sector both in terms of its contribution to the national economy and its ability to attract new investors. The International Energy Agency predicts that the Covid-19 pandemic will erase almost a decade of oil demand growth this year. Even if “90% of large companies are now operating again and restrictions on movement have been lifted in many areas, the economic activity is unlikely to return to pre-pandemic levels any time soon.”⁷⁰ The Angolan government has decided to review the general state budget downward for 2020 in response to the impact of the Covid-19 pandemic and the drop in oil prices.⁷¹ The 2020 budget was earlier estimated with oil priced at US\$55 a barrel, and it will now be reduced to US\$35 a barrel.⁷² It is clear that President Laurento’s efforts to take the country out of the recession will not happen soon, and his drive to attract investors to diversify the economy away from oil might have come to a halt. In March, the World Bank gave Angola a token amount of US\$15 million as a support in its efforts to combat the new coronavirus (COVID-19). This is a sign of the peril in which the country’s economy is in the wake of oil price decline and COVID 19. Observers expect Angola to be among the countries whose public debt could exceed 100 percent of GDP this year.⁷³

Covid-19 found the two biggest producers of copper and cobalt, DRC and Zambia, in a bad economic and financial state.

For Zambia and the DRC, the sudden excess in copper supply has sent prices for the red metal tumbling below US\$5000 per metric tonne for the first time since October 2016.⁷⁴ Copper prices declined by 23 per cent to US\$4754 per metric tonne as at 26 March 2020, from USD\$6165 per metric tonne in January 2020.⁷⁵ Zambian GDP growth rate in the 2020 budget was estimated at 3.2 per cent and

⁷⁰ Africa Insiders: The COVID-19 recession is going to hurt (<https://africanarguments.org/2020/03/25/africa-insiders-the-covid-19-recession-is-going-to-hurt/> accessed 19/04/2020.

⁷¹ Angola to review general state budget amid oil price drop, COVID-19 <https://africa.cgtn.com/2020/03/28/angola-to-review-general-state-budget-amid-oil-price-drop-covid-19/> Accessed 19/04/2020.

⁷² Ibid.

⁷³ Mining for Zambia, how will the Corona Virus affect Zambia’s economy? <https://miningforzambia.com/how-will-the-coronavirus-affect-zambias-economy-13/04/2020>.

⁷⁴ Policy Monitoring and Research Centre, The Impact of COVID-19 on Zambia’s economy, <https://pmrczambia.com/wp-content/uploads/2020/03/the-impact-of-covid-19-on-zambias-economy-infographic-pdf-2>

⁷⁵ Zambian Mining Magazine, COVID-19 stirred economic recession inevitable, http://www.miningnewszambia.com/wp-content/uploads/2020/03/march_april2020.pdf, Accessed on 16/04/2020.

is now being projected at 2 per cent. There are no signs that the price of these two metals will pick up soon.

The DRC which introduced a new mining code in 2018 has managed to calm big companies which did not want certain provisions of the code. Despite Covid-19, according to the ministry of mines copper exports increased by 12.75 per cent, while cobalt exports fell by 15.18 per cent during the first Quarter of 2020.⁷⁶ Economically the country is in bad shape. The country’s budget had to be adjusted to align it to the falling price copper and cobalt. Even though gold is not affected (Kibali Gold Mines in the DRC says its gold operations have not been impacted), this will not be enough to dig the government out of its financial woes with reserves in central bank sitting at US\$693 million (enough for just less than two weeks of what the country’s needs). The IMF has adjusted the country’s growth downward to 2.2 per cent from the 4 percent previously estimated. The recent IFM-approved \$363.27 million loan (under its rapid credit facility to address the Covid-19 outbreak) is far from sufficient for this vast country with 85 million people. The ministry of mines has published its analysis of the impact of COVID 19 on the sectorsaying that there is not yet much pressure on the sector. However, it will be dependent on the length of the period of containment imposed in transit and consumer countries. The report notes that (unlike Latin American countries such as Chile and Peru, which have stabilisation funds or other sovereign wealth funds) the DRC economy cannot survive a sudden halt in the production of copper and cobalt. According to provisional statistics for the first quarter of 2020, copper exports increased by 12.75 per cent, while cobalt exports fell by 15.18 per cent during the same period.⁷⁷

Zambia has not seen new investment in its mining sector in recent years. It relies on its old investments, especially First Quantum Minerals, Barrick Gold, and Glencore. With copper production and export already in decline due to the impact of Covid-19 across the globe,⁷⁸ the government did not want to consider closing the mines which bring in 75 percent of the country’s export earnings. Zambia is in a very difficult predicament. The government has borrowed too much, leading to

⁷⁶ Zambia Chamber of Mines, Government’s recently announced Coronavirus measures “Lacking much needed tax relief provisions” - 22 April 2020.

