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Chimwadzulu mine saga

- Government awards Ntcheu rubies licence to new miner
- Security dogs deployed on mine to guard against invaders
- Nyala claims there is a lot of mischief and vows to fight on

Nyala Mine's Mahomed to fight on

Wona: Awarded the licence to new company

Wadi: New Chimwadzulu rubies licence holder

By Chiku Jere

Government has confirmed that it has awarded the Chimwadzulu corundum mining license to a new company, Mwalawanga Mining Limited, after rejecting an application for license renewal by previous tenement holder, Nyala Mines Limited, due to the company's failure to meet a number of license obligations.

Speaking in an interview with *Mining & Trade Review*, Mines Department Acting Director Atileni Wona said the department went ahead to award the license to a new applicant after giving the previous holder ample time to appeal.

"Yes I can confirm that Nyala Mines Limited are no longer owners of the Chimwadzulu corundum mines. The licence has been awarded to Mwalawanga which is owned by lawyer Ishmael Wadi and his associates. The previous owner did not come forward with the grounds of appeal in a set period of time which made us go ahead and award the rights to another company," Wona explained.

Minister of Natural Resources, Energy and Mining, Aggrey Masi, had written the company informing it of the government's decision not to renew the licence mainly because Nyala Mines Limited sought the renewal a few days before the expiry date which is cont...on page 3

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...from front page contrary to legal requirements which stipulate that a tenement holder must apply for renewal at least a year before expiry of the licence.

Nyala Mines signed a development agreement with the Malawi Government stipulating that locals has 30% participation in the mine, 10% of the equity of Nyala is issued to government, and also government receives 10% royalty of the gross value of corundum exported.

The development agreement also provided that government receives an amount equivalent to the sales royalty once the corundum has been cut, polished and sold by Nyala's Canadian partner, Columbia Gem House Inc.

Under the agreement, Nyala was exempted from resource rent tax, value added tax on capital purchases, duty and tax for imported materials, equipment and consumables for use in mining and processing of minerals.

There was also a provision for training to Malawians, support to local education and health sector and provision of US$20,000 for corporate social responsibility projects in the locality.

The development agreement also required Nyala to set up a lapidary in Malawi to ensure that the minerals are processed locally.

"The licensing committee examined all these terms which were contained in Nyala mines development agreement and mining license requirements as stipulated by various legal instruments on mining and environmental protection, before making the decision to reject the renewal of the licence," Wona said.

Meanwhile, Wona has said the Department of Mines will soon be formally introducing the new investor to Ntcheu District Council as well as to the Chimwadzulu area community.

Responding to this publication's inquiry about Mwalawanga Mining Limited's immediate and long term plans, Wadi, who is said to be a front man for the new company's activities, gave an excuse that he was in a meeting, promising to call back later with a brief explanation of whatever developments they intend to implement.

However, Nyala Mines Limited Managing Director Abdul Mahomed said his company is not aware that the government has awarded the mining licence to a new company.

"This is news to me. It seems there is a lot of mischief on the part of those handling the issue on government side, but on our part, we will still pursue the issue until justice is served," Mahomed said.

In a previous interview Mahomed expressed dismay with government action to reject his application to renew the licence, calling it unfair to his company which had invested lots of money in the mine.

He described the grounds under which his licence renewal was rejected as not holding, saying during the years of operating the mine, his company was fulfilling all the requirements such as payment of royalties, taxes and commissioning of an environmental and social impact assessment study.

Mahomed said: "We have worked hard to develop this project. The stage is now set and all we need now is support from all stakeholders to realize the true potential of this deposit and the benefits it can bring to the people of Malawi."

Mining & Trade Review is yet to know the terms of the new licence but can confirm that the new company has already announced its presence in the area by, among other things, engaging a security company that has deployed their personnel who are using trained dogs to guard the area.

Project Officer (Extractives) for Quadria Muslim Association of Malawi (QMAM), a civil society organisation which has been implementing a mining governance project in the area, Ismael Biswas, welcomed the awarding of the new license saying it shows that the future of the mine is now known since things were getting out of control after the community learnt that the Nyala licence had expired.

He said he expects government, through the Department of Mines, to properly inform Ntcheu District Council bearing in mind that the council has been involved in the developments that have been unfolding at Chimwadzulu mining area.

"Doing so will eliminate inconsistencies in terms of information flow between the Department of Mines and the council," Biswas said.

The QMAM Officer who has been working with the people on the ground in the area through sensitization and empowerment programmes also said that it is imperative that the new company engages the community first before commencing mining activities.

Nyala Mine workers in thick of things extracting rubies

"The company should know that the community is well informed on mining issues and there exists a working vibrant committee that oversees issues of mining around the Chimwadzulu area, through which the company can engage the community to obtain a social licence," he said.

He also said through engagement, the company should seal a binding development agreement with the community to allow the people from the area benefit from the mineral endowment of their area.

This, Biswas said, is a very important step to take as it will help the company forge a working relationship with the community which has been deprived of tangible developments from mining activities that started some 40years ago, in 1970s in the area.

In an earlier interview with *Mining & Trade Review*, Chairperson for Tonse Tipindule Committee (a community action group formed by the civil society under the Tilitonse Fund-financed mining governance project) from Katsekera area where the mine is located, Nazalio Linyenga, called on government to come up with an arrangement which will involve training members of the communities in artisanal mining to allow them mine the rubies and sell them to the licenced company.

"This can be one way of empowering the communities. But if government awards a licence to a new company, then a clear development agreement should be entered between the company and the people from the area to ensure that we benefit from the mineral endowment found beneath our land," he suggested.

Linyenga was speaking on the sidelines the 2017 Alternative Mining Indaba organized by Natural Resources Justice Network (NRJN) with financial support from Open Society Initiative for Southern Africa (OSISA) in collaboration with Norwegian Church Aid (NCA) and Oxfam.

Soon after news spread that government has rejected to renew Nyala Mines licence, illegal miners invaded the area and buyers from as far as Mozambique and other neighbouring countries were reportedly seen in the area.

