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Southern Africa Resource Watch

Improved human conditions through good governance of the region's resources.

# SADC Extractive Industry Quarterly Monitor

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# Contents

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## Introduction

Mining is an industry of strategic importance in Southern Africa with roughly half of the world's vanadium, platinum, and diamonds originating in the region, along with 36% of gold, 65% cobalt and, 95% of Platinum Group Metals (PGMs). These minerals contribute greatly to several Southern African Development Community (SADC) member states' gross national product and employment, and many of these states depend on mineral exports for their foreign exchange earnings. SARW is therefore introducing a Quarterly Monitor which is aimed at examining the status of mining in the region. This publication will monitor and track issues such as human rights, accountability, transparency, environment, conflict, corporate social responsibility, investment and corruption that affect growth of the extractive industry.

The extraction of natural resources in the region is beset with a myriad of challenges. The Quarterly Monitor is intended to identify, analyse and share with policy makers, academia, civil society and mining communities issues of critical importance with the aim of encouraging meaningful debates and conversations and helping to give direction to areas that need particular attention.

The Quarterly Monitor will be issued four times a year. In this inaugural issue covering the period September to December 2019, we explore topical and dominating matters in 11 of the 16 SADC countries, namely Angola, Botswana, DRC, Lesotho, Madagascar, Malawi, Mozambique, Namibia, South Africa, Zambia and Zimbabwe. The analysis raises key issues, some of them cross-cutting, such as power shortages which hit Lesotho, Zambia, Zimbabwe and South Africa in recent months, resulting in major losses to mining companies and economies; the role played by resources in elections in Botswana and Mozambique; the new rush for gold in Zambia and Malawi; the emergence of Russia as a key player in the extractive sector in SADC, especially in Zimbabwe, Angola and Mozambique; and artisanal mining in the DRC and Zimbabwe, and how difficult it is to formalise it.

## Angola

Angola is introducing reforms in the extractive industry, which was formerly under the control of the autocratic regime of Dos Santos. The new government is on an investor campaign, and is actively trying to revive the diamond sector. The country has just discovered rare earth minerals which are in world demand because they are used in the

[1] Southern Africa Development Community: Towards a common future, https://www.sadc.int/themes/economic-development/industry/mining/, Accessed, December 12 2019.

manufacture of batteries and mobile phones. Angola is set to introduce a mineral stock exchange, which is something that is becoming increasingly popular in Africa.

## Oil industry: real change or politics?

The oil sector is undergoing major changes under President João Manuel Gonçalves Lourenço, after experiencing years of mismanagement and corruption under the regime of his predecessor President Dos Santos. Lourenço is introducing new and profound changes, mostly focusing on the state companies to make them transparent and efficient. He has appointed new people in the biggest oil company, Sonangol, and merged the ministries of Mines and Hydrocarbon. He has also developed a “framework of cooperation” which he believes was the missing link for efficient dialogue and communication between Sonangol and the different state institutions. This was precipitated by the humiliating fuel shortages which hit the country even though Angola produces about 1.5 million barrels per day,[2] and is the second largest oil producer in Africa (just behind Nigeria). Following this oil shortage, Lourenço fired Carlos Saturnino, who replaced Isabelle Dos Santos as the chairman of Sonangol, for negligence and embarrassing the country. He also stopped Sonangol from issuing exploration and drilling permits.

Oil is a political tool in Angola, and civil society critics such as the Centre for African Journalists view Lourenço’s changes as aimed at replacing Dos Santos loyalists with his own to stamp his authority in the ruling party. Civil society is still not very confident in the new government, seeing the changes at Sonangol as lacking in transparency, and accusing the president of pushing a narrow political agenda. Turning around the economy is a priority for Lourenco, whose regime is facing increased protests around the country from citizens demanding better living conditions. There is speculation that the ruling party could be headed for a split if the economy does not improve.

## Keeping the old and bringing in the new

Due to a significant drop in the oil price, and limited foreign reserves in the Angolan market, very little new or mature exploration and production occurred between 2014 and 2018, significantly reducing government revenue. The economic difficulties are compounded by the fact that “half of Sonangol’s production is being used to service the China loan.”[3]

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[2] ANGOP: 20 de Agosto 2019,15:23.

[3] Stephen Eisenhammer, Angola secures $2bn loan from China Development Bank, https://bit.ly/2PxCBWC, Accessed November 2019

Meanwhile the government is employing various strategies to bring in new investors while encouraging the old ones to invest further. The Italian oil company ENI, which has been in Angola since 2014, is set to start production in a new offshore oil exploration well located in Vandumbu field, 350 kilometers northwest of Luanda and 130 kilometers west of Soyo (north). The well is expected to have capacity of 170 000 barrels per day. This production is added to another well in the Mpungi Field. Important to note is that the exploration is being done by a consortium formed by ENI Angola and Sonangol as a state oil concessionaire (with a 36.86% shareholding each) and SSI Fifteen Limited (with 26.32% shareholding).

Angola is also attracting Russian investment. Russia is a rare investor in Africa's oil industry.[4] Its interest in Africa has been observed in Libya with reports that it has actively supported Khalif Haftar, the self-proclaimed Libyan field marshal whose Libyan National Army controls an increasing portion of Libyan territory and especially its key oil fields.[5] Moscow has taken an interest in Libya at least since 2011, following the overthrow of its ally Muammar Qaddafi. The entry of Russia into Angola has been facilitated by the close relationship between Russian President Vladimir Vladimirovich Putin and Lourenco. Some of the Russian firms showing interest are RusHydro and Rotang which bought 50.10% shares from Russian VTB Bank which has a stake in the Angolan bank VTB-Africa.[6]

In yet another strategy, government is using roadshows to attract local and international investment. Locally, it has held five mining concession roadshows: two of diamonds in Lunda-Norte and Luanda provinces, one of iron in the province of Kwanza-Norte, and two of phosphates in the provinces of Cabinda and Zaire. Internationally, roadshows held in September included China (which had the largest investment attraction of 150 potential investors), New York, Dubai and Great Britain. Angola is seeking international investors because the country remains one of the least explored mineral-rich countries in all of Africa, with only 40 percent of the territory surveyed.[7] In yet another initiative, Angola held its first mining conference in Luanda in November 2019 under the theme "Unlocking the potential of the national mining sector through investment and diversification" to showcase its potential and progress as well as its mining legislation.

## Building a diamond sector to support the oil sector

Lourenço wants the diamond sector to play a leading role in the national economy. Under Dos Santos the diamond sector was a preserve of key ruling party MPLA figures, including army generals whose loyalty had to be bought. To revive the sector, Angola is aware that

4 Ibid. Stephen Eisenhammer
5 Paul Goble, Moscow Laying Groundwork for Deeper Military Involvement in Libya, https://bit.ly/2PR2qRs, Accessed: December 12 2019.
6 Russia's VTB Bank sells stake in Angola's VTB-Africa Bank https://bit.ly/2rzq10Y, Accessed: December 11 2019.
7 Angola seeks to increase investments in mining, http://www.afrol.com/articles/18320, Accessed: January 06 2019.

it needs to attract key mining companies. It is in this perspective that it is trying to attract major mining giants such as Rio Tinto and BHP Billiton to help revive the lucrative diamond industry and diversify its economy to reduce the dependence on oil.[8] Angola has learnt that relying on a single commodity (e.g., oil) to support its economy is unsustainable. The recent drop in oil price has created economic challenges which forced the government to turn to the IMF, a move it has been resisting for years. The government wants to reduce its dependency on oil by re-organising the diamond sector and bringing it back under the control of the state, away from army generals.

Already Angola is projected to emerge from recession with real GDP growth of 1.2% in 2019 and 3.2% in 2020, mainly because of production and export of diamonds (growing by 8.2%), agriculture (5%), and construction (2.1%).[9] The country's plan to double diamond mining initiatives raises its expectations for growth worldwide in the industry as it affiliates with the global trading centre, Antwerp World Diamond Centre.[10] This is possible because of the new kimberlite and alluvial projects that have been opened to investors as part of the rising Angolan diamond industry. To expand the diamonds industry, Angola is considering the creation of a diamond exchange,[11] and has inaugurated its third diamond polishing facility in Luanda.[12] It is envisaged that in less than four years, Angola's diamond production will generate an estimated 14 million carats, and this is expected to maintain its position as the world's fifth largest diamond producer. To support these investments, the government must re-organise the state-owned National Diamond Company, Endiama, to make it efficient, transparent and accountable.

