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**GOVERNANCE
REFORMS AND
NATIONAL BENEFITS:
PROBLEMS AND
PROSPECTS IN
MARANGE DIAMOND
MINING IN ZIMBABWE**

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Abstract

Zimbabwe is among the top diamond-producing countries and is believed to hold a quarter of the world's diamond reserves. Yet it is still one of the poorest countries as the economy is slumped and growth has slackened, and it is expected to further weaken. This study tracks the history of diamond mining at Marange diamond fields, describing what has played out since the discovery of huge diamond deposits in 2006. The study considers potential entry points to try and effect reform in diamond mining in the country. It also explores the governance options and their experience, distinguishing between domestic and global mechanisms and exploring the prospects for each. The study interrogates the strength and ability of various stakeholders to affect reform casting light on the politics and power dynamics at play.

Key words: Marange, Diamonds, Best Practice, Predatory, Governance, Zimbabwe, Zanu PF, Factions, Power, Community Trusts, Transparency, Resource Curse.

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CHAPTER 1: MAKING SENSE – INTRODUCTION, HYPOTHESES AND METHOD

1.1 Introducing the study

Zimbabwe is among the top diamond-producing countries and is believed to hold a quarter of the world's diamond reserves (Reuters, 2015). Yet according to the IMF, it is still one of the poorest countries as the economy is slumped and growth has slackened, and it is expected to further weaken (International Monetary Fund, 2015). In 2012, then Finance minister, Tendai Biti, complained about the lack of transparency in the diamond industry and announced a cut in Zimbabwe's budget from US\$4 billion to US\$3.4 billion, attributing this to lack of expected income from diamonds. This was because, of the expected US\$600 million, Treasury had only received US\$41.6 million (Reuters, 2012). In his 2014 Budget Statement, the Minister of Finance Patrick Chinamasa (who took over from Biti) bemoaned the critical socio-economic challenges facing Zimbabwe, which he partly attributed to the failure to manage mineral resources, especially diamonds (Human Rights Watch, 2015). This study will track the history of diamond mining at Marange, describing what has played out since the discovery of huge diamond deposits in 2006. The paper will consider whether there are potential entry points to effect reform in diamond mining in the country.

There are a set of other questions that underpin this research, the following being key:

- What actually happens in the space that one is trying to operate in, and why do things play out in that way?
- Even if the world that one is living in is a messy and intrepid world, how does one think about development differently?
- Given the preceding question, what are the entry points that one finds that enable one to move forward?
- What is the strength and ability of various stakeholders to affect reform?
- Where and how to get countervailing power?

Much more importantly, the paper will explore the governance options and their experience, distinguishing between domestic and global mechanisms and exploring the prospects for each. It will interrogate the strength and ability of various stakeholders to affect reform. The study explores two main hypotheses to cast light on the politics and power dynamics at play.

Hypothesis 1

President Robert Mugabe and Zanu PF used their consolidated control over Zimbabwean politics to centralise control over rents, and used those rents both for personalised, predatory purposes and to build alliances.

The discovery of huge diamond deposits at the height of Zimbabwe's political and economic crisis fuelled a diamond rush to Marange, initially by thousands of local people and later by people from all over the country and beyond (Kanhema, 2006). The rush was exacerbated by the ruling party, Zanu PF, and by some government officials who declared the fields open to anyone who wanted to search for diamonds. Research by Transparency International Zimbabwe revealed that senior government ministers, politicians, army, police and intelligence services personnel, as well as senior civil servants and foreign actors especially from China, were the major players in the extraction and sale of diamonds (Mtondoro, et al., 2013). This seems to suggest that there was method in the seemingly chaotic scenes in Marange. Furthermore, during the period of the inclusive government, there were reports that funds from diamond mining were being channelled into "a parallel government of police and military officers and government officials loyal to Mugabe" (Smith, 2012). The study will interrogate the major actors in Marange to understand the relationships and the influence of those connections, as well as understand where they draw their power.

Hypothesis 2

Beneath a surface of consolidated control, Zanu PF is highly factionalised and the combination of economic turmoil and a major new rent resource brought the factions into the open, resulting in the chaotic opening up of the Marange fields with subsequent difficulty in consolidating control.