⁷⁷ Lusaka Times, Minister of Finance to hold Media Briefing as CTPD warns of effects of Zambia’s deteriorating Economy , https://www.operanewsapp.com/zm/en/share/detail?news_id=da0fc1c654bb3655de313ef1fd46a955_zm&news_entry_id=b8a060200120en_zm&open_type=transcoded&request_id=HOME_PAGE_816de74c-670e-4a55-91f5-16786baadb31&from=news_22/04/2020.

⁷⁸ Zambian eye, Zambia not poor enough to receive debt relief- IMF, https://www.operanewsapp.com/zm/en/share/detail?news_id=d4381e688d6e5ce7bf495b4c3356e6e2&news_entry_id=5fc5048200421en_zm&open_type=transcoded&request_id=HOME_PAGE_fed6ee76-d665-47b9-a836-01c3e8a335da&from=news, Accessed on 25/04/2020.

debt distress and the real prospect of imminent debt default. Investment confidence in the sector is at its lowest, due mostly to the introduction of a new mining tax regime in 2019 which significantly increased the tax burden on mining companies, making the sector unsustainable and uncompetitive. The Fraser Institute's report for 2019 suggests that Zambia is one of the ten least attractive jurisdictions in the world for mining investment. The Zambian government does not even have space to give incentives to mining companies that are facing the impact of COVID19. Other countries are expediting VAT repayments to aid companies' cash flows, but there has been no mention of the approximately \$1.2 billion that is still owing to the Zambian mining industry, although the sector is extraordinarily vulnerable to the economic crisis now unfolding. In a proactive manner, the Zambian Chamber of Mines submitted a broad three-phase economic plan to government, to urgently manage the economic impacts arising from the pandemic.⁷⁹

The chamber was concerned at the time that tax relief measures announced by the minister of finance on 27 March (such as the removal of the provisions of Statutory Instrument 90 and the suspension of import duties on concentrates and export duties on precious metals) had still been not introduced.

According to the Chamber of Mines, there is a lack of constructive dialogue between the industry and government. The Chamber of Mines has pointed to the issues being faced at Mopani Copper Mines as an example of this.

The cost of living as measured by the Jesuit Centre for Theological Reflections Basic Needs and Nutrition Basket for the month of January 2020 increased to K7410.96 for a family of five compared to K5395.35 in January 2019. This creates a very difficult environment, especially for children in need of balanced and nutritious foods.⁸⁰ Unfortunately, the IMF Director of the African Department, Abebe Selassie, revealed that Zambia missed out on the initial list of debt relief beneficiaries because it is not classified as most vulnerable and poorest.⁸¹

⁷⁹ Cameron Mackay, «The impact of Covid-19 could extend to the nationalization of resources <https://www.miningweekly.com/article/covid-19>, assessed on 21 April 2020.

⁸⁰ Tunatazama is a group of mining monitors across Southern Africa that collect and exchange information on the impact of extractive activities on communities. Tunatazama is a project of Benchmarks Foundations and Southern Africa Resource Watch.

⁸¹ Article by Felicity Carter, Forbes, Published on: 8 April 2020: <https://www.business-humanrights.org/en/botswana-mining-giant-pledges-25-million-to-help-efforts-of-fighting-covid-19>; article by Bolama on 15 April 2020: <https://www.business-humanrights.org/en/extractive-companies-response-to-the-covid-19-pandemic>; [https://www.debeersgroup.com/media/company-news/2020/de-beers-group-contributes-\\$2500000-across-botswana-and-namibia-to-support-covid-19-response](https://www.debeersgroup.com/media/company-news/2020/de-beers-group-contributes-$2500000-across-botswana-and-namibia-to-support-covid-19-response)

The impact of Covid-19 on the mining and natural resources sector in Tanzania⁸² will be significant regardless of the flexibility of the government's response measures, due to the slowdown in economic activity in the rest of the world. Indeed, the slowdown in global growth will lead to "a brake on the demand for African exports" and may also lead to the absence of foreign investment.

Mining companies, Covid-19 and mining communities

Africa will see a rapid increase in Covid-19 cases if the virus starts to affect overcrowded and poor communities. The lockdown has left many people who depend mainly on the informal economy without any income (or food). Mining communities are particularly at risk of Covid-19 infection. Most mining communities have inadequate access to healthcare services and clean water, and already have compromised immune systems because of poverty and mining pollution of their air, water and land. If mining communities are badly affected by Covid-19 infections, this will have a ripple effect on the mining companies' activities.