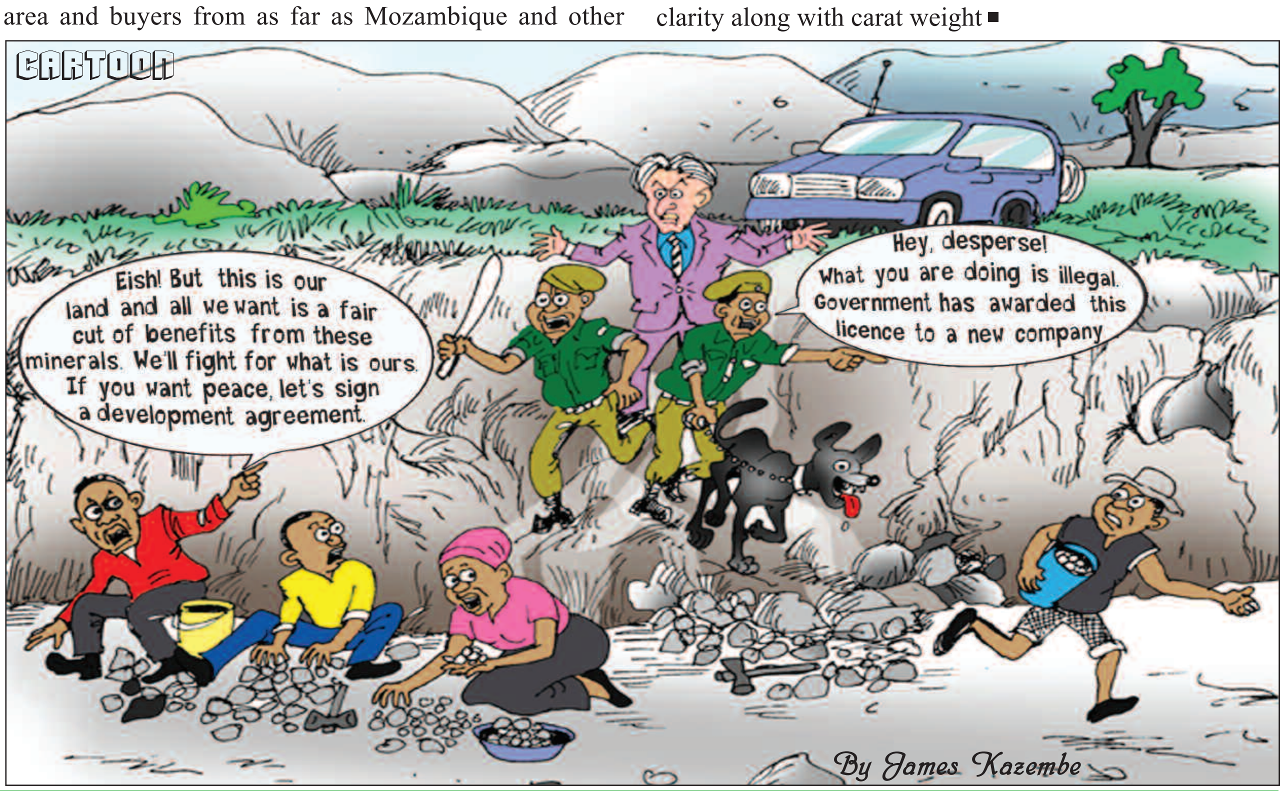
Ismael: QMAM Project Officer responsible for Extractives

Linyenga: Katsekera Tonse Tipindule committee chairperson

"Community members benefited from this period of chaos by selling minerals they extracted at prices ranging from K20,000 to K1million. I know two youngsters who became rich overnight and bought cars," said Linyenga.

However, he said the illegal mining has now been stopped after government deployed the police, who were later replaced by dog handlers reportedly hired by the new licence holder to guard the area.

Rubies are one of the highly valued traditional cardinal gemstones identified by pink to blood-red (pigeon blood) colour whose quality is determined by colour, cut and clarity along with carat weight ■



Aussie miner conducts environmental studies for Malingunde project

Specialists will assess plants, birds, wetlands, animals, soil, cultural heritage and all the other aspects that may potentially be impacted by the proposed Malingunde mine project.

By Marcel Chimwala

ASX listed resources group, Sovereign Metals, has kick-started Environmental and Social Impact Studies (ESIA) for the Malingunde flake graphite project in Lilongwe, which include consultations with local stakeholders on the way-forward for the project.

Sovereign Metals is pursuing the Malingunde Project through its wholly owned subsidiary, McCourt Mining, and studies undertaken to date indicate that the resource can yield approximately 44,000 tonnes of graphite concentrate per annum over an initial life-of-mine (LOM) of 17 years.

Stakeholder Engagement Officer for Sovereign Metals, Annelle Lotter says in a statement that the ESIA process has three phases, namely compilation of the project brief, environmental scoping and ESIA phases.

"The project brief has been submitted to the Environmental Affairs Department (EAD) and the environmental scoping phase has now commenced. The EAD indicated that an ESIA will be required," says Lotter.

The scoping phase of the study to run from December 2017 to March 2018 will include project announcement through distribution of the project document and some meetings with stakeholders, production of a Draft Scoping Report to be available in March 2018, meetings with stakeholders to be held early March 2018 to identify issues and concerns and production of a Final Scoping Report to be submitted to the EAD after stakeholder review and comments.

The ESIA phase scheduled for April to September 2018 will involve specialist assessments, production of Draft ESIA Report to be available in September 2018, meetings with stakeholders to be held early September 2018 to present findings from the ESIA, and submission of Final ESIA Report to the EAD.

The Malingunde Project is likely to have a range of impacts on the environment and the people living in the area.

The expected positive developments include creation of job opportunities, growth in the economy, improved infrastructure and social development.

However, some negative impacts may also be experienced including that some people may lose farmland or may have to be resettled, and the project may result in changes in the quality and quantity of water, levels of dust experienced, disturbance of vegetation and animals, and changes in noise and traffic levels may be experienced.

"The specialists will investigate these impacts and develop measures and plans to manage the impacts to ensure that they are minimized," says Lotter.

Open pit mining with traditional excavator and haul trucks will be used to mine the ore at Malingunde but no drilling and blasting activities will be required for the operation as the material is relatively soft and suitable for free digging.

Mining will be undertaken in shallow open pits, with maximum depths of 25 m and maximum widths of approximately 150 m and once excavated, the ore will be loaded onto 40 tonne trucks and hauled from the pit to either the processing plant or if it is waste material, to the waste rock dumps.

After treating the ore in the plant (scrubbing and flotation), the tailings material will be pumped to the tailings storage facility site for final disposal.

The processed product will be transported on flatbed trucks by road over approximately 26 km to the Kanengo train station, from where it will be sent by rail to the port of Nacala in Mozambique for export.

The infrastructure on the mine site is likely to include: a number of long, shallow open pits trending in a north-west–southeast direction, tailings storage facility (TSF), waste rock dump (WRD), a low grade stockpile, ore processing plant, site roads providing access to the pits, processing plant and administration buildings, raw water storage dam, process water storage dam, site water management infrastructure and dirty water storage dams, workshops to service and maintain mining fleet and equipment, diesel fuel storage and filling stations for mine fleet and light vehicles, administration buildings, offices, ablution facilities and crib rooms.

A number of options are being investigated as part of the current pre-feasibility study, including different locations for the TSF, WRD and plant site.

It is planned as far as possible to locate the TSF, processing plant, workshops and other infrastructure to the northern extent of the project area outside of the Kamuzu II Reservoir watershed to minimize potential contamination issues.

The locations for the proposed infrastructure components as well as the various mining schedules being considered will have different technical requirements, as well as varying environmental and social impacts, and the preferred mining option will only be selected after all the options have been considered in detail.

Sovereign Metals Limited is currently conducting a number of technical studies, which will culminate in a feasibility study, to determine the viability of developing the natural flake graphite deposit at Malingunde.

Should the feasibility studies prove that mining is viable, and a decision is taken by Sovereign to proceed with the development of the mine, an application for a mining licence will be submitted to the Department of Mines.

In addition, environmental authorisation from the Environmental Affairs Department (EAD) will be required in terms of the Environment Management Act (EMA) before development of the project can proceed.

Sovereign aims to complete all studies towards the end of 2018 to enable them to decide on whether the mine will be developed or not in early 2019.

The primary end-market for flake (or crystalline) graphite is the refractory, foundries and crucible sector which consumed approximately 616 000 tonnes of flake graphite production in 2016.

The majority of flake graphite is used to produce magnesia-carbon bricks used in the steel industry but a growing use of graphite is in the production of rechargeable lithium-ion batteries for laptops and cell phones.