The deteriorating political and economic environment created a fertile ground for murky and secret arrangements in diamond mining, as well as a highly securitised operational environment. Then Reserve Bank governor, Gideon Gono, estimated that by October 2008, 500 illegal mining syndicates¹ were operating in Marange. The media was awash with reports suggesting that proper mining operations and planned sales of diamonds were being hampered by infighting within Zanu PF as factions jostled to be near the feeding trough (Chimhete, 2010). In 2010, 29 kilogrammes of diamonds, which belonged to African Consolidated Resources (ACR) and were being kept at the Reserve Bank awaiting a decision on the ACR ownership dispute with government were removed from the bank by police officers believed to belong to one faction of Zanu PF. The removal was in total disregard of orders by the country's Supreme Court. The study will prove or disprove the existence of different factions in Zanu PF vying for the control of diamonds, making it difficult for the party to speak with one voice on the confusion in Marange.

1.2 Power analysis

Political and social power is always contested, not least because each should always be understood in the specific context. Power can mean different things as a result of changing contexts. Weber (1978)² seminaly defined power as "the probability that one actor within a social relationship will be in a position to carry out his will despite resistance, regardless of the basis on which this probability rests" (Weber, 1978²). In this understanding, which is also articulated by Dahl ((1961) 1963), power is not to be confused with power resources, but with prevailing in decision-making; power resources are not necessarily power, but they are potential power. Hunter's analysis of power at the local level posited that power was unequally distributed even in the presence of democratic institutions because there were economic notables and other people working behind the scenes who made things happen (Hunter, 1969). Mills in *The Power Elite* investigated who held power at the national level in the USA, and concluded that an elite of about four hundred people influenced the major decisions (Mills, 1956). The distribution of power was pyramidal, and below this elite of four hundred were smaller pyramids made up of the local elites. All of these were brought together not through a conspiracy, but by a bureaucratic logic of mutual needs which made a shared agenda inevitable.

Dahl critiqued Mills' position, arguing that what Mills had demonstrated was that power resources were unequal, but not that there was a monolithic elite triggering these resources. In *Who Governs?* Dahl analysed community power in New Haven, looking especially at who started and vetoed decisions on key issues, and concluded that there was not one dominant elite but multiple elites with competing interests. Building on Schumpeter's understanding of democracy (Schumpeter, 1976), Dahl posited that democratic outcomes came through competition between elites. Understood in this light, the unintended effects of competition in the US for example, are what produce democratic outcomes. Whether one is persuaded by Dahl or by Mills, what cannot be escaped is that relations of power are significant aspects in understanding what happens or what ought to happen in a political system. To bring about change of policy or system requires an appreciation of where power lies and what sort of stakeholder relationships are required for the desired changes. One way of explaining and seeking to understand relationships among the actors, institutions and structures that underpin complex interactions is through analytic narratives. The narrative techniques are an important tool for interrogating the various

¹ Chiadzwa: Army sent in to quell gun battles, *Financial Gazette*, November 13, 2008.

² *Economy and Society* is a translation of Max Weber *Wirtschaft and Gesellschaft* based on the 4th German edition, Johannes Winkenhaim (ed.), Tubingen: J.C.B Mohr.

institutions and actors, as well as the specific and types of relationships that make up the complex arrangements in governance. According to Levi (2004) this approach,

requires, first, extracting from the narratives the key actors, their goals, and their preferences and the effective rules that influence actors' behaviors. Second, it means elaborating the strategic interactions that produce an equilibrium that constrains some actions and facilitates others.

This study will focus on the actors and their incentives in an attempt to explain why things happened the way they did. This is in the spirit of the analytic narrative approach. The study gives a historical and diagnostic account, describing what has played out as well as interrogating the power dynamics at play in Marange. Key stakeholders with an interest in the problem are assessed as well as their strength and ability to affect the outcome of the reform effort. Specific decision points are outlined so that there is an understanding of what happened and why.

CHAPTER 2: TRACKING WHAT HAPPENED IN MARANGE DIAMOND MINING

This chapter introduces the Marange diamond fields, describing what happened from the time that alluvial diamonds were discovered in 2006, and shows some of the key actors and moments.

2.1 Geological and economic dimensions of the Marange deposit

The Marange diamond fields are in Manicaland Province which is in the East of Zimbabwe, and are believed to be a 70km long belt which stretches from Chiadzwa district of Marange to the Chimanimani mountains. The Marange fields specifically cover an area which is believed to be 60 000 hectares, and estimates are that they contain two to seven billion carats of raw diamonds, making the fields one of the biggest finds in the world. Although the early deposits discovered in 2006 were generally of poor quality, they were also easy to mine as they were alluvial. Although several kimberlites occur within the Marange area, the primary source of the diamonds has not been identified. Former Minister of Finance Tendai Biti used to joke that one could mine the Marange diamonds just with the soles of one's feet. The relatively easy nature of mining the early deposits is what led to the rapid spread of informal diamond mining in Marange. After six years, the easy-to-mine alluvial diamonds were depleted and although diamonds remain, they lie in solid conglomerate rock.