## Angola discovers rare earth minerals

In another development, Angola has discovered significant reserves of rare earth in Longonjo-Huambo Municipality, and extraction is expected to start in 2020. This discovery positions the country as a source of these strategic minerals that are used in the manufacturing of batteries and in electrical cars as well as mobile phones. These minerals are unique for heat conduction, electricity and magnetising capacity for iPhones, hybrid cars and lasers. A mineral exploration project in Longonjo in the Angolan province of Huambo has identified 23 billion tonnes of valuable metals. The world consumes up to 150 000 tonnes a year of these minerals and China is a leader in production and consumption. Two companies, the Angolan company Ferrangol and the Australian Pesana, have entered in partnership to exploit the rare earth. The lifespan of the mine is 10 to 20 years. Angola wants to use these discoveries to invest in new skills to extract these minerals. Most importantly, Angola does not intend to export the minerals, but will ensure that buy-

8 Export.gov, Angola - Oil and Gas, https://www.export.gov/article?id=Angola-Oil-and-Gas, Accessed: December 11 2019.
9 Ibid, Export gov
10 Zandre Campos, Op-Ed:What can we expect from the future of Angola's mining sector ? https://bit.ly/2LJjMi9,. Accessed: February 2 2019.
11 Rebecca Campbell, Angola mulls major change in diamond marketing as minerals roadshow rolls on, https://bit.ly/2E8HobH, Accessed: October 01, 2019.
12

ers obtain the minerals locally at a value of approximately US$60 (52.20 euros) per kilogramme.[13] Angola will also have to put in place a mineral stock exchange, a move which is becoming popular in African countries.

## Botswana

The period under review was marked by the beginning of renegotiation of the 2011 diamond sales contract with government's longstanding partner, De Beers. Botswana is renowned for its diamonds and its economy is heavily reliant on the mineral. At same time, the country conducted its most disputed elections since independence. Did the De Beers contract negotiation influence the election results?

### Did diamonds decide the outcome of the 2019 elections?

The general elections on 23 October 2019 were won by the ruling Botswana Democratic Party (BDP), which has been at the helm since independence in 1966. For the first time, the ruling party experienced competitive elections with an opposition powered by the former president, Ian Khama, who defected from the ruling party after disagreement with his appointed replacement, President Mokgweetsi Eric Masisi. There were election rumours of corruption which contributed to growing scepticism about the relationship between De Beers and the BDP. The elections victory of the BDP, despite increasing concerns about lack of transparency and government corruption rumours, could mean two things. First it is a sign of the confidence that citizens have in the BDP and the president's ability to deal with De Beers when government is renegotiating the diamond contract. For most Botswana people, changing a government simply because Ian Khama left the BDP could have been a gamble at a time when the country was re-negotiating its biggest strategic contract. Observers viewed the defection of former President Ian Khama to the opposition as a game changer, considering his closeness with De Beers which dates back to his father's rule. However, Ian Khama's support for the opposition did not serve the opposition party well because, according to observers, even if a corrupt relationship exists between the BDP and De Beers, Khama (and not the current President Masisi) is to blame because this is a relationship that has been built over decades.

De Beers has been accused before of interfering in Botswana politics, particularly in the choosing of presidents. Questions were raised during the election campaign whether De Beers was going to support President Masisi, who was clearly determined to close all gaps in the mining contract that many say the company use to rob Botswana of its diamonds. Surprisingly, the opposition did not capitalise on the deal between BDP and De Beers to attract voters as most people expected. Political parties raised critical issues about the

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13 ANGOP: 20 de Agosto 2019,15:23.

mining sector, such as lack of transparency and corruption, but not one focused on the deal between Botswana and De Beers. For many observers, this was because De Beers' influence cuts across political parties. Other observers believe that the BDP victory is a clear demonstration of the maturity of the people of Botswana who chose issues over personalities. They consider the BDP victory as not surprising even with former President Ian Khama's desertion, because the people of Botswana are not prepared to abandon the party that has used the country's abundant diamonds to promote social cohesion and economic growth. Botswana is reputed to be the only country on the continent that has an efficient and effective management of its mineral resources, although there are growing concerns that the country is experiencing state capture[14] in relation to how the government's diamond deal negotiation with De Beers is being handled. Critics such as the Open Society Initiative for Southern Africa (OSISA)[15] say that past deals have caused high levels of poverty and inequality in the country.

## Opaque negotiation between De Beers and government questioned

Botswana is the second largest producer of diamonds (after Russia), and shares its stake in the industry on a 50-50 basis with De Beers. The current renegotiations of the 2011 deal have been criticised by civil society for taking place behind closed doors. Some of the questions being raised relate to how the 2011 agreement has benefitted Botswana and its citizens. It is not clear what the key negotiation points are for Botswana, or how the government intends to conduct these negotiations to protect the country's interests. The deal brought US$3.5bn (£2.7bn) in government revenue in 2018, and the trade represents up to 40% of the country's economy. The multi-billion Pula diamond sales agreement negotiation is expected to be concluded by 2020, and a new agreement signed in 2021.

According to President Masisi during the World Economic Forum on Africa in Cape Town, what Botswana needs is to improve the profitability of the business for both parties.[16] The hard question posed is: How do you define profitability considering the recent tension between Botswana and De Beers? This tension is centred on who is entitled to sell the super-exceptional 41 carat blue diamond discovered at the Debswana Orapa Diamond Mine towards the end of 2018.[17] The tension played itself out when the Botswana government fired a diamond valuator known to operate on behalf of De Beers on accusations of failing to protect Botswana interests. Sunday Standard investigations turned up a revenue bolthole in the sales agreement between De Beers and Botswana, alleging that De Beers

14 The Patriot on Sunday, 'De Beers diamonds deal impoverishes Batswana', https://bit.ly/2PrGL3t, Accessed: December 12 2019.
15 Ibid, The Patriot on Sunday.
16 David McKay, Botswana on track to sign new diamond sales deal with De Beers after elections, https://bit.ly/35bHona, Accessed: October 06 2019.
17 Expert reports, Masisi / De Beers tension escalates to new high, https://www.rough-polished.com/en/expertise/114317.html. Accessed: December 11 2019.

"make billions of Pula by undervaluing Debswana's 'special stones', 'exceptional stones' and 'very exceptional stones' on export and adjusting their value once they have left Botswana."[18]

### What to do with the BCL copper nickel mine?

Beside diamonds, Botswana also produces other minerals such as coal and copper. One project that has divided society is the closed copper nickel mine (BCL) in Selibe Phikwe. The Umbrella for Democratic Change (UDC) and the Alliance for Progress (AP) had during the elections made a pledge to reopen BCL should they win elections. The BDP, however, remains non-committal, stating only that it will first "evaluate and confirm the economic value of mineral assets of BCL Mine" before taking a decision. It is important for Botswana to have accurate data on the quality and quantity of the ore body to attract potential investors.

## Democratic Republic of Congo

The DRC, like Angola, is taking stock and reviewing its natural resources governance following the emergence of a new leader in controversial elections that followed years of Joseph Kabila's rule. The new leader, Felix Tshisekedi, is struggling to implement a new mining code which is being rejected by major mining companies. Like many of its SADC counterparts, the DRC government is facing challenges in regularising artisanal and small-scale mining, particularly in the copper/cobalt sector. The decline in cobalt prices has seriously affected state revenues.

### Towards a reformed mining sector trajectory

Although the mining sector is the engine of the Congolese economy, it faces several governance challenges inherited from 18 years of governance under the regime of former President Joseph Kabila. President Félix-Antoine Tshisekedi Tshilombo, speaking during a collaboration agreement between DRC and Antwerp's World Diamond Centre (AWDC),[19] says that he is prioritising improvement of governance in the extractive sector to bring more transparency and accountability. More is being expected from his mines minister, Willy Kitobo Samsony, who ended the 11-year reign of Martin Kabwelulu (who served between 2007 and 2018). The new minister has a PhD in engineering with university teaching experience and is also a former provincial minister of mines in Haut-Katanga province. However, observers are sceptical about whether he will be able to introduce major changes necessary, considering that he belongs to Kabila's party.

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18 Ibid, Expert reports

19 The Brussels Times, Congo's President Tshisekedi signs agreement with Antwerp's diamond sector, https://bit.ly/2PN1cqC, Accessed: December 11 2019.

DRC Prime Minister Sylvestre Ilunga Ilunkamba, another Kabila nomination, has also developed a programme aimed at improving governance in the management of natural resources[20] because he believes the Congolese extractive sector is yet to reach its full potential. But without an exhaustive inventory of the country's mineral resources and identification of problems, and without genuine political will to change and combat corruption, analysts believe the country is highly likely to continue succumbing to the "natural resource curse."

## High expectations on implementation of the Revised 2018 Mining Code

For Congolese citizens, the full implementation of the revised 2018 mining code remains the only way to redress the governance of the sector and ensure maximum benefits for the country. The code contains innovations aimed at promoting the socio-economic development of DRC.[21] One such innovation which could change the lives of many people, especially in mining communities, is the new distribution of the mining royalties. The royalties will no longer be collected by the central government and then redistributed to provinces. The revised code allows for the royalties to be shared from source by four entities as follows:

- 50% for the central government;
- 25% for the province where the mining project is located;
- 15% for the decentralised territorial entities (DTEs) within whose jurisdiction the mining operation takes place; and
- 10% for the mining fund for future generations.