Additionally, substantial increase in demand for graphite is expected in the future for the growing electric vehicles market ■

MATTER OF FACT

In the December 2017 Edition we erroneously put captions on the first two pictures on page 12. The correct caption for the first picture is: **Chanza explaining the revised minerals taxation Act,** while the other caption was supposed to read: **A cross-section of delegates attending the official launch of Malawi Extractives Industry Transparency Initiative (MWEITI) implementation and report.** We apologise for any inconvinience caused - *EDITOR*

EDITORIAL


BY MARCEL CHIMWALA, PUBLISHING EDITOR

Community participation required at Chimwadzulu ruby mine

It is a welcome development that the government has awarded the license for Chimwadzulu corundum mine in Ntcheu to a new company, Mwalawanga Mining Limited after the expiry of the 10 years license for Nyala Mines, whose application for renewal was rejected reportedly due to the company's failure to fulfil some conditions of the license.

The government's action has come at the right time because there was chaos at the mine as members of the community including women and school children invaded the mine to extract the rubies and sapphires, the precious gems which can fetch prices higher than diamonds on the world market when well processed.

The news is that the new mine owners have deployed a security company which is using trained dogs to guard the mine against the illegal miners, who invaded the mine when they got wind of the news that Nyala has lost the mineral rights for the area.

While commending the government and the new mineral rights holder for bringing sanity at the site, we feel there is still need to involve the local communities in the mining process.

We, therefore, support the point made by Chairperson for *Tonse Tipindule* Committee from the area, Nazalio Linyenga, who in our lead article calls on government to come up with an arrangement which will involve training members of the communities in artisanal mining to allow them mine the precious stones and sell them to the licenced company.

We also back his idea that government should facilitate that a community development agreement be signed between the investor and the community which should clearly define the mine's benefits to the community.

We feel the government should also scale up monitoring activities to ensure that the investor is really fulfilling the terms of the licence.

It is unfortunate that during the 10 years that Nyala has held the mining license, the government which signed a development agreement with the investor and held 10% shareholding in the mine displayed grave weaknesses in monitoring proceeds from the mine.

Our investigations show that the government which would have been represented by the Secretary for Natural Resources, Energy and Mining or the Secretary for Treasury in the Chimwadzulu mine board never showed any interest in the issue such that it appeared as if Nyala had 100% ownership of the mineral rights.

The development agreement that the government signed with Nyala also recommended that 30% of the shareholding should be held by local small-scale miners but it is unfortunate that this was not even enforced by the government despite loud cries from local small-scale miners to participate in the mine.

Now that we have a new investor at Chimwadzulu, we call on the government to wake up from its slumber and ensure that the mine benefits not only the investor but also the government and members of the community in the area.

We also call on the new investor to desist from the practice of corrupting community leaders and some vocal opinion leaders in the area instead of pursuing development activities that would benefit the community at large.

The government and the new investor must also ensure that there is transparency in the mining process by, among other things, holding meetings with the Chimwadzulu communities on the progress of the mining project. Otherwise, just like the case was with Nyala, the new investor will find it hard to tame disgruntled members of the community who feel the government has engaged outsiders to cash in on precious minerals found on their ancestral land■

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EYE ON MALAWI'S EXTRACTIVES

With Rachel Etter Phoya

How can Malawi ensure community development agreements are implemented effectively?

Malawi's much and long-awaited new mining legislation is likely to include a provision that will require companies to spend no less than 0.45% of their annual gross sales revenue on community development activities as prescribed in community development agreements (CDAs). Companies that hold large-scale mining licences will be required to enter into these agreements with all qualified communities that are within 20 kilometre radius of the licence boundary.

CDAs have evolved as both voluntary and obligatory tools to improve the relations between companies and communities and to help enable mining to contribute to longer-term sustainable development. In theory, they should help to guide mutually-beneficial expectations and set clear roles and responsibilities of companies, communities, and in some cases, government. They are not without their risks. If the process to develop a CDA is not well managed, it can result in discontent and conflict within and between host communities and a lack of ownership. There is also the danger that where communities are not equipped to come to the bargaining table with an equal footing that the resulting agreement may not reflect their needs. Agreements have to be well crafted to ensure that they do not create an unhealthy dependency on a mining project – which will inevitably be of only a limited length – or replace the responsibility of government to its citizens.

Over the last few years, the World Bank and the Columbia Centre on Sustainable Investment, among others, have researched best practice for CDA pre-negotiation, negotiation, and implementation. I will draw on these to highlight some critical recommendations that should be considered as Malawi embarks on introducing CDAs.

Pre-negotiation

◦ Stakeholder identification is key before negotiations begin. Even if the law is clear, companies that do the best do not limit themselves to the letter of the law but look to identify all potentially affected communities, especially those downstream. Stakeholder identification is also an ongoing process because communities move and change. Identification also includes third parties such as non-government alorganisations and government stakeholders that can/will be involved in negotiations. This process should use a variety of means of research, including participatory impact assessments.

◦ Determining who will be stakeholder representatives and who will drive the process is vital. Malawi's draft Mines and Minerals Bill appears to leave most responsibility with companies; the role of government either as third-party observer or facilitator of negotiations must be made clear in subsequent regulations. Ideally, each stakeholder group should be allowed to determine their own representatives, but efforts must be made to ensure that groups that have been excluded in the past are included, such as women and people living with disabilities.

◦ Capacity assessment and building of identified communities is necessary to ensure meaningful participation. This must be culturally sensitive and contextually relevant. Trusted third parties can be involved at this stage. Ideally these third parties should be identified by communities themselves to ensure ownership and legitimacy.

◦ Pre-negotiation agreement/memorandum of understanding have been shown to help communities and companies agree on the way to move forward. They can include identification of goals for each negotiation stage, the negotiators, methods of communication, time frame, and funding of the negotiation process.

Negotiation

◦ Communities should be assisted in establishing their negotiating position in an internal and private manner and this can be a good starting point and help communities to determine mutually-agreed priorities and expectations to bring to the bargaining table. It should be ensured that this internal process is participatory, respects culturally-appropriate and traditional decision-making channels, while ensuring that no groups are left behind.

◦ Both financial and non-financial commitments should be included, such as agreements on business development, employment, infrastructure, and service provision.

◦ District development plans and other government and non-governmental activities must be considered in designing the CDA to ensure the CDA complements and does not duplicate or replace the roles of government and initiatives of non-governmental organisations.

◦ The management framework is a central element of the CDA. This establishes how the CDA will be implemented, how finances will be disbursed and projects implemented, who will provide an oversight and audit function, how stakeholders will access information about progress, and the different grievance, feedback, and dispute resolution mechanisms.

◦ All contracts should include a potential to withdraw clause from the process and the contracts should be public.

Post-negotiation

◦ Monitoring of commitments and implementation should be participatory with clear information channels on progress and expenditure. CDA oversight structures and community representatives may require assistance in carrying out their monitoring role as well as communicating with and receiving feedback from the people they represent.

◦ Monitoring and evaluation frameworks should be holistic and include measurements of human development where possible and not only outputs and activities (e.g. x number of schools built, or x number of women business owners trained). This information must be then used in future CDA implementation.

◦ Planning for mine closure is important to ensure that the community's well-being and development is not dependent on the mining project. This means making sure everyone is informed and updated about the mine life and closure, and activities and engagement in the CDA go beyond mining, includes transferable skills, and infrastructure that can be maintained by communities and/or government.