Mining has become a key driver of Zimbabwe's economy, with its tax revenue contribution to government rising from US\$62 million in 2009 to US\$394 million in 2014 (Ministry of Finance and Economic Development, 2014). Although Zimbabwe hosts more than 60 different types of minerals (including gold, platinum, nickel, copper and diamonds), there has been very little exploration beyond rediscovering deposits (Roussos, 1988). Most of the mining is driven by small-scale miners who do not have the capacity for major exploration even around their deposits. There is basic processing of mineral deposits before they are sent to export markets; diamonds are sold in their rough form. The country is seriously underexplored and although about 65 percent has been mapped (Mugandani, 2011), this is basic reconnaissance mapping which does not even begin to explain the quantity and value of resources underground. The country lacks adequate geological information and this puts the government at a disadvantage when it comes to negotiating contracts. There is no extensive research on the technical aspects of the Marange deposits, for instance on the grade mixture and quality of the diamonds.

2.2 Huge diamond deposits discovered

Although the 2006 diamond discovery generated a lot of interest and movement, the South African diamond company De Beers through their subsidiary Kimberlitic Searches had in the 1990s been granted two exclusive prospecting orders (EPO) by the Zimbabwe government, giving them complete exploration rights to look for precious stones and diamonds in Marange. The two orders (1520 and 1523)³ came to an end on 28 March 2006 and De Beers did not seek renewal, bringing to an end its dalliance with Marange which had begun in the early 1990s. Instead, African Consolidated Resources (ACR), a company registered in the United Kingdom, sought and registered exploration rights in Marange. Geologists from ACR found that De Beers had missed massive diamond deposits and declared the find to the Ministry of Mines. No sooner had ACR declared the diamond find to government than they were evicted and their rights cancelled, with the government arguing that the rights had not been properly conferred. ACR then sought legal recourse and got a court order directing the police not to interfere with the operation of the company, but this was ignored. By October 2006 the government-

³ Africa Consolidated Resources Plc and others v. Minister of Mines and Mining Development and others, Case No HC 6411/2007, November 26, 2007.

controlled Minerals Marketing Corporation Zimbabwe (MMCZ) moved into Marange and started purchasing diamonds from unlicensed miners (Partnership Africa Canada, 2012). The number of illegal artisanal miners operating in Marange soared to about 15 000 (Rapaport, 2009). It was not long before the illegal diamond miners abandoned MMCZ because of the low prices and token amounts it was paying, and opted to deal with foreign smugglers who were offering way above what MMCZ was offering.

2.3 Challenges of putting an end to illegal mining

By the end of October 2006 the government, using the police and army, had evicted ACR. The 129 000 carats that the company had extracted were seized, and ACR staff were prevented from accessing the diamond fields. That same month, the Mines minister Amos Midzi granted the state-owned Zimbabwe Mining Development Corporation⁴ (ZMDC) exclusive mining and exploration rights in Marange. Although ZMDC was now ensconced in Marange, they quickly found that they could not deal with the thousands of illegal miners who had virtually taken over diamond mining, with encouragement from Zanu PF and the government. In November 2006, the police launched Operation *Chikorokoza Chapera* (Operation end to illegal mining activities) to help restore order. This led to the arrest of almost 9 000 miners in Marange and diamonds worth \$7 million were recovered; hundreds of people were beaten up. The operation was not without its problems as police were accused of massive human rights breaches because of their heavy-handedness. Although the police were sent to Marange largely to restore order, their presence in these rich fields allowed them access to precious minerals at a time when Zimbabwe's economy was on the brink of collapse. During the period from 2006 to 2008, the political and economic situation in the country worsened. There was hyper-inflation, low productive capacity, and massive de-industrialisation. There were endless queues all over the country and a general sense of despondency, exacerbated by rising unemployment and food shortages. Therefore, when the police went into Marange to restore order, the reality was of an economy teetering on the brink of collapse. It was not surprising therefore that they saw this as an opportunity to enrich themselves. After kicking out and arresting thousands of miners, they set up checkpoints that extended over the 100km stretch of road from Mutare to Marange to control access to the diamond fields, but these points were then used by illegal miners to bribe the security officers and gain access, and more bribes were expected on the way out. It soon became evident that the police had composed themselves into syndicates and were working with miners and smugglers in intricate arrangements to get diamonds.

