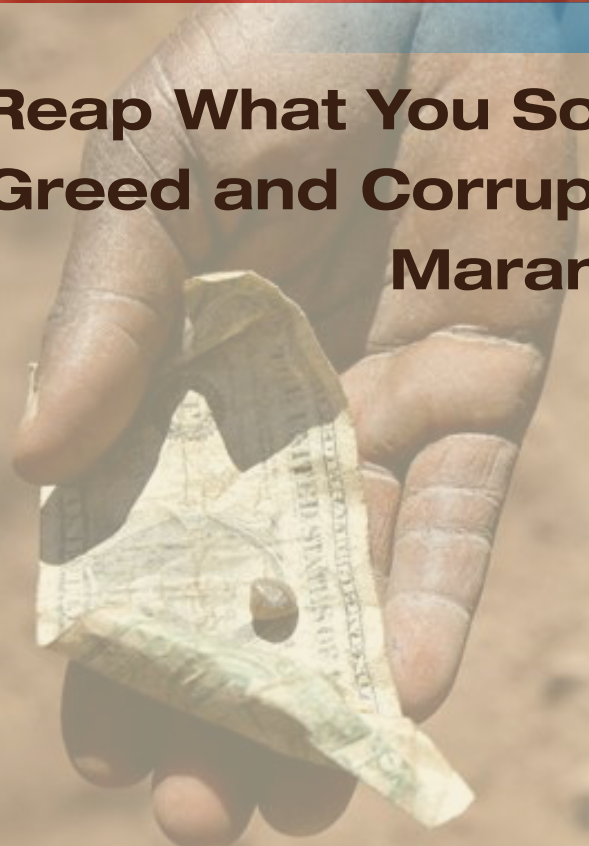
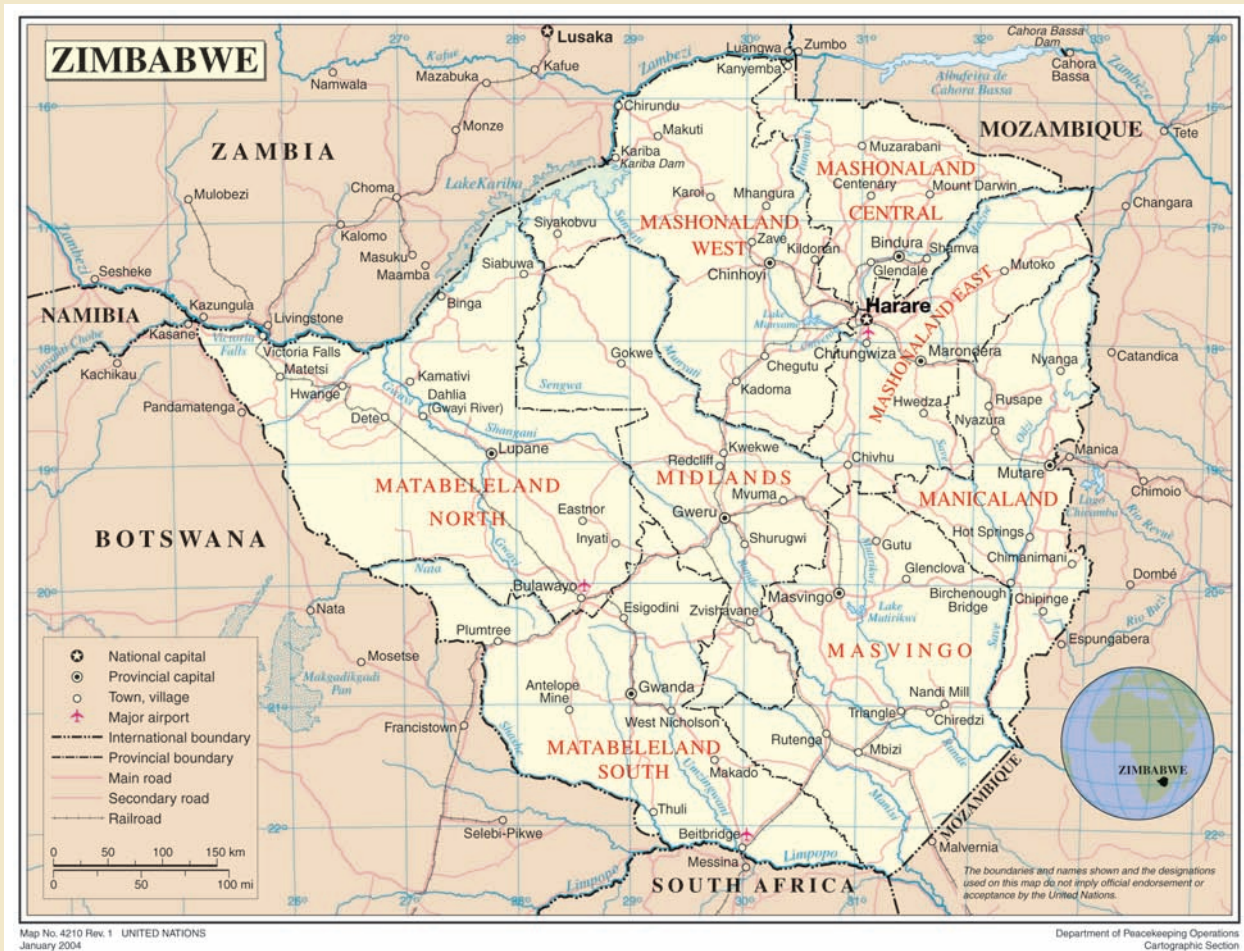




**Reap What You Sow:
Greed and Corruption in Zimbabwe's
Marange Diamond Fields**



**PARTNERSHIP
AFRICA CANADA**



**Reap What You Sow:
Greed and Corruption in Zimbabwe's
Marange Diamond Fields**

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Photos:

Front page top: An Illegal Marange
diamond miner holds a diamond to
the light.

Front page bottom: A Marange
miner shows off his riches.

(Credit: both pictures by Robin
Hammond)

Partnership Africa Canada has been a leader in
the campaign against conflict diamonds since
1999. It is an active member of the Kimberley
Process and its working groups. This report and
others are available on line at www.pacweb.org.

The report was completed in November 2012.
We are aware that the political situation in
Zimbabwe is fragile and that it will evolve.
This is unlikely to change the basic premise,
conclusions and recommendations in the report.

Partnership Africa Canada would like to thank
the many individuals in Europe, North America
and especially in Southern Africa who have
helped make the report possible. For obvious
reasons they cannot be named, but their
assistance is very much appreciated.

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AMV	African Mining Vision
AFECG	Anhui Foreign Economic Construction Group
CSC	Cold Storage Commission
DMC	Diamond Mining Corporation
DRI	Directorate of Revenue Intelligence (India)
EITI	Extractive Industries Transparency Initiative
GJEPC	Gem and Jewellery Export Promotion Council (India)
IBA	Impact Benefit Agreements
MDC	Movement for Democratic Change
MMCZ	Mineral Marketing Commission of Zimbabwe
OFAC	Office of Foreign Asset Control
SRSDIL	Surat Rough Diamond Sourcing India Limited
ZABG	Zimbabwe Allied Banking Group
ZANU	Zimbabwe African National Union
ZAPU	Zimbabwe African People's Union
ZDI	Zimbabwe Defence Industries
ZIPRA	Zimbabwe People's Revolutionary Army
ZMDC	Zimbabwe Mineral Development Corporation
ZMRTI	Zimbabwe Mining Revenue Transparency Initiative

Marange Chronology

Early 1990s

De Beers secures an Exclusive Prospecting Order (EPO) for parts of Marange; undertakes preliminary samples but determines claim is neither viable nor in line with company practice to avoid alluvial deposits.

March 2006

African Consolidated Resources (ACR) files claim based on lapsed De Beer's EPO.

June 2006

Government encourages ordinary Zimbabweans to mine in Marange; thousands descend.

October 2006

ACR evicted from land; Minister of Mines Amos Midzi awards mining and exploration rights to Zimbabwe Mineral Development Corporation (ZMDC); police and military step in to quell illegal mining and smuggling, with little success.

October-November 2008

Government launches Operation Hakudzowki (No Return), resulting in serious human rights abuses, including the deaths of over 200 illegal miners, massacred by ground troops and helicopter gunships.

February 2009

Obert Mpofu appointed Minister of Mines.

June-July 2009

Kimberley Process undertakes fact-finding mission to Zimbabwe. Hears evidence of serious human rights abuses in 2008 and 2009. Concludes Zimbabwe is non-compliant with minimum requirements, including widespread smuggling and direct involvement of military in mining.

November 2009

KP meets in Swakopmund, Namibia, imposes export embargo on Marange diamonds until noticeable improvements made. Government of Zimbabwe agrees to a Joint Work Plan (JWP), a roadmap to bring the country back into KP compliance.

June 2010

PAC issues a second report on Zimbabwe at KP meeting in Tel Aviv that finds evidence of ongoing human rights abuses and smuggling. KP maintains embargo on Marange diamonds.

July 2010

KP and Government of Zimbabwe negotiate "St Petersburg Agreement", after a meeting in the Russian city. Deal allows for two exports in return for further improvement.

November 2010

Government of Zimbabwe demands KP lift embargo, declaring Marange operations "compliant". Canadile implodes amidst corruption charges. KP meeting in Jerusalem ends in deadlock over lack of progress by Zimbabwe to meet terms of JWP.

March 2011

KP Chair, the Democratic Republic of Congo, erroneously green-lights Marange shipments, despite lack of consensus among KP members. Only South Africa accepts his interpretation; all other trading centres maintain import ban.

June 2011

Civil Society groups—one of the three pillars of the KP—walk out of KP meeting in Kinshasa in protest to disinterest by participant countries and industry to address continuing concerns about smuggling and rights violations.

November 2011

KP Plenary held in Kinshasa. For first time in 10-year history of KP, Civil Society stays away. Meeting concludes with lifting of export restrictions on Mbada and Canadile, now operating as Marange Resources. Subsequent companies to be granted exports dependent on positive approval of KP Monitor.

January 2012

Chinese company Anjin granted right to export.

February 2012

Diamond Mining Company (DMC), a Dubai-based company, wins right to export.

"What worries me most is that whoever speaks loudest about mining has not contributed a penny to the mining sector... They all complain about mining saying it is not giving much to the economy. You cannot reap where you have not sown."

– Minister of Mines Obert Mpofu dismisses calls for accountability of diamond revenues, July 26, 2012¹



Minister Mpofu visits a diamond factory in Surat, India

The Marange diamond fields of eastern Zimbabwe could be the country's salvation.

Often described as the biggest diamond discovery of a generation², Marange has undoubtedly put Zimbabwe on the diamond map³. Managed right, it could have been the transformational vehicle through which the country turns around its failing economic fortunes, while also serving as an example to other African countries blessed with mineral riches.

But since its discovery in 2006, Marange's potential has been overshadowed by violence, smuggling, corruption, and most of all, lost opportunity.

The chief custodian of Marange is Obert Mpofu, the country's Minister of Mines. For individuals or companies wanting to secure a mining concession to exploit a slice of Marange's riches, it is ostensibly Minister Mpofu that they need to convince of the merits of their application.

After President Robert Mugabe, whose office is vested with the ultimate authority over the country's natural resources, Mpofu is in theory the gatekeeper and arbiter of everything to do with Marange. In practice, however, he has deferred many of these responsibilities to the country's military chiefs.

His ministerial duties also require that he serve the public good and best interests of the Zimbabwean people by responsibly managing Marange. But on his watch, the world has seen perhaps the biggest single plunder of diamonds since Cecil Rhodes. Conservative estimates place the theft of Marange goods at almost \$2 billion since 2008.

Far from defending the best interests of Zimbabwe, Minister Mpofu has presided over a ministry that has awarded concessions to dubious individuals with no prior mining experience, often under very questionable terms or circumstances. Due diligence of miners has been an afterthought. As Minister he has solicited and approved applications from members of Zimbabwe's security forces, including those implicated in human rights abuses in Marange. There is little consistency in how concessions are awarded, other than to ensure the details of any deal are opaque and as far beyond the scrutiny of government ministers and the public as possible.

The scale of illegality is mind blowing. One confidential geologist report cited by the August 2010 Kimberley Process Review Mission to Zimbabwe claimed "in excess of

¹ "Shut up on diamond money," NewsDay, July 28, 2012

² Minister Mpofu estimates Marange comprises 25 percent of the world's global rough diamond production, and could be worth as much as \$2 billion a year to the national fiscus. Source: "Inside the Marange Diamond Fields", CNN documentary, March 16, 2012

³ "Zim poised to be second largest diamond producer," NewsDay, August 24, 2012; <http://www.newsday.co.zw/article/2012-08-24-zim-poised-to-be-second-largest-diamond-producer/>

The looting of Marange is perhaps the biggest single plunder of diamonds since Cecil Rhodes.

10,000,000 carats have been removed by artisanal effort over the last three years”—an amount worth almost \$600,000,000 at today's depressed prices. The Review Mission also estimated illegal mining at 60,000 carats a month, ranking the illicit Marange trade at between 7th and 10th in overall world diamond production⁴.

Hundreds of millions of dollars owed to Zimbabwe's Treasury have been lost in both illegal and legal trades. Determining the actual amount is impossible, but in February 2011 fiscal update the Finance Minister Tendai Biti complained US\$300 million⁵ collected by Zimbabwean Minerals Development Corporation (ZMDC) and the Mineral Marketing Commission of Zimbabwe (MMCZ)—two parastatals under Mpfu's remit—had not arrived in state coffers⁶.

Then there is the mysterious whereabouts of a 2.5 million carat stockpile that apparently disappeared following the controversial “Kinshasa Agreement” undertaken by the Kimberley Process in November 2011. At least two KP sources⁷ admit the stockpile—conservatively valued at almost \$200 million—was traded during the embargoed period. Obert Mpfu's own words didn't help Zimbabwe's case: “We want to shock the world with our stockpiles. We are going to unleash our worth to the world and Zimbabwe will not be asking for anything from anyone”⁸.