For further information, see:

• *Emerging Practices in Community Development Agreements (Columbia Centre on Sustainable Investment, 2016): http://ccsi.columbia.edu/files/2016/02/Emerging-practices-in-CDAs-Feb-2016-sml.pdf*

• *Mining Community Development Agreements: Source Book (World Bank 2012) http://siteresources.0world-bank.org/INTOGMC/Resources/mining_community.pdf* ■

Roads Authority lauds pr

By Marcel Chimwala

The Roads Authority (RA) has reported progress in a number of road construction projects being implemented across the country whose completion will support growth in economic sectors including mining, agriculture, tourism and manufacturing.

CEO for RA Eng. Emmanuel Matapa explains that the projects are being implemented with financing from the Malawi Government and international financial institutions.

They include the 82 kim Thyolo-Makwasa-Thekerani Road which involves the upgrading of the earth road to bitumen standard from Number one Trading Centre in Thyolo District through the beautiful tea plantations up to Makhanga, which is being co-financed by Kuwait Fund, BADEA, Saudi Fund, OPEC fund for Development and the Government of Malawi.

Matapa explains that the contract for the work, which commenced on August 15, 2016 and is due for completion by August 14, 2019, was awarded to Mota-Engil with Bua Consulting Engineers as supervision consultant.

The works involve upgrading of the road to bitumen Class 1 standard with a 6.7m wide carriageway and 1.5m wide sealed shoulders on both sides, and its estimated project cost is MK27.3 Billion with project duration of 36 months.

"Currently the contractor has completed surfacing for a distance of 16km while earthworks are at varying stages for a distance of 37 km," says Matapa.

RA has also reported progress in the construction of the Zomba-Jali-Phalombe-Chitakale Road. Matapa explains that after works on the project by the previous contractor Kharafi and Sons stalled in December 2014, the new contract has now been awarded to a new contractor, Messrs United Gulf Construction Company [UGCC] and Fargo Ltd and the supervising Engineers are SMDEC-Romana Consulting Engineers.

The project is being co-financed by Kuwait Fund, BADEA,OPEC Fund for Development and the Government of Malawi at an estimated cost of MK8.69 billion with a project duration of 22 months.

"The works commenced on October 18, 2016 and are expected to be completed by August 9, 2018," says Matapa.

There is also remarkable progress in the upgrading of the 95km Lilongwe Old Airport-Kwanyanda-Santhe and Kwanyanda-Kasiya Spur Road from earth to bitumen standard.

The project is fully funded by the Government of Malawi with Mota-Engil as the contractor and Royal Associates as Supervising Engineers.

"The works commenced on January 12, 2015 and are expected to be completed by January 11, 2019. Currently, 50km of the road has been completed including completing the construction of Bua Bridge," he says.

The estimated cost of the project is MK39.65 billion with duration of 48 months.

Another important project making tremendous progress is the 47km rehabilitation of Mzuzu-Nkhata Bay Road, which runs from Mzuzu High Court in the city to Nkhata Bay port on Lake Malawi.

"The Mzuzu –Nkhata Bay road is an economically important road to Malawi as it forms part of the Mtwara Road Development corridor from the port of Mtwara on the lndian Ocean, through Mbamba Bay in Mozambique to Nkhata Bay then to Mzuzu City in Malawi," says Matapa.

The K16.7-billion road project is being financed by the Africa Development Bank (AfDB).

The works contract was awarded to Strabag International and is being supervised by Group consult Global in association with Pamodzi Consulting Engineers.


High quality road network complements Malawi's beautiful scenery


Matapa: Roads Authority CEO

The works involve reconstructing and widening the existing road to a cross section of 6.8m wide carriageway and 1.5m wide sealed shoulders on either of the road.

Matapa explains that the works commenced on July 1, 2016 and were expected to be completed on December 31, 2017.

"However,the contractor has been granted 4.5 months extension of time, and revised completion date is April 18,2018.Currently, the contractor has completed 30 km of the reconstruction works of the road," he says.

Progress has also been reported on the rehabilitation of the 75km Liwonde-Mangochi Road running from Kamuzu Bridge in Liwonde to Bakili Muluzi Bridge in Mangochi Town, which is being implemented under the Nacala Road Corridor Development Programme Phase 4 with funding from the AfDB.

"Rehabilitation of this road will facilitate international trade from the port of Nacala on the Indian Ocean in Mozambique through Chiponde Border to Lilongwe in Malawi up to Lusaka, Zambia," says Matapa.

He reports that the works contract for the project was awarded to Mota-Engil with Group Consult Global and Pamodzi Consulting Engineers as construction supervisors.

The estimated cost of the project is MK29.53 Billion and the project duration is 24 months.

The works involve reconstructing and widening the existing road to a cross section of 6.8m wide carriageway and 2.0m wide sealed shoulders on either side of the road.

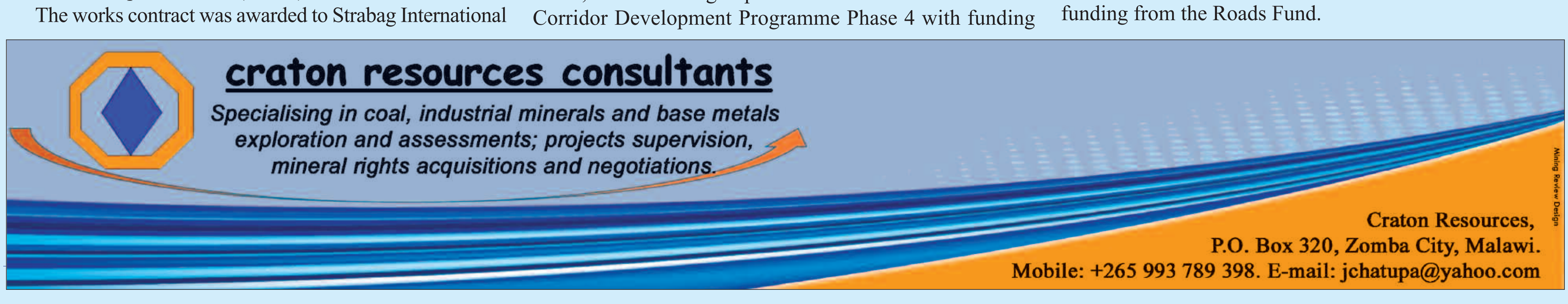
"The works commenced on August 15, 2016 and are expected to be completed on August 14, 2018. Currently, the contractor has commenced surfacing from Liwonde Barrage and has progressed for a distance of about 5km towards Mangochi turn-off junction," says Matapa.

RA has also outlined progress on the 59km rehabilitation of the Thabwa-Chitseko-Seveni Road, which is being financed by the World Bank to the tune of US$13.3-million as part of the Malawi Floods Emergency Recovery Project.

Matapa says: "The works contract was awarded to China Railway Group No.05 and will be supervised by Bua Consulting Engineers. The estimated cost of the project is US$13.3 million with project duration of 24 months. The works shall comprise earthworks to raise the road formation generally by 300mm to gravel standard and construction of four reinforced concrete bridges namely; Nkhate, Livunzu, Phala and Chizimbi."

"Currently the contractor is setting up his site camp and mobilizing equipment to site."

There has also been progress in the completion of the remaining 650 metres upgrading to dual carriageway of the Churchill Road from Illovo Round about to Midima Round about in Limbe, Blantyre which is being executed with funding from the Roads Fund.



rogress on road projects

Malawi's road network still under development as non-stop construction and rehabilitation works are underway

The works contract was awarded to Fargo Limited and is being supervised by FN & Partners/Pladems Joint Venture at an estimated cost of MK660 million, to be completed within 3-months.

