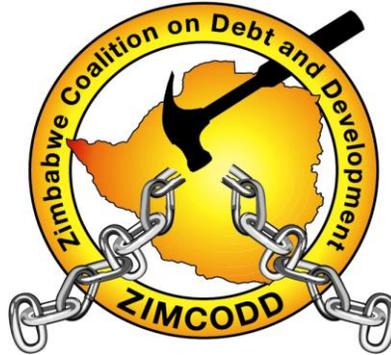


# Zimbabwe Coalition on Debt and Development



*Investing in people for social and economic justice*

## Statement on looted US\$15 billion in the Diamond Sector

## Introduction and background

In a televised interview on the eve of his 92<sup>nd</sup> birthday on 28 February 2016, the President of Zimbabwe, His Excellency, President Robert Mugabe publicly admitted that \$15 billion was looted from diamond revenue by mining companies<sup>1</sup> since their discovery in Manicaland province in 2008. This admission confirms what the Zimbabwe Coalition on Debt and Development (ZIMCODD) and other organizations' concerns for the past years supported by research concerning the illicit and organized financial hemorrhages in the extractive sector. The economic bleeding is costing ordinary Zimbabweans' fulfillment of their social and economic rights. Communities in mining areas and the country at large are not deriving meaningful benefit from natural resources extraction. All they get is the environmental and social burdens that come with resources extraction such as pollution, loss of land and livestock, displacements and environmental degradation.

The US\$15 billion diamond revenue leakage is evidence that the country is losing billions of potential resources for development through illicit financial flows (IFF). The discovery of diamonds in Marange brought hope to the nation. Revenue from the diamond sector was anticipated to restore macro-economic stability and general social and economic development for the nation as a whole. However, the exploitation of Marange diamonds did not translate into the much expected development as budget deficits have become perennial, social spending dwindling, industrial sector productivity continue to decline and the country is saddled by a public debt of US\$8.368 billion<sup>2</sup>. It is worth noting that, Zimbabwe's debt overhang of US\$8.368 billion is below the publicized Marange\$15 billion revenue loss. Taking into account that Zimbabwe is endowed with other precious minerals, this means that if our natural resources are managed in a transparent and accountable manner Zimbabwe's resources are adequate to finance our developmental priorities and there is no need to rely on borrowing. ZIMCODD continually advocates for domestic resources mobilization as opposed to unsustainable and unpredictable borrowing from International Financial Institutions and other bilateral lenders who set conditionalities that hurt the ordinary citizens and bleed our economy.

Since 2009, former and current Ministers of Finance have lamented that the country was being swindled by mining companies as they remitted very little to the Treasury. Researches done by various civil society organisations such as ZIMCODD and other partners under the Zimbabwe Network Against Illicit Financial Flows (ZiNAIFF), the academia and other stakeholders have confirmed that the country is losing potential resources for development from the diamond sector despite the fact that the companies were making huge profits. The researches also revealed that there was a mismatch between increase in productivity and the revenue remittances<sup>3</sup>. ZIMCODD has consistently bemoaned the inaction by government to address this economic injustice.

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<sup>1</sup><https://www.newsday.co.zw/2016/03/07/mugabe-must-explain-diamond-revenue-looting/>

<sup>2</sup> 2016 National Budget Statement

<sup>3</sup> ZELA, Tracking the trends

### **Implications of revenue losses on Zimbabwe's social and economic development**

Revenue losses from the formal system have negative consequences on social and economic development. When government fails to curb resources leakages, the rights holders are deprived of their socio economic rights as the government fails to provide social services to the citizens. Revenue leakages entail limited spending on social services such as health, education and industry support by government. The lost resources could have been invested in social service and economic development that Zimbabweans so desperately need. Social support for vulnerable groups is non-existent in Zimbabwe; pensioners are receiving paltry monthly payments whilst other vulnerable groups like the people with disabilities, the elderly and orphans do not receive any government support. There is no adequate provision of potable water to the majority of the citizens in Zimbabwe.

Currently, the government is spending below the 15% threshold of the Abuja declaration (health), 20 % Dakar Declaration (education) and the 10% Maputo declaration (agriculture). To meet these, there is heavy reliance on donors which is unsustainable.

When resources are managed effectively, the proceeds could also be channeled towards infrastructure development. Currently infrastructure is in deplorable conditions with no efforts to maintain or develop it for citizens' benefit. The resources can also be allocated to the recapitalization of the industry which has collapsed and renders over 90% of the labour force unemployed and living below the poverty datum line. Only if these leakages were plugged out, the country would have been in a position to provide a basic income grant to each and every citizen of Zimbabwe.