2.4 Diamonds entering the market

There were formal and informal channels through which Marange diamonds entered the market. A diamond industry sprang up in Manica District in Mozambique, some 200 km from Marange, not far from the border between Mozambique and Zimbabwe. The normally quiet district of Manica sprang to life as illegal diamond dealers from Israel, Lebanon, Mali, Nigeria, Somalia and elsewhere had a visible presence in the district and had runners who bought diamonds on their behalf (Irin News, 2010). Joint operations by Mozambique and Zimbabwe Border Patrol officials failed to stem the flow. Alberto Limeme, the head of the Mozambique Border Patrol, believed the illegal diamond trade would be difficult to deal with because authorities on the Zimbabwe side were not doing enough to deal with it: "As long as the Zimbabweans do not clamp down on the illegal trafficking, it will be very difficult for us to restrain the entrance of the diamonds" (ibid).

Chinese businessman Xu Jinghua was also identified by reports as being at the centre of diamond smuggling through the mysterious plane Airbus 319CJ. It was reported that the airbus was enjoying "a

⁴ Statement by Assistant Mining Commissioner Isaac Ruswa, ACR et al v. Minister of Mines and Mining Development et al, November 26, 2007.

remarkable lack of scrutiny, seemingly flying in and out of Zimbabwe in a perpetual no-oversight zone⁵.” Xu Jinghua was believed to be a frequent passenger in the airbus which was identified by its tail code VP-BEX. Reports by Global Witness⁶ pointed out that Jinghua provided \$100 million and a fleet of cars to Zimbabwe’s police and army. 100 Reporters revealed “links between the mysterious jet, Zimbabwe government officials, and investors with holdings across the globe, from the UK to China, Angola to Bermuda to Wall Street⁷.”

Although there are laid-down procedures for how diamonds should be auctioned, it appears that Mbada Diamonds believed it could circumvent the process. For example no diamonds can be auctioned without the knowledge of ZMDC, the Minerals Marketing Corporation of Zimbabwe (MMCZ) and the Police Minerals Unit, yet Mbada wanted to do exactly that. This was revealed during submissions made to the Parliamentary Portfolio Committee on Mines and Energy in 2012, leading the Committee to blast⁸ the government over the careless manner in which it was handling diamond mining. A senior MMCZ official revealed⁹ that “Mbada had not complied with laid-down procedures, including the need for MMCZ to make its own evaluation and the requirement to secure Kimberley Process certification”. ZMDC is a key player in determining and shortlisting companies to establish joint mining ventures. Yet how the contracts with the said companies are arrived at remains murky. This means that when complications arise, it is difficult to put a finger on what or where the problem is, and the cause for it. The agreements also have non-disclosure requirements. In 2010, ZMDC were ordered by government to investigate¹⁰ Core Mining and Mineral Resources (Pty), especially the performance of contractual and statutory obligations of its joint venture agreement with Marange Resources (Private) Limited which gave birth to Canadile Miners (Private) Limited. The report reveals the murky world of diamond dealing, and shows that foreign interests seemed to dominate even as the government was pushing for indigenisation. According to the report, shareholding in the ventures was held by foreign nationals of South African, Indian, Belgian and Arabic nationalities. The report accused Core Mining director, Lovemore Kurotwi, of being an “unaccomplished and undistinguished business person” who openly used proceeds from the illegal sale of diamonds deposited into Canadile’s bank account and used them to finance working capital requirements. The report further says that Kurotwi seemed to be a proxy for influential persons. According to the report, most of the shareholders of Core Mining were convicted criminals, notorious diamond smugglers and persons of “questionable character and standing”. Some of the named and shamed directors included a Mr Licht who was said to have been convicted and served a prison sentence in Angola. There was also a Mr Taylor, an apartheid mercenary involved in African “conflict diamond” wars, and Vejayanakumar Naidoo a South African drug cartel boss, notorious diamond dealer and a smuggler. It is difficult given the opaque contract agreements to understand how these dodgy characters ended up as directors in joint ventures with government, but it speaks of state capture by influential individuals and senior Zanu PF officials who were only too happy to pull strings from afar. The report said there was the impression that the President’s Office was involved in the administration of tenders that are awarded to companies that are mining in Chiadzwa.