To his critics, Mpfu has been unrepentant. He has repeatedly dismissed calls for greater revenue transparency, and has even gone so far as to claim he has no ministerial responsibility to ensure diamond revenues reach the public fiscus.⁹



4 Report of the Follow-Up Review Mission to Zimbabwe, August 9-14, 2010, p. 15

5 All figures cited in this report are in US dollars.

6 “US\$300 million from Zimbabwe diamond sales missing,” MiningReview.com, February 17, 2011; <http://www.miningreview.com/node/19120>

7 Separate interviews with two KP focal points, November 14 and 21, 2011.

8 “Zimbabwe will shock the world: Mpfu”, Associated Press, November 2, 2011

9 “I am minister of mines not minister of revenue. If revenue has not been collected it is not our fault. ZIMRA collects the revenue. Ask me about Mining issues not revenue issues and I will explain.” Comments attributed to Obert Mpfu at conference organized by Centre for Public Accountability, Harare, June 11, 2012 www.newsday.co.zw/2012/10/02/im-the-king-obert-mpofu/

While Zimbabwe's finances suffer, the same cannot be said for bank ledgers of ZANU insiders, including the Minister.

By most accounts, Minister Mpofu is a very rich man. He is variously described as owning "half of Matabeleland", Zimbabwe's largest cattle herd¹⁰ and a patronage network unparalleled by any of his political peers. His ego is equally large—Mpofu is known to refer to himself as the "King of Matabeleland."¹¹

But since being appointed Minister of Mines in 2009, Mpofu has raised many eyebrows for spending well beyond either the means of his \$800 a month ministerial salary or the income he generates from his private business interests.

Several months of investigation by Partnership Africa Canada have identified expenditures of over \$20 million—mostly in cash—made by Minister Mpofu over the last three years. This figure is a conservative assessment and does not include his philanthropy, which exceeded \$500,000 in 2012 alone.

Mpofu is by no means the only one associated with Marange to flaunt his wealth. Robert Mhlanga, the CEO of Mbada Diamonds, the first company to enter into a joint venture with the government, raised concerns he was laundering proceeds from Marange after paying inflated prices in a series of multi-million dollar real estate deals in South Africa¹².

Many top securocrats loyal to President Robert Mugabe and his party, the Zimbabwe African National Union (ZANU), are also, in the parlance of corruption watchers, "eating well." This is particularly the case for those associated with Zimbabwe Defence Industries—a state-owned company aligned with Chinese mining company Anjin—or who oversaw military operations in Marange. Many are known to own, or be building, mansions in Harare's tonier neighbourhoods that would exceed their publicly funded salaries.

Of all the ZANU insiders benefitting from Marange, Mpofu's role as the chief guardian of Marange raises the most concern. His unexplained wealth is emblematic of wider problems of revenue transparency associated with this promising national resource. This concern is heightened by evidence that Mpofu has a relationship to a diamond trading company, Three Waters Investment, which operates from one of his Bulawayo properties. This is discussed in more detail later in this report.

The lack of transparency surrounding Zimbabwe's diamond revenues is a matter of critical public interest. It is depriving the Treasury of much needed revenues and amplifies concerns PAC and others have shared for some time that these revenues are funding a parallel government other than the legally constituted Government of National Unity.¹³

Concerns about revenue transparency go to the heart of a country's compliance with the Kimberley Process minimum requirements. Missing money means systemic breaks in that country's internal controls, including the reality that there is an illegal, parallel trade underway.

10 Mpofu is on the record saying: "I am the largest rancher maybe in the whole country. I want to know who has more cattle than me." *The Chronicle*, December 11-17, 2011, p. C5.

11 "I am a big politician, do not play with me, I am the most senior politician here in Matabeleland North, no one else. I am a politburo member and a Minister of Mines, if there is anyone in this province who tells you that they are more senior than me, tell them they are liars." Obert Mpofu quoted in "I'm the king: Obert Mpofu," *Newsday*, October 2, 2012; <http://www.newsday.co.zw>

12 "Mugabe's man shells out R185m for prime SA property," *Mail and Guardian*, July 20, 2012; <http://mg.co.za/article/2012-07-19-robert-mugabe-man-shells-out-r185m-for-prime-property>

13 See for example: *Diamonds and Clubs: The Militarized Control of Diamonds and Power in Zimbabwe*, Partnership Africa Canada, June 2010.

The biggest conclusion of this report is that a parallel trade in Marange diamonds continues to thrive, with the full knowledge and complicity of officials in the Ministry of Mines, ZMDC, MMCZ and military.

This report is meant to be a compendium to PAC's earlier reports, *Diamonds and Clubs: the Militarized Control of Diamonds and Power in Zimbabwe* and *Zimbabwe, Diamonds and the Wrong side of History*, published in June 2010¹⁴ and March 2009¹⁵ respectively.

Since our last investigation, we have found that while the mismanagement of Marange remains primarily a Zimbabwean problem, the global dimensions of the illegality has metastasized to compromise most of the major diamond markets of the world.

Previously most of the illegal trade primarily affected South Africa, Mozambique, UAE and India. This remains the case, but it now appears that greater vigilance by KP and national enforcement authorities should extend to other centres, particularly Israel.

This paper is divided into three main sections. The first looks at trade irregularities and the lack of transparency of diamond revenues, and examines ways ZANU and the global diamond industry have interacted, before, during and after the KP imposed an embargo on Marange stones in 2009. The second examines Obert Mpofu's various revenue streams and concludes the Minister of Mines is utilizing monies and assets divorced from his ministerial salary and known business entities. The third offers policy suggestions and recommendations that would improve the management and public beneficiation of Zimbabwe's diamond revenues.

In the course of our investigations, PAC benefitted from a range of insights and opinions from Zimbabwe and further afield. They included liberation-era guerilla leaders, insiders from across the political spectrum, former smugglers, and sources within several of the companies operating in Marange with government approval.

PAC is also grateful for information provided to it by concerned Zimbabweans who shared critical information on current conditions in Marange, often at great risk to themselves. Due to the sensitivity of the information shared they have asked that their identities remain confidential. PAC researchers also undertook several visits to Matabeleland, Harare and Manicaland.

While Minister Mpofu was not interviewed for this report he and his legal advisor Farai Mutamangira were twice given an opportunity to reply. They chose not to respond.

14 The report can be found here: http://www.pacweb.org/Documents/diamonds_KP/Zimbabwe-Diamonds_and_clubs-eng-June2010.pdf

15 http://www.pacweb.org/Documents/diamonds_KP/18_Zimbabwe-Diamonds_March09-Eng.pdf

PART ONE: The case for Revenue Transparency



"I want to make it clear that if Zimbabwe Prison Services applies for a mining concession, I will give them anytime. That applies to the police, army and the air force."

– Minister Mpofu speaks in favour of security forces owning diamond concessions.¹⁶

The violent death of Allan Banks, a Harare businessman, in July 2012 sent ripples through both the legal and illegal Zimbabwean diamond industry.

Not only was the manner of his death shocking for a relatively crime-free Harare—his bloodied body was found in the trunk of his car, a plastic bag over the head—it also signaled that despite government pronouncements to the contrary, the illicit trade of Marange diamonds was alive and well.

Up until two weeks before his death, Banks and his associates had been given regular and exclusive access to Marange diamonds, which they would then smuggle to diamond dealers in South Africa and Namibia, for onward transit to foreign destinations.

Banks, who owned a chain of grocery stores, got involved in the trade in 2010 after members of the battle-hardened One Commando Regiment¹⁷ approached him to sell stones they had acquired during their rotations in Marange. Banks was struggling financially at the time and figured the side business could help pay some debts.

What began with a few soldiers offering stones for sales soon escalated to being granted privileged access to diamond vaults—allegedly arranged with the high level collusion of officials in the Ministry of Mines, ZMDC, MMCZ and army. Before long, Banks and his associates were in above their heads—at one point dealing parcels of diamonds worth millions of dollars, according to a source with first-hand knowledge of Bank's diamond dealings.

Banks is not the only one to be given unofficial access to Marange diamonds. Consider the case of Shmuel Klein, an Israeli pilot, arrested in March 2012 at the Harare airport in possession of 8,486 carats worth \$2.4 million as he was about to board a plane to South Africa. The stones, at an average of almost \$290 a carat, were very good gem quality. In his court deposition, Klein claimed he was employed by Masri Diamonds, and intended to fly that night to Tel Aviv to hand deliver the parcel to owner Nisim Masri.¹⁸

Legal observers believe his arrest was likely a mistake by a junior customs official and point to several facts that suggest Klein received preferential treatment with the help of some very powerful people.

¹⁶ "Minister pledges mining licences to security forces," Irish Times, July 4, 2012

¹⁷ This is a special forces unit based in Harare. It was formerly known as One Commando Battalion and pre-Independence as the Rhodesian Light Infantry. It has had a constant presence in Marange since 2008.

¹⁸ "Israeli pilot pleads not guilty to diamond possession," The Herald, March 30, 2012



General Constantine Chiwenga,
Commander of the Zimbabwe
Defence Forces

For example, when he was arrested Klein did not have any paperwork, including KP certificates, RBZ export approvals, or anything that proved whom he had bought the stones from, at what price, and whether taxes had been paid. His passport had no entry stamp, suggesting he had been accorded VIP treatment in circumventing immigration officials upon arrival.

His brief trial was “a classic case of a prosecution deliberately set to fail,”¹⁹ according to one top Harare defence lawyer consulted by PAC. Under normal circumstances the case would have been prosecuted by a High Court judge, not a junior magistrate. Klein was also granted bail the same day as his arrest, an almost unheard of practice for a high profile case involving significant diamonds and a foreigner at high risk of flight. In such a circumstance, the government would usually invoke its right to appeal asking for a custodial stay of seven days—something it did not.

The case ended up in acquittal and the whole issue reduced to a simple immigration matter, punishable with a fine.²⁰

Both cases—and they are by no means the only examples—illustrate a troubling reality at play in Zimbabwe. While the government has won praise from some quarters for “regularizing” operations in Marange by bringing in new joint venture partners, there continues to be an entirely unrecorded, parallel trade of diamonds that is not only known to, but condoned by, those senior government officials.

At the heart of this trade is Zimbabwe Defence Industries (ZDI), a government procurement agency linked to Anjin, whose former CEO now runs Marange Resources (see side box The Marange Gang).

ZDI trades diamonds and other commodities primarily through two companies Nusunuguko Nkululeko Holdings and Impetus Capital, based out of Clarion House on Sam Nujoma Street in Harare. They trade approximately \$50 million diamonds on an average month, according to sources. The main beneficiaries of these trades are members of the Joint Operations Command, the top echelons of Zimbabwe's military establishment.²¹

For years it is alleged that ZDI traded top gem quality Marange diamonds—in parcels sometimes worth tens of millions at a time—directly from the MMCZ to dealers in Johannesburg, who would later traffic them to Dubai. This practice changed in March 2012, when a foolhardy white Zimbabwean courier, aligned to the late General Solomon Mujuru, reportedly shortchanged his military handlers by switching the high value gems for lesser stones once in Johannesburg. This individual, a professional hunter, is reported to still be alive at the time of publication.

Since the scam foreign dealers have been made to fly to Zimbabwe on private jets and pay ZDI operatives directly. It is not clear whether Banks and Klein were part of this arrangement. In the case of Banks, there are some similarities to the abovementioned

19 Interview, Harare defence lawyer, May 8, 2012.

20 Klein's acquittal mirrored a case involving two former Canadile directors, Komilan Packirisamy and Vijandrakumar Naidoo, who were arrested in Marange in February 2010 in possession of diamonds worth \$28,000 they had smuggled out of the mine site. Their arrest was interpreted by many as a warning, perhaps for trying to cut out their government “partners” from the plundering.

21 The JOC includes Defence Minister Emmerson Mnangagwa; General Constantine Chiwenga, commander of the Defence Forces; Air Marshall Perence Shiri, commander of the Air Force, Lt. General Philip Sibanda, commander of the National Army, Augustine Chihuri, commissioner of the Zimbabwe Republic Police; Major General (Ret) Paradzayi Zimondi, head of the prison service; Happyton Bonyongwe, director-general of the Central Intelligence Organization; Gideon Gono, governor of the Reserve Bank of Zimbabwe.

The Marange Gang: A Company Index

Marange has been under a special monitoring agreement with the Kimberley Process (KP) since November 2009 when state-sponsored violence and other irregularities compromised Zimbabwe's compliance with KP minimum requirements.

There are five companies currently licensed to mine under supposed joint venture agreements with the Zimbabwe Mining Development Corporation (ZMDC), a parastatal managed by the Ministry of Mines. Four of these companies—Mbada, Marange Resources, Anjin and DMC, but not Sino-Zim—have been cleared to export at will by the Kimberley Process since November 2011. An as yet unnamed Ghanaian company is in the latter stages of getting government and KP approval to mine.

Despite KP approval, companies operating in Marange still face legitimacy issues. Because of their joint-venture status with the ZMDC anyone who purchases or trades Marange diamonds could be liable for legal sanction because of the parastatal's listing on the US Treasury's Office of Foreign Asset Control (OFAC) registry of individuals or entities that are linked to either violent or corrupt activity. Zimbabwe Defence Industries (ZDI) is similarly listed.

In January 2012, OFAC added Mbada and Marange Resources to their registry. Being listed by OFAC makes it illegal for any American citizen or company to do business with a listed individual or corporate entity, or to use US currency or institutions to transact such business (whether you are an US citizen or not).

Sanctions have not curtailed the trade of Zimbabwean diamonds, but it has led to some innovative ways diamonds make their way to Dubai and India. Purchases are made in South African rands or European euros, thereby bypassing OFAC tentacles. With the world's two largest secure courier companies—Brinks and Malca-Amit—refusing to ship any Marange goods, buyers have also been forced to either charter their own planes to fly shipments to cutting sites, or take the risk of entrusting shipments to individual couriers flying on commercial flights.

A brief description of each company can be found below.

Mbada: Fronted by Robert Mhlanga, President Mugabe's former helicopter pilot, and David Kassel, a South African who made his fortune in dealing scrap metal, Mbada was the first company to win a concession and is considered to be the most professionally run of the mines. In 2010—the only time the information was made public—its board of directors included Sithengisiso Mpfu and Dingswayo Ndlovu, the sister-in-law and personal assistant to Minister Mpfu, respectively. While all mining companies in Marange maintain close relations with the Mugabe family, Mbada enjoys the closest. On numerous occasions Mbada has chartered planes to fly President Mugabe to Asia for medical treatment. It has been mining in Marange since 2009, and had export restrictions lifted on it following the controversial "Kinshasa Agreement" made by the Kimberley Process in November 2011.