Mining companies must pay royalties directly to each identified entity. The 15% allocation to the DTEs is for infrastructure and development projects. A number of DTEs are receiving revenues from mining companies but the funds have been improperly managed, with observers saying it is a replica of corruption in central government. To address this, there have been efforts to train these DTEs on how to use the funds.

Also commendable is the establishment of a mining fund for future generations and the provision of funds to conduct comprehensive geological studies. The code also speaks about the acquisition of shares or stakes in foreign companies.

20 Programme of the Sylvestre Ilunga government presented to the National Assembly on 4 September 2019.
21 https://www.lepoint.fr/afrique/matieres-premieres-mines-la-rd-congo-a-la-croisee-des-chemins-05-08-2019-2328308_3826.php, Accessed 8 October 2019.

## Artisanal miners versus industrial mining

The DRC is facing a serious challenge in dealing with artisanal miners who continue to invade mining concessions of large-scale mining companies in the copper-cobalt sector. According to 2016 statistics,[22] the artisanal mining sector is estimated to have more than 10 million people across the DRC seeking to mine coltan, diamonds, gold and cobalt.[23]

The copper-cobalt sector in Lualaba province alone attracts nearly 150 000 artisanal miners. The mining code is very clear on how artisanal miners should operate. Government must provide Artisanal Exploitation Zones (AEZs) where artisanal miners are licensed to work and sell their minerals. The government has not been able to avail these AEZs to artisanal miners, forcing them to enter the perimeters of mining companies such as Tenke Fungurume Mining (TFM), Kamoto Copper Company (KCC) and Gécamines to extract minerals.

The presence of artisanal miners in industrial concessions is considered a threat to private investments. During the final quarter of 2019 the situation has been volatile, resulting in the Congolese government using the Congolese National Defence Forces to remove the artisanal miners from prohibited areas and protect the key mining companies. Civil society has condemned use of the army to resolve what is primarily a governance problem, mostly driven by government's failure to apply the law.

## The fall in cobalt prices and its impact on government budget

Felix Tshilombo Tshisekedi came to power after disputed election results. Most Congolese have come to terms with the new government, deciding to give it the benefit of the doubt. For most, it is good enough that Joseph Kabila is no longer in office. However, Congolese people have great expectations of the new government to use the country's abundant mineral resources to improve their lives. One key mineral is cobalt, to which the DRC holds the African monopoly in both reserves and production. The DRC holds about six million tonnes of cobalt deposits and supplies 60 per cent of world production. The cobalt rush which started in 2016 increased production from 1 358 tonnes to 82 461 tonnes in 2017. More than 50% of the total demand for cobalt is currently for batteries, and more recently electric cars.The price of cobalt increased from US$26 000 per tonne in 2016 to over US$90 000 in 2018.[24] However, as the new government started to plan for its 2020 budget, the price of cobalt dropped to US$26 000 per tonne. Following the drop in the cobalt price, Glencore closed Mutanda mine (MUMI) citing non-viability, which significantly reduced cobalt production. Other companies, like Tenke Fungurume, threatened to lay

[22] 2017-2021 Strategic Development Plan for the Mining Sector.

[23] Mediacongo.net,. https://www.mediacongo.net/article-actualite-44054_mines_les_creuseu, Accessed: 8 October 2019.

[24] Jamie Robertson, « Pourquoi le cobalt est en chute libre ? », https://www.bbc.com/afrique/monde-49317963, Accessed 10 December 2019.

off workers. Glencore's closure of MUMI has been seen as a form of blackmail because Glencore, as a company, had benefited from the improved price of cobalt.

The fall of the cobalt prices has led to a slowdown in mining production, with a direct negative impact on the state budget for the year 2020. For the first time, the government adopted a budget estimated at US$10.2 billion, which represents "a 50 to 60% increase in public revenues" compared to the 2019 budget. However, the IMF estimates that this increase is unrealistic due in part to Glencore's closure of the Mutanda mine, which, according to the company, provided the government with US$626 million in revenue in 2018.[25] There is hope that cobalt prices will pick up again soon, but in the meantime the new government has to quickly find other revenue sources to deal with the already difficult socio-economic situation for most of the citizens.

## Lesotho

Lesotho takes pride in frequent new unique diamond discoveries, although it still experiences high poverty levels. Power shortages have seriously affected the viability of mining companies, while human rights organisations are concerned at the violation of rights of mining communities and the use of violence by state-sponsored forces against these communities.

### Discovery of high-quality diamonds

Despite the discovery of high-quality diamonds earlier this year by Lucapa Diamond Company and Liqhobong, Lesotho mining companies seem to be confronted by serious challenges.[26] Known for its finest quality diamonds, Lesotho is one of the world's top producers but is concerned that operational costs continue to skyrocket due to lack of electricity. In October, Firestone Diamonds (which owns the Liqhobong operation) spent millions of dollars renting diesel generators and operating at between 80% and 90% of full capacity because of a two-month power shutdown of the Muela Power Hydro Station. Power at the hydro station was only restored on 1 December.

The high frequency of new valuable diamond discoveries means high revenues for the country, but in spite of this the Lesotho economy is not booming. Unemployment remains high at 24 to 28%, coupled with widespread poverty.[27] Analysts say that the economic growth Lesotho experienced since the early 2000s has resulted in poverty reduction,

25 Israël Mutala, RDC - Budget de 10 milliards: Pour le FMI, une augmentation des recettes de 50 à 60% n'est pas réaliste, https://www.7sur7.cd/2019/12/06/rdc-budget-de-10-milliards, Accessed: December 10 2019.

26 David McKay, Lucapa Diamond refinances Mothae debt in R100m deal with shareholder, https://bit.ly/34ecA3D, Accessed: December 09 2019.

27 The World Bank, The World Bank helps the government enhance competitiveness, foster private sector–led growth, improve service delivery, and diversify its economic base, https://www.worldbank.org/en/country/lesotho/overview. Accessed: December 09 2019.

but between 2002 and 2017 the national poverty rate declined only modestly, from 56.6% to 49.7%.

A closer look at the way diamond revenue is utilised raises serious problems of transparency and accountability.[28] The country's reliance on diamonds and the highland water for revenue, has resulted in the two sectors attracting political attention and control. Human rights observers view the diamonds sector as captured by an elite with suspicions and allegations that government officials might be engaging in illicit mining and secret signing of agreements with mining companies at the expense of communities.

### Rampant human rights violation

The Kimberley Process Civil Society Coalition (KPCSC), a coalition of non-governmental organisations, has accused Letšeng and Kao diamond mines of violating human rights. It cites[29] the pollution of the host community's water sources which has affected farming, a major source of livelihoods. According to miningmx.com, communities say the use of the allegedly contaminated water is causing suffering and sickness. They further allege substantial drops in agricultural production levels as a result of environmental degradation, livestock sickness and decreasing space for grazing. KPCSC refers to the Kao mine's fatal community protests as a trampling of human rights in the sector.

Media reports mention that Gem Diamonds, which operates the two mines, has refuted the allegations, instead referring to the sustainability section of its website for information about its social and environmental policies. Ironically, on its website the company states a "culture of zero harm". Observers say cases of allegations of human and environmental rights abuse such as those levelled against Letšeng and Kao diamond mines require proper investigations backed with scientific proof by government and CSOs as support to the affected communities. If proven guilty, responsible companies should be sued and made to compensate affected people.

## Madagascar

The country has high poverty rates despite having large mineral reserves. Although attracting new investment, the sector is battling child labour.

### Rich in minerals and yet among the poorest nations in the world

Madagascar is one of the poorest countries in the world, but beneath its soil is a well-stocked mineral treasure chest of rose quartz and amethyst, tourmaline and citrine, labra-

28 Ibid, The World Bank

29 Lesotho Times, Kao, Letšeng implicated in human rights violation, http://lestimes.com/kao-letseng-implicated-in-human-rights-violation/, Accessed: December 09 2019.

dorite and carnelian. It also has the world's largest reserves of sapphires and is the world's 10th largest producer of chromite. In addition, Madagascar has deposits containing gold, nickel, cobalt, heavy mineral sands, bauxite, coal and petroleum products. This tiny island of 26 million people competes with larger nations, such as India, Brazil and China as a key producer of crystals in the world. Due to the lack of infrastructure, capital and labour regulations, more than 80% of crystal mining is done manually by artisanal and small-scale miners who are exploited for their labour.[30]

## Key mining investment boosts economic prospects

The World Food Programme says more than 90% of Madagascar's 26 million people live on less than US$2 a day, and the country is currently experiencing chronic child malnutrition. Despite the high poverty levels, Madagascar is attracting some significant investments according to media reports.[31] China Nonferrous Metal Mining Group (CNMC) has signed a non-binding memorandum with Singapore-listed ISR Capital that will see the Chinese firm work as a contractor on a rare earths project in Madagascar with rights to purchase products. No value was put on the agreement, but the Chinese company will also have the right to purchase 3 000 tonnes of rare earth products from the project within three years of the start of production, and the opportunity to make an equity investment in future. No timeframe has been announced for the launch.