In February 2007, Mthulisi Dube, the son of Colonel Tshinga Dube the director of the Zimbabwe Defence Industries, was arrested after being found in possession of 1 164 diamonds. He was convicted, fined and released. William Nhara, a senior Zanu PF official who was the party’s spokesperson for Harare, was arrested at the Harare International Airport in March the same year. Nhara was in the company of a Lebanese woman, Carol Georges El Martni, and they had 10 700 carats of diamonds. The woman was convicted and fined US\$84 000, while Nhara died¹¹ in remand prison waiting for his

⁵ Zimbabwe’s disappearing diamonds <http://100r.org/2013/02/disappearing-diamonds/>

⁶ Financing a Parallel Government

http://www.globalwitness.org/sites/default/files/library/Financing_a_parallel_government_Zimbabwe.pdf

⁷ Zimbabwe’s disappearing diamonds <http://100r.org/2013/02/disappearing-diamonds/>

⁸ ZIMRA fishes out diamond dirt <http://nehandaradio.com/2014/05/29/zimra-fishes-diamond-dirt/>

⁹ Chiadzwa diamonds in fresh controversy <http://www.mines.gov.zw/86-chiadzwa-diamonds-in-fresh-controversy>

¹⁰ ZMDC Investigations Committee Report on Core Mining and Minerals (Pty) Limited 01/10/2010

¹¹ William Nhara dies, The Herald, May 29, 2007.

trial. There were also media reports in May 2007 of four soldiers who had been shot dead¹² by their colleagues because of a dispute over the sharing of diamond proceeds.

That same month, the International Diamond Manufacturers Association met in Russia and reached an agreement to allow partial exports of Marange diamonds from Mbada and Canadile. Mines minister Obert Mpofu announced that Zimbabwe had stockpiled 6 million carats, and promised the meeting that the country would respect KP rules. At the first public diamond auction, 900 000 carats of diamonds were sold¹³ raising \$46 million, although the US Diamond Trading Network called on its members to boycott the auction. The second auction in September attracted buyers mostly from India, the United Arab Emirates, and Belgium and sold 400 000 carats. In November 2010, Canadile's operations were suspended and officials from the company and ZMDC were arrested on allegations of \$2 billion fraud. The ZMDC then took control of Canadile through Marange Resources.

2.5 The Kimberley Process Certification Scheme

Zimbabwe is a member of the KPCS – a process enjoining governments to confirm that the rough diamonds they trade in are conflict-free. The government of Zimbabwe submitted a report in 2007 to the KPCS discussing diamonds in the country, where it argued that ZMDC had been granted prospecting and mining rights in order to rationalise the situation and establish some order. That ZMDC was going to be an important player was further buttressed by President Robert Mugabe during his annual birthday television interview with the public broadcaster, the Zimbabwe Broadcasting Corporation (ZBC), when he asserted that only the government would mine diamonds in the country. In May 2007 the World Diamond Council raised concerns about Zimbabwe, accusing the country of failing to cooperate with Kimberley Process to stamp out illicit and conflict diamonds. A recommendation was made for a review team to go to Zimbabwe and assess whether the country was fulfilling the certification scheme. A team led by Russia travelled to Zimbabwe, visited diamond sites, and met government and industry officials as well as representatives from the United Nations Development Programme. The Review Visit came to the conclusion that: “The implementation of the Kimberley Process Certification Scheme (KPCS) appeared to be working in a satisfactory manner in Zimbabwe, and in general, meets the minimum requirements of the KPCS¹⁴.”

2.6 Who will police the police?

Reserve Bank governor, Gideon Gono, estimated that by October 2008, 500 illegal mining syndicates¹⁵ were operating in Marange. It was clear that, far from establishing order in the Marange diamond fields, police were in fact aiding disorder and had become part of the problem. The severity of the problem had been captured a year earlier in an internal police memo by Chief Superintendent Oliver Mandipaka, who accused the police of corruption and pointed out that:

17 constables, sergeants, and an assistant inspector were charged, convicted and sentenced under the Police Act. They were all dismissed from the force. A further 11 officers facing corruption charges under the Police Act (omitting or neglecting to perform any duty or performing any duty in an improper manner) have since been relieved of their duties. (Mandipaka, September 18, 2007.)

In October 2008, government decided to send the Zimbabwe National Army and the Airforce of Zimbabwe in what was code-named Operation *Hakudzokwe* (Operation No Going Back) to clean up

¹² “Four soldiers killed in diamond incident”, The Zimbabwe Times, June 1, 2009, <http://www.thezimbabwetimes.com/?p=17216>

¹³ Crisisgroup.org <http://goo.gl/zKaGN>

¹⁴ The 2007 Review Visit, Voanews <http://goo.gl/SdnHw>

¹⁵ Chidzwa: Army sent in to quell gun battles, Financial Gazette, November 13, 2008.

the mess in Marange and to once again establish order. There were rampant human rights abuses and thousands were beaten up while 214 people were reportedly killed.¹⁶ The soldiers secured the area that same month, and six hundred soldiers were based there. Marange had in a way become a military camp. Torture and beatings continued up to February 2009. As if reading from the earlier police script, soldiers set up their own syndicates, and revived some of the old syndicates that had been set up by the police.