Marange Resources: Formerly known as Canadile, the company imploded in November 2010 amidst corruption charges, including allegations that Minister Mpfu had solicited a US\$10 million bribe from its CEO Lovemore Kurotwi, a retired Army colonel¹. Mpfu responded by having several company directors arrested and forcing others into exile. Kurotwi and Dominic Mubayiwa, the former head of ZMDC and a board member, were subsequently charged with fraud, in a case that is currently being heard in Harare court. Marange Resources is a 100% government owned entity. Since March 2012, its CEO is Tshinga Dube, a retired colonel and former head of Zimbabwe Defence Industries (ZDI), a government procurement agency. Concerns about the financing, security and internal controls of Marange Resources have been cited in multiple KP Monitor reports. Despite these concerns, Marange has been free to export at will since November 2011.

Anjin: In theory all joint ventures are supposed to be 50-50 arrangements between the ZMDC and a private sector partner, but in June 2012 the deputy minister of mines, Gift Chimani, admitted the company was in fact 50 percent owned by Chinese construction company Anhui Foreign Economic Construction Group (AFECG), 40 percent by Zimbabwe Defence Industries (ZDI), with the remaining 10% held by a shelf company called Matt Bronze, of which nothing is known of its shareholder structure.

AFECG is led by Jiang Qingde who has undertaken construction contracts all over Africa. Brigadier-General Charles Tarumbwa is the nominal face of the Zimbabwean military in this arrangement although the company is closely aligned to Defence Minister and presidential aspirant Emmerson Mnangagwa².

It secured its concession after extending a \$98 million "loan" for the construction of a proposed military intelligence college in Mazowe.³ The deal is financed against future diamond revenues, and explicitly excluded both the ZMDC and the Ministry of Finance in the decision making process. ZANU politicians have since been forced to admit that the "joint venture" is in fact a partnership between Zimbabwean and Chinese military elites⁴—a finding first exposed by PAC in February 2011⁵.

Anjin has also been given wide latitude—by the Zimbabwean government and the KP—in keeping their internal affairs as opaque as possible. For example, one prospectus submitted by Anjin in its bid to be considered "KP compliant" includes an organizational chart and biographies that provides only the first or last names of key employees. For example "Mr. Hu" and "George" run the mining and processing operations, "security is managed by Douglas... assisted by Vincent." The board of directors are unlisted.⁶ While such disclosure would not suffice to obtain a bank account in Zimbabwe, it did not impede Mpfu's decision to award Anjin one of the most lucrative diamond deposits in the world.

Anjin obtained KP approval to export in January 2012.

Diamond Mining Corporation (DMC): This Dubai based company is very much a family affair. Imad Ahmad and his nephew Ramzi Malik are the principal players, according to documents provided to the KP, but Ahmad's sons, Ali and Abdul, are also involved in day-to-day operations. Another relative Hussein Ahmad, based in Dubai, visits regularly. DMC is known to have close relations to the First Family, especially Grace Mugabe, who have been hosted at Ahmad's Mount Pleasant home on several occasions.

The extended Ahmad family ran one of the biggest smuggling operations in neighbouring Mozambique during the height of the violence and illegal trading between 2008-2011. The family's diamond network, some of it known to have engaged in illicit trade, extends from South America to West Africa to the Middle East and Europe.

DMC was declared KP compliant in February 2012.

Sino-Zim: It was awarded a concession in 2011 but later complained that it was not commercially viable. It is believed to be a partnership between the Central Intelligence Organization, a key Zimbabwean security agency, and Chinese billionaire Sam Pa. British NGO Global Witness reported in June 2012 that the agreement was struck after Pa gave the CIO \$100 million and 200 pick-up trucks in return for access to Zimbabwe's diamond, cotton and property sectors⁷, something Pa has since gone on the record to deny.⁸ It is believed that the CIO used the funds to finance Operation Spiderweb, covert activities designed to discredit Prime Minister Tsvangirai, Finance Minister Biti, and Industry Minister Ncube. Sino is in the process of receiving another concession but as of publication has yet to receive KP approval to export and is not currently mining.

1 See for example, "Mpfu involved in Kurotwi deal", *Newsday*, May 10, 2012. <http://www.newsday.co.zw/article/2012-05-10-mpfu-involved-in-kurotwi-deal/>

2 Zimbabwean media reports that when Mines of Minister Obert Mpfu was pressed on Anjin's ownership he referred the journalist to Mnangagwa. "Talk to the owners of Anjin, talk to Mnangagwa," Mpfu said, adding there was nothing wrong in the military's involvement in mining." Quoted from *Zimbabwe Independent*, June 29, 2012; <http://allafrica.com/stories/201207020715.html>

3 "Chinese Strike Diamond Riches", *Financial Gazette*, October 21, 2012; <http://www.financialgazette.co.zw/top-stories/10337-chinese-strike-diamond-riches.html>

4 "Zimbabwe: Minister Confirms Army Ownership of Diamond Mine," *SW Radio*, June 18, 2012; <http://allafrica.com/stories/201206190039.html>

5 "Anjin: Who's behind the latest Marange player," *Other Facets*, No. 34 (February 2011)

6 Unfiled Anjin document provided as part of its KP compliance review, obtained by Partnership Africa Canada, December 2011.

7 "Financing a parallel government?" *Global Witness*, June 20, 2012; accessible here <http://www.globalwitness.org/library/financing-parallel-government-zimbabwe>

8 <http://www.globalwitness.org/library/update-following-financing-parallel-government-report>



Air Marshall Perence Shiri, head of the Air Force; Lt. General Philip Sibanda, commander of the national army; and General Chiwenga.

Diamonds leaking out of any country in such a fashion is not only a loss to the national treasury and public good, it is the ultimate expression of a systemic failure of a country's internal controls.

hunter, most notably the fact Solomon Mujuru is reported to have “brought” both of them into the business²².

Mujuru was a former top general, businessman, and heir apparent to President Mugabe until his assassination by person's unknown in August 2011. His wife, Joice, is the country's vice-president. At the time of his death Mujuru was in a bitter dispute with Adel Abdul Rahman al Aujan, a Saudi billionaire with whom he co-owned River Ranch, a diamond mine in the south of the country that has since filed for bankruptcy.

Aside from the high level collusion, these stories tell us something else. Calls for greater revenue transparency have been dismissed within the KP—by governments and industry alike—as something that never was, nor should be, considered relevant to a country's compliance with KP minimum requirements.

Civil society sees it differently: diamonds leaking out of any country in such a fashion is not only a loss to the national treasury and public good, it is the ultimate expression of a systemic failure of a country's internal controls. Their subsequent trading makes a mockery of the Kimberley Process Certification Scheme and the industry System of Warranties, an honour system that promises diamond shipments are untainted by violence and in keeping with KP standards.

While the full scope of the plundering will likely never be known, examples point to a large scale and on-going theft of stones. The previously mentioned mystery regarding the whereabouts of an estimated 2.5 million carat stockpiled following the November 2009 KP embargo of Marange diamonds underscores the reality that the smuggling of Marange stones is not a trickle, but a flood. As they were secured in company and RBZ vaults, it is inconceivable they could have disappeared without the full knowledge of senior officials in the Ministry of Mines or the Reserve Bank.

The trade of this stockpile is problematic for a number of reasons. Some of these stones were mined during unquestionable episodes of human rights violations (which resulted in their initial quarantine by the KP). Their disappearance amounts to a massive breach of KP compliance. How, for example, did such a quantity of stones pass through the diamond supply chain unnoticed, without legal KP certificates? Which members of the diamond industry took receipt of these stones, without concern for their illegitimacy? Why did the Kimberley Process, when it had a chance, never fully investigate this stockpile or insist Zimbabwe dispense of it in an orderly and legal manner?

Questions about the coordinated pilfering of Marange diamonds all go to the heart of an ongoing and very public spat between Minister Mpofu and Tendai Biti, Zimbabwe's Finance Minister.

Biti wants answers and transparency about diamond revenues. Mpofu believes that only those who have “contributed” to the mining industry have a right to “reap what they have sown”. Mpofu's candour speaks volumes about his understanding of ministerial responsibility, but it also presumes that beneficitation from diamond revenues, or debates about how best to manage them, are reserved only for those who play according to certain rules. Another interpretation, however, could be that the current “rules” governing Marange will only beget more corruption, shady deals, and plundering of a valuable national asset.

So where have all of Marange's promised riches gone? And how have they failed to deliver on expectations? While the illicit parallel trade is undoubtedly responsible for

²² Interview with former smuggler, July 24, 2012.

the biggest diversion of diamond revenues, part of the answer also lies in looking at the legal trade and numerous public expectations of it.

In 2010 leading industry insiders, including Filip van Loere, a Belgian diamond expert working for the Government of Zimbabwe, predicted annual production estimates of as much as 30-40 million carats if KP export restrictions were lifted.²³ At the current average of \$60 a carat, the low end of that estimate would have realized annual sales of almost \$2 billion.

Several other equally well informed sources have stated that Marange's deposits could represent as much as 20-30% of the world's rough diamond supply²⁴—a figure Obert Mpofu repeatedly cites as proof that legal diamond sales can lift Zimbabwe's ailing economy.

With these projections and average sale prices, Finance Minister Tendai Biti based his 2012 Budget on projected diamond revenues of \$600 million. In June 2012 he announced a projected shortfall of \$244 million²⁵. Official figures provided by the Minerals Marketing Corporation of Zimbabwe (MMCZ) reported that compliant mines in Marange sold almost four million carats valued at \$233 million between February and April 2012²⁶.

Of all the mining companies, Anjin has come under the most scrutiny for its apparent lack of remittances to the national treasury. Between November 2011 and May 2012 Anjin is believed to have sold approximately \$78 million worth of diamonds but, according to Biti, failed to remit any taxes or royalties. In June 2012 Anjin refuted this and claimed it had paid \$30 million in royalties, but was under no obligation to pay taxes until it had recouped the capital costs spent setting up their operations—an amount claimed to be \$400 million.²⁷

Writing off capital costs is a common accounting practice of extractive companies, and widely accepted by revenue agencies worldwide. However, the disconnect between what the Finance Minister believes the Treasury is owed and what the companies actually remit raises several concerns. The most notable is that critical details of all joint venture agreements, including ownership structures, are withheld from high-level government ministers and officials other than a small clique inside the Ministry of Mines, Ministry of Defence and ZMDC.

The opaque nature of the agreements—all personally approved by Mpofu—has led observers to question whether each company operates according to tailor made terms. Terms that are undoubtedly geared, not to the interests of the Zimbabwean public good, but in favour of the private sector partners with close links to Mpofu and other ZANU loyalists. This fear was only heightened with revelations that that the joint ventures are not legally binding agreements.²⁸

23 "Marange diamond output could reach 40 million carats", Mining Review, September 1, 2010; <http://www.miningreview.com/node/18402>; personal email with industry expert, June 4, 2010

24 See for example, presentation by Chaim Even-Zohar on Marange to the 2010 Kimberley Process Intersessional, June 22, 2010.

25 Anjin remits US\$30m to fiscus, The Herald, June 28, 2012; http://www.herald.co.zw/index.php?option=com_content&view=article&id=45211:anjin-remits-us30m-to-fiscus&catid=37:top-stories&Itemid=130

26 "KP Monitoring Team on Marange: Q2 Report on Marange, February-April 2012," Abbey Chikane and Mark Van Bockstael.

27 Ibid.

28 KP Monitor's report to the Working Group on Monitoring, Washington, D.C., June 4, 2012.

The process by which individual concessions are awarded, and, in some cases, taxes are collected, highlights an uneven and subjective policymaking system. Technically, the tax and royalty structure in Zimbabwe requires mining companies to pay 15% royalties, plus an administration fee of 0.875% to the MMCZ (not ZMDC or ZIMRA) prior to export. All other taxes (corporate and withholding taxes for example) are only due at the end of the fiscal period, after calculating a company's net profit. When all told, however, deductions would amount to approximately 33%²⁹.

There has been confusion, however, over Mpofu's repeated use of the word "dividends". For example, he once said: "In terms of royalties... [the companies] are actually making major contributions. In fact, these companies are declaring dividends on a monthly basis to the national fiscus. So, it is quite substantial."³⁰ A source claims that Mbada, Canadile, and now Marange Resources were "coerced" into paying advances on later taxes as a kind of a "gentleman's agreement" to assist the government in dire need of cash. DMC also makes these payments out of fear of losing its concession. There is, however, no legal basis for them to do this. Anjin refuses to pay these advances, thereby solidifying the perception it is short-changing the Treasury.

This may be the case, but Mpofu's comments raise a troubling question: if no other taxes are due the fiscus until the end of the fiscal period, what are these monthly dividends companies are paying, and to whom? And if the MMCZ does collect the initial 15% tax, why does Minister Mpofu deny it is his job to collect revenue?³¹

One criticism of the monitoring undertaken by the Kimberley Process has been its selective focus on technical aspects of mine operations, while ignoring any deeper examination of the suitability of the companies or individuals behind the winning concessions. Canadile's board, for example, included a convicted Israeli diamond smuggler (Yehuda Licht), a former South African mercenary (Adrian Taylor) and an alleged drug dealer (Subithry Naidoo). Despite having full knowledge of this, Obert Mpofu granted Canadile a concession and the KP Monitor to Marange declared it "compliant" without any thought about how individuals with these kinds of track records may negatively impact Marange's governance.

Global Witness, a British NGO, has also undertaken extensive research into the corporate ownership of Mbada and Anjin, registered in off-shore jurisdictions in Asia and the Indian Ocean, and concluded they have been structured to hide not only profits but the identities of the main shareholders, including some individuals with links to the Zimbabwean security establishment and human rights violations.³²

Certainly technical aspects like a company's machinery, processing and security systems are important, but they don't capture a complete picture of a company's operations. By limiting the scope of reporting to only things occurring inside fenced concessions, and not evaluating Marange holistically, the KP has avoided many of the root causes of Marange's bad management, or the negative consequences such mismanagement has on the wider political fabric of the country.