An Australian listed company, Black Earth Minerals, has also started trial mining at the Maniry graphite project. This proposed development will take place in two stages, with the project expected to have a mine life-span of 10 years. The US$41-million stage one operation is expected to produce around 30 000 tonnes/year of graphite over the first three years of operation, while a further US$29 million in capital investment will increase output to 60 000 tonnes/year from year four onwards.[32]

Although these investments raise great expectation among the Malagasy people, there are concerns about the capacity of the state to capitalise on these investments and to engage with the companies in win-win relations to improve the lives of people. There are also worries about the lack of transparency in the collection and use of revenues by government.

## Illegal logging and mining

This issue was raised by Pope Francis during his visit to the country in September 2019 where he spoke of corruption, deforestation and unity.[33] He emphasised the need to pro-

[30] Tess McClure, Dark crystals: the brutal reality behind a booming wellness craze, https://bit.ly/2PDnrPq, Accessed: November 17 2019.
[31] Reuters, China's CNMC agrees to work on Madagascar rare earth project, https://bit.ly/35aYsd5, Accessed: December 11 2019.
[32] Esmarie Iannucci,Trial mining starts in Madagascar - Black Earth, https://bit.ly/38mtRex, Accessed: December 11 2019.
[33] Garth Abraham, The Pope's message of unity and reconciliation, https://bit.ly/2RFBdnp, Accessed: December 11 2019.

tect the environment, tackle climate change, and promote sustainable development. The Pope called for an end to exploitative extraction of minerals and pleaded for the sector to create jobs. Transparency International accuses local public officials of complicity or negligence in the illegal logging, mining of gold and sapphires, as well as the poaching of tortoises and turtles and the exportation of lemurs. There is need for civil society groups operating in Madagascar such as the Extractive Industries Transparency Initiative (EITI) and Publish What You Pay (PWYP) to double their efforts in promoting transparency and accountability.

According to Erica Dahl-Bredine, Mozambique country representative for Catholic Relief Services, the Pope's visit intended to give a forceful message to the country's leaders about their responsibility to bring about peace and reconciliation, but also about addressing the root causes of the conflict because unequal sharing of wealth from extractive industries could spark new conflict.[34]

## Child labour in the 21st century!

Child labour is rampant in Madagascar's mining sector, particularly in mica mining. Heart-breaking media reports say that victims of child slave labour as young as three work for 16-hours per day in 100 degrees heat mining mica used to power phones. They take home less than one dollar each week.[35] Mica is used to power planes, cars and lends lustre to paints and cosmetics. It also serves as a thermal insulation. A conservative figure of over 265 000 children are believed to be working in the country, and over 10 000 of them in the mica industry.[36] UNICEF has confirmed similar figures, stating that approximately 10 800 children are mining the highly sought-after mineral. Other observers put the total number of child labourers in the country at over 5.7 million, or nearly half (47%) of the under-18-year-old population, with over 230 400 Malagasy children believed to be involved in some form of mining such as gold and precious stones mining. Some work in the agriculture sector.[37]

NBC News recently named and shamed Panasonic, Electrolock and China Railway Rolling Stock Corporation (CRRC), owned by the Chinese government, as allegedly using mica produced by children to manufacture their products. Observers view this malpractice as unacceptable and want companies promoting child labour to be named and there are calls for a boycott for their products. There is a need to monitor the situation while regional organisations like Amnesty International and the Open Society Initiative for Southern

[34] Reuters, Pope Francis says deforestation must be seen as global threat, https://reut.rs/36rnh4m, Accessed: December 11 2019.

[35] Lisa Cavazuti, Christine Romo, Cynthia McFadden and Rich Schapiro, Inside the Heart-breaking world of Child slave labour miners, https://nbcnews.to/36pyJxz,. Accessed: December 05 2019.

[36] Cynthia McFadden.November 22 2019. Over 10 000 children in Madagascar are mining mica for everyday American products, https://on.today.com/38oI0rr, Accessed: November 18 2019.

[37] Maryanne Buechner, How UNICEF Supports Families to Prevent Child Labour in Madagascar, https://bit.ly/2LGetj9, Accessed:November 15 2019.

Africa (OSISA) must prioritise the issue.

## Malawi

Malawi is battling to control illegal gold mining activities in Mangochi district. The lack of regulations to deal with illegal mining is worrying. There is also concern around the environmental impact assessments and monitoring in uranium mining.

### Who benefits from the blame game over illegal mining in Mangochi and Dowa?

Like many countries in Southern Africa, Malawi is battling with reports of illegal gold mining activities. Communities along Unga River in Mangochi, have expressed fear over the influx of illegal migrants who they blame for the unauthorised gold mining activities, mainly in the Namizimu Forest Reserve. There has also been finger-pointing over who is responsible, with civil society organisations (CSOs) and Mangochi chiefs accusing communities and stakeholders in the district of lacking a "united front" to deal with the problem.[38] The CSOs attribute the illegal mining practices to lack of cooperation among communities and stakeholders around Namizimu, located in Traditional Authority Makanjira.

Currently Malawi has no regulations dealing with illegal mining, resulting in district authorities struggling to cope with unauthorised mining activities. Dowa district recently asked government to suspend mining activities in the area after discovering that only 3 out of 13 companies have approval to conduct mining operations. Dowa District Council chairperson Martin Luka Phiri says Regional Geologist in the Ministry of Natural Resources, Energy and Mining, Samuel Sakhuta, has promised to report the issue to responsible authorities.[39]

There are concerns around reports that illegal mining activities are fuelled by illegal immigrants from Democratic Republic of Congo (DRC), Tanzania, Zimbabwe, Zambia, Burundi and Rwanda, who have resurfaced despite having been removed from the area in 2018. Observers believe the issue of Mangochi illegal mining requires a more consultative and participatory approach to identify who is involved. The accusations have the potential to sour relations among the neighbouring countries whose nationals are being accused of taking part in the illegal mining activities.

[38] Martha Kamng'ona, CSOs blame communities in Mangochi over increase in illegal mining by foreigners, https://www.faceofmalawi.com/2019/09/csos-blame-communities-in-mangochi-over-increase-in-illegal-mining-by-foreigners/, Accessed: September 19 2019.

[39] Flora Mitumba. November 14 2019. Govt asked to suspend illegal mining in Dowa. https://bit.ly/34bfJkW. Accessed: December 11 2019.

### Is there adequate capacity for Malawi to effectively regulate uranium mining?

Despite the challenge of illegal gold mining, positive developments for Malawi are that Paladin Energy has agreed to sell its 85% interest in the Kayelekera Uranium mine to Hylea Metals Ltd for Aus$5 million (US$3.5 million) in cash and shares. According to World Nuclear News the move will enable Paladin to focus on optimising and restarting its Langer Heinrich Mine in Namibia.[40]

The Paladin development comes at a time when Malawi is preparing to engage in mining and transportation of uranium ore concentrate through Tanzania, Zambia, Malawi and Namibia. Uranium is a very hazardous mineral and Malawi has no laws for radiation protection. That means there is no benchmark for environmental impact assessments. In addition, Malawi has inadequate hardware and not enough competent knowledge to monitor the operation of a uranium mine. Extraction of uranium in Malawi relies on the Mines and Minerals Policy of 2007, which falls short of ensuring that safety standards are in place. There is a critical need to undertake a cost-benefit analysis of this activity and establish its contribution to economic growth and sustainable development. This is important considering that the Malawi government is promoting investment in the extractive industries, expected to reach 20% of GDP in 2020.

Malawi is presently classified as being at a moderate risk of debt distress despite its production of uranium, gemstones, coal and construction materials. Inflation declined to an estimated 10.4% in 2017/18 from 11.5% in 2016/17, due partly to improved food supply. The Reserve Bank of Malawi gradually reduced its policy rate from 24% in November 2016 to 16% in December 2017, where it remained in 2018.[41]

Some have expressed concerns about the sector’s environmental impact, distribution of benefits and license awards, particularly related to the oil exploration around Lake Malawi. Malawi is implementing the Extractive Industries Transparency Initiative (EITI) to build trust amongst stakeholders in the mining, oil and gas sectors.

## Mozambique

The Mozambique mining industry in the north is facing increased security risk from Islamic groups which rely on resources extraction to fund their activities. There are also concerns around control of the mineral resources by powerful government individuals with

[40] World Nuclear News. June 34 2019. Malawi uranium mine sale agreed. http://world-nuclear-news.org/Articles/Malawi-uranium-mine-sale-agreed. Accessed September 10 2019.

[41] Africa Development Bank. Malawi Economic Outlook, October 10 2019. https://www.afdb.org/en/countries/southern-africa/malawi/malawi-economic-outlook, Accessed: October 01 2019.

strong interests in the awarding of mining contracts. The question many people are asking is whether the elections in October 2019 and a peace deal signed between ruling Frelimo Party and the opposition Renamo will help to bring transparency and accountability in the management of the country's abundant resources.