The works commenced on October 9, 2017 and are expected to be completed by January 8, 2018.

"Currently earthworks are in progress," he says.

Upgrading to Dual Carriageway of Area 49-Area 18 - Parliament Round about Road in Lilongwe City is also underway. The Roads Fund is financing the project involving widening of the existing 4.4km road to dual carriageway following mainly the existing alignment.

"The upgrading to dual carriageway of this road will greatly ease congestion between City Centre and Kaunda Road especially during peak hours," says Matapa.

RA awarded the works contract to Mota-Engil and will be supervised by L.Gravam Consulting Engineers.

The estimated cost of the project is MK6.69 billion with duration of 12 months.

He says: "A large portion of the existing road will form the median of the new road and the new carriageway will be constructed on virgin land on both sides of the existing road."

"A pedestrian walkway will be constructed on both sides of the road and there will also be a bicycle lane. The works commenced on October 5, 2017 and are expected to be completed by October 4, 2018."

Another road project taking shape is the World Bank funded rehabilitation of the 45.9 km Karonga-Songwe road section, which is part of the M01 Road, located in Karonga District and connects Malawi to neighboring Tanzania.

"This corridor is very important as it facilitates trade in form of movement of goods and services into Malawi," says Matapa.

The works contract was awarded to Zhejiang provincial Transportation Engineering Construction Group.Co Limited and will be supervised by Roughton International.

The existing road will be widened at five main trading centers to 6.8 m carriageway with 2 metre wide sealed shoulders on either side.

The estimated cost of the project is US$20.3million with project duration of 15 months, and the works commenced on September 4, 2017 and are expected to be completed by December 3, 2018.

"Currently, the contractor is in the mobilision period," he says.

The Njakwa-Livingstonia road project has also made headway. The project is for upgrading of the 75km of road from earth to bitumen standard from Njakwa in Rumphi District to Livingstonia Mission.

The road is economically important as it passes through the tobacco growing areas and historic mission sites of Livingstonia mission.

In addition, the project will involve upgrading 5km of the road within Livingstonia mission and the Phwezi-Mphwamphwa spur.

Matapa reports that the works contract for the project was awarded to Mota-Engil and the supervision consultant is FN & partners /Pladems joint venture.

The estimated cost of the project is MK39 billion with project duration of 42 months, and the works involve upgrading the earth road to bitumen class 1 standard with 6.8m wide carriageway and 1.5m wide sealed shoulders on either side.

The works commenced on November 1, 2016 and are expected to be completed by May 2, 2020.

"Currently, the contractor is progressing with earthworks and pavement layers at varying stages of construction for a distance of 14 km and surfacing starting from Livingstonia Mission," he says.

The RA Chief also lauds progress on the construction of a second dual carriage way from Maselema-Chiradzulu Turn Off Road in Blantyre, which was awarded to Mota Engil with David consulting Engineers as supervising consultant.

The project is intended at easing traffic congestion on this 6.54km section of the M03 road.

Matapa says: "Physical progress is at 90% with outstanding works on the Rail Overhead Bridge and the construction of a retainer wall at Kachere."

"The project experienced some delays due to compensation issues of people affected by the project and contractual interpretations. However, these are being resolved and all outstanding works are expected to be completed by June 30, 2018." ■

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MINING & Social Issues

The Author, *Ignatius Kamwanje,* is a Consulting Geoscientist with experience in Mineral Exploration, Mining Geology, ESIA, Ground water Resources and Occupational Safety, Health and Environment.
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Mineral Economics in Artisanal Small Scale Miners

Mineral deposits in general are characterized by three factors namely; quality (all characteristics that influence revenues, costs), quantity (reserves/resources according to relation revenue-cost) and 'mineability' (all characteristics that influence costs)

Generally, quality factors do not have a significant influence on the appropriateness of a deposit for small-scale mining. On the market side, the price depends on the quality of the commodity. This is usually the same for large or small producers. Poor quality, however, can be a limiting factor for artisanal miners, as their processing technology is usually not capable of processing low-grade ores. Artisanal Small scale miners concentrate on grade and purity rather.

'Mineability' factors, however, are crucial for determining the appropriateness of small-scale mining. In general all factors that encourage optimization, mechanization and economy of scale (uniformity of deposit, tonnage, width of ore bodies, depth, and overburden) tend to mitigate against small-scale mining. However, adverse conditions for medium- or large-scale mining (irregular ore bodies, steep dipping slopes or seams) create a niche for economically viable small-scale mining. In a particular reserve-to-operating cost scenario for a commodity, the position of a deposit 'appropriate' for small-scale mining can appear in two different locations: at the high end of operation costs (industrialized mining), and at the low end (small-scale mining). Although artisanal small-scale miners do not generally use sophisticated concepts of reserve and resource classification systems, their basic thinking does not usually differ conceptually from industrialized mining.

Economic strategies of Artisanal Small Scale Miners

Artisanal small-scale mining is characterized by abundant time and chronic lack of money. Artisanal small-scale mines usually do not have reserves. The lack of investment capital, does not allow for necessary geological studies or exploration, financial evaluation prior to operating the mine and digging is random. Whenever possible, small-scale miners start right away with production, based on their geological experience. However, the criteria for selecting mineable 'reserves' for artisanal small-scale miners are similar to those applied in industrialized mining: any ore above the cut-off-grade that provides a living is mineable. High grading, (often considered to be 'degradation' or 'sterilization' of deposits by small-scale miners), is not so different from strict net present value optimization in many industrialized mining operations.

Mine transport is usually a limiting factor in small-scale mines. High grading by hand selection of the mineral is frequently done to minimize transport costs, leaving the lower grade ore as mine waste. This waste may be exploited further sooner or later until any mineral that provides a living is exhausted.

The next limiting factor is the processing plant. Further selection usually takes place before the mineral is fed into the plant. Lower grade mineral and tailings will be dumped. None of this mineral is usually wasted. These dumps are frequently re-worked again and again until nothing is left. Whatever the opinion regarding the work might be, this activity provides a living to those involved - and apparently is the only possible activity for them. At the same time total resource recovery increases. This is called repetitive scavenging.

Small-scale processing plants are usually technically basic. Recovery in a single processing step may be low. This leads to the widespread misunderstanding that artisanal small-scale miners are wasting mineral resources, recovering only perhaps 40 per cent of the value matter. This misunderstanding arises when people look only at single processing steps. Similarly, total recovery of small-scale mining is often not significantly below industrial levels.

Macroeconomic effects, taxation and foreign income of ASM

Production of high-value metals (gold, diamonds, platinum), gemstones and minerals from small-scale mines can make a major contribution to foreign exchange earnings of a country. This is at macroeconomic level. For example, gold produced by ASM is more or less equivalent to extra foreign income. Here no consideration of 'repatriation of utilities' by foreign investors is taken into account, as the 'investors' are the local miners themselves. In this regard, the value of artisanally produced gold can be considered as a net contribution to foreign income, as freely convertible currency is produced with only local input. It becomes baseless if payment is received in the form of converted currency (e.g, dollars) or in form of imported goods like electronic equipment. In any case, the livelihood and wealth of the communities involved are enhanced.