29 A breakdown of the taxes and royalty structure is laid out in "KP Monitoring Team on Marange: Q1 Report on Marange, November 2011-January 2012," Abbey Chikane and Mark Van Bockstael, p. 5

30 "Inside the Marange Diamond Fields", CNN documentary, March 16, 2012. A full transcript of CNN reporter Robyn Curnow's interview with Mpofu can be read here: http://www.sundaymail.co.zw/index.php?option=com_content&view=article&id=27659:diamonds-are-important-mpofu&catid=38:local-news&Itemid=131

31 See comments already cited in footnote nine

32 See for example, "Diamonds: A good deal for Zimbabwe?", February 2012; and "Financing a Parallel Government", June 2012. Both reports can be downloaded at www.globalwitness.com

Mbada, Marange Resources and Anjin are not the only companies to have due diligence processes circumvented in favour of political connections. Imad Ahmad, the principal player behind Diamond Mining Corporation (DMC), is linked to several businesses—Pure Diam and Sabi Gold—that traded Marange diamonds as far back as 2009, often purchasing gem quality stones from Marange Resources at cheaper prices than it paid for industrials.³³

Until recently close relations of Ahmad ran one of the biggest buying offices across the Mozambican border in Vila de Manica. In April 2010 a PAC researcher visited their office posing as a seller looking to get diamonds to Western markets. An immediate counter-offer was made to purchase whatever stones the PAC researcher had, saying they had \$4 million cash on hand—an enormous sum for a town literally in the middle of nowhere. After insisting he wanted to keep the fictitious diamonds, the PAC researcher was offered courier services “anywhere in the world” ranging from \$1-\$10 a carat, depending on the quality of the diamond. As Mozambique is not a member of the Kimberley Process, and therefore not able to issue KP certificates, the export of these diamonds to any KP member country would have been totally illegal.

In 2011 PAC learned that the extended Ahmad family was under investigation by at least one law enforcement agency for suspicious diamond activity that spans Angola, Central African Republic, UAE, Lebanon and Belgium. This includes concerns about their involvement in tax fraud, money laundering and smuggling.³⁴ This source also confirmed that the Ahmad family that operated in Mozambique is the same one named in a 2005 PAC report for fraudulently exporting \$3 million worth of diamonds from Brazil.³⁵

Money generated from the family's illicit business in Manica was almost certainly used to raise the \$50 million capitalization needed to secure the concession DMC now operates³⁶—another example of how dirty Marange money gets recycled through other “legitimate” businesses. Other conditions of their partnership with the ZMDC have proven more flexible, like creating a joint board of directors. Months after being approved, neither side has bothered to appoint a board, leaving Ahmad and his nephew Ramzi Malik at liberty to run operations as they see fit.

The absence of ZMDC board members raises questions about what oversight role, if any, the parastatal has in the running of that operation, most importantly in ensuring the government gets its fair share of diamond revenues.

The Ahmad family are not the only ones to have engaged in recycled illegality on both sides of the Zimbabwe-Mozambique border. Canadian directors (Komilan Packirisamy and Viyandrakumar Naidoo) registered Saman Incorporated Inc, a mining and mineral export company based in Manica, with Mozambican authorities in 2008.³⁷ The only purpose for this company would be to maintain a presence in Manica's then lucrative and wholly illegal trade of diamonds.

Marange has always had international dimensions to its illegality. In the early years of the discovery, Mutare and Manica—towns on each side of the Zimbabwe-Mozambique



President Robert Mugabe and Colonel (Retired) Tshinga Dube.

33 See for example, copies of Sabi Gold Mine Invoice number PD002/02/09 and Marange Resources invoice dated 02/05/2009, included in *Forensic Report to the Office of the Comptroller and Auditor General in Respect of the Marange Diamond Reconciliation*, Ernst and Young, September 2010.

34 Interview, law enforcement official, November 21, 2011

35 “*The Failure of Good Intentions: Fraud, Theft and Murder in the Brazilian Diamond Industry*”, Partnership Africa Canada (PAC), May 2005; and “*Fugitives and Phantoms: The Diamond Exporters of Brazil*”, PAC, March 2006.

36 DMC documents provided to the Kimberley Process.

37 *Boletim de Republica*, Publicação oficial da república de Moçambique, 4º Suplemento, III Serie, No. 32 12/08/08.

border—were overrun with dealers and hucksters from other lawless outposts, including veterans of diamond-fuelled wars in West Africa. Those of Lebanese origin were the most conspicuous by their numbers and enthusiasm, although several Mutare residents, most notably Bothwell Hlahla,³⁸ ran lucrative businesses driving diamonds across the border for everyone from military and police-led syndicates to those involved with Mbada and Canadile.

While South Africa was, and remains, the principal gateway for smuggled Marange goods, it was in the Democratic Republic of Congo that people first noticed something amiss³⁹. Large quantities of bottle brown, mostly industrial stones, were turning up in comptoirs in Kinshasa, where they were issued Kimberley Process certificates for onward travel to Dubai and finally the cutting and polishing factories of Surat, India.

While some Congolese nationals were arrested for trading Marange stones—in both Zimbabwe and Kinshasa—the bigger fish were always considered to be Zimbabweans with military connections. In the late 1990s President Mugabe had sent troops to the DRC to help then President Laurent Kabila fend off military attempts by Rwanda and Uganda to remove him from office. What followed was “Africa’s First World War” in which as many as six neighbouring countries took sides, while simultaneously plundering high value minerals in Eastern DRC, a problem that continues to stymie peace efforts there. For many senior Zimbabwean soldiers the intervention created networks in DRC through which they would later smuggle Marange diamonds.

Two years after PAC published *Diamonds and Clubs*, the sophistication and global reach of the illicit activity is slowly becoming more apparent. Clearly, it has always included the involvement of more established players in the diamond industry than just the odd punter who pockets a few sparklers through customs.

Indeed some of the biggest smuggling in Marange today happens inside the confines of the legal KP system. Consider this: in recent years the average price of legal Marange goods dropped from \$80-90 per carat in 2011 to between \$50-60 in late 2012. Some of this may be legitimately explained by a world wide drop in rough prices, yet the same goods have been noticed miraculously exiting Dubai trading houses for sister owned factories in Surat with an average value of \$100-105 per carat. This constitutes a massive deprivation of the Zimbabwean treasury, but it also underscores a sophisticated price manipulation scheme perpetrated by Indian buyers and their Zimbabweans allies, with whom they are believed to share the spoils.

Industry insiders may not originally have known the full extent of Marange’s riches but everyone agrees it was something extraordinary. Its carats per hundred tonnes (CPHT)—one measure by which the lucrativeness of a deposit is quantified—were off the map, with some samples reaching as high as 4,000 CPHT, over 80 times a normal artisanal deposit⁴⁰. With this in mind it is inconceivable that industry would be able to resist the lure of Marange.

38 Hlahla died in August 2011, the result of a car accident. In Zimbabwe car accidents are often used to eliminate opponents and there was initial speculation his death was somehow related to the assassination four days later of General Mujuru, who owned River Ranch, a diamond mine near Beitbridge. Witnesses, however, attribute Hlahla’s death to human error after Nilson Lennard from Harare failed to stop at an intersection. See Hlahla’s obituary, Manica Post, The Weekender, August 19-25, 2011.

39 See Kimberley Process Review Mission Report to DRC, Final Report, March 9-14, 2009, especially pp. 58-59.

40 Interview, industry source, August 8, 2012

The December 2010 arrest of Israelis Gilad Halachmi and David Vardi shone a brief light on how even individuals with respected track records were tempted, and ultimately compromised, by Marange diamonds.

Vardi, a veteran of the Israeli Diamond Exchange, was exposed after Halachmi was questioned in a random customs stop at Ben Gurion airport in Tel Aviv. Both admitted complicity in smuggling \$140,000 in rough stones, and received stiff penalties—Vardi's had his diamond license revoked and served with a lifetime ban from the IDE, while Halachmi was fined an undisclosed amount.

While Israel should be commended for its swift action against Vardi, Halachmi—who publicly describes himself as either a water consultant or manager of a plastics company—continues to travel back and forth between Zimbabwe unhindered, according to a source who knows him.

Vardi is not the only Israeli with a keen interest in Marange stones. Lev Leviev, the legendary diamond and real estate entrepreneur known for boasting he “only deals with Presidents”, has been a frequent visitor to Zimbabwe in recent years and is known to have participated in an auction of Mbada diamonds in May 2010—a full three months before the KP authorized two conditional sales as per the “St. Petersburg Agreement”⁴¹.

In that instance 3.5 million carats, worth an estimated \$150 million, were tendered at an auction at the Harare airport that also included representatives of Zar Diam (Dubai), Samir Gems (Antwerp), Supergems (Belgium/Dubai), and Rosy Blue (Antwerp). One well-placed Industry source claims that these diamonds received KP certificates “signed by the KP Monitor”⁴², although another said they were not actually exported from Zimbabwe until August 2010, as allowed by the St. Petersburg agreement. At the very least it shows that credible and respected diamond companies were prepared to do business with Marange mining companies prior to receiving the all-clear from the KP⁴³.

Marange has also served to expose a cutthroat scramble for Zimbabwe's resources between China and India. While Chinese investment in Marange is reflected through Anjin's mine-level access, Indian diamantaires have been content to profit further down the diamond supply chain.

Surat, outside Mumbai, is the biggest diamond manufacturing centre in the world—responsible for cutting or polishing 92% of the world's stones. Although Chinese manufacturing centres are still small—lagging behind bigger centres like Tel Aviv, Antwerp, London and New York—growing investments in key mining countries like Zimbabwe have caused concern to the Indian industry. Ashit Mehta, CEO of Blue Star Diamonds and one of Surat's biggest players, has repeatedly encouraged his government to follow Beijing's lead in developing African mines, saying China's ability to secure rough supplies from Africa would leave Surat dependent on Beijing⁴⁴.

41 The agreement was negotiated between the KP and the Government of Zimbabwe on the sidelines of the World Diamond Council's annual general meeting in St. Petersburg, Russia, in late July 2010. It can be read here: <http://www.scribd.com/doc/34441255/Agreement-NEW>

42 Email, industry source, June 30, 2010

43 A representative of Rosy Blue confirmed Vishal Mehta attended this auction on the company's behalf and made a bid, conditional on “the seller [being] fully responsible for securing all required export documents”—something Zimbabwe failed to obtain a month later when the KP meeting in Tel Aviv ended in deadlock over lifting export restrictions for Mbada and Canadile. Rosy Blue subsequently withdrew its offer. Rosy Blue admits it may have purchased legal Marange goods following the KP's lifting of restrictions on Mbada and Marange Resources in November 2011, but says it never did so at any time before then, including prior to the 2009 embargo. Source: email communication with Chikashi Miyamoto, August 29, 2012.

44 “Help us by investing in African mines: Diamantaires to govt”, Times of India, June 13, 2010

Mehta is also the driving force behind the Surat Rough Diamond Sourcing India Limited (SRSDIL), a consortium of companies⁴⁵, which signed a \$1.2 billion deal with the Government of Zimbabwe in October 2010 to obtain exclusive access to Marange diamonds.

The deal signaled Surat's willingness to court Marange diamonds, despite the KP ban and associated reputational risks. Mehta is known to have visited Obert Mpofu in Zimbabwe at least six times between September 2010 and April 2011, and personally chaperoned the Minister around Surat on several of his trade missions there.

Mehta's embrace of Mpofu was a win-win situation. Surat got guaranteed access to a rough supply and loosened De Beer's iron grip on Indian DTC sight holders in the process; while Zimbabwe got access to a big market.⁴⁶ More crucially for Zimbabwe, it won a key ally within the Kimberley Process, with the Gem and Jewellery Export Promotion Council (GJEPC), the Indian industry lobby that makes up most of the Indian delegation to the KP, blocking any efforts to improve the management of Marange.

While Mehta and the SRSDIL have always been careful to act above board, the Indian Directorate of Revenue Intelligence (DRI) has had its suspicions. In November 2011 it seized a \$70 million shipment belonging to Mehta's company, Arjav Diamonds India. The seizure was related to a series of trades worth \$160 million that occurred a year previously, in breach of the KP embargo on Marange goods.

At the time Israel, the then KP Chair, issued a notice invalidating the shipments. The goods were seized in UAE, where they sat for over 200 days until UAE officials appealed to the KP to release them due to concerns they would be sued for breaching WTO rules⁴⁷. It was a questionable request, and one that did not receive consensus at a June 2011 meeting of the KP in Kinshasa. Nevertheless, the KP silently granted UAE's request, and the diamonds proceeded to India.

But the DRI took exception with one of Mehta's shipments. Its certificate (number ZW000114) was out of sequence with the others and appeared to have been backdated to legalize an otherwise illicit consignment, according to DRI sources. Moreover there was no mention of the certificate number in Zimbabwe's 2010 annual report to the KP⁴⁸. It was a serious allegation for Mehta to face. In addition to being a De Beer' sight holder, Arjav' Belgian operations make it one of the biggest rough distributors in Antwerp.

DRI had a problem, however. The only way the shipment could be confiscated and charges laid was if either Zimbabwe, the KP Monitor or the Indian company complained or admitted something was amiss—none of whom would. In December 2011 the DRI released the goods without pursuing any legal action⁴⁹.

45 SRSDIL members buy stakes—ranging from \$110,000 to \$1.1 million—which gives them the right to share in its supply. Half the supply would be offered to members, while the remainder would be sold on open market. By doing so they cut out middlemen like De Beers, from whom many Surat companies buy their diamonds. The founding directors of the SRSDIL are: Ashit Mehta (Blue Star and Arjav Diamonds Group), Kishorbhai Shah (K. Girdharlal), Chandrakantbhai Sanghavi (Sanghavi Exports), Bububhai Sanghvi (KP Sanghvi), Kishorbhai Virani (Karp) and Govindbhai Dholakia (Shreee Ram Krishna Exports).

46 Most Antwerp and New York based manufacturers are hamstrung because of US and EU economic measures that forbid them to buy diamonds from listed entities like the ZMDC. While the purchase of diamonds in American dollars can technically subject anyone to the legal wrath of the US Treasury Department, the Indian industry has nevertheless courted Zimbabwe with great diligence.