As one would expect, the measures implemented by mining companies in SADC (and around the world) focus mostly on protecting their employees and their investments. For companies, their employees' health and safety while at work remain a top priority. However, not much is done to protect mining communities in the regions where they operate. This is a big gap in companies' response to Covid-19.

Most mining activities take place in remote areas where governments have little or no presence. In these settings, mining companies become the de facto governments. In exceptional circumstances (like the one we are in with Covid-19), companies may be expected to invest in protecting adjacent communities against the virus, over and above their usual corporate social responsibilities. This is important not just because not doing it will have an impact on their investment, but because of humanity. If Covid-19 is allowed to spread in these remote and poor environments the impact will be devastating.

⁸² Ibid Anglo-American Blog.

Just as it has been difficult for most governments in the region to apply harsh domestic restrictions on people in the cities (most of whom are in informal trade), it will also be extremely difficult to keep mining communities and towns indoors.

These communities have no clean running water. To access water, they must travel long distances to a river, which is often polluted by mining activities. Where boreholes exist, they are dry most of the time. Soap and hand sanitisers are a luxury. Most of the members in these communities survive on subsistence agriculture and selling at markets or along the dusty roads. It will not be possible to keep these communities indoors.

There is no doubt that if Covid-19 spreads in mining communities, it will expose the poor corporate social responsibility of most mining companies. Companies do not provide adequate infrastructure such as healthcare centres and running water, and they have not helped these communities to diversify their economic activities. While their objective is to ensure a healthy return for their shareholders, ensuring social justice in the environment in which they operate is equally important and crucial for the survival of their businesses.

The mines are better protected when communities are protected. Mining companies must provide leadership in the fight against Covid-19 in the areas where they operate. There are many things companies could do in the short and medium term. Among other things, they need to:

- educate and sensitise mining communities regularly on how to protect themselves against Covid-19 and other health hazards;
- invest in good hygiene practices by providing clean water, soap and hand sanitisers to these communities;
- monitor health developments daily;
- invest in healthcare facilities that could be used to quarantine sick community members and their workers, which could include opening medical facilities used by mine managers to workers and local communities;
- invest in a sensitisation campaign to mobilise mining communities around how to protect themselves against the virus.

So far, we have not seen structured interventions by mining companies to protect mining communities.

Mining communities and activists continue to complain of mining companies' inaction in these communities. In a series of WhatsApp messages on the group called Tunatazama,⁸³ community activists describe very distressing scenes in these communities in the face of Covid-19. They are concerned about the lack of information on the disease within mining communities.

Communities are just given general guidelines, which stipulate social distancing and proper hygiene, in an overcrowded context where in adequate drainage systems result in pools of water full of bacteria. They are informed that there will be no school (and no school lunches) during the pandemic as governments are encouraging online learning, but students from poor backgrounds cannot afford computers, internet connections, or sometimes even electricity.

There are companies across the region that have been working to integrate communities in their plan to fight Covid-19. This is in recognition of the urgency and the need to stand shoulder-to-shoulder with their host communities. In South Africa, Anglo American has produced a community Covid-19 plan, although it remains to be seen how this plan will be implemented. In Botswana, De Beers claims to have designed a robust Community Response Plan to ensure that effective and relevant support is given to their host communities – a plan that it says was developed with the engagement of communities, and one which will enable the company to provide the much needed support in the immediate crisis and in the essential economic recovery phase.⁸⁴ Sibanye-Stillwater's local small business fund is contributing R14.5 million to stimulate local economic growth in local communities. The company has incentivised local suppliers making personal protective equipment (PPE) by contributing R1-million so far (which may increase over time).

In Namibia mining companies are also investing to protect communities. For example B2 Gold Corp, in addition to the measures put in place to protect its workers, has introduced additional precautionary steps aimed at managing and responding to the risks associated with the Covid-19 virus, ensuring the safety of suppliers and surrounding communities. Anglo American has also put in place a range of

⁸³ "Barrick launches covid-19 support program in Tanzania," <https://www.mining.com/barrick-launches-covid-19-support-program-in-tanzania/>, assessed on 21 April 2020. See also, Matthew Hall, "How do mining companies help fight coronavirus?", <https://www.mining-technology.com/features/>, assessed on 21 April 2020.