2.7 Defying the World Diamond Council

In November 2008, a Diamond Council meeting in New Delhi expressed concern with the continued challenges to the KPCS implementation in Zimbabwe. In January 2009, a Working Group on Monitoring (WGM) looked at reports on violence especially regarding Operation *Hakudzokwe*, and expressed concern at what appeared to be renewed smuggling and weak controls in Marange. Zimbabwe government authorities submitted a spirited defence in a report that refuted allegations of violence, and further argued that leakages had been closed and Zimbabwe was ready to move forward. A High Level Envoy¹⁷ led by the KP chair was sent to the country to deliver a stern message calling for a total end to smuggling and illicit diamond trading activities. Things then came to a head in April 2009 when the World Federation of Diamond Bourses (WFDB) announced a ban on trade in Marange diamonds because of smuggling and human rights violations. Aviz Paz the president of WFDB called on members “to take all measures necessary to ensure that they do not trade directly or indirectly, in diamonds originating from the Marange deposit in Zimbabwe” (Diamond Trade News, 2009). A further Review Visit in July 2009 reported that there was lack of compliance with even the minimum requirements of the KPCS. There was serious concern at government involvement in human rights violations, smuggling, weak controls and leakages in the “entire chain of production¹⁸”.

Almost as if to spite WFDB, and to show that business would not come to a standstill because of the ban, the government announced that it had accepted expressions of interest from two companies to get into joint ventures with ZMDC to mine in Marange. ZMDC through Marange Resources would have 50 percent shares in Mbada Diamonds and Canadile Miners Limited. It was not clear how these two companies had been selected. The government also went on a charm offensive, explaining the steps it had taken to clean the mining of diamonds in the country. It also sold the line that those who were pressing for Zimbabwe’s suspension were regime-change agents, bitter at Zimbabwe’s successful land reform programme. Zimbabwe’s stance and actions polarised and divided the World Diamond Council (WDC) so much that the Kimberley Process Plenary session in Swakopmund, Namibia, in November 2009 could not reach consensus on the recommended six-month suspension of Zimbabwe. Instead, Zimbabwe’s commitment to a joint action work plan to help the country to comply was hailed, even though the work plan was completely silent on human rights violations and what civil society organisations called the militarisation of Marange¹⁹ diamond fields.

Canadile Miners and Mbada Diamonds started mining in Marange in December 2009, and in February 2010 South African national Abbey Chikane was appointed KP monitor to assist Zimbabwe to comply with the work plan as agreed in Namibia. The plan was supposed to (among other things) address the non-compliance issues²⁰ identified by the Review Visit in July 2009. In addition, Chikane was supposed to examine and certify Marange diamonds under a supervised export mechanism. In May 2010, Farai Maguwu, the director of the Centre for Research and Development (CNRG) a non-governmental organisation monitoring resource governance, was arrested after a confidential meeting he had with Chikane, fuelling suspicion that in fact Chikane had set police onto Muguwu. The arrest drew international condemnation from human rights groups including Amnesty International and the

¹⁶ Rapaport, Timeline of Events at Marange Diamond Fields, February, 2011.

¹⁷ Kimberleyprocess.com <http://goo.gl/odhtv>

¹⁸ Greatindabada.com <http://goo.gl/ax2Jb>

¹⁹ Crisisgroup.org <http://goo.gl/alNOE>

²⁰ KimberleyProcess.com <http://goo.gl/2KYLI>

International Commission of Jurists. In June 2010 Chikane announced that Zimbabwe had duly complied with the minimum requirements and was on course with the work plan. Maguwu was eventually released in July 2010 after global pressure, including from the president of the World Diamond Council.

2.8 Seven key companies

KPCS insisted that Zimbabwe should do more to curb illegal diamond mining in Marange, and the Zimbabwean government tasked the Ministry of Mines and the Zimbabwe Mining Development Corporation (ZMDC) to spearhead these efforts. The two entities were tasked with identifying diamond areas within the 70 000 hectares of Marange fields, and subdividing them into manageable portions for mining. They were also required to find potential investors and enter where possible into joint mining ventures. Between 2009 and 2012 the government entered into joint agreements with seven companies in Marange. The ZMDC had shareholding in one way or another in the seven companies at the epicentre of events in Marange. These companies were Anjin Investments, Diamond Mining Company, Gye Nyame Resources, Jinan Mining Ltd, Kusena Diamonds, Marange Resources, and Mbada Diamonds. The following table taken from the ZMDC website²¹ gives a breakdown of ZMDC shareholding in the seven companies operating in Marange, although it does not say who owns the rest of the shareholding in each company.