47 Presentation of Peter Meuss, diamond expert, Dubai Multi Commodities Centre, to KP participants, Kinshasa, DRC, June 20, 2011

48 Zimbabwe 2010 Annual Report to Kimberley Process Certification Scheme

49 "DRI releases 120 crore roughs seized from Surat diamond firm," Times of India, December 21, 2011; http://articles.timesofindia.indiatimes.com/2011-12-19/surat/30533963_1_srsdil-kpcs-gjepc

The 2012 trial of former Canadile CEO Lovemore Kurotwi also served to confirm the early interest in Marange of establishment figures like Beny Steinmetz, whose company the Antwerp-based Steinmetz Diamond Group supplies De Beers with rough diamonds.

According to court testimony by both State and defence witnesses, Steinmetz is alleged to have been involved in unsuccessful negotiations with Canadile in early 2009 to provide operational capital. This would have been months after the infamous October 2008 gunship incident that first brought state sponsored human rights violations in Marange to international attention. In that instance the Zimbabwean military surrounded hundreds of illegal panners and opened fire, including from a helicopter gunship, killing as many as 200 miners.⁵⁰

Tichaona Muhonde, a former ZMDC legal adviser and prosecution witness, testified Steinmetz sought to form a partnership with Core Mining (the private sector half of the joint-venture) in 2009 but withdrew his offer of financial support after he could not win assurances from the government on human rights concerns.⁵¹ In 2010, the Steinmetz Group issued a statement stating “unequivocally that it has no connections whatsoever to either Core Mining and Minerals, Canadile Miners, or any of their shareholders.”⁵²

The denial may be technically right, but it won't win Steinmetz any awards for corporate social responsibility. On at least one occasion in 2007 his company, BSG Resources, bought diamonds directly from the MMCZ—including one shipment of \$620,000 that came directly from police “mop-up” efforts⁵³. As the MMCZ is a listed entity on OFAC's registry of individuals or state agencies with which not to do business, Steinmetz placed himself in uncertain legal territory by purchasing these diamonds.

As mentioned earlier, the illicit activity of Marange, however, remains first and foremost a Zimbabwean problem. In this respect, most attention should be placed on the activities of the all-powerful Zimbabwe Defence Industries, which controls directly, or through association, all the illicit trade. Its partnership with Anjin, and the role its former CEO has at the head of Marange Resources, also raises the spectre that they play a similar role in the “legal” trade as well. It also underscores the reality that it is the ZDI which calls the shots, leaving Minister Mpfu only nominally in charge of Marange.

Despite this, Mpfu remains the best-known public figure associated with Marange, domestically and abroad. Mpfu is not the only ZANU insider to benefit from diamonds, but his ministerial responsibilities demand that he defend the public good. Yet, as the next section will explore, his rapid wealth accumulation in recent years points to a different, more self-interested, exercise of his position and privilege—that of securing a small slice of the diamond action.

50 For more detail read: *Diamonds in the Rough: Human Rights Abuses in the Marange Diamond Fields of Zimbabwe*, Human Rights Watch, June 29, 2009, p. 30-34. 51 “Muhonde testifies in Kurotwi trial,” *The Herald*, May 31, 2012

52 As quoted in “International Diamond Figures head to Zim”, SWRadio, November 15, 2010

53 *Forensic Report to the Office of the Comptroller and Auditor General in Respect of the Marange Diamond Reconciliation*, Ernst and Young, September 2010, p. 31-32, 68.

Anjin: The New Colonialists?

Anjin has multiple perception problems that undermine its ability to be considered a legitimate mining interest.

In addition to accusations of short-changing the Treasury, Anjin has labour strife other Marange companies do not. Miners went on strike several times in 2012 over wages—the basic monthly pay is \$300, almost a third of what the competition pays—and culturally insensitive and abusive behaviour by Chinese managers¹.

Although the latter issues are troubling, they pale in comparison to Anjin symbiotic relationship with Zimbabwe's securocrats. The first inkling of this relationship was Anjin's bankrolling of a \$98 million loan for the military to build an intelligence school the country did not need (See side box The Marange Gang).

A bigger concern is Anjin's direct links to the Zimbabwe Defence Industries, a military procurement company directly controlled by ZANU securocrats—almost all of whom are on EU and US sanctions lists because of their proven links to political violence or corruption². It is a fact neither bothers to hide, with the flags of both the ZDF and the Chinese Peoples' Liberation Army (PLA) flying side by side in Anjin's main compound.

Although the Zimbabwe Republic Police (ZRP) assists with security operations, Munorwei Shava Mathuthu, the senior Provincial Police Commander of Manicaland has little direct involvement in Anjin's business. Ditto Christopher Mushowe, the governor of Manicaland, who was involved in the early years of the illicit diamond trade.

Everything, from management down to security, is run by the military. There is considerable army presence at the Anjin operations with soldiers guarding the main entrance and carrying out horse-mounted patrols that supplement the work of a private security company, which uses guard dogs.

The most regular VIP visitors to the site are Army Commander Constantine Chiwengwa and Defence Minister Emmerson Mnangagwa who arrive in two ZDF helicopters with accompanying "militia". President Mugabe has also visited twice in the past year, the most recent being in June to open the Jin'an Buddha Temple at Chiadzwa and Anjin Investments' Golden Peacock Hotel in Mutare. Obert Mpofu plays a peripheral role, underscored by his occasionally visits.

Almost a year after receiving the KP's blessing to export, questions continue to be asked how a company with no previous mining experience won the largest and most lucrative concession in Marange. Anjin currently operates eight mines, yet has the output expected of three. This suggests two possibilities: either their mining operations are so amateurish they are wasting good ore, or there is major leakage underway. The lack of regular production reports makes it difficult to know which is more likely.

Despite the sophistication of Anjin's machinery and security systems, smuggling by workers is rife.

Insiders claim it occurs in several ways, the most common of which is for diamonds to be smuggled out of the sort houses by the diamond pickers in cahoots with the security guards and CCTV operators—often under the noses of the Chinese supervisors who frequently take breaks due to boredom and cold conditions in the sorting rooms³.

As the concentrate ore makes its way into the sort houses, entering by a conveyor belt from the crushing plants, pickers place their hands in allegedly secure glove boxes and routinely flick promising stones into a tray under the conveyor belt where

pickers later recover them and conceal them, usually in his mouth. At the end of the shift they are smuggled out of the highly secure "red zone".

The picker at the far end of the sort box line is similarly in a good position to flick diamonds aside and conceal them under dirt and then divert them into the tailings bin from which they can then be recovered during wheelbarrow changes. Unlike its competitors, Anjin does not regularly x-ray workers when they exit the red zone unless one is suspected to be "carrying". One picker PAC spoke with said he had not been x-rayed at all during the previous twelve months.

This worker estimates that at least ten high quality gems are smuggled out of the sort rooms and on to the black market every day. The average size is about five carats and most deals are negotiated at the Hot Springs Resort.

Anjin insiders say the Chinese managers are largely ignorant about diamonds. Almost all of the 42 Zimbabwean diamond pickers were recruited by word of mouth mainly from "an elite" who learned the ropes from a previously involvement in the illegal diamond trade. Even among this group, their formal expertise is limited—only one of the Zimbabwean sorters has been sent by Anjin for training in gemstone identification and evaluation.

The diamonds being recovered include many colours and sizes and range from industrial to pure gem quality. The most common gemstone sizes range from three to six carats and fancy yellows are common and are nicknamed "petrols". The largest diamond recovered to date was a 74 carat colorless stone, followed by a 63 carat fancy yellow thumb sized stone with an estimated polished value of \$2 million.

From September 2011 to January 2012, the total production from the mine was 35,000 carats a day, or approximately a million per month. Since February 2012, official production from two separation plants and the seven sort houses has, at the request of management, been reduced to an average of 21,000 carats a day to prevent over supply and a consequent price drop. Mining, however, continues unabated, at an average 35,000 tonnes of ore per day.

Every fortnight ten large steel trunks are picked up and flown to Harare by ZDF helicopter. Each trunk is so heavy it needs four people to lift it—all done by retired army personnel. The majority of Anjin's diamonds—an estimated 85 percent—from alluvial plants 6 and 7 are of gem quality. Only three percent of the diamonds from the other four plants (which are mainly processing crushed bedrock) are gems quality. The low gem yield is largely blamed on the considerable damage caused to the diamonds by the use of jaw crushers—casting further doubt on the proficiency of Anjin's diamond mining and processing.

The helicopter flights could soon be a thing of the past. Anjin is currently building an airstrip nearby to accommodate long-haul planes capable of taking the diamonds directly to China. This airstrip is separate from a smaller one adjacent to Mbada's concession that has been used to spirit diamonds to South Africa and further afield, including during the KP embargo.

The construction of the airstrip underscores the growing perception among ordinary Zimbabweans that Anjin is only interested in the plundering of the country's diamond wealth at their collective expense.

Anjin's association with those responsible for the planning and execution of every episode of political violence in Zimbabwe's post-Independence period cements criticism that it is completely tone deaf to its role prolonging the lifespan of one of the most violent and morally bankrupt regimes in Africa today.

1 The Chiadzwa Community Development Trust has documented several cases of managers sodomizing male workers, for example. Other workers have reported routine beatings by Chinese employees.

2 Senior military officials with links to ZDI that have management roles in Anjin include Brigadier Tarumbwa, Zimbabwe's military Judge Advocate, who serves as chairman and company secretary. He was added to the EU sanctions list in July 2008, for his direct involvement in the campaign of terror waged before and during the last elections. Other listed individuals include Defence Minister Emmerson Mnangagwa, ZDF Commander Constantine Chiwengwa, Director General of the Central Intelligence Organization (CIO) Happyton Bonyongwe, Anjin security is overseen by Lt. Col. Sedze and Major General Douglas Nyikayaramba, the former Three Infantry Brigade Commander in Mutare. The Treasurer and Board Member is Munyaradzi Machacha, a noted ZANU propagandist.

3 There are seven sort rooms, to which each are assigned six Zimbabwean diamond pickers and two Chinese supervisors.

PART TWO: From Rags to Riches, the Obert Mpofu Story

It is a long road from Jambezi Village in the dry district of Hwange, in Matabeleland, to the opulence and influence that currently surrounds Obert Mpofu.

Growing up in rural Jambezi, Mpofu came from a family of limited means. During the long guerilla war against the racist regime of Ian Smith, Mpofu's family—like the majority of people in Matabeleland—supported the Zimbabwe African People's Union (ZAPU), a rival liberation group to President Robert Mugabe's Zimbabwe African National Union (ZANU).

The extent of Mpofu's direct involvement in the war as a young teenager was limited to being an occasional messenger between ZAPU comrades in then-Rhodesia and neighbouring Zambia. In his late teens he was accepted for training under legendary ZIPRA commander, Nikita Mangena; however, Mpofu was dismissed shortly afterwards for being "untrainable and divisive within the camp"⁵⁴, according to a high level ZIPRA source. Mpofu's lack of military training is supported by a former colleague who noted that while Mpofu claims to have attained the "guerilla rank equivalent of Major...he seemed clearly awkward with firearms" and needed a crash course in how to operate and use a pistol when presented with one.⁵⁵

Mpofu subsequently left Zimbabwe to study journalism at the University of New Delhi. While his career as a journalist would be short-lived—brief stints as a reporter in Zambia, and years later as a manager at Zimbabwe Newspapers—his time in India would pay dividends three decades later in securing a market for Marange's tainted diamonds.

From Mpofu's return from India it was clear he had ambitions for himself. In the early days of an independent Zimbabwe Mpofu made a career decision some still consider opportunistic: he renounced his family's political roots and joined ZANU.

The reason was less political than a matter of survival. At the time Mpofu was working as a manager with Customs and Excise in Harare, where he was remembered for engaging in conduct unbecoming of a civil servant, including accepting a junket to Bulgaria from the Balkan Airlines representative at Harare International Airport.⁵⁶ He was later investigated for allegedly smuggling some televisions into Zimbabwe. Several sources have confirmed that faced with the possibility of criminal charges, Mpofu sought out the advice of Enos Nkala, a ZANU patriarch, who recommend that joining the party would result in a favourable outcome. Mpofu did and he was never charged with any infraction.

The political conversion was no small matter considering the growing repression of ZAPU supporters and leaders by President Mugabe and his party. The persecution culminated in the infamous Gukurahundi⁵⁷ massacres, in which the North Korean-trained Fifth Brigade executed an estimated 20,000 people in Matabeleland. The pogroms achieved their purpose: in 1987 ZAPU leaders capitulated and merged with ZANU, effectively marginalizing any political competition to Mugabe.

Mpofu's acquisition of marquee properties in Bulawayo and Victoria Falls would make him the envy of any Monopoly player.

54 Interview, former ZIPRA commander, Bulawayo, Zimbabwe, March 20, 2012.

55 "Obert Mpofu: A profile," John Austin, Politicsweb, 9 April 2010; <http://www.politicsweb.co.za/politicsweb/view/politicsweb/en/page71639?oid=170395&sn=Detail&pid=71639>

56 Ibid.

57 The killing happened with absolute impunity. To date no one has faced criminal prosecution or trial for their role in the massacres.

For Mpofu, his political conversion opened up doors, launching his career as a ZANU politician, first at the provincial level and finally at the national level where he quickly rose through the ranks. In 2000, the President appointed him Governor of Matabeleland, and five years later, Minister of Industry and International Trade—an appointment best remembered for his failed attempt to fix commodity prices during hyperinflation, resulting in empty shops.

As he rose through the ZANU ranks, Mpofu began dabbling in the private sector. Other than his flagship companies—Trebo and Khays, Maminza Transport⁵⁸, Khanando Safari and Tours⁵⁹, and the recently acquired ZABG bank, which are registered companies—little is known of Mpofu's business empire.

The Zimbabwean media has often referred to Mpofu going on a real estate “buying spree”, primarily in Bulawayo and Victoria Falls, since the Marange diamond rush but have provided little corroborating evidence.

The most detailed, yet unconfirmed report, listed cash-purchases of a supermarket in Victoria Falls' Chinotimba high density suburb, three houses in a medium-density area, two cruise boats on the Zambezi, five houses in Mkhosana high-density suburb, three houses in Chinotimba, two industrial stands, one large stand in Chisuma, one big industrial stand next to Chinotimba stadium, four industrial stands on the Airport road, and four medium-density plots.⁶⁰

Proving ownership of many of these properties, particularly in high-density areas, is difficult due to non-existent, or out of date, municipal records. Mpofu's habit of not registering his smaller companies further hampers efforts to get a full picture of his business holdings.

