



*Raising the Community Voice in the Extractive Sector*

### **Press Statement by the CRD**

#### **Lack of transparency and accountability in diamond consolidation breeding lawlessness in Marange Diamond Fields**

The Reserve Bank of Zimbabwe (RBZ) raised concern over the failure by the diamond sector to contribute meaningfully to the development of the economy in its January 2016 monetary policy. Thus the RBZ in liaison with Zimbabwe Consolidated Diamond Company (ZCDC) and ministry of mines vowed to account for all diamond export sales in a transparent manner similar to gold under fidelity printers according to Dr John Mangudya, RBZ governor. The RBZ also promised to source funds from development financial institutions to the tune of US\$ 30 million working capital for ZCDC to increase production and meet the targeted diamond output of 6000 000 carats projected in the 2016 national budget. Mines Minister Chidhakwa also assured the nation during the promulgation of diamond mergers in February 2016 that government had done its homework on the mergers including putting measures in place to prevent further diamond leakages in Marange. The minister also declared that ZCDC will remit revenue on monthly basis and publish quarterly financial statements to enhance accountability.

However ZCDC mining operations have been mired in opacity since beginning of consolidation .Both permanent secretary of mines Gudyanga and ZCDC acting Chief Executive Officer Ridge Nyashanu only provided parliament with diamond production figures when threatened with contempt of court in June 2016. A paltry figure of U\$21 549 008 from the sale of 513 000 carats in the first quarter of March was announced by the two in parliament. There have not been any monthly reports and quarterly financial statements published on ZCDC production figures as promised by Chidhakwa.

However the RBZ quarterly economic review reports of March and June 2016 highlighted a 53% decline in diamond production in Marange. In September 2016 the governor did not disclose statistics on diamond financial inflows in his midterm monetary policy statement. There were no further quarterly reports produced by RBZ from June 2016. There are no financial reports for ZCDC posted by ZMDC ever since the company took over mining operations in Marange. Appearing before Parliamentary Portfolio Committee(PPC) on mines in December 2016 Chidhakwa revealed that only 924 388 carats had been produced by ZCDC .Chidhakwa was quick to blame legal wrangles with former mining companies as reason for sharp decline in diamond production in 2016. The RBZ quarterly reports including the 2017 budget strategic paper published by the minister of finance also mentioned litigation challenges as the only reason for underperformance in the diamond sector.

Whilst it can be argued that slump in diamond production could be as a result of ZCDC failing to mine in former Mbada and Anjin concessions because of legal ownership challenges before the courts ,it is the lack of transparency and accountability at ZCDC that remains central to the consolidation pitfall. ZCDC took control of DMC, Rera, Marange Resources in March 2016 but could not secure requisite funding to boost recapitalization because of opacity. As it stands the company has no legal instrument to support its

existence. Whilst government is still fighting Mbada in the courts negotiations by Chidhakwa with Anjin, Jinan and DTZ OZGEO over the control of their diamond concessions has remained secretive with no room for parliamentary oversight.

The operations of ZCDC are founded on gross corporate governance practices. As a result the permanent secretary of mines Gudyanga who is also the acting chairman for the ZCDC board could not explain before parliament in June 2016 why he used US\$1.3 million of MMCZ funds to pay Pedstock an Israel agricultural company. The cleaning and marketing of ZCDC diamonds since 2014 was done by a company called First Element. Deputy general for (MMCZ) Richard Chingodza accused First Element diamond evaluators of opacity when he appeared before PPC on mines in June 2016. First Element has a shady past and is closely linked to Gudyanga. Gudyanga is also the chairman of MMCZ and has flouted tender procedures in awarding contracts to these companies. Poor corporate governance at ZCDC cast doubt on government's commitment to turn around fortunes in the diamond industry.

The net effect of ZCDC operations in diamond communities has been resource deprivation, increased poverty, human rights violations and lawlessness. Desperate villagers including women and youth are now being employed by diamond dealers to enter into restricted diamond mining areas to pan for the precious mineral. The state security operatives and company guards manning these areas have become law unto themselves from organising panning syndicates to committing human rights abuses on both illegal panners and ordinary villagers without caution. In January 2017 alone the CRD has met with over 60 victims of assaults, dog bites and gun shots from Marange diamond fields. Most of the victims interviewed identified Assistant Commissioner Dube for leading in perpetrating these abuses at his base in Mbada diamonds during this period. Villagers interviewed told CRD that Mbada diamonds fields is fast degenerating into a torture base because of the level of abuses being met on alleged diamond panners by members of the support unit in charge of security operations there. Some victims who narrated their ordeal to CRD claimed that members of the support unit were also competing among themselves for control of panning syndicates and diamond outputs at Mbada hence the increase in violence in the diamond community. One of the reasons mentioned by government for diamond consolidation was to plug leakages and uplift human rights standards of communities living in diamond rich areas.

The ZCDC went into an overdrive by displacing 21 villagers from Tionengana village in Marange to Arda Transau without following due process. Government blamed former mining companies for doing the same thing back in 2010. The government had then promised to come out with a relocation model to guide relocations and protect the rights of affected people. That commitment has already been challenged by ZCDC