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## **Government complicit in Marange diamond plunder warrant an independent commission**

On 23 February 2018 the Minerals Marketing Corporation of Zimbabwe (MMCZ) announced in Parliament that only US\$2.4 billion dollars had been realised from Marange diamonds sales between 2009 to 2017. This confirmed the state's complicity in expropriation of one of Zimbabwe's most valuable mineral wealth. To begin with, Zimbabwe Mining Development Corporation (ZMDC) was coerced by government elites to enter into mining ventures with dubious companies such as Reclaim and Core Mining. The ZMDC due diligence report for example described the companies as "having no diamond mining as part of their vision and growth strategy".

The Parliamentary Portfolio Committee on Mines (PPCM) report on Marange that was published in 2013 revealed that Dr Obert Mpofu had rendered ZMDC powerless by appointing board members to ZMDC subsidiary companies in Marange in clear violation of section 5 (2) of the ZMDC Act. As a result, securocrats and individuals with diamond cartels like Dr Mhlanga and Dr Obey Chimuka were appointed to ZMDC subsidiaries like Mbada, Anjin and DMC. Another PPCM report published in 2016 pointed out that Zimbabwe had lost billions of dollars in potential diamond revenue from Marange to illicit financial flows through undervaluing of diamond export sales and transfer pricing. The report accused MMCZ of failing to undertake due diligence processes in the production and marketing of Marange diamonds. The Botswana Government Valuers raised Marange diamonds that have been valued at US\$26 a carat to US\$76 in 2017 according to government sources. In a test diamond auction recently conducted by government in Harare, one gemstone fetched US\$1888 per carat. According to mining sources, 20% of diamonds produced before the consolidation of diamond companies were gemstones. There was no transparency in the accounting of diamonds mined as most gemstones were not officially declared but smuggled to international markets by mining executives and syndicate buyers. Some of the smuggled gemstones were intercepted at local roadblocks and some at international airports en route to trade markets of Dubai, Hong Kong, Israel and India.

The 2016 Auditor General's report on state enterprises that was presented to Parliament in June 2017 found evidence of governance deficits at ZMDC and MMCZ. At the MMCZ which only had one board member, Professor Gudyanga, then Permanent Secretary in the Ministry of Mines and senior officials at the corporation awarded themselves huge, unapproved financial benefits and allowances that were prejudicial to government. The report also highlighted that the MMCZ made donations close to US\$3 million against the approved budget of US\$ 250 000. The funds were channeled to ZANU PF related activities including the US\$4 million facility paid to NIKUV linked Pedstock agriculture company by Professor Gudyanga. ZMDC was issued with an adverse opinion for its failure to provide the value of its 50% shareholding it transferred to several companies including Mbada, Diamond Mining Corporation (DMC) and Jinan diamond companies. No audited financial information was availed to the AG by ZMDC for the US\$1.7 million in revenue that ZMDC was entitled to collect as depletion fees from the sale of diamonds by Anjin Investments. The government of Robert Mugabe's decision to consolidate Marange diamond companies in 2016 was meant to manage ZANU PF political power struggles rather than to address issues of transparency and accountability. This explains why former Minister of Mines Chidhakwa who was closely linked to the former President's political faction circumvented public scrutiny by registering the Zimbabwe Consolidation Diamond Company (ZCDC) as a private entity. Minister Chidhakwa also appointed his former permanent secretary Professor Gudyanga to act as an acting chairman for ZCDC, ZMDC and MMCZ leading to serious corporate governance violations and illicit financial outflows. Moreover consolidation without due diligence provided the opportunity for government elites to conceal vital information on mining contracts, production statistics, revenue generated and beneficial ownership of shares in former mining ventures.

The plunder of Marange diamonds was also achieved through state brutality, environmental destruction and economic exclusion of the host community of Marange. The new political dispensation of Emmerson Mnangagwa promised zero tolerance on corruption when it came into power in November 2017. It also gave assurances to the nation that the pillars of state that promote democracy in Zimbabwe would be strengthened and protected. However recent events in parliament where former Minister of Mines Obert Mpofu refused to answer questions on the missing US\$15 billion diamond revenue hold proof of a government that is not walking the talk. Furthermore, the refusal by the Chairman of the Agriculture and Rural Development Authority (ARDA), Basil Nyabadza, to disclose in parliament the beneficial ownership of shares in ARDA indicate that opacity in government joint ventures continues. Meanwhile the "Zimbabwe is open business" mantra being spearheaded by the Mnangagwa administration is not backed by important

policy frameworks that promote transparency and accountability especially in natural resource governance.

Against this background it becomes imperative that government adapt a multi stakeholder approach to hold perpetrators of economic crimes and human rights abuses to account. In the diamond sector, an independent commission must be set to investigate the plunder of Marange diamonds. The findings of the Chindori Chininga and Daniel Shumba led PPCM investigations on Marange diamond mining is a good starting point for the commission. The commission must work closely with civic society and international agencies like the Financial Action Task Force to track beneficial ownership of former mining companies and individuals responsible for plundering Zimbabwe diamonds through smuggling and undervaluing of export sales or transfer pricing. Some companies like Mbada diamonds are registered in countries like Hong Kong, British Virgin Islands, Mauritius and Dubai. The UN guiding principle on business and human rights recommends “operational-level grievance mechanisms” as effective means of enabling remediation. The commission can also create sustainable dialogue in communities impacted by diamond mining to allow affected communities to claim their rights through restitution and compensation.