In December 2011, however, Mpofu's vanity got the better of him and he unwittingly gave Zimbabweans a window into his empire. He did it in the most public forum possible—a 16 page advertorial in *The Chronicle*, a pro-ZANU daily in Bulawayo.

The advertorial was ostensibly published and funded by Mpofu to mark his 60th birthday and his doctorate in “Policy Studies” from the Zimbabwean Open University, a distance based institution. Among the words of encouragement from family members and articles extolling Mpofu as the “minister with [a] diamond touch”, a “leader of quality and stead” and a “true people's servant” were advertisements linked to Mpofu's main businesses.

Among the listed companies with established links to Mpofu were Trebo and Khays, Maminza Properties, Maminza Transport, Khanondo Safari and Tours, Khanondo Car Hire, Horseshow Estate, KoMpofu La Sports Bar, Luna Rainbow Tours, Guest Paradise Lodge, Good Memories Lodge, Mswelangubo Farm, New Miners Restaurant (Hwange), Accut and Crews Village, Moya Security and Matetsi Meat Butchery.

PAC could not definitively link Mpofu to several other businesses that took out adverts, including, Zainali Holdings, Clarendon Court P/L, Moban Investments, and Steelfab Engineering (a division of Engzib Investments). Ryan's Brick Work was also

58 Maminza Transport (Pvt) was incorporated on September 23, 2011; listing Mpofu and his wife, Sikhanyisiwe, as the only directors. The company address is York House, Bulawayo.

59 Khanondo Safari and Tours (Pvt) was incorporated March 15, 2004. Directors include Mpofu, his wife, and daughter Nomsa. The company address is 46 Magpie Rd, Burnside, Bulawayo.

60 “US\$1billion Marange diamonds looted”, *The Zimbabwean*, December 12, 2010 <http://www.thezimbabwean.co.uk/news/36202/us1-billion-marange-diamonds-looted.html>

listed—a company known to have installed tens of thousands of dollars of brick paving at his Umguza residence ahead of his 60th birthday party.

Like many of his ZANU brethren, Mpofu built much of his wealth through “vulture capitalism”—a money for nothing appropriation of profitable businesses and/or assets that are later “legitimized” through normal business activity.

The land seizures of the 2000's are one expression of this phenomenon, whereby top ZANU apparatchiks acquired commercial farms and took over the business affairs of the former white owners. Without exerting any sweat equity or risking any financial obligation with a bank a few of these individuals turned themselves into successful farmers overnight.

Many others, including Mbada CEO Robert Mhlanga and the late General Solomon Mujuru, made fortunes exploiting high value minerals—particularly gold—during Zimbabwe's intervention in the war in the Democratic Republic of Congo.

Although a wealthy man before his appointment as Minister of Mines in 2009, Mpofu's assets and spending habits have grown exponentially since he granted the first diamond mining licence to Mhlanga and David Kassell, a South African scrap metal dealer, neither of whom had any prior mining experience.

With the media attention mostly focused on his real estate holdings in Bulawayo and Victoria Falls, less attention has been given to his landholdings which PAC has determined likely place him in the top five landowners in the country. In Matabeleland his holdings come second only to the 135,000ha owned by the Oppenheimer family in Shangani, 200 kilometers northeast of Bulawayo.

Among Mpofu's land holdings are:

- 10,006ha, North Part, Umguza Block. This is property formerly owned by Cold Storage Commission (CSC)⁶¹ and is known specifically as Blocks 39, 40 and 41.
- 1027ha, Auchenburg Farm, Nyamandlovu.
- Green Haven farm. Located close to the Umguza River just outside Bulawayo on the Victoria Falls road, this is a farm Mpofu has reportedly owned for some time and where he keeps most of his herd⁶².
- 3,700ha, Umguza CSC Block⁶³.
- 2,300ha, Young Farm, Nyamandlovu.
- 8000ha, Horseshoe Ranch, Matetsi. It is believed Mpofu bought this property from Bill Bedford in 2008 for an undisclosed sum. At the time of publication, hunting and safari operations were run by Shaun Kearney, a South African.
- 100ha, in Epping Forest B section, a part of Accut and Crew, a formerly white owned farm bought for resettlement in 1996. Now referred to as Mswelangubo farm it serves as Mpofu's main residence. The property has undergone extensive upgrades recently including approximately \$150,000 on fencing and paving ahead of the lavish December 2011 party, the cost of which is estimated at another \$250,000. In March 2012 a 10-kilometre stretch of road to this house was being resurfaced by a brand new Caterpillar excavator—something that the Umguza Rural Council would not have the money to do. The property also houses several commercial ventures, including a horticulture business⁶⁴, an abattoir and a chicken factory.



Robert Mhlanga, CEO of Mbada Diamonds

61 Source: Southern African Commercial Farmer's Alliance

62 "Farmers appeal for financial assistance," The Herald, April 18, 2012; http://www.chronicle.co.zw/index.php?option=com_content&view=article&id=33779:farmers-appeal-for-financial-assistance&catid=38:local-news&Itemid=131

63 Source: Southern African Commercial Farmer's Alliance

64 "Dr Mpofu: successful Mat'land North farmer," The Chronicle, Dec 11-17, 2011

The Auchenburg and Young farms and Umguza Block are named as such in the 2005 list of sanctioned farms and businesses managed by the US Treasury Department's Office for Foreign Asset Control (OFAC).⁶⁵ With the exception of Horseshoe Ranch, Mpofu acquired the rights to control most of this land for free. At this juncture an important distinction needs to be made: the absence of any record of payment or land titles point to Mpofu controlling, but not owning, many of these properties, particularly those that were once State-owned.

In addition to the above listings of approximately 25,000ha, PAC has learned that Mpofu also controls Winter Block, a 40,000ha section of land next to Umguza Block.

A source with an intimate knowledge of the Cold Storage Commission land holdings confirms that this is an entirely separate parcel of land. Following the land invasions of 2000, Winter Block was largely divided between former Vice-President Joseph Msika and High Court Judge Maphios Cheda. Msika died in 2009 and Cheda has maintained only a minimal interest in the area after being awarded another farm in 2008.

Since then Mpofu has primarily used Winter Block to graze his cattle, which he has boasted is the biggest herd in Zimbabwe. With total farm holdings of at least 65,000ha, this would also place Mpofu amongst the country's biggest landowners.

Mpofu's possession of land belonging to the Cold Storage Commission is likely in contravention with Zimbabwean law. The terms of the Land Acquisition Act—the legislation responsible for the dispossession of most white-owned land—explicitly limits expropriations to private and commercially held farmland, not state assets. His exclusive use of the land raises several questions, including how Mpofu obtained this government land, and what, if any, rent State coffers receive for its use.

Cattle hold a special place in the social status of African men. They are another form of currency and symbol of a person's success and influence.

In Mpofu's case his herd is clearly a big source of personal pride and legitimate revenue.

He has said that he has a herd of about 3,000 breeding cattle, and uses a feedlot in Umguza to fatten another herd of "about a 1,000 at a time." Mpofu's farm manager, Dumisani Moyo, claims that they "sell about 50 cattle every week...and the profits are good."⁶⁶ If those numbers are correct, Mpofu would gross as much as \$50,000 a week from this business during culling season, although some observers think his output is closer to half that.⁶⁷

Several sources confirm that the Minister is a regular attendee to auctions held by CC Sales in Bulawayo and Harare. However, witnesses and agents alike both say they have never seen Mpofu actually purchase any cattle himself. Most suspect it is done through proxies, including Dumisani Moyo.

If Mpofu's herd is as big as he says it is—approximately 4,000 cattle—he will have spent some serious money to build and maintain it to that size. Mixed pedigree cattle sell at auction for a minimum of \$600 a head, conservatively valuing Mpofu's cattle purchases at over \$2 million.

65 The full OFAC listing can be found here: <http://www.treasury.gov/resource-center/sanctions/Programs/pages/zimb.aspx>

66 "Dr Mpofu: successful Mat'land North farmer," *The Chronicle*, Dec 11-17, 2011

67 Interview, Zimbabwean rancher, May 2, 2012.

Mpofu's ranching operations are run by Innocent Ncube, who is widely respected for his farming acumen. In the last year he has also invested heavily in new infrastructure, including a 330 metre-long shed (at a cost of \$100,000) beside the railway line that runs through Umguza.

Cattle are not Mpofu's only passion. His acquisition of marque properties in Bulawayo and Victoria Falls would make Mpofu the envy of any Monopoly player.

However, unlike his cattle business that actually generates income, Mpofu's real estate dealings appear to be a chronic cash drain on the Minister. It is estimated that since mid-2009, Mpofu has acquired urban property in Matabeleland worth at least \$5 million. During the same time frame it is estimated he has invested at least \$2.5 million in renovations to properties in Bulawayo, Victoria Falls, Umguza and Nyamandlovu

His best known, and most prized, fixed assets include:

- Anchor House, Bulawayo. This five-storey building at the corner of Fort Street and 12th Avenue is Mpofu's most recent known acquisition. In mid-2012 it was undergoing renovations, including a full paint job. The purchase price is unknown but similar buildings currently sell between \$1-\$2 million in Bulawayo's depressed real estate market.
- A property commonly known as the Centrust Building, Bulawayo. Bought for \$750,000 in 2011, it is one of Mpofu's single biggest cash purchase. The building, located at 47 Fort St, housed several businesses including a travel agency of the same name. The purchase included subdivision A of Stand 9. The property was bought from the Khaley family in a deal reportedly facilitated by Bulawayo businessman Hitish Patel. All tenants vacated the building when Mpofu hiked the rent. In March 2012 the building was empty.
- A dilapidated two-storey office block on the edge of Bulawayo's central business district, at the corner of Fife and First Avenue. It has been under construction for more than two years.
- York House, Bulawayo. At seven stories, this is one of Bulawayo's tallest buildings and is said to be Mpofu's pride and joy. Purchased for a song by Mpofu's company Trebo and Khays in 2007 during the height of hyperinflation, it was partially rented by Agri-Bank until 2011. It has sat empty for almost two years as it undergoes extensive renovations, including a full interior gutting and the installation of new elevators. Contractors familiar with the project estimate the renovations at least \$1.5million. With the long-term absence of rental income, Mpofu is undoubtedly drawing on other sources to pay for the renovations.
- 46 Magpie Road, Bulawayo. This ostentatious two-storey property is located on a two-hectare plot in the tony suburb of Burnside. Mpofu acquired it more than 20 years ago but it has quadrupled in size after undergoing recent renovations estimated at \$150,000. Mpofu's Hummer has been seen at this address, as have police and private security guards.
- 10 Livingstone Road, Suburbs, Bulawayo. Several sources confirmed they have met Mpofu at this suburban property, which sometimes acts as his office in Bulawayo. It has extensive security, including expensive surrounding walls, gates and guard house. It is also where Three Waters Investments, a diamond trading company, is known to conduct business.

Since becoming Minister of Mines, Mpofu has also made some other interesting purchases—both for himself and some of his companies.



Air Marshal Shiri and General Philip Sibanda

After Trebo and Khays, his best known business is Khanondo Safari and Tours in Victoria Falls. According to company brochures and its website, Khanondo offers a range of activities including boat cruises on the Zambezi River, game drives, tours as far afield as Namibia, helicopter flights, white water rafting adventures and "VIP transfers". All the assets required to offer tourists these services, other than the helicopter, are "owned" by Khanondo.⁶⁸ Khanondo also offers accommodation to suit different budgets, ranging from Guest Paradise Lodge (\$120 a night) to the five star Victoria Falls Deluxe Suites (\$330 for bed and breakfast).⁶⁹ Khanondo also recently completed construction on the High Mount Lodge, described by a company official as "[topping] the accommodation rankings of Bulawayo due to its beauty and exclusivity."⁷⁰

Victoria Falls is the jewel among Zimbabwe's disintegrating tourist attractions. But since 2000 when land seizures, hyperinflation and political violence took hold, tourists have largely abandoned Zimbabwe in favour of neighbouring countries. Despite the economic setbacks suffered by many tour operators, Khanondo has made several investments others cannot afford.

In 2011, for example, Khanondo took receipt of a brand new 80-seat boat worth \$250,000. It also took possession of the best dock on the Zambezi River and bought a smaller boat, for more intimate breakfast and sunset cruises. Khanondo's car rental business also boasts the town's only luxury fleet of cars, including Mercedes sedans, high-end SUVs, safari jeeps and vans. The value of the cars pictured on Khanondo's website would conservatively be in excess of half a million dollars.⁷¹

These are not Mpfu's only luxury vehicles. He personally owns several cars but his two favourites are a new Range Rover Sport (base price: \$80,000) and a black Hummer (\$60,000). The former is regularly seen at his Burnside residence. Largely because of its gas guzzling thirst the Hummer is a rarity in Zimbabwe, even among other elites, where the price of petrol is high and shortages are frequent.

Since becoming Minister, another Mpfu company, Maminza Transport, has also come into possession of several Volvo heavy haulage trucks and some drilling equipment. The FH 12 model trucks, believed to be as many as eight, are kept at the former Clan Transport depot on the Plumtree Road in Bulawayo. Both trucks and drilling equipment have been seen in Hwange, where coal is mined, raising the possibility that Mpfu is diversifying into another resource under his ministerial control. In August 2011 Mpfu controversially appointed Farai Mutamangira, a friend and lawyer who he has hired to represent Zimbabwe over its KP compliance issues, to be CEO of the Hwange Colliery, a state-owned coal company⁷². The trucks, which retail at over \$100,000 a piece, are decalated with "Maminza Transport" signs on the doors and "OMM"—Obert Moses Mpfu—and a sequential number stenciled above windscreen.

The origin of the trucks is a mystery. There is only one Volvo dealer in Southern Africa—Babcock Africa Services in Johannesburg. Because Mpfu is listed on EU and US sanctions over concerns of his involvement in either corrupt or violent activity, it is illegal for an international company like Volvo, through Babcock, to sell these trucks directly to Mpfu.