⁸⁴ Article by Felicity Carter on April 7th 2020 for Forbes: <https://www.forbes.com/sites/felicitycarter/2020/04/07/de-beers-group-contributes-2500000-across-botswana-and-namibia-to-support-covid-19-response/#683d926044e6>; <https://www.mining-technology.com/features/how-are-mining-companies-helping-tackle-coronavirus/>; <https://www.debeersgroup.com/media/company-news/2020/de-beers-group-contributes-52500000-across-botswana-and-namibia-to-support-covid-19-response>

measures both nationally and at a local level in support of the country's response to Covid-19. This includes facilities for use as treatment or isolation centres, 30 ventilators and vital signs monitors for local hospitals (mainly in Windhoek and Oranjemund), co-funding a sanitation programme in Windhoek's informal settlement where households are at high risk due to lack of sanitation services and the inability to self-isolate.⁸⁵ In Tanzania, Barrick Gold is helping to set up and equip isolation centres in Musoma, Shinyanga and Geita.⁸⁶

Given the urgency of limiting the spread of the pandemic, mining companies must provide equipment not only for the care of the sick but above all for prevention (barrier gestures). They must also financially support the local authorities and civil society organisations in large-scale awareness campaigns to get members of mining communities to adopt the barrier actions to combat Covid-19.

In a statement, Bruce Cleaver, De Beers Group CEO said "We have refocused our business in our host communities to support the response to the pandemic and our priorities are clear: prepare communities for the crisis, support the emergency response and be a partner in economic recovery".⁸⁷

⁸⁵ Ibid Anglo-American Blog.

⁸⁶ "Barrick launches covid-19 support program in Tanzania," <https://www.mining.com/barrick-launches-covid-19-support-program-in-tanzania/>, assessed on 21 April 2020. See also, Matthew Hall, "How do mining companies help fight coronavirus?", <https://www.mining-technology.com/features/>, assessed on 21 April 2020.

⁸⁷ Article by Felicity Carter on April 7th 2020 for Forbes: <https://www.forbes.com/sites/felicitycarter/2020/04/07/de-beers-group-contributes-2500000-across-botswana-and-namibia-to-support-covid-19-response/#683d926044e6>; <https://www.mining-technology.com/features/how-are-mining-companies-helping-tackle-coronavirus/>.

Conclusion

The Covid-19 pandemic has not yet unleashed its full effect on African countries. Most African countries reacted quickly by taking internal measures to slow the spread of the virus. It is however still early days to celebrate.

These internal measures, which include total lockdown in some countries and partial lockdown in others, have had a negative impact on the extractive industries performance and contribution to national economies. However, the key factors that have undermined the extractive industries' performance have been external – the decline in the price of raw materials and commodities, weak consumption in China and other centres, and limited access to industrial components and manufactured goods due to lockdowns and disruptions in international supply chains.

This should be a wake-up call for Africa. It cannot be the poorest continent, with all the mineral resources, but remaining a net importer of mining equipment and components. If there is one positive thing that should come out of the Covid-19 crisis, it is the realisation by Africans of this important reality.

The mining industry will need to reconfigure and prepare itself to operate under a new "normal", where it sources its goods from the continent. For this to happen value addition becomes paramount. The social and economic consequences of Covid-19 are already being experienced and are expected to further escalate. Citizens have criticised the level of preparedness by some governments. Misplaced priorities have been exposed in public expenditure, subsidising pollution and inequality whilst not prioritising essential social services.

The coronavirus pandemic creates an opportunity for SADC governments to rethink their socio-economic priorities and to formulate critical national responses that utilise the extractive industries sector.

Mining companies must be applauded for coming to the rescue of governments in their fight against Covid-19. The humanitarianism that has been shown by the sector should be a foundation on which to build a win-win relationship between mining companies and governments. However, mining companies (and governments) are urged to relook at their contribution to protecting their host communities, who remain afflicted by poverty, needless suffering, and unnecessary death.



SARW Objectives

Monitor corporate and state conduct in the extraction and beneficiation of natural resources in Southern Africa, and assess to what extent these activities uplift the economic conditions of the region's communities.

- Generate and consolidate research and advocacy on natural resource extraction in Southern Africa.
- Create informed awareness of the specific dynamics of natural resources in Southern Africa, building a distinctive understanding of the regional geo-political dynamics of resource economics.
- Provide a platform of action, coordination and organisation for communities, activists, researchers, policy-makers, corporations, regional and global governing bodies in the watching and strengthening of corporate and state accountability in extractive industries.
- Engage with and support government on building accountable and transparent management of extractive resources.
- Build capacity for communities, civil society, parliaments, and media to hold governments and corporations to account, and to participate in decisions about resource management.
- Advocate and promote human rights and environmental protection in resource extraction activities.
- Support efforts to legislate mandatory public disclosure of and access to financial, social, environmental and regulatory compliance information in the extractives industry.
- Promote extractive industries that create wealth for local communities.

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