## Islamic insurgency, Russia, and gas in Cabo Delgado

Despite holding the world's largest untapped coal deposits as well as iron ore, titanium, bauxite, copper, gold, rubies, and tantalum[42] with recent discoveries of gas and oil deposits in the northern region, Mozambique remains among the poorest countries on the continent. This is due to various challenges, but its newest headache is the emergence of a local Islamist insurgency group[43] called Ahlu Sunnah Wa-Jama which means "followers of the prophetic tradition". In September, 15 people were murdered in an attack in Mbau, Cabo Delgado province.[44] The suspects indicated that they are opposed to gas drilling in northern Cabo Delgado.[45]

The September attack is "triangular", involving gas companies, villagers and the Islamist groups.[46] Observers say the root motivations of the attacks, which are responsible for 1000 people fleeing their homes so far, are complex. Others fear what they call "resource conflict" where extraction of resources is besieged with violence. Cabo Delgado Province is the focus of considerable investments in infrastructure to support extraction of petroleum, natural gas, and the world's largest pink sapphire and ruby deposits, but locals often complain that they are side-lined when it comes to employment and are dispossessed of their land without proper compensation and consultation.[47] Civil society[48] in Mozambique blame the insurgence on poverty, lack of development, and government backing of big mining and gas companies at the expense of local people. They also feel the extraction of resources takes place in a chaotic and harmful way. The Civic Coalition on the Extractive Industry proposes that the government avoid the "Curse of Natural Resources" where government and individuals in power benefit from the extraction of natural resources corruptly. Meanwhile, gas companies are turning to private security to fight the militants.

To deal with the ISIS-aligned jihadist groups the government of Mozambique has brought in Russian soldiers. The cases of Angola, Zimbabwe and now Mozambique show that Russia is fast returning to the African continent. It has been occupying the African spaces

42 Export.gov, Mozambique - Mining and Mineral Resources. https://www.export.gov/article?id=Mozambique-Mining. Accessed: December 10 2019.
43 Environmental Justice Atalas, Mozambique Gas Development Project, villagers dispossessed for off shore drilling, Cabo Delgado, Mozambique, https://bit.ly/2YEk8Me, Accessed: December 10 2019.
44 Club of Mozambique, Cabo Delgado: 15 killed in new attack in Mbau, Mocimboa da Praia – Sala da Paz, https://bit.ly/2LFSCIU, Accessed: December 10, 2019.
45 Ibid, Club of Mozambique
46 Matthew Hill & Borges Nhamire, Ethnic tensions menace Mozambique natural gas boom, https://bit.ly/36kGLaR.. Accessed: December 10. 2019.
47 Ibid, Mathew Hill & Borges Nhamire
48 Nicci Botha, December 9 2019. Pemba is prepared for potential attacks. https://bit.ly/2t4Ym8z. Accessed December 10 2019.

it controlled during the cold war and expanding to other countries. Unlike the time of the cold war, where ideological considerations dominated the relationship, today Russia's motives in Africa are driven by economic interest. When Russian President Vladimir Putin visited Mozambique in August 2019 and met with his counterpart President Filipe Nyusi, one key issue of discussion was "Russian involvement in the Mozambican energy sector, specifically the liquefied natural gas (LNG) development project in Area One of the Rovuma Basin."[49] Russia and Mozambique are also expected to sign an agreement for the Russian gold mining giant, Norgold, on greenfield concession areas in the Monte Puez region of the Cabo Delgado region. In an effort to boost energy supply in the region, the Russia-Mozambique agreement also involves the Companhiado de Pipeline Mozambique-Zimbabwe (CPMZ Holdings) that operates the Feruka fuel pipeline from Beira to the Feruka refinery in Mutare (Zimbabwe). The Russian company Rosneft and Gazprom is expected to handle the management of the current pipeline and the construction of additional lines, for example to the Indeni Refinery in Ndola (Zambia) as well as an extension to Francistown (Botswana).[50]

## The rush for Mozambican gas

The gas discovery in Cabo Delgado is considered the world's largest after the "Permian Basin and possibly Brazil."[51] There are key players in Cabo Delgado, including Anadarko Petroleum (a United States company), Total (a French company) and oil giant Exxon Mobil, and recently the presence of Russia. Anadarko Petroleum is set to run one of the largest gas projects in Africa with the construction of a US$20bn gas liquefaction and export terminal beginning in 2022.[52] Total has the LNG Project and it is expected to invest US$2.5 billion with Mozambican-owned or registered companies in Mozambique over the period of the construction of the plant.[53] Also a key player in Cabo Delgabo is one of South Africa's major banks, Standard Bank, which is heavily involved in Mozambique's gas sector. The Mozambique liquefied natural gas (LNG) project is a R750 billion project planned by companies including Exxon Mobil and Total SA. The project alone has the capacity to boost GDP by between US$15-billion and US$18 billion per annum and contribute US$5 billion annually to the fiscus and create 323 000 employment opportunities. The magnitude of the project will create new ports, roads, electricity and water infrastructure and other social infrastructure such as hospitals, schools and shopping centres. The development of Mozambique's offshore gas reserves was given a green light in October 2019 and

[49] Jasmine Opperman, An expanded Russian interest in northern Mozambique could be a new game changer, https://www-dailymaverick-co-za.cdn.ampproject.org/v/s/www.dailymaverick.co.za/article/2019-10-14-an-expanded-russian-interest-in-northern-mozambique-could-be-a-new-game-changer/amp, Accessed: December 15.

[50] Ibid, Jasmine Opperman

[51] Simon Allison, The faceless insurgency in Mozambique that no one can explain, https://mg.co.za/article/2019-04-25-the-faceless-insurgency-in-mozambique-that-no-one-can-explain, Accessed: December 222019

[52] Lisa Steyn, Mozambique mega-gas project gets $20 bn nod, https://bit.ly/348H6fe. Accessed: December 10 2019.

[53] Total presents business opportunities in Cabo Delgado, https://clubofmozambique.com/news/total-presents-business-opportunities-in-cabo-delgado-146462/, Accessed:December 222019

completion is estimated in 2025. The timing is seen as strategic for Mozambique, with an expected increase in global LNG demand stemming from a landmark shift in China's energy policy from coal to gas, with the International Energy Agency describing China as "the emergent giant of gas demand". Also standing to benefit from the project is South Africa, the most industrial economy in sub Saharan Africa. It is not surprising that Standard Bank, one of four major South African banks, is investing in the project. Standard Bank, with 20% of the bank owned by the Industrial and Commercial Bank of China, is the largest lender to the project. However, observers based on other experiences (e.g., in Angola and Nigeria) are not convinced that the benefits of the project will trickle down to the poor Mozambicans. Ilham Rawoot, argues that "The idea that the huge profits from the gas industry will seep down to the population is a copy-and-paste from press releases of nearly every energy company in the world." For him, the "only economy that will change is the padding of the pockets of corporate and government individuals in power".[54]

## Politics and resources

Frelimo won the October elections. The party is expected to greatly influence the direction of the gas project. However, long-term sustainability of the project (and other extractive projects) will depend on the country's stability.

Political stability is crucial in ensuring that resources are properly managed for the benefit of the people. Before the elections, Mozambique's President Filipe Nyusi signed a peace deal with Renamo leader Ossufo Momade, aimed at ending armed hostilities with the former rebel movement (turned opposition party).[55] Nyusi has declared that the country's mineral resources belong to the entire Mozambican people, and that their benefits must be shared between the citizens of the current generation and those of future generations.[56] Even with these promises from the president, the prospect of a full-scale war has alarmed many people. The state, civil society and oil explorers are worried about what the violence will mean.[57] More generally, with good policies and institutions, an extractive resource can indeed be an agent of change helping to produce accelerated and sustainable growth. If good policies and corporate compliance are present, the boost in extractives can provide huge additional revenues for Mozambique, which could be used in part to improve the inadequate education, health services and to alleviate poverty.[58] However, it is not clear how Mozambique stands to benefit besides taxes from the gas projects. It has not been established how local content could be a key aspect of this project.

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54 Ilham Rawoot, . Gas industry will exploit Mozambique like all the others",

55 News24, Mozambique leader says will ink formal peace deal with Renamo Thursday, https://www.news24.com/Africa/News/mozambique-leader-says-will-ink-formal-peace-deal-with-renamo-thursday-20190731,.Accessed: November 12, 2019.

56 Adrian Frey, https://clubofmozambique.com/news/mineral-resources-belong-to-all-mozambicans-nyusi-aim-report/, Accessed: November 12, 2019.

57 Ibid, Adrian Frey

58 Roe, A.R. (2018) Extractive industries and development: Lessons from international experience for Mozambique. WIDER Working Paper 2018/56. Helsinki: UNU-WIDER. Accessed November 12, 2019.