Table showing ZMDC shareholding in companies in Marange

Company	ZMDC Shareholding
Anjin Investments (Private) Limited	ZMDC has a 10% stake in Anjin Investments.
Diamond Mining Corporation (Private) Limited	ZMDC owns 50% of the issued shares in Diamond Mining Corporation.
Gye Nyame Resources (Private) Ltd	ZMDC has a 50% shareholding in this entity. However the mine is no longer operating as its licence was withdrawn due to non-performance.
Jinan (Private) Limited	ZMDC through Marange Resources (Pvt) Ltd holds a 50% stake in Jinan.
Kusena Diamonds	.
Marange Resources (Private) Limited	A wholly owned subsidiary of ZMDC
Mbada Diamonds (Private) Limited	ZMDC, through Marange Resources (Pvt) Ltd, owns 50 % of the issued shares in Mbada Diamonds.

On **Anjin Investments (Private) Limited**, official figures put the ZMDC shareholding at 10 percent, but reports (Zimnisky, 2014) suggests that 50 percent of the company is owned by Matt Bronze Ltd, a company principally controlled by senior Zimbabwean military official Charles Tarumbwa. Deputy Minister of Mines, Gift Chimankire, confirmed in parliament that the army had a stake in Anjin, although he put it at 40 percent (Jamsmie, 2012). In private correspondence²² to Anjin, the acting secretary for the Ministry of Mines describes Matt Bronze as “the company which ZMDC used to cooperate and sign agreements with Anhui Foreign Economic Construction Group (AFECG)”. In the same letter, he cedes to Anjin Investments 3731 hectares of exploration, prospecting and mining rights. Investigations show that the Zimbabwean directors of Anjin come from the military, police and Zanu PF. MDC Member of Parliament, Settlement Chikwinya, accused then Defence minister Emmerson Mnangagwa of giving

²¹ ZMDC shareholding in diamond mining companies in Marange

²² Letter from V Vera, the acting secretary for Ministry of Mines and Mining Development addressed to Anjin Investments.

concessions to Anjin when the minister of mines was away and Mnangagwa was acting minister. Mnangagwa is now the vice-president of Zimbabwe.

Table showing Anjin directors and their positions elsewhere

Name of Board member	Positions
Martin Rushwaya	Permanent secretary, Ministry of Defence
Oliver Chibage	A commissioner in the Zimbabwe Republic Police
Nonkosi Ncube	A commissioner in the Zimbabwe Republic Police
Munyaradzi Machacha	Zanu PF director of publications
Morris Masunungure	Retired officer in the Zimbabwe Defence Forces
Romeo Mutsvunguma	Retired colonel in the Zimbabwe Defence Forces
Charles Tarumbwa	Brigadier in the Zimbabwe Defence Forces

There are some interesting names on this list. For example Charles Tarumbwa who is also the Anjin company secretary is implicated (European Union External Action Service, 2012) in a terror campaign that was waged against MDC supporters in Mutare, in the Manicaland Province. Retired colonel Mutsvunguma is accused by Human Rights Watch of shooting at point blank and killing MDC supporter Tabeth Marume (Human Rights Watch, 2008). The other 50 percent in Anjin is said to be controlled by Anhui Foreign Economic Construction Group (AFECG). AFECG is a large, well-established Chinese company that is involved in many construction projects in Africa, for example in Uganda it is responsible for the renovation of Akii national stadium, while in Mozambique it is renovating the Maputo International Airport through a US\$106 million loan from China's state-owned Exim Bank.

In **Diamond Mining Corporation**, ZMDC owns 50 percent, but has remained silent on who owns the other half, which is believed to be controlled by a consortium of investors from Dubai.

Although Gye Nyame Resources is no longer operational, ZMDC used to control 50 percent shares, and the other half belonged to three players: 24 percent to Bill Minerals, a Ghana-based company owned by William Essien; 20 percent to Zimbabwe Republic Police Trust; and 6 percent to Dantor, a private company owned by Zimbabweans Itai Munyeza and Blessmore Chanakira. The Commissioner of the Zimbabwe Republic Police, Augustine Chihuri had written²³ to Mines minister Obert Mpofu: "after scanning the environment and a thorough analysis of opportunities available I wish to submit the Zimbabwe Republic Police application for areas in Chiadzwa Marange marked on the map appended to the attached company profile document".

Jinan Mining: ZMDC also owns a 50 percent stake in this China-headquartered company.