In countries which have VAT taxation implemented, the informal status of miners may constitute a quiet incentive for the government to maintain this situation. The informal status of the miners makes them a VAT-end-user, since they cannot benefit from any fiscal credit or drawback from goods bought from their suppliers. If smuggling is not an issue, and the product ends up in the official domestic market, the final product is again taxed with the entire VAT. The double interruption of the VAT-chain at the producer (small-scale miner) and the consumer generates double fiscal income.

Smuggling, money-laundering and guerrilla activities

Significant increases or decreases of official export statistics from small-scale mines may occur when changes to purchasing arrangements or taxation schemes are made. This may also occur with alterations in the overall political framework in which the miners operate. These apparent movements occur even though physical production does not change at all. Illicit marketing is primarily the result of inadequate government policies. In countries where commercialization is not based on free-market mechanisms and where sales are not transparent, smuggling is usually the first choice for miners and merchants.

Below is an extract from Mining Weekly newsletter of Creamer Media by Bloomberg titled "Gem smuggling Thwarts revival of Central African Republic" dated 29th November, 2017.

"*In the lounge of a luxury hotel in Bangui, the capital of war torn Central African Republic, soft spoken diamond dealers cautiously sidle up to guests. Their whispered offers of gems for sale are a visitors' first hint of the thriving illegal market for the precious stones in a country that five years ago was ranked as the worlds' tenth biggest diamond producer and is now mostly controlled by armed militias. Yet while diamond exports offer a potential source of desperately needed revenue, authorities so far have been powerless to curb the underground trade.*

The government is aware that smugglers come to Bangui to buy diamonds but doesn't have the means to stop them, said Mines Minister Leopold Mboli Fatrane.

Closer to the border, smugglers use neighboring Cameroun as a transit point for large scale flows of undeclared shipment of diamonds from Central African Republic, according to the Ontario based Advocacy Impact, which investigates mineral flows in conflict zones. The stones are flown to places such as Dubai and India, the organization said in a Dec. 2016 report."

From above extract it can be said that much of the benefits to government in Central African Republic are lost in this way. Nevertheless, smuggling or illegal trading usually happens in conjunction with an adjacent country where market conditions are more favourable, in this case Cameroun being used as a transit point. However, as developing countries are usually surrounded by other enveloping countries, the regional positive effect of artisanal small-scale mining may not be lost, just a different developing country with a more open policy is able to take advantage of its neighbours. Moreover, even extensive smuggling does not significantly reduce the local development effect (at community level) that small-scale mining has. In some cases, positive overall macroeconomic effect due to additional foreign income may also accrue. Smuggling is not usually performed by the artisanal small-scale miners themselves, but by intermediate or major illegal traders. Therefore smuggling is not generally a problem related to the miners, but to the product itself. The considerable capital required to smuggle efficiently means that traders are unlikely to belong to the typical artisanal mining social strata.

An example is ASM setting in Malawi somewhere where I was privileged to go to a small mining activity of gemstones. I had a chance to meet the small scale miners asking them how they mine, what prices do they fix for sale and the markets. No sooner had I finished inquiring than middlemen also called Dobadobas" invaded the place and started chasing me out of the place. I was a threat because they thought I came there as a straight buyer without their involvement not knowing I was on a different mission. So in essence, smuggling is not only done by the miners but with these illegal traders or middlemen and passing it on to buyers who are mostly foreigners and this link goes on until the end user gets it. Artisanal gold and gemstone mining are frequently used as a vehicle for money laundering or others financing guerrilla activities in other countries. Again, it is not but the products of their activity that are the subject of these illegal practices. In some countries, the continual links between money-laundering, guerrilla activities and civil wars (such as 'blood diamonds') can provoke the complete outlawing of the small-scale mining sub-sector ■

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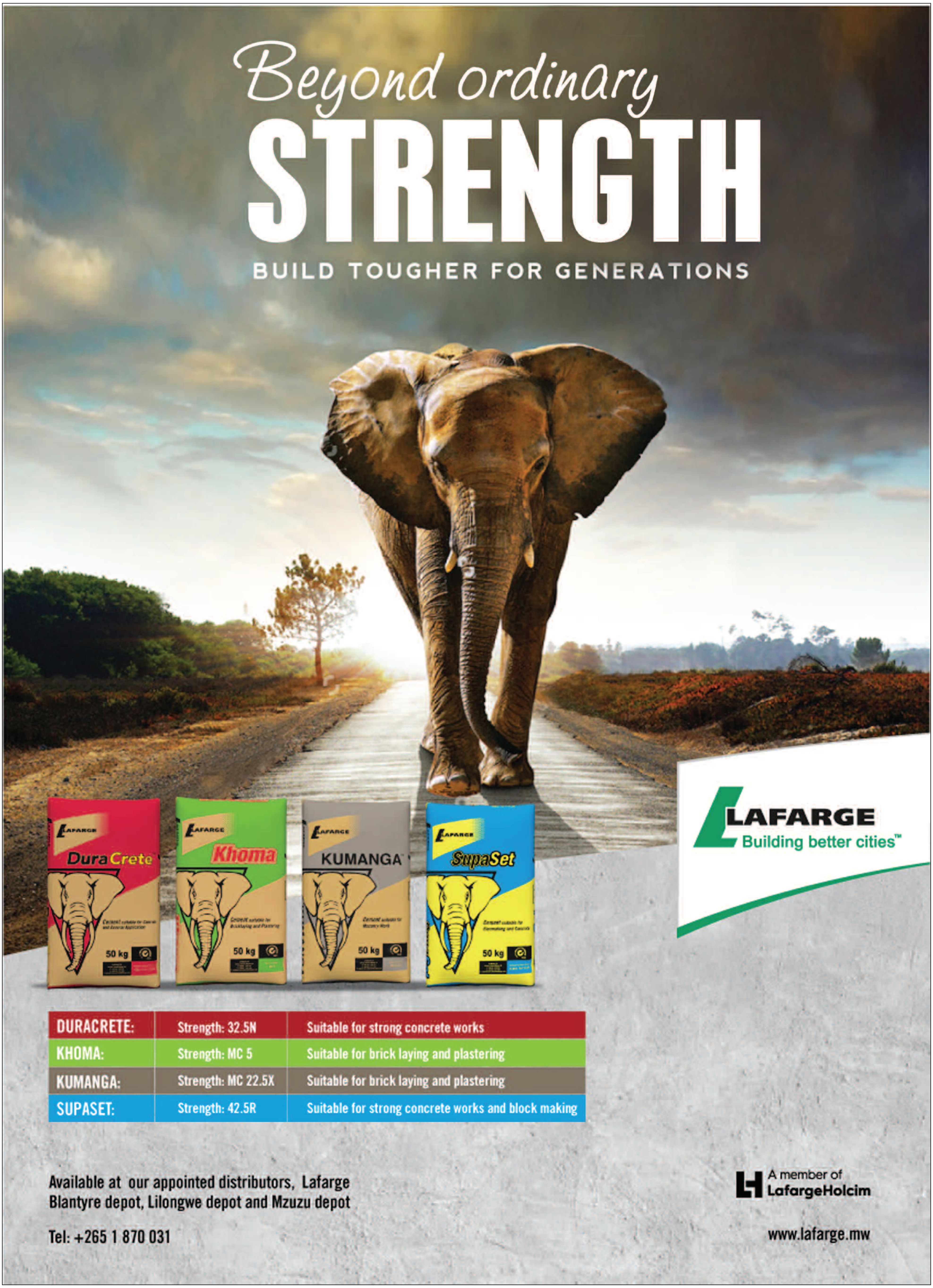
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TECHNICAL FILE

by Grain Wyson Phillip Malunga **FIMMM**
Mining and Environmental Management Expert

Reflection on Issues Raised at Alternative Mining Indaba 2017

Delegates at Alternative Mining Indaba 2017 where many questions were posed

Abstract
The minerals sector in Malawi is at infancy stage. Information about management of the sector and community benefit sharing is crucial at this moment. Community expectation needs to be managed properly in order not to derail the exploration and mining stages Malawi is undergoing.

