



Raising the Community Voice in the Extractive Sector

It is state capture, not death of diamond industry.

One of the most heinous economic crimes in the history of Zimbabwe is the Marange diamond plunder. President Mugabe partitioned an estimated 60 000 hectares of Marange diamond field to securocrats loyal to his ZANU PF political party in mining ventures with foreign entities in 2009. The decision followed a ruthless military operation to capture the diamond field from artisanal miners who had besieged the area to pan for diamonds in 2007. Under the disguise of busting economic sanctions Marange diamond mining was exonerated from public scrutiny by the Mugabe administration. As a result of state capture, parliament could not effectively exercise oversight on Marange diamond mining. Similarly, local duty bearers like Rural District Councils (RDCs) and Environmental Management Agency (EMA) were powerless to effect accountability and transparency measures on diamond mining companies in Marange. The net effect on the economy was loss of revenue to fiscus.

According to Robert Mugabe (2016) government lost \$15 billion of revenue in Marange diamond plunder from 2009 to 2015. In spite of the visible presence of securocrats in all mining ventures in Marange, the President blamed foreign partners for the diamond plunder. The host community of Marange became victims of abuse, massive environmental degradation, forced displacements and increased poverty out of diamond mining. A paltry \$400 000 was remitted to Zimunya Community Share Ownership Trust against the alleged \$50 million pledges made by mining companies. With little diamond revenue flowing to fiscus the then government of national unity (GNU) could not raise enough capital to grow the economy let alone service its domestic and foreign debt during this period. However, securocrats involved in Marange diamond mining accrued huge capital and consolidated their political powerbase. As a result, opposition political parties could not match the opulent ZANU PF machinery in the harmonised elections of 2013.

The statement recently made by finance minister Chinamasa whilst addressing a confederation of Zimbabwe Industry meeting in Mutare that the diamond industry was dead because of litigation challenges in the diamond consolidation process is unreliable. In his national budget statement of 2014 Chinamasa proposed the consolidation of mining companies to enhance oversight, transparency and accountability in the diamond sector. The minister also made it abundantly clear that consolidation in the absence of a legal framework and operational guidelines will not yield the desired outcomes in the diamond industry. Ever since these proposals were made government has not produced a diamond act to regulate the diamond industry. The government has also not adopted the Zimbabwe Mining Revenue Transparency Initiative (ZMRTI) to promote transparency and accountability in the mining sector as previously promised. Worse still, the Zimbabwe Consolidated Diamond Company (ZCDC) circumvented parliamentary oversight by commencing mining operations without an Act of Parliament in 2016.

The Parliamentary Portfolio Committee (PPC) on Mines inquiry on ZCDC mining operations unearthed shocking levels of poor corporate governance practices in 2016. The committee also revealed that there was dearth of information on revenue generation at ZCDC, scandalous awarding of tenders among other issues. The CEO of ZCDC Dr Ridge Nyashanu was described as bogus by some legislators when he failed to reveal the structure of ZCDC let alone disclose the amount of diamond exports made by ZCDC (Herald 21/06/ 2016). What has become apparent is that ZCDC in its present form cannot turn around the diamond industry even if the company is allowed to mine in former Anjin and Mbada diamond concessions. The consolidation process present an opportunity for government to implement policy reforms and best practices. In its 2016 pre-budget report the PPC on mines recommended government to legalise ZCDC operations and promote transparency in revenue generation among other issues. By increasing transparency and accountability measures government can attract credible investors to partner ZCDC and generate much needed revenue to fiscus as seen in the Botswana and Namibia diamond investment models. Manipulation has been prioritised by the Mugabe government at the expense of transparency and accountability ever since formal diamond mining started in Marange. The Higher Education Minister Professor Jonathan Moyo defended the looting of \$430 000 from Zimbabwe Manpower Development Fund (ZIMDEF) claiming that he used the money to fund the ZANU PF million man march. The minister is alleged to have boasted that he was not the only minister implicated in such deals (Newsday 12/10/ 2016). This confirms allegations that ZANU PF government create parastatals to mop public resources and finance its political activities.

The ZCDC recently put up a notice of diamond exploration in Penhalonga, Mutambara and Martin Forest in Chimanimani in Manicaland Province (herald,7/3/2017). The ZCDC gold mining operations in Gache Gache area of Kariba were suspended because the company did not carry out an Environmental Impact Assessment (EIA). The PPC on mines raised concern on the spreading of ZCDC tentacles to gold mining without clearly laid down terms of reference amid little revenue trickling into treasury in its 2016 pre-budget report. Communities in Marange have accused ZCDC mining operations of environmental pollution and human rights violations. The ZCDC acquired \$30 million diamond mining equipment through a Reserve Bank of Zimbabwe (RBZ) loan facility extended from Belarus. Without stringent transparency and accountability systems at ZCDC, the prospects for citizens to face a huge debt accumulated by ZCDC are high against the backdrop of economic stagnation and increased poverty. Meanwhile the continued state capture of the diamond resource will continue to impact negatively on Zimbabwe's national democratic processes.