### **ZIMCODD reiterates that ...**

To curb these IFFs, there is need to improve on the legal and institutional frameworks that relate to public finance management and natural resources governance to enhance transparency and accountability. The country has lost a lot of potential resources for development from the extractive sector through IFFs and this has impacted negatively on social and economic development and the general wellbeing of the country. Against this back drop, ZIMCODD recommends the following:

- The government of Zimbabwe should urgently set up a Commission of enquiry to establish how the US\$15 billion was lost through IFFs and find ways to recover the same for the benefit of the Zimbabwean citizenry. The government bodies and public officials who were responsible of overseeing the diamond mining in Marange should be made to account for the resources and explain to the citizens how \$15 billion could have been lost under their watchful eye.
- There is need to reform and strengthen the legal and institutional frameworks that govern public finance management and natural resources governance to enhance transparency and accountability to reduce revenue leakages from the formal mining system. This entails finalising on the Mines and Minerals Bill which is still pending, realigning the public finance Management Act among other relevant pieces of legislation
- To enhance transparency and accountability in the extractives industry, there is need to make contract negotiation and the signed contracts more open to public scrutiny.

- Parliamentary oversight role on public finance management issues and natural resources governance should be improved and constitutional provisions should be made enforceable.
- There should be fiscal transparency in terms of publicly disclosing financial statements by mining companies.
- The government should conduct a geological survey to determine the current quality and quantities of the mineral resources before mortgaging our resources without knowing the true value of the resources. Data from the survey will enable the government to make informed decisions in terms of the revenue expectations from the exploration of those minerals and the life span of the mines.
- There is need to put in place tax regimes that measure the financial performances of mining companies<sup>4</sup>.
- The government should take actions towards reforming institutional and legal frameworks in order to curb IFF.
- There is need to limit the number of revenue collecting institutions in the mining sector. Currently, there are too many revenue collecting agents involved thereby making it difficult to trace where exactly there are revenue leakages<sup>5</sup>.

## Community voices

“tinodawo hedu kuziva kuti mari iyi irikunzi yakabuda inodzoka rinhi tidyewo isu maZimbabweans” (We want to know when we will get back our US\$15 billion; it is our money, from our resources which we need to benefit from”) *Rita*

“We urge all mining companies to disclose their revenues to the people, the Zimbabweans who are the owners of these resources. These statements should be explicit in terms of the exact amounts they paid as taxes, dividends or government

“The government should investigate into this matter. A commission of enquiry should be set up to look into this issue and those involved be brought to book. Measures to curb illicit financial flows should be put in place” *Israel Mabhoo*

**Zimbabwe’s resources for ALL Zimbabweans!! # The Investor I want @zimcodd1**

<sup>4</sup> Community voices on Illicit Financial Flows, ZIMCODD, 2015

<sup>5</sup> Zimbabwe’s Tax System: Opportunities and Threats for enhancing Development in Zimbabwe, ZIMCODD, 2015

## About ZIMCODD

The Zimbabwe Coalition on Debt and Development (ZIMCODD), is a non-profit Social and Economic Justice coalition established in February 2000 to facilitate citizens' involvement in making public policy and practice pro people and sustainable. ZIMCODD views indebtedness, the unfair local and global trade regime and lack of democratic people-centered social economic and political governance as root causes of the socio-economic crises in Zimbabwe and the world at large. Drawing from community-based livelihood experiences of its membership, ZIMCODD implements programmes targeted at:

- Educating the citizen
- Facilitating policy dialogue among stakeholders
- Engaging and acting on socio-economic governance at local, regional and global levels.

### **Our vision**

Sustainable socio-economic justice in Zimbabwe through a vibrant people based movement.

### **Mission**

To take action in redressing the Debt burden, Social and Economic Injustices through formulation and promotion of alternative policies to the neo-liberal agenda

### **Objectives**

- To raise the level of economic literacy among ZIMCODD members and citizens to include views and participation of grassroots and marginalised communities.
- To facilitate research, lobbying and advocacy in order to raise the level of economic literacy on issues of debt, trade and sustainable development.
- To formulate credible and sustainable economic and social policy alternatives.
- To develop a national coalition and facilitate the building of a vibrant movement for social and economic justice.

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