The newly elected government should avoid the mistake of thinking narrowly in terms of the revenues that it commands by taxing the extractive industries. International experience suggests that the direct and indirect spend that is not under the control of government could be nine or ten times bigger than the funds that the government itself controls. Thus it is crucial to frame policies to ensure that private spending, direct and indirect, by the extractive sectors themselves and by their suppliers and employees is encouraged to be a real force contributing a stimulus to new non-extractive production (e.g., by policies to support new and improved small and medium-sized enterprise activity).[59]

## Namibia

Namibia's quality controls on diamonds valuation is encouraging and exemplary. The country's investment in what will become the world's first ever custom-built diamond recovery vessel is something to emulate at a time when there are calls for a blue economy strategy in the region.

### Questioning of the diamond valuation company tender

The valuation of diamonds in Namibia is done in accordance with the Diamond Act 13 of 1999, which prescribes that no person shall export any unpolished diamond from Namibia unless that diamond has been submitted to the minister for determination of its market value. As such, companies with relevant diamond valuation expertise are open to providing such services to the Namibian government in terms of the Public Procurement Act 15 of 2015. The awarding of a service contract to a diamond valuator company is done to ensure that the country's diamonds are not undervalued and thus not prejudicing the country to attain optimum value.

Under the governing law, the Central Procurement Board of Namibia (CPBN) is one of three separate entities conferred with the mandate of regulating the procurement of public goods, works and services. The CPBN in May 2019 awarded Gem Diamonds Namibia a tender to valuate Namdeb diamonds over the next five years.[60] Since May, the media and the Mines Minister Tom Alweendo have questioned the awarding of the selected valuation company by the CPBN. There are allegations that Gem Diamonds, which scored 100% on all tender scores, was favoured by a clique of officials including a known wheeler-dealer minister and a group of connected businesspeople, despite asking for around N$80 million more than the price of the current tender holder.

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59 WIDER, U.N.U. (2018) Potential benefits and pitfalls of extractives in Mozambique: Lessons from international experience, Research Brief 2018/1, Helsinki: UNU-WIDER, Accessed: November 12, 2019

60 The Namibian,. Tender board awards N$300m diamond deal, https://www.namibian.com.na/188454/archive-read/Tender-board-awards-N$300m-diamond-deal, Accessed: 20 October 2019. Helsinki: UNU-WIDER, Accessed: November 12, 201

The minister's questioning of the tender awarding stems from a fiduciary duty under the national laws, particularly the Diamond Act, to ensure that public funds are utilised prudently. Commendably, the minister has taken the necessary steps to ensure that the nation is provided with adequate answers on such an important national interest matter from the Central Procurement Board.[61] Minister Alweendo has written to the Minister of Finance, Calle Schlettwe, and copied in the CPBN asking for an explanation, citing the decision as a waste of public funds. Some experts in public procurement have recommended against outsourcing valuation of diamonds to individual entities as this is prone to overpricing.[62] The government has been urged to bring the function of the evaluating process back into existing structures and link it with the required checks and balances.

The CPBN insists that the tender's evaluation process was fair and transparent and in accordance with the provisions of the Procurement Act.[63] It argues that technical compliance, training and development, corporate social responsibility and unit rates offered were determining factors in awarding the bid. The experience of most Africa countries not managing to transform their natural resources wealth for broad-based socio-economic development has often been of corruption and mismanagement. Public tenders are often not done in the confines of fair competition, so it is impressive when public officials such as the minister of mines effectively execute their oversight duties by querying the decisions of public officials on a value for money basis. The media hype about the tender awarding has resulted in the CPBN creating an official website as a platform to educate and inform interested stakeholders.[64] It is commendable that the level of interest shown by public officials and the media has contributed towards improving transparency and accountability in the awarding of the diamond tendering process. The CPBN website now provides the public with information on various issues, including its strategic plans budget, bids and awards.

## Debmarine Namibia to invest in the world's first ever custom-built diamond recovery vessel

A major area of interest is news that Namibia will construct the world's first ever custom-built diamond recovery vessel known as the AMV3 with a capacity to add 500 000 carats of annual production from 2022. It is also expected to contribute 2 billion Namibian dollars (US$137.64 million) a year in taxes and royalties to the Namibian treasury in its

61 Minister Tom Alweendo wrote a letter to Patrick Swartz, Chairperson of the Central Procurement Board

62 Evans Mumba, Alweendo reins in CPB over gems tender, http://namibianminingnews.com/alweendo-reins-in-cpb-over-gems-tender/, Accessed November 2 2019.

63 Press Reader, Total cost not a factor in N$300 million diamond valuation tender, https://www.pressreader.com/namibia/new-era/20190828/281479278081250, Accessed: October 16 2019.

64 Central Procurement Board of Namibia Website, http://www.cpb.org.na/, Accessed: November 2 2019.

first five years of production.[65] Debmarine which is a 50/50 joint venture between the Government of the Republic of Namibia and De Beers Group announced that its Board of Directors has approved the new vessel expected to cost N$7 billion and represents the largest ever single investment in the marine diamond industry. Five African commercial banks (Nedbank Namibia, RMB Namibia, Standard Bank, ABSA and Bank Windhoek) have agreed to invest up to US$375 million, which is 80 percent of the funding,[66] while Debmarine Namibia will provide the 20 percent balance amounting to US$94 million. The ship will be the seventh in the Debmarine Namibia joint venture's fleet, which mines high-quality diamonds from the ocean floor using hi-tech surveying equipment.

The blue economy is viewed as a potential area for sustainable growth in the region. Debmarine Namibia Chief Executive Otto Shikongo says the investment will optimise new technology to find and recover diamonds more efficiently and meet growing consumer demand. Following an extensive global tendering process, Damien Shipyards was selected to build the ship, based on its strong track record for delivering quality vessels and advanced technological capabilities. The level of transparency in terms of disclosure on the financial details of the mining investment by the joint venture company is commendable as it enables public accountability. In addition, the level of investment being made depicts high commitment by the diamond mining company to ensure sustainable use of ocean resources for economic growth and improved livelihoods. It is, however, imperative that as Debmarine works on upscaling its diamond mining activities in the ocean, this be in line with the emerging concept of “blue economy” which encourages better stewardship of the continent's ocean or ”blue” resources.

## South Africa

In South Africa the highlights are the recently passed carbon tax law and its effect on industry and people, as well as scrutiny of a controversial coal contract and looming mining job cuts. Eskom's load shedding in December caused some mining companies to cancel underground shifts with fears of missed targets. Now the mining industry wants to build its own power station. And South Africa's gold industry has been under scrutiny of late by civil society groups who are concerned at the rate of TB and silicosis deaths caused by the sector and the complicated process of compensation.

65 De Beers Group website, https://www.debeersgroup.com/media/company-news/2019/debmarine-namibia-invest-first-custom-built-diamond-recovery-vessel/, Accessed: November 2 2019.

66 Nedbank Namibia, which facilitated the arrangement, will contribute 40% of the financing and will also provide currency hedging for the deal.

## Mixed feelings on Carbon Tax

South Africa's Carbon Tax Act 15 of 2019 became law in July after eight years of extensive stakeholder consultation.[67] South Africa aims to reduce greenhouse gas emissions by up to 42% by 2025. According to the IMF carbon tax allows for a reduction in energy consumption, favours cleaner energies, and provides much-needed revenues which could be used to finance sustainable and more inclusive growth. [68]

What is of interest is that the debate on the law which started in 2010 has been contentious. South Africa is a significant global emitter of green-house gases (GHG), with a heavy reliance on fossil-fuel based energy. The adoption of the law has positive implications on climate change but there is also concern that the law will cause a triple challenge of poverty, inequality and unemployment. The South African Minerals Council on its website has asked for a delay in the implementation of the Act to allow sufficient time for government to address the design challenges and the finalisation of the appropriate regulations.[69] It is also wary that the introduction of carbon tax will mean a blanket increase in costs for mining companies. Already gold and platinum companies who employ 287 970 people directly – 62% of the total mining sector – are facing tough times due to profits squeezed by rising costs, labour unrest and declining grades. The council says the carbon tax will either push the unsustainable operations deeper into the negative or reduce the profitability of those producing sustainably.

In addition, there is concern that the tax will create further financial and administrative hurdles to already overburdened taxpayers.[70] Critics suggest a funding mechanism to reduce energy costs to the poor.

## From Zuma to Ramaphosa and the capture of the state

Meanwhile the issue of corruption which characterises the extractive industry in Africa is also biting South Africa. Dominating headlines in South Africa towards the end of 2019 was Seriti Resources which is on the brink of acquiring Australian-owned South African Energy Coal (SAEC). Currently it supplies 14% of coal to Eskom under controversial circumstances after Seriti's Chief Executive Officer, Mike Teke, donated millions of Rands to Cyril Ramaphosa's December 2017 ANC presidential race (which he won). This has sparked calls for closer scrutiny into the deal, which could result in the mining company becoming Eskom's major coal supplier although Seriti denies this assertion. The South African

67 Harald Winkler & Andrew Marquard, Carbon tax revenues could be harnessed to help South Africa's poor, https://www.bizcommunity.com/Article/196/702/_191459.html, Accessed: December 10 2019.