68 <http://www.khanondotravel.com/aboutus.html>

69 Khanondo Safari and Tours, advertising supplement, Sunday Mail (Zimbabwe), September 23, 2012.

70 "Khanondo Safaris on expansion drive", Sunday Mail, September 22, 2012; http://www.sundaymail.co.zw/index.php?option=com_content&view=article&id=31281:khanondo-safaris-on-expansion-drive&catid=44:environment-and-tourism&Itemid=136

71 <http://www.khanondotravel.com/carhire.html#>

72 "Mpfu Tightens Grip on Hwange", Zimbabwe Independent, August 25, 2011; <http://allafrica.com/stories/201108260885.html>

One explanation could be that Mpofu purchased them through a proxy company completely unassociated with his name—a loophole famously exploited by other named individuals like Billy Rautenbach.

Another answer may lie in the November 2010 collapse of Core Mining, the South African diamond company that joint ventured with the ZMDC to form Canadile. In February 2012 Babcock won a liquidation order against Core Mining in South African court for unpaid debts of \$1.4 million, including for similar Volvo trucks.⁷³

Since Canadile's implosion the company has reverted to being a wholly owned entity of the government. Operating as Marange Resources the company is wholly owned by the ZMDC, a State agency under Mpofu's ministerial control. As Marange Resources has retained most of Core's assets there is very little prospect of Babcock being able to collect on its judgment.

This raises two possible scenarios that Mpofu should clarify as soon as possible: did he acquire these trucks at great personal expense and in breach of Western economic measures or he is in possession of former Core Mining property that legally belongs to Babcock?

Of all Obert Mpofu's acquisitions, none of them raised so much public interest as his May 2012 purchase of the asset-less Zimbabwe Allied Banking Group.

ZABG has a storied history. Created by Reserve Bank Governor Gideon Gono during hyper-inflationary times, it was always viewed with suspicion by the banking sector which perceived it as a vehicle through which ZANU insiders carried out currency manipulations—a fact highlighted by the bank's decline following the dollarization of the economy in 2009.

What Mpofu paid for the worthless bank is unknown. One media report claimed he spent \$22.5 million⁷⁴, while another put the figure at \$27.8 million, after accounting for ZABG debts of \$15.3 million⁷⁵. What is certain is Mpofu, through his company Trebo and Khays, invested at least \$12.5 million—the minimum capitalization required by banking laws to operate. Gideon Gono has also confirmed that Mpofu is the "99.9% shareholder" of ZABG, although he has two years within which to "regularize the ownership structure" so no one shareholder can own more than 25 percent.⁷⁶

Why would Mpofu want to refloat a bankrupt bank? What benefit could it serve him?

Some speculate that the reason is simply about ego. "Once you have a farm and a safari lodge, why not a bank?" one banker told PAC⁷⁷. Others see it as a chance to capture the banking business of ZANU supporters in Matabeleland and increase his political prestige. Others, a way to dispense patronage and nepotism⁷⁸. All are valid, especially after he announced his intentions to move the bank from Harare to Bulawayo.



*Retired Colonel Tshinga Dube,
CEO of Marange Resources*

73 "Axe Hangs Over Core Mining," The Herald, February 17, 2012; <http://allafrica.com/stories/201202170706.html>

74 "Mpofu wife in new ZABG board," NewsDay, August 22, 2012; <http://www.newsday.co.zw/article/2012-08-22-mpofu-wife-in-new-zabg-board/>

75 "ZABG's Great Escape," The Herald, April 2, 2012; <http://allafrica.com/stories/201204020094.html>

76 See for example, "Gono appeals to Mugabe in banks row", New Zimbabwe, July 4, 2012; <http://www.newzimbabwe.com/news-8411-Gono%20appeals%20to%20Mugabe%20in%20banks%20row/news.aspx>

77 Interview with Zimbabwean banker, May 4, 2012

78 Mpofu appointed his wife Sikhanyisiwe and Harare lawyer Farai Mutamangira to ZABG's board in August 2012. The former has no banking or management experience. The latter is a close associate of Mpofu's who he appointed Chairman of the Board of Hwange Colliery, a coal parastatal, a year previous.

The prime motivation for owning ZABG has a diamond connection that has been overlooked by almost everyone.

Less charitable banking sources point out similar banks, in the hands of other people, have been used for another purpose: laundering illicit revenue streams. How the laundering is done can take several forms, including extending bogus loans which go into default, or paying employees, often family members, at rates higher than industry standards.

Having only taken control of ZABG in August 2012, there is no evidence Mpofu has engaged in any money laundering; rather his prime motivation has a diamond connection that has been overlooked by almost everyone. In March 2012, cabinet took a decision to compel all mining companies to bank their money with local financial institutions following revelations that mining companies—including ones operating in Marange—were stashing billions of dollars in foreign accounts.⁷⁹

The decision has merit—capital flight is bad for any economy—but Mpofu's ownership of the bank opens the door to possible charges of conflict of interest once mining companies, which are dependent on his ministerial approval for their projects, start shopping for a local bank. Do they take their business to ZABG, for example, in the hopes it will guarantee a favourable decision?

ZABG is not the only business through which Mpofu has used his ministerial position to benefit from diamonds. Mpofu also has a close relationship to Three Waters Investment⁸⁰, a diamond trading company based out of one of his Bulawayo properties, 10 Livingstone Road. Operations are aided by Nyasha Mpofu, a trained diamond sorter, who has a reputation for dealing only in top quality gem diamonds. She is also known to personally arrange for diamond shipments to Johannesburg. PAC could not confirm claims that she is a relative of the minister. Sources say the company is not part of the emerging cutting and polishing industry—against which Mpofu was forced to act in 2011 following concerns companies were illegally trading diamonds.⁸¹

The perception—real or perceived—that a relative of the Minister is obtaining a pecuniary benefit from an industry over which he has fiduciary responsibility is troubling. It raises multiple conflicts of interest for the Minister. Prime among them: What role did he personally play in procuring diamonds for Three Waters Investment or facilitating their export?

What is not in doubt is how diamonds have helped to boost Mpofu's political influence and aspirations within ZANU structures.

He is now clearly considered *the* ZANU patron in Matabeleland, to which his political lessers pay homage and seek protection. He routinely dispenses philanthropy and personal patronage on a scale unmatched anywhere else in Zimbabwe.

In February 2012, for example, he provided a generator to Chinotimba Clinic in Victoria Falls⁸². A few months later, in June, he and his wife are reported to have distributed

79 "Government orders mining firms to bank locally," The Sunday Mail, March 18, 2012; http://www.sundaymail.co.zw/index.php?option=com_content&view=article&id=27741

80 Three Waters Investments (Pvt) was incorporated on January 25, 2008; listing Thandiwe Barbra Nkomo, Kwanele Hlabangana, Sakiwe Ndlovu, Laurence Zlattner, Andrew Moyo as directors. Its official company address is 6 Ida Court, Windsor Park, Famona, Bulawayo. Ndlovu is believed to have died in August 2012. Nkomo is the daughter of former ZAPU leader Joshua Nkomo.

81 "Issuance of Diamond Cutting Licences on Hold," The Herald, June 9, 2011; <http://allafrica.com/stories/201106100074.html>

82 "Mpofu donates generator to Chinotimba Clinic," The Chronicle, February 6, 2012;

http://www.sundaynews.co.zw.geo.webdev.co.zw/index.php?option=com_content&view=article&id=30365:mpofu-donates-generator-to-chinotimba-clinic&catid=38:local-news&Itemid=131

ten tonnes of grain to 600 families in the district of Ntabazinduna⁸³. One media report pegged the value of the donation at \$180,000⁸⁴. The next month he visited another village in Matabeleland with gifts of grain, heifers for the chiefs, and a promise to build a chief's hall⁸⁵. He is often referred to as being a patron of the financially beleaguered Highlanders Football Club and the Umguza Sinjalo Message Choir. His election as ZANU's only representative in Matabeleland in the 2008 elections has often been attributed to his personal attention to his constituents needs, including the payment of school fees for primary going children.

Diamonds have also allowed Mpfu to flex his muscles within ZANU circles. While any presidential ambitions are firmly in check—as a minority Ndebele the chances of winning the confidence of his Shona countrymen are nil—he has made no secret of his intentions to seek one of two ZANU vice-presidencies⁸⁶, upon the resignation of incumbent, John Nkomo, who is cancer-stricken.

Mpfu's aspirations, however, face one small obstacle: one of the vice-presidencies is reserved for someone who was a ZAPU member at the time of the 1987 ZANU-ZAPU power sharing agreement. Mpfu jumped ship in 1982, therefore making him ineligible, at least in theory.

This rule, however, is not set in stone. Mpfu has deftly played on his Marange connections to cultivate key former ZIPRA members who could play decisive roles advancing his political ambitions. This is particularly the case with Tshinga Dube, the CEO of Marange Resources, former CEO of ZDI and a member of ZANU's politburo, the party's supreme decision-making body.

Mpfu's deference to the military chiefs who control and exploit Marange's riches—especially those aligned to Defence Minister Emmerson Mnangagwa, the heir apparent when President Mugabe dies—also bode well for his efforts to consolidate his place within the ZANU hierarchy.

Mpfu's recent financial windfall and political prestige is a fundamental matter of public interest. Any time a senior politician in any country is allowed to amass an unexplained fortune, as Mpfu has done, questions must be asked not only about how that came to be, but why no steps have been taken to investigate possible financial wrongdoing or usurping of the public good.

Mpfu's wealth is symbolic of the larger mismanagement of Zimbabwe's natural resources⁸⁷. Certainly, he has become very rich since becoming the Minister of Mines, making him a figurehead for the illegality occurring in Marange, but this story is about more than Obert Mpfu alone. Ultimately it is about the greed and corruption that lies at the heart of ZANU as a political institution.

83 "I Will Pay for All Your Maize—Minister Mpfu Tells Villagers," *NewsdzeZimbabwe*, June 25, 2012; <http://www.newsdzezimbabwe.co.uk/2012/06/i-will-pay-for-all-your-maize-minister.html>

84 "Obert Mpfu splashes \$180 000 on maize for his constituency," *Bulawayo 24*, June 24, 2012 [http://bulawayo24.com/index-id-news-sc-regional-byo-16815-article-Obert+Mpfu+splashes+\\$180+000+on+maize+for+his+constituency.html](http://bulawayo24.com/index-id-news-sc-regional-byo-16815-article-Obert+Mpfu+splashes+$180+000+on+maize+for+his+constituency.html)

85 "Dr Mpfu donates to constituents", *The Chronicle*, July 2, 2012; http://www.chronicle.co.zw/index.php?option=com_content&view=article&id=37235:dr-mpofu-donates-to-constituents&catid=38:local-news&Itemid=131

86 "Mpfu builds political profile," *Zimbabwe Independent*, August 4, 2012; <http://www.theindependent.co.zw/2012/08/04/mpofu-builds-political-profile/>

87 For example see recent debates about Mpfu's management of a proposed \$750 million bid by Indian company Essar to purchase Ziscosteel; <http://www.theindependent.co.zw/2012/06/29/ncube-blames-mpofu-over-essar-deal/>

ZANU's vulture capitalism has never been a one-man operation. From asset stripping of state enterprises to farm seizures to currency manipulations during hyper-inflation to Marange, their track record shows that ZANU hunts and feasts as a pack. Their strength lies in their unity, not their individual parts. They are deeply distrustful of each other, leading those involved in any illegal venture to share the profits, rather than allow one individual to amass wealth on the collective's behalf, or expense. Like a gang, they achieve conformity within the group by ensuring that everyone is implicated in the illegality.

Those that have gotten too greedy, or sought to exit the game, have paid a hard price. They have been publicly ridiculed, politically ostracized, forced into exile, and often stripped of their wealth with the same speed with which they amassed it.⁸⁸

Those who know Mpfu say he is not capable of single-handedly masterminding events in Marange, but he is smart enough to know how to help those that do. That he has survived this long, shows he has enough sense to know that his continued beneficence is linked to placating the needs of a small and tight group of political and military elites who have been in charge of Marange since the very beginning.

Zimbabwe cannot be allowed to continue to trade diamonds in this fashion. Those who naively or willfully look the other way to Zimbabwe's mismanagement of its diamond deposits—as the Kimberley Process has done—will only undermine consumer confidence in the diamond sector.

Industry members, particularly those in South Africa, Dubai and India, who in any way associate themselves with the companies operating in Zimbabwe—whether deemed KP compliant or not—should be under no illusion as to the criminal elements they are dealing with. They are not helping the economic recovery of an impoverished country. In fact, they are doing the opposite—they are enabling corruption and those who have led political repression and violence in Zimbabwe.

Improvements will only come if there is a unified response, beginning with industry members, but supported by national governments, that demands better of Zimbabwe.

The next section offers suggestions on possible ways to support such efforts.

⁸⁸ A good example of this is Mutumwa Mawere, Zimbabwe's "first indigenous mining entrepreneur" who saw his business empire disappear after his relationship with ZANU insiders, particularly Emmerson Mnangagwa, soured after greed got the better of him. Once the toast of both the South African and Zimbabwe business communities Mawere was forced into exile and accused of bilking millions from investors in an asbestos mine he had acquired and asset stripped on behalf of ZANU associates.

PART Three: Recommendations

“How do you become transparent when you know there is a lion waiting for you to just walk in front of it and maul you? If they know how you are trading, they will interfere with that.”

– Minister Mpfu explains his opposition to revenue transparency.⁸⁹

In an ideal world, championing the public interest—not exploiting political divisions or maximizing personal greed—would be the paramount motivation and obligation of any government minister, irrespective of political stripe. A common national approach and commitment to the good governance of Zimbabwe's diamond resources could see Marange deliver on its economic promise. Obert Mpfu would use the full authority of his office to turn Marange into another Botswana.

But there is nothing ideal about Zimbabwe's diamond industry.

Botswana, on the other hand, is a rarity in Africa, a country that made a conscious decision decades ago to slay the resource curse and harness the full economic potential of its immensely rich diamond deposits. Botswana did that by consulting the best diamond minds the world had to offer. When De Beers came calling to negotiate access to their diamonds, Botswana dealt with them as equals, eventually signing a joint venture agreement that allowed diamonds to be the development vehicle they can and should be.

Today, Botswana runs some of the most professional mines on the African continent. Despite the ravages of HIV, it boasts one of the healthiest and best-educated populations in Southern Africa. It is as politically stable as it is economically viable. In 2011, De Beers affirmed its confidence in the country by announcing it would move its sorting and trading operations from London to Gaborone by the end of 2013, ending an arrangement that has been in place since 1888.