The paper reflects on observations and questions posed during the Malawi CSOs' alternative Mining Indaba held in December 2017.

INTRODUCTION

The Norwegian Church Aid (NCA), OXFAM and Open Society Initiative for Southern Africa (OSISA) organized an alternative Mining Indaba (AMNI2017) under the theme "Transforming Malawi's Natural Resources Sustainable Development". This happened on 18th and 19th December 2017. Delegates were drawn from the members of Natural Resources Justice Network (NRJN), Malawi Chamber of Mines, Small Scale Mining Associations and government.

Some of the grey areas brought on the table are highlighted and explained below.

ISSUES AND EXPLANATION

What constitute mineral resources development and when do communities earn tangible benefits?

Mineral Resource Development starts from exploration for the target minerals. This involves review of previous work done and targeting areas where occurrences of minerals were reported. Those areas are visited, mapped and samples taken. Samples are collected from trenches, pits and surface exposures with the intention of confirming their presence, composition and spread of their occurrence. This helps to zero in on prospective areas and carry further detailed sampling in order to establish the mode of occurrence of the mineral and economics on grade, quality, processing and profitability of undertaking such work. This may take a period of three to seven years depending on the outcome of previous exploration activities.

Community engagement starts soon after grant of Exploration Licence in order for them to understand what will happen in their customary land and any benefit that may accrue to them for changing their life style and activity. This may involve a universally agreed compensation for disruption of economic activities in the targeted land. Social and environmental mitigation measures are undertaken during project scoping in order to obtain community nod on the project (social contract).

Tangible benefits for the community happen during next phase of detailed studies for feasibility analysis. This includes assistance to social projects such as education, access infrastructure, agriculture, water and sanitation. During this engagement acknowledgement on the role played by government should not be obscured.

After feasibility studies have been conducted and the project proved socially, technically and economically viable, a Mining Development Agreement (MDA) can be entered between government and the developer. The communities stand to benefit too if a Community Development Agreement (CDA) is also established in order to avoid up hazard and unreasonable demands from either party.

What has transformed in the minerals sector since engagement with Natural Resources Justice Network?

From the author's perspective, there has been great achievement in advocacy and government quest in order to transform the minerals sector. In order to comply with Open Government initiatives, Malawi, in 2014, established Extractive Industries Transparency Initiative (MWEITI) with the purpose of promoting accountability in fiscal and revenue management between government and the private sector. The institution has also published all existing Mining Development Agreements. Companies, Civil Society (NRJN) and Government form the Multi-stakeholder Steering Group (MSG). Access to Information Act was established, in 2016, with guidelines/regulations being developed now. The Mining Governance and Growth Support Project (MGGSP) has helped achieve the following;

- *Tax regime reformation with a stability period clause*
- *Building capacity for tertiary education*
- *Establishment of geo-data centre*
- *Development of policies to guide the development of the petroleum sector and artisanal/small scale mining (ASM) sector*

Results of Airborne Geophysical Survey were released and government is undertaking ground truthing in order to update geological maps and improve mineral prospectivity of the country. This is being undertaken by a Consortium of French, British and Finnish Geological Surveys with quality monitoring by South African Council for Geoscience.

What is the role of District Councils in Mining?

The Mines and Minerals Act (1981) vests the licencing of mineral permits in the hands of local councils. District Councils are supposed to issue licences for commercial activities related with extraction of clays, sand and stone for local development activities. This devolution requires establishment of District Officers responsible for Mining Activities. Current scenario shows that this responsibility is either under District Environment Officers or District Forestry Officers. It is important that this sector is institutionalized in order to monitor the performance of the extractive sector in bringing community benefit sharing and environmental management at local level. District Councils are losing a lot of revenue in this sector that can augment their revenue sustainability. These activities will be viable if Area Development Committees and Village Development Committees are engaged under Natural Resources Management Committees.

How can ASM benefit from formal financing and gemstone marketing?

The Artisanal/Small Scale Mining Sector is mostly informal and therefore lacks transparency in business transactions. This makes it difficult to raise finance through formal financial sector and their licencing period is too short to come up with a meaningful business plan and medium term finance borrowing. Recommendation is to have at least a three year licence and a formal market outlet/auctioning with assistance from the Chamber of Mines and Energy or an Auction Holding Company. This should be clearly outlined in the Artisanal and Small scale Mining Policy. Local small scale mining associations should be properly constituted and be affiliated to the Chamber of Mines for technical support.

How can the sector improve on community engagement?

The sector lacks sincere professional advocacy. There is a lot of misinformation on community benefit sharing and at what stage of mineral resource development. Most financial providers to the Civil Society have hidden agendas of distabilising national economic development. These providers take advantage of disparate nature of other Non-State Actors and individual activists in misinforming the people through the media on issues of environment and benefit sharing. Use of community radios on issues of natural resources governance can bring beneficial debates and good relationship between companies and communities.

What is happening to post closure rehabilitation?

All mining to large scale mining activities require Post Closure Rehabilitation Plan. Companies are supposed to notify the Minister responsible or Commissioner for Mines and Minerals a year in advance. The same should happen with mining operations that are to go under care and maintenance. Changalume Limestone Quarry and Eland Coal Mines did not act professionally. Government should intervene under these circumstances. Changalume was quickly closed and handed over to government taking advantage of a rushed political process. Eland Coal Mines was dogged with mismanagement and uncoordinated negotiation process between communities and government. There was no proper channel of grievance handling.

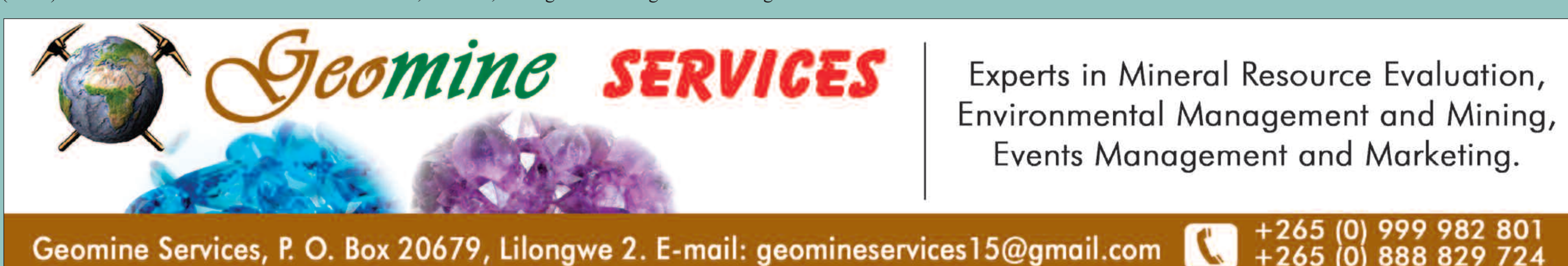
It is recommended that a Technical Committee should be set up to handle processes of post closure mine rehabilitation and environmental management through setting up of an Environmental Bond and periodical monitoring of mined out portions.