68 Motor News Reporter, Carbon tax must bring real change in behaviour related to climate change. https://bit.ly/2LGneKi, Accessed: December 10 2019.

69 Rebecca Campbell, Minerals Council calls for delay of at least five years in carbon tax implementation. https://bit.ly/2LGBEde, Accessed: December 10 2019.

70 Ibid, Lameez Omarjee

Parliament has been asked to probe the transaction before approving the deal by South African Youth in Mining (SAYIM). SAYIM sees the deal as unjust as one company benefits as the sole supplier "while the rest watch on as spectators". Observers worry that Eskom, riddled with allegations of maladministration, poor governance and corruption, cannot be entrusted to exercise the due diligence and oversight required as part of this sale. Observers recommend a close eye on this deal to ensure that no one improperly benefits from this contract due to political connections.

## Job cuts loom

Also worrying is the fate of Sibanye-Stillwater mine, where about 3 904 full time and 1 366 contract jobs are at stake following a detailed three-month review of the Marikana operations after the Lonmin acquisition which became effective in June 2019. Job cuts are politically sensitive in South Africa, where the unemployment rate is more than 27 percent. This is why Sibanye-Stillwater, which says it is undergoing financial losses, is considering alternatives to save the jobs. Job losses in the mining sector have severe consequences, especially among black mineworkers who are often supporting more than 5 people per family.[71] The government has expressed concern at the looming job cuts while the Association of Mineworkers and Construction Union (AMCU) says that "this notice again clearly shows the principle of profit over people."

## Load shedding

With job cuts looming in some companies, another burden facing South Africa's extractive industry is shortage of power, which is also a problem across SADC. In December some mining companies such as Anglo-American Platinum, Harmony Gold and Merafe feared viability problems due to Eskom's latest bout of load shedding attributed to wet coal due to incessant rains although there were also reports of sabotage by some Eskom's employees.[72] Combined with an already difficult economic environment, Merafe says power cuts threaten the viability of the wider ferroalloys sector. During the load shedding Harmony and Impala Platinum cancelled underground shifts pending assurance from Eskom of reliable power supply. Amplats feared it would miss its cost targets.

Now SA's mining industry has asked Mineral Resources Minister Gwede Mantashe to urgently allow mines to build their own power plants because they have lost faith in Eskom,[73] saying they could generate 869MW of solar power and up to another 800MW of conventional power themselves. The roll-out of the infrastructure development must be

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[71] Tasneem Bulbulia. 25 September 2019. Sibanye plans to cut 5 270 jobs as it restructures Marikana operations. https://bit.ly/2LDQS2G. Accessed September 25 2019.

[72] Stephen Gunnion, Load shedding poses threat to Merafe, http://www.inceconnect.co.za/article/load-shedding-poses-threat-to-merafe. Accessed: December 11 2019.

[73] Tim Cohen, The mining industry wants to produce its own power, https://bit.ly/34kz8zU, Accessed: December 13 2019

done in line with the Ministerial Determinations that are issued under Section 34 of the Electricity Regulation Act.

### Past negligence catches up with the South African gold mines

South African gold industry's silicosis and tuberculosis epidemic is considered one of the worst in the world. More worrying is the process of compensation which is riddled with many challenges. On 26 July 2019, the South Gauteng High Court approved the historic R5 billion settlement agreement with six companies (African Rainbow Minerals, Anglo American SA, AngloGold Ashanti, Goldfields, Harmony Gold and Sibanye-Stillwater). Civil society groups in southern Africa, led by SARW's Justice for Miners Campaign, have launched a campaign to help the millions affected (many of them residing outside South Africa) to seek compensation. Currently South African laws governing certification of illness and the claims processes are excessively bureaucratic and make it almost impossible for most potential beneficiaries to claim the money due to them. This is even more the case for migrant workers living outside the borders of South Africa. Proving both illness and employment requires documentation that many ex-miners and dependents do not have. In addition, these processes are expensive because they involve journeys to visit mining offices or doctors. Although South African law requires free medical exams for former mineworkers, they are often unavailable for those outside cities and for migrant mine workers from other countries. Families most affected by silicosis and TB do not have the resources to travel to acquire the required documentation and medical certification. There are several stories of families getting into debt in their attempts to access compensation, only to be disappointed by complete failure of the compensation system

## Zambia

In Zambia the legal battle rages on between UK-owned Vedanta Resources and its Zambian subsidiary KCM. This comes after 1 826 villagers successfully sued Vedanta and KCM in the local and UK courts for causing pollution of local water sources by its mining activities. Reports of a gold rush and mining tax wars have also put the country under the media spotlight.

### Konkola Copper Mines attracts attention – and unending legal battles

For some time now the Vedanta Resources owned Konkola Copper Mines (KCM) operating the Nchanga Underground and Open Pit mines and Konkola Deep mine, has been at the centre of controversy. Firstly, the company was sued for negligence and breaches to the Zambian environmental laws.[74] Residents of the Zambian city of Chingola brought pro-

[74] Norton Rose Fulbright, UK Supreme Court clarifies issues on parent company liability in Lungowe v Vedanta. https://bit.ly/2qGJLiQ, Accessed: December 10 2019.

ceedings in the English courts against Vedanta Resources Plc (Vedanta), a UK incorporated parent company, and Konkola Copper Mines Plc (KCM), its Zambian subsidiary, claiming that waste discharged from the Nchanga copper mine (owned and operated by KCM) had polluted the local water, causing personal injury to the local residents, damage to property, and loss of income. Secondly Vedanta's bid to dispose of KCM which it owns jointly with the Zambian government was blocked both in the local and South African courts. The questions now are: In whose interest are these litigation cases? When will these legal battles begin to benefit the Chingola and Chililabombwe people?

While jubilation was going on over the London judgement, the communities of Chingola and Chililabombwe suffered another setback when KCM failed to pay salaries and suppliers, leading to the government liquidating it through the Zambia Consolidated Copper Mines Investment Holdings (ZCCM-IH) which owns 20 percent of KCM.

So far, court proceedings that have appointed a provisional liquidator have not involved Vedanta, which the Zambian government has accused of breaching the terms of its licence.[75] Vedanta is currently locked in a legal battle with the Zambian government to regain control of its KCM copper and cobalt asset. Also disturbing is that the company raised alarm bells when 53 of its employees and 232 schoolchildren were hospitalised after an apparent electrical surge caused a sulphur dioxide emission from its acid plant.[76]

There are already debates on who will take over Vedanta. Civil society is closely monitoring the unfolding events to see who takes over the running of the mine and what will be the outcome of the long-awaited London court case, and to offer solidarity and guidance to both the community and the employees of the company.

## Is this gold rush real ?

One day Zambians woke up to traffic heading into the little-known Mwinilunga district, and word went around that there was a gold discovery. President Edgar Lungu later confirmed the reports. By rushing for gold many are seeking to tap into "what is better than" copper and cobalt in value.[77] As a result the country has braced itself for the new fortune not only in Mwinilunga but in the whole North-western Province. The gold reserves, which lie in what is now being referred to the new Copper-Gold belt, are not yet known. Zambia, which is a signatory to various SADC treaties, has a beneficiation policy aimed at enabling the country to get a fair share of the gold earnings to benefit the local people through jobs well as the community through corporate social responsibility (CSR) pro-

75 Chris Mufula, Zambian court rejects Vedanta bid to join liquidation case, https://reut.rs/357soXp, Accessed: December 10 2019.
76 The Zambian Observer, https://www.zambianobserver.com/mwinilunga-gold-rush-awaits-zambia/, Accessed: December 13 2019.
77 Tim Cohen, The mining industry wants to produce its own power, https://bit.ly/34kz8zU, Accessed: December 13 2019

grammes. The president has since instructed that the area be secured until formalities for authorised mining are finalised.

Unfortunately for Zambia, as this gold rush is maturing, it is already stained with blood; 20 people were arrested after riots at Kansenseli gold mine in Mwinilunga where one person was shot dead by police.[78]

The biggest question for politicians is how this discovery could be quickly formalised and contribute to national development. Other questions are around transparency concerning the issuance of licenses: Who is getting these licenses? Have the local people been given an opportunity?

## The failed struggle for economic justice for the people of Zambia

The Zambian government, through the Ministry of Finance, has finally conceded defeat in the tax war between the private sector and the people of Zambia. In 2019, the government and the private sector (particularly the Chamber of Mines) were engaged in a tug of war about choosing between maintaining Value Added Tax (VAT) or replacing it with Sales Tax. In her 2019 budget, Finance Minister Margaret Mwanakatwe proposed, and parliament approved that VAT be replaced by Sales Tax. The approval was met with an outcry instigated by the private sector,[79] resulting in the firing of the finance minister who was replaced by the former Central Bank Deputy Governor Dr Bwalya N'gandu. The Mines and Minerals Development Permanent Secretary Paul Chanda also lost his job to former Commissioner of Lands Barnaby Mulenga.[80]

Some economists criticised the mining tax regime, saying that it had significantly increased the tax burden on mining companies, making the sector unsustainable and uncompetitive. Following those sentiments, it was therefore not surprising to hear the newly appointed finance minister announcing the reintroduction of VAT in his first budget presentation.