Botswana is not the only country to put the public interest at the forefront of its mineral extraction. Other countries, some after learning the hard way, have enacted legislation that protects finite resources, introduces value additions to the supply chain, and gives local communities, consumers and the private sector assurances that corruption or other forms of criminality will not be tolerated.

Liberia, for example, challenged some formidable foreign investors to cancel all timber concessions and completely overhaul its forest sector in 2006, including legislating full transparency of timber deals⁹⁰. More recently African countries have adopted the African Mining Vision (AMV), an African Union backed initiative that seeks to promote such things as good governance practices, community beneficiation and economic spin offs.⁹¹

89 “Biti, Mpfu tussle over diamond revenue,” The Standard, March 18, 2012

90 See for example, Forest Sector Reform (Executive Order #1); <http://www.elaw.org/node/2028>. While Liberia's embrace of transparency has been uneven, it is raised as an example of what could be followed in Zimbabwe by those with a sincere desire to see the country benefit from diamonds.

91 More details on the African Mining Vision can be found here: <http://www.africanminingvision.org/>

The AMV offers many opportunities to Zimbabwe, were there a sincere interest and commitment by Minister Mpfu and other ZANU officials to harness Marange's development potential. In Zimbabwe proponents of better natural resource governance face several unique challenges. The most obvious is a lack of political will by key actors to work together for the overall public good, either because of political divisions, or self-enrichment, or both. But if ministers such as Obert Mpfu continue to use their office to impede good governance efforts, others with ministerial responsibility or parliamentary position should redouble efforts to publicly identify and address issues that are undermining Zimbabwe's ability to fully benefit from Marange's economic promise. If concerns about ongoing smuggling and missing revenues are to be meaningfully addressed, a full commitment to transparency of contracts and revenue streams is the most critical and pressing first step. Zimbabwean civil society groups have already laid the groundwork for this by creating the Zimbabwe Mining Revenue Transparency Initiative (ZMRTI), a domestic version of the Extractive Industries Transparency Initiative (EITI)⁹², the latter of which has won favour from the Chamber of Mines.⁹³ Willing Zimbabwean politicians should give them the political support they need to implement it.

This report makes several policy recommendations aimed at improving the management and economic outcomes in Marange. Many of them are drawn from lessons and experiences in other African jurisdictions, and are in line with the principles and objectives of the African Mining Vision. They are principally directed at constructive elements within the unity government of Zimbabwe.

Recommendation: Improve Parliamentary oversight of mining contracts

Obert Mpfu's aversion to revenue transparency is the norm, not exception, among ZANU colleagues. With good reason: contracts that have been drafted to date have not been done with the public's interest in mind.

The parliamentary committee on mines and energy should revisit and publicize the terms and conditions of each of the joint ventures approved between 2009 and 2012, including disclosing the ownership structures of the company and individuals who sit on the boards of directors. If the contracts are found to contravene Zimbabwean law or not be in the public's good, mining licenses should be rescinded and/or renegotiated.

Recommendation: De-militarize diamond deals

State sponsored violence is no stranger to Marange, or Zimbabwe. Marange has witnessed numerous episodes of violence, the worst being the infamous "gunship incident" of October 2008. Although levels of violence are down from their apex in 2008-2010, concerns remain that the role of state security agencies and officials in Marange's legal and illegal diamond trade greatly increase the prospects of poor governance, off budget expenditures and violence—both within Marange and nationwide. This fear is particular acute as Zimbabwe approaches general elections and a national referendum on a new Constitution in 2013.

Considering the increasingly contested and violent political landscape at play in Zimbabwe since 2000, all efforts should be taken to disable revenue streams to state security agencies other than what they receive from the Budget.

Any current or future joint ventures in Marange that involve serving or recently retired members of the army, police, or other security agencies in either leadership or ownership

92 See for example: www.zela.org/index.php?option=com_content&view=article&id=5&Itemid=80

93 "Chamber of Mines Expresses Commitment to Industry Transparency", *The Herald*, June 15, 2010

positions should be made illegal. A suggested length of time after leaving a security force during which an individual could not be associated with a mining company could be five years.

Recommendation: Promote transparency

The opaque nature of joint venture agreements in Marange and the lack of clarity with respect to revenues owed the national Treasury have a direct impact regarding Zimbabwe's compliance with KPCS standards and minimum requirements.⁹⁴

The unaccounted accumulation of wealth by Minister Mpfu and others further adds to suspicions that Zimbabwe's diamond revenues are not being properly accounted for or managed in the public's interest.

With this in mind Zimbabwe should enshrine contract transparency for all agreements related to natural resources into its Constitution, as was done by Niger in 2011.

In order to give the public clarity and assurances of how diamond revenues are accounted for, the Ministries of Mines and Finance should also come to an agreed and publicly disclosed understanding of what each diamond mining company exports on a quarterly basis, and what taxes were collected.

The easiest way by which to de-politicize this issue would be for the Government of Zimbabwe and all companies operating in Marange to regularly disclose in a full and transparent way all diamond production, trade and payments figures.

Obert Mpfu and other senior ZANU officials have dismissed calls for revenue transparency claiming that to do so would only expose Zimbabweans and those who purchase their diamonds to legal liability from US and EU economic measures. Another way to approach it would be to see the adoption of transparency measures as a way to assuage Western, and domestic, fears of how diamond revenues are being mismanaged. In this context, a commitment to revenue transparency might actually benefit Zimbabwe in its calls for economic measures to be lifted, particularly on ZMDC, MMCZ and the concessioned diamond companies.

Recommendation: Disclose assets of public office holders

The business holdings and assets of public office holders are a fundamental matter of public interest. The public disclosure of such information guards against conflict of interest—real or perceived—and makes it more difficult for office holders to hide assets or financial interests.

Zimbabwe should undertake to create a mandatory and publicly available registry of assets for elected officials, senior government appointees and their spouses. For the duration of an individual's term of public service any companies in which they have a share should be publicly disclosed and placed in a blind trust.

Such a registry should be managed by an independent third party, vested with the power to investigate allegations of pecuniary benefit by an office holder. The Canadian registry could be used as one model among others.⁹⁵

94 "KP Monitoring Team on Marange: Q2 Report on Marange, February-April 2012," Abbey Chikane and Mark Van Bockstael, p. 4

95 In Canada, the registry covers ministers, parliamentary secretaries, ministerial staff and all full-time Governor-in-Council appointees such as deputy ministers, heads of Crown corporations and members of federal boards." More information can be found at: <http://ciec-ccie.gc.ca/Default.aspx?pid=15&lang=en>

Recommendation: Oblige companies to divulge ownership structures

Little is known of the corporate structure of companies operating in Marange. However, several are known to be registered in secret tax havens like Mauritius, where their owners are protected from public scrutiny.

The ministries of Finance and International Trade should consider taking action to force all companies listed and operating in Zimbabwe's extractive sector to publicly divulge the ownership structure and location of any foreign held trust accounts.

Doing so would further lessen the opportunity of public officials or their family members to hide pecuniary relationships to companies they may have oversight over.

Recommendation: Make Beneficiation Non-Partisan

Beneficiation is allegedly at the heart of a ZANU attempts to "indigenize" the Zimbabwean economy by making all companies 51% "Black" owned. Led by Saviour Kasukuwere, the minister of youth development, indigenization and empowerment, the effort has been roundly criticized inside and outside Zimbabwe as another cash grab by ZANU. In a similar vein, efforts to establish "community development trusts" in Marange have been dismissed as a Trojan Horse created by ZANU to deflect and counter legitimate criticism about mining operations.

The idea of a sovereign wealth fund of some kind, however, is worth consideration and does have bi-partisan support.⁹⁶

Zimbabweans, particularly those living in areas affected by the mining, have a right to some kind of dividend from Marange riches. That beneficiation, however, should not be limited to Marange as it otherwise may cause regional divisions and further grievances. Because of the way in which ZANU has asset stripped economically viable entities before, the same could happen to any trust or sovereign fund unless rigorous and independently monitored system of checks and balances are put into place.

With this in mind any effort at community beneficiation should be modeled on the sovereign wealth fund created by the Royal Bafokeng Nation in their efforts to secure long-term economic benefits for their people from platinum deposits on their land in North West Province in South Africa.

Among the things the Bafokeng have committed to: a goal of "zero harm to those who work within and around its operations"; protection to whistleblowers in the event of "potential breaches or any other legal or ethical issues with management"; the creation of clear profit taking structure, support for community development objectives and the banning of any donations to, or appearances of, political partisanship. They are governed by professional staff and publicly disclose all tax and royalties made and received on an annual basis.⁹⁷

The government of Zimbabwe should also consider some of the terms of Impact Benefit Agreements (IBAs) signed between Canadian First Nation groups and international diamond mining companies. They include, for example, commitments to environmental stewardship as well as employment guarantees.

⁹⁶ Code of Ethics Policy, Royal Bafokeng Platinum Limited; downloadable at www.bafokengplatinum.co.za/a/gov_policies.php

⁹⁷ Biti has included it in some of the measures he would include in a new Diamond Act. See for example, <http://www.newsday.co.zw/article/2012-05-24-biti-pushes-diamond-policy-reforms/>

Recommendation: Create an international diamond smuggling profile

Current enforcement efforts are failing to detect and interrupt the flow of smuggled Marange goods. Due to the scale of this trade, the entire diamond supply chain has been, and continues to be, compromised by tainted goods.

Greater cooperation among enforcement agencies is needed. With this in mind willing Kimberley Process participants should work to tackle illicit and increasingly sophisticated criminal networks by creating a diamond smuggling profile. Modelled after similar profiles used by customs and enforcement agencies to intercept drug and money-laundering networks, such a profile should be developed in close collaboration with the World Customs Organization, with which the KP signed a memorandum of understanding in November 2010.

Recommendation: Industry should adopt a Chain of Custody system

The Kimberley Process Certification Scheme and the World Diamond Council's System of Warranties are failing to track and respond to the illegal flow of Marange diamonds.

Smuggled diamonds are either reaching cutting and polishing centres with KP certificates fraudulently obtained in second countries, or none at all.

With the Kimberley Process's failure to appropriately respond to Marange's challenges, pressure will grow on Industry to prove its commitment to the ethical and legal sourcing of diamonds. These commitments need to have some way to be monitored by an independent third party, something that is lacking in the WDC's warranty system.

With this in mind the World Diamond Council should commit itself to the Responsible Jewellery Council's Chain of Custody efforts that track diamonds from mine-site to market. Moreover, it should undertake to mainstream the best practices outlined by John Ruggie, the United Nations Special Representative for Business and Human Rights, and the OECD's Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.⁹⁸

Recommendation: Legislate the disclosure and prohibition of Marange diamonds

Should the global diamond industry—particularly in India and UAE—be unwilling to adopt comprehensive measures to protect the supply chain from legal and illicit Marange diamonds owned by the Zimbabwean military or those shown to be undermining governance or contributing to violence, the United States, European Union and any other willing country should develop legislative measures aimed at protecting their manufacturing and consumer markets from these diamonds.

Such efforts would complement existing economic measures in those jurisdictions which to date have stymied but not eliminated the trade of Marange goods to manufacturing centres like Surat, India, nor blocked their subsequent entry into Western consumer markets.

Based on the Dodd-Frank Act in the United States, this legislation should include the mandatory, and verifiable, disclosure by diamond industry members that all diamonds entering such markets do not originate from Marange, whether in rough or polished form. Those that do should be prohibited from entry.

98 More details on the Ruggie Guidelines can be found here: <http://tinyurl.com/26h2dda>; as can the OECD's Due Diligence Guidance efforts here: <http://tinyurl.com/blh6wsq>

Partnership Africa Canada

Partnership Africa Canada is working to strengthen good governance and respect for human rights, prevent conflict related to natural resource exploitation, and promote sustainable development.

The following PAC reports related to diamonds can be found on PAC's web site.

- **Diamonds Without Borders: An Assessment of the Challenges of Implementing and Enforcing the KP Certification Scheme**
- **Diamonds and Clubs: The Militarized Control of Diamonds and Power in Zimbabwe**
- **Paddles for Kimberley: An Agenda for Reform**
- **Zimbabwe, Diamonds and the Wrong Side of History**
- **Loupe Holes: Illicit Diamonds in the Kimberley Process**
- **Land Grabbing and Land Reform: Diamonds, Rubber and Forests in the New Liberia**
- **The Lost World: Diamond Mining and Smuggling in Venezuela**
- **Killing Kimberley? Conflict Diamonds and Paper Tigers**
- **Triple Jeopardy - Triplicate Forms and Triple Borders: Controlling Diamond Exports from Guyana**
- **Fugitives and Phantoms: The Diamond Exporters of Brazil**
- **Implementing Kimberley process - 5 years on - how effective is the Kimberley Process and what more needs to be done?**
- **The Failure of Good Intentions**
- **Rich Man, Poor Man – Development Diamonds and Poverty Diamonds: The Potential for Change in the Artisanal Alluvial Diamond Fields of Africa**
- **The Key to Kimberley: Internal Diamond Controls-Seven Case Studies**
- **Diamonds Without Maps: Liberia, the UN, Sanctions and the Kimberley Process**
- **Motherhood, Apple Pie and False Teeth: Corporate Social Responsibility in the Diamond Industry**
- **West Africa: Rocks in a Hard Place. The Political Economy of Diamonds and Regional Destabilization**
- **Diamonds in the Central African Republic: Trading, Valuing and Laundering**
- **No Problems Here: Success, Complacency and Suspicion in the Indian Diamond Industry**
- **War and Peace in Sierra Leone: Diamonds, Corruption and the Lebanese Connection**
- **The Kimberley Process: The Case for Proper Monitoring**
- **Hard Currency: The Criminalized Diamond Economy of the Democratic Republic of Congo and its Neighbours**
- **Diamonds: Forever or for Good? The Economic Impact of Diamonds in Southern Africa**
- **Fire in the Ice: Benefits, Protection and Regulation in the Canadian Diamond Industry**
- **Destabilizing Guinea: Diamonds, Charles Taylor and the Potential for Wider Humanitarian Catastrophe**
- **The Heart of the Matter - Sierra Leone, Diamonds and Human Security**

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