Who drafted the new Mines and Minerals Bill?

This bill was drafted after along consultative process that involved ADCs, Government Institutions (including Parliament), Civil Society and the Private Sector. Regional and national workshops were conducted on the understanding that representation was for a wider stakeholder. The Mines and Minerals Policy, 2013 formed the foundation for this process. A consultant was engaged by the World Bank through MGGSP. The bill was later handed over to Ministry of Justice for vetting and submission to cabinet before passing it on to Parliament for passing it into law.

REFLECTION FROM THE QUESTIONS

The process of sustainable development in the Minerals Sector requires honesty, integrity and meaningful engagement. There is need for trust between government and non-state actors for meaningful economic development to benefit the grass root communities. A proper communication strategy between government, companies and civil society should be established. The Ministry of Natural Resources Energy and Mining should appoint a Desk Officer to handle issues related with Civil Society and communities in order to ensure maximum participation and establishment of efficient line of communication for sustainable development in the minerals sector■



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"Remove veil of secrecy on oil search activities"

...Karonga Communities want sensitisation meetings

By Deborah Manda

Communities in the lakeshore district of Karonga, where oil prospecting works are taking place, have lashed out at the Ministry of Natural Resources, Energy and Mining for hiding information on oil exploration activities taking place in the district.

The Ministry of Natural Resources, Energy and Mining granted oil exploration licences for Block 1, covering Chitipa and part of Karonga to South Africa's SacOil and Blocks 2 and 3 covering parts of Karonga, Rumphi, Nkhata Bay and Nkhaotakota to UAE firm Hamra Oil.

But John Phiri, a fisherman based at St Mary's in the shores of Lake Malawi laments that the government has not done any sensitisation meetings with the communities on the oil exploration programme.

"We only heard from members of the civil society that oil drilling in the lake will kill fish. We, therefore, fear that we will lose our means of livelihood as we depend on the fishing industry," says Phiri.

He, therefore, says it is important now that the government and oil investors start organising meetings to update them on the progress of the exploration works and the safe exploration techniques that are being applied in the oil search process so that the communities are assured that there will be no any destruction of the environment.

State President Peter Mutharika assured Malawians last year that the Malawi Government will work with multinational oil firms in applying clean technologies to explore for oil in the country's portion of the Great African Rift Valley which has potential for oil discoveries.

Mutharika said his government has made this decision because it does not want Malawi to stay behind while other countries in the region are scouting for own oil resources.

But while accepting that oil discoveries may boost the country's economic fortunes, representatives of the fishing community interviewed in Karonga say what they want is total transparency on the oil prospecting work.

"We do not want secrets. We also want to be part of the decision making process on the oil exploration projects. When the discoveries are made and production starts, we as well want to be the prime beneficiaries," says Phiri.

Catholic Commission for Justice and Peace (CCJP) Programme Manager Innocent Nazombe agrees with the members of the fishing communities saying there is a communication gap between government and the concerned communities because government did not consult the communities nor conducted any sensitisation meetings with the people before granting the exploration licences.

"If the community, especially the fishing community knows about the exploration work, it is through engagement with a team of consultants employed by the exploration companies to convince the communities to accept the work to be done in their respective areas," says Nazombe.

Nazombe: CCJP Programme Manager for Karonga

Nazombe also says that they expect the exploration companies to be more transparent in their operations and sign community development agreements with the locals so that the communities can benefit from corporate social responsibility.

"As an organisation, we would engage them to be producing monthly reports to be presented to the District Executive Committee (DEC) for appraisal and council for policy direction. We expect that the exploration companies will be publishing their returns, make and fulfil CSR commitments in order to uplift the livelihood of the people of Karonga," he says.

He says a good number of fishermen who were previously pessimistic of the exploration work now welcome it after being told by the companies that the work would be done onshore.

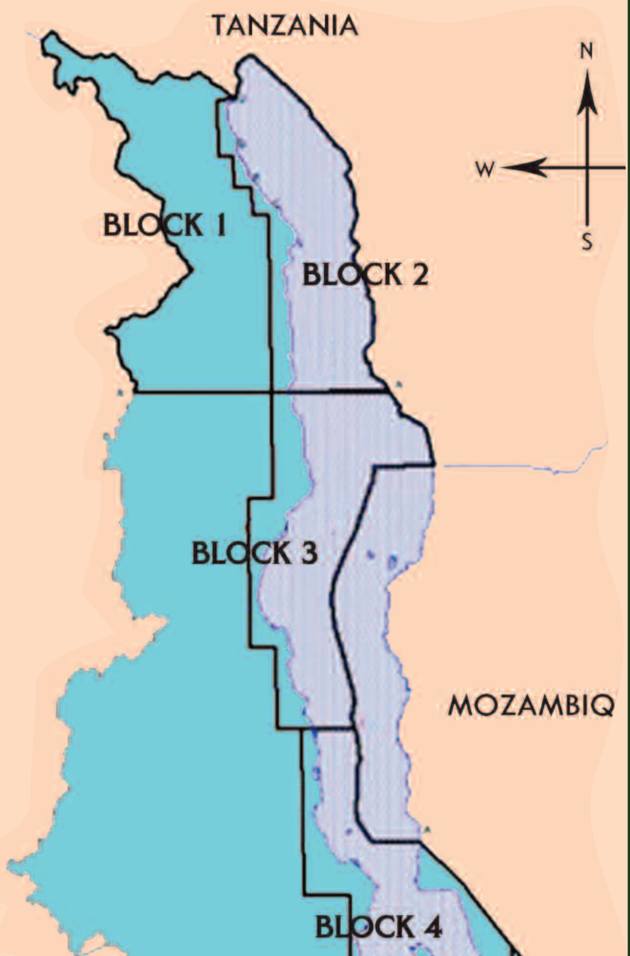
Nazombe, however, says the only fear the people of Karonga have is that they may be robbed of the oil when it is discovered because the government has not yet come forward to explain how they will directly benefit from the natural resources.

In a separate interview, Traditional Authority Kyungu claims that he does not know anything about oil exploration in Karonga because there has been no official communication from the Ministry of Natural Resources, Energy and Mining to his office.

But Chief Mining Engineer responsible for Oil and Gas, Cassius Chiwambo, says the government conducted community sensitisation meetings in Karonga in 2012 to 2013 in conjunction with UK firm, Surestream Petroleum, which held the oil tenements that time.

He also says the government is lobbying for more resources to conduct more community sensitisation meetings.

"We have conducted consultative meetings to get views on the petroleum policy and draft bill with all the concerned districts and we have been to Karonga where we met the District Executive Committee, now we want to engage the public on a daily basis, giving them the required information," says Chiwambo.



Map of Oil blocks across Malawi

He says the government has also advised exploration companies to sensitise the communities before they begin geological mapping processes as part of their social licence obligation.

Chiwambo says the communities should also not be worried of fish dying during exploratory drilling as that does not happen often.

"Not a single fish died when Syracuse University conducted a shallow scientific drilling in 2004 on the lakebed to collect drill core samples for research," he says

Exploration for petroleum in Malawi dates back to the 1980s when Duke University conducted a ship borne seismic survey over Lake Malawi under a research permit granted by the Government of Malawi ■

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