Currently the country stands at an economic crossroads, but the question remains: Is Zambia getting what is due to it from the extraction and exportation of mineral resources regardless of the tax measures? If yes, the country can build on and ensure that the trickle-down effect is visible on the ground. If no, there is a need for the many stakeholders

[78] The Independent Observer, Police arrest 20 at Mwinilunga gold mine, https://tiozambia.com/police-arrest-20-at-mwinilunga-gold-mine/, Accessed: December 13 2019.

[79] Mining Review Africa, Zambia tax regime unsustainable for mining sector, https://www.miningreview.com/central-africa/zambia-tax-regime-unsustainable-mining-sector/, Accessed: December 11 2019.

[80] Chris Phiri, Lungu fires 3 Permanent Secretaries, https://zambiareports.com/2019/09/03/lungu-fires-3-permanent-secretaries/, Accessed: December 13 2019.

with an interest in the welfare of the country to provide honest and patriotic answers to the situation.

## Zimbabwe

Zimbabwe is battling its worst ever power crisis, which has seen mineral output severely affected compared to other years. It is feared that if this is not resolved soon the country will lose millions in forex earnings which it desperately needs to re-build its economy, already affected by political events in the country over a decade. Zimbabwe has also lost several miners in accidents which critics say could have been avoided if the country had prioritised the artisanal and small-scale mining sector. The country is under fire for not including this sector in its mining legal framework.

### Zimbabwe's ambitious plan to generate US$12bn from the mining sector by 2023

Zimbabwe is aiming for a fourfold mineral revenue increase through the achievement of US$12 billion by 2023,[81] an ambitious plan recently unveiled by President Emmerson Mnangagwa. The mining sector contributes 12-16% of the country's GDP and generates 70% of the country's forex earnings. According to the mines and mineral development minister, mining sector revenues are expected to increase by 344% from the US$2,7 billion achieved in 2017. Under the policy document gold and platinum exports are expected to amount to US$4 billion and US$3 billion respectively as the government focuses on value addition and enhanced investment.[82] The document also states that the mining sector is the most preferred investment portfolio[83] because of its potential to generate decent jobs and export earnings as well as its contribution to infrastructure development. It notes that shipments of minerals such as diamonds, chrome, coal and hydrocarbons will quadruple to US$1 billion each and lithium to US$500 million.

### Power shortages and their impact on the mining sector

The challenge to achieving what has been set in the roadmap is the worst ever power crisis, with households and industries (including mining operations) being cut off for up to 18 hours daily. Currently only about a third of Zimbabwe's power requirements are being generated due to ageing equipment at its thermal plants and water shortages at hydro units. Reduced water levels at Kariba have resulted in electricity generation of only 358MW against the usual capacity of 1 050MW. At Hwange coal power station, out of six units only three are operating. In the effort to acquire more foreign currency to import

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[81] The Herald, The minerals of hope . . .US$12bn mining sector target to change nation's fortunes, https://www.herald.co.zw/the-minerals-of-hope-us12bn-mining-sector-target-to-change-nations-fortunes/, Accessed November 18 2019.

[82] Godfrey Maravanyika, Zimbabwe unveils plan for $12 billion in mineral revenue by 2023, https://www.bloomberg.com/news/articles/2019-10-14/zimbabwe-unveils-plan-for-12-billion-in-mineral-revenue-by-2023, Accessed November 18 2019.

[83] Ibid, Herald.

power, the Zimbabwe Electricity Supply Authority (ZESA) requires the mining industry to pay electricity tariffs in United States dollars. ZESA is the state-owned company tasked to generate, transmit, and distribute electricity in Zimbabwe. It owes Mozambique's Hidroeléctrica de Cahora Bassa and South Africa's Eskom a combined debt of US$83 million. To date, ZESA has paid only US$10 million to Eskom which is also facing its own problems supplying electricity in South Africa.

The power crisis is an extra burden on Zimbabwe's struggling economy, already characterised by shortages of foreign currency, fuel, food, medicines as well as a skyrocketing inflation. The Minister of Energy fired the ZESA Board, and various top management officials are facing charges related to dubious dealings with contractors.[84] The Zimbabwe Chamber of Mines is concerned that without power there is no production. Gold and base metal producers are the worst affected by the power outages. On average the mining sector is getting four days of power a week which has resulted in output for all key minerals for the first four months of 2019 plunging by at least 10% against the same period in 2018.[85] The use of diesel generators is not a viable option as it results in increased costs of production.

## The devastating safety and health impacts of failing to formalise artisanal mining

Small-scale players who in 2018 contributed 52% of gold output are hardest hit.[86] The association of small-scale miners, the Zimbabwe Miners Federation, is concerned that the power cuts will likely result in a production slump. This is at a time when increasing numbers of people are turning to artisanal gold mining as their only means of livelihood, impelled by the growing economic crisis and natural disasters such as droughts and floods. The policy document acknowledges the need for combined efforts by artisanal, small-, medium- and large-scale mining activities to attain the anticipated target of 1000 tonnes gold production by 2023.[87],[88] Despite the economic contribution of artisanal and small-scale gold mining, the industry remains unregulated and unrecognised. The lack of regulation contributes to environmental damage and often has serious health and safety consequences for workers and surrounding communities.[89] Absence of formalisation of the sector also makes improvements in environmental performance much more difficult. In 2019 alone the flooding of Battlefields mine in Kadoma town killed 28, the collapse of Eldorado mine in Chinhoyi killed 11, in Shurugwi's Wanderer mine 9 died when 50 miners

[84] The Newsday, Chasi talks tough on ZESA board appointments, https://www.newsday.co.zw/2019/09/chasi-talks-tough-on-zesa-board-appointments/. Accessed: November 19 2019.

[85] Kevin Samaita. Ailing Zimbabwe reels as 18-hour power cuts bite, https://www.businesslive.co.za/bd/world/africa/2019-06-18-ailing-zimbabwe-reels-as-18-hour-power-cuts-bite. Accessed: November 15 2019.

[86] Kudzai Gerede, Zimbabwe: Power cuts cost Zimbabwe 20 Percent of potential gold output. https://allafrica.com/stories/201911070660.html, Accessed: November 18 2019.

[87] The transitional stabilisation programme reform agenda (October 2018-December 2020) titled "Towards a prosperous and empowered upper middle-income society by 2030" outlines policies, strategies and projects that will guide Zimbabwe's social and economic development interventions up to December 2020.

[88] Ibid, The transitional stabilisation programme reform Aenda

[89] Thomas Hentschel, Felix Hruschka, and Michael Priester, Artisanal and Small-Scale Mining: Challenges and Opportunities, 2003.

were trapped underground.[90] Nugget gold mine collapsed in May, while 8 died during a blast at Mazowe mine. The Zimbabwe Miners Federation attributes such casualties to unsupervised mining operations[91] and lack of proper maintenance of mining equipment.

Over the years, the Zimbabwe government has, among various other technical and financial support initiatives, provided access to equipment and credit lines to small-scale miners under the auspices of the Mining Loan Fund. The Environmental Management Agency (EMA) has also reduced the Environmental Impact Assessment (EIA) licenses for small scale miners and provided technical environmental management capacity even to artisanal miners. However, all this is not enough without a good legal framework in place to protect workers who derive livelihoods from this sector. It is thus a concern to note that the rejected Mines and Minerals Amendment Bill (which has been placed under further review) fails to formalise artisanal mining.

[90] JP Casey, Nine artisanal miners assumed dead in Zimbabwe following shaft collapse, https://www.mining-technology.com/mining-safety/nine-artisanal-miners-assumed-dead-in-zimbabwe-following-shaft-collapse/, Accessed: November 20 2019.

[91] The Independent in Business, Inadequate supervision worsens mining deaths, https://www.theindependent.co.zw/2019/07/05/inadequate-supervision-worsens-mining-deaths/, Accesse: November 20 2019

SARW
Southern Africa Resource Watch

## 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 eff orts 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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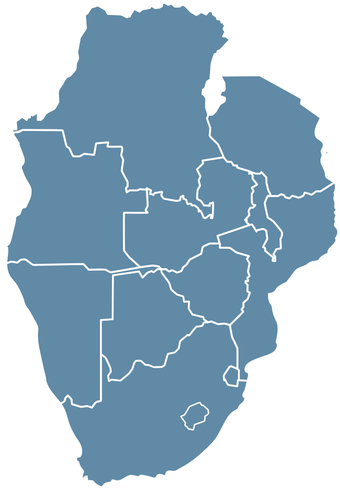

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