

## PRESS STATEMENT

### The State of the Extractive Sector in Malawi

Blantyre, 19<sup>th</sup> September 2020 – The members of the Publish What You Pay Coalition and Natural Resources Justice Network would like to congratulate His Excellency the State President Dr Lazarus M. Chakwera on his maiden State of the Nation Address on 4<sup>th</sup> September 2020. In his address, the President has made some notable commitments of significance to the extractives sector including the review of the Petroleum Production Sharing Agreements; and operationalization of the Access to Information Law which has already been gazetted. We commend the Tonse Alliance Government for these commitments to transparency and accountability.

We would like to call to attention the shocking statement made by the President on the loss of USD85million worth of gold through export to the United Arab Emirates. This statement has indeed raised many questions amongst citizens who are unable to understand where such quantities of gold can possibly be extracted in the country since the sector is dominated by Artisanal Small Scale Miners who operate illegally and remain undocumented.

The queries by the citizens has prompted us to bring to the national attention a few challenges in the mining sector which need to be addressed with urgency if the country is to benefit from the sector. The issues are as follows:

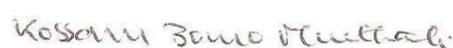
1. **Limited political will to fully utilize the Malawi Extractive Industries Transparency Initiative process as a reform tool.** Malawi is an Extractives Industry Transparency Initiative reporting country with 3 reports so far produced. The reporting process has generated a wealthy amount of data which has largely been underutilized. Presently, it has become more apparent that the Extractive Industries Transparency Initiative process in Malawi is narrowly focused on being compliant to the Extractive Industries Transparency Initiative board by submitting reports and not necessarily learning from the process to make significant improvements in the governance of natural resources. As the Tonse Government champions the public sector reforms, the recommendations from the Malawi Extractive Industries Transparency Initiative reports should be considered in the reformation of public finance management systems to ensure transparency and accountability of extractive sector resources.
2. **National misalignment to the Continental Mining strategy.** The Africa Mining Vision was adopted in February 2009 by the African Union Heads of State and Government, including Malawi, and it is Africa's overarching framework for achieving inclusive, broad-based, sustainable mineral-based structural transformation of the continent. As we look towards industrialization and promotion of regional trade, Malawi is yet to develop a Country Mining Vision with most of the strategies being included in policy motivations across different sectors. The pillars of the Africa Mining Vision adequately address all the challenges Malawi is currently facing in its extractives industry with regard to revenue and fiscal management, artisanal small scale mining, contract and licensing and environment and social management. The national extractives sector should have all the necessary domestic precepts in place in order to thrive and contribute to sustainable development. This is also especially important for the Artisanal Small Scale Mining Sector which needs an urgent response from government in terms of formalization and regulation.
3. **Limited coordination amongst agencies in the regulation of the sector.** The mining sector continues to face losses and challenges due to the lack of coordination amongst government agencies. This is especially a problem for the Environmental Affairs Department and Department of Mines who seem to operate in isolation from each other when it comes to monitoring of mining projects. This has contributed to high social and environmental costs of mining in the affected communities. Environmental and Social Impact Assessments are often conducted without community consultations and are not well monitored leading to limited compliance by investors without any consequence to them. They are also not easily accessible thus making it difficult for communities to monitor.
4. **Mining revenues need to be invested into long term development priorities.** One of the weaknesses of the extractives sector is that the resources are usually not invested into development projects that can serve as legacy investments for future generations. Revenues from the sector are currently remitted into Government Account Number 1 which has often resulted into difficulties in reconciliation of revenues and determination of the sector contribution to national investments. Extractives resources should be allocated a designated pool from which government can make longer term investments into infrastructure development to benefit current and future generations. This should also include a benefit sharing mechanism for mining affected communities who bear the larger cost of mining. This will also make extractives fiscal and revenue management, and reconciliation a less difficult process for EITI reporting companies and government agencies.

While we appreciate that most of these challenges can only be addressed gradually through relevant policy and institutional reforms; the members of the Publish What You Pay Coalition and Natural Resources Justice Network call upon government to urgently do the following:

- Issue a public statement on the position of the government on the exploration and extraction of Oil and Gas on Lake Malawi. We strongly recommend that government consider only offshore exploration and drilling to preserve the invaluable natural resource which is Lake Malawi.
- Issue a public statement on the exportation of USD85million worth of gold from the country which is currently unaccounted for in the Malawi Extractives Industry Transparency Initiative reports and what is being done to combat this loss of national resources.
- Issue a public assurance to the nation and especially communities of Karonga on the quality of water resources in the Sere and Rukuru rivers following the multiple spillages that have occurred at Kayelekera Uranium Mining site over the last few years and more recently on 4<sup>th</sup> March 2020; and Publicly display the results of the tests that have been conducted since the spillage including the source where the samples were tested.
- Operationalize the Mining Authority in compliance with the 2019 Mines and Minerals Act to enhance coordinated governance of the sector
- Expedite the revision of the Petroleum Exploration and Production Act
- Make publicly accessible through nationally owned online platforms and district information desks crucial information regarding the extractives sector such as Concessions, Contracts and Production Sharing Agreements; Environmental Impact Assessments; Inspection reports; and Beneficial Ownership data.
- Expedite the decentralization of the Department of Mines for easy accessibility and availability of the Department of Mines to local governments and mining affected communities



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**Who we are:**

*Publish What You Pay (PWYP) Malawi is a coalition of local and international civil society organizations (CSOs) that is campaigning for a transparent and accountable extractive sector in Malawi. The coalition was set up in 2015 and operates under the umbrella body of the Natural Resource Justice Network (NRJN). Within NRJN, PWYP Malawi coordinates and implements activities under the network's revenue transparency thematic area.*

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