Kusena Diamonds is a wholly owned subsidiary of ZMDC that concentrates on exploration. Reports link it to Sino-Zimbabwe, a cement company comprised of a joint venture between two Chinese entities and a Zimbabwe government-run industrial development company. Sino-Zimbabwe is believed (Global Witness, 2012) to have been set up by the Central Intelligence Organisation (CIO) with Hong Kong businessman Sam Pa in 2009 to seek alternative sources of funding after the MDC took charge of the Finance Ministry. Pa is reported to have "donated" two hundred Nissan NP300 Hard-body pick-up trucks to the security services in return for opportunities in the diamond, cotton and property sectors, lending credence to accusations of financing a parallel government. One of the directors of Sino-Zimbabwe, Gift Machengete, was identified by sources in the intelligence services (ibid) as being a state operative, with some going so far as to identify him as a director of finance and administration in the Central Intelligence Organisation. Another Sino director Ignatius Kamba, although not appearing in the Zimbabwe company register, appears as director of another Sino Zimbabwe listed in Singapore. In

²³ Letter dated 9 April from the Zimbabwe Police Commissioner, Augustine Chihuri, to Minister of Mines Obert Mpofu seeking a mining concession in Marange.

2010 Kamba unlawfully seized Silverton Commercial farm and boasted that nothing would happen to him as he was the Director of Finance in the President's Office (Zimbabwe Independent, 2010).

Marange Resources is 100 percent owned by ZMDC. The company operated as Blackwood Mining (Pvt) Ltd from 2005 before it changed its name to Marange Resources and conducts business through special grants issued by parent company ZMDC. The company received a scathing report from the Auditor-General who, after a long-resisted audit, found that the company's total liabilities exceeded total assets by almost \$55 million, "indicating the existence of a material uncertainty that may cast doubt about the company's ability to continue as a going concern." The audit also revealed that Marange Resources was operating without a substantive board as required; instead, the mines permanent secretary was representing the board in the absence of a substantive board.

Mbada Diamonds was a 50-50 joint venture with Marange Resources, itself wholly owned by the state corporation ZMDC. The concession owned by Mbada Diamonds covered 1100 hectares of land. Until 2010 the other 50 percent of the company was owned by Grandwell Holdings, a Mauritius-registered company affiliated with the New Reclamation Group. Grandwell transferred 49.99 percent of its shareholding to Transfrontier, a company incorporated in Hong Kong. The Mining Board of Zimbabwe wrote in April 2011 to Mbada advising them that their concession had been increased to 7540 hectares (Reclam, 2011). In its investigations Global Witness (Global Witness, 2012) revealed that Transfrontier has a murky company structure based in secret tax havens. The investigations (ibid) showed that the beneficial owners of Transfrontier are unknown although they are named by Liparm Corporation, a South African company, as a "sister company". According to Global Witness, Air Vice Marshal Robert Mhlanga is the sole director of Liparm. Mhlanga, is a retired Air Vice Marshall and former personal pilot to President Robert Mugabe. Mhlanga is also the chairperson of Mbada Diamonds. In July 2012 Mhlanga was in the media (Gagare, 2012) in South Africa after reportedly paying inflated prices for properties in Durban and Sandton in South Africa. The reports said he had spent \$18 million dollars buying property, in some places forking out six times the cost of property. President Mugabe's spokesperson, George Charamba rejected suggestions that Robert Mhlanga was a proxy of the president buying properties on behalf of Mugabe's family saying:

"What is the link between Robert Mhlanga and Robert Mugabe except that they share the same [first] name? I find it strange that any Zimbabwean who makes money must be in association with Robert Mugabe. Is it being implied that Zimbabweans are not entrepreneurial enough?" (ibid).

Mhlanga's star continued to soar as in March 2014 he was appointed to the extended Board of Directors of the Dubai Diamond Exchange (DDE). In its press statement (Dubai Diamond Exchange, 2014), DDE welcomed Sibanda to the Board, pointing out that he was chairman of Mbada, the third-largest diamond mining company in Africa. The statement further said that Mbada "had produced 22.4 million carats to date with a turnover of over a billion dollars" (ibid).

These mining contracts are murky and secretive, and no tender procedures were followed. Initially the government through the Zimbabwe Mining Development Corporation agreed to a joint partnership with Reclaim and Core Mining companies on mining diamonds in Marange, which then led to the establishment of Canadile and Mbada. How the two companies (or indeed all the companies that ended up operating in Marange) were selected is not clear. When the former board chairperson of ZMDC Mrs Mawarire appeared before the Parliamentary Portfolio Committee on Mines and Energy, she lied under oath and said that the two companies were selected through a cabinet decision (Portfolio Committee on Mines and Energy, 2013). It was only when the committee pointed out that they were in possession of the cabinet minutes of 22nd July and 27th August 2008 that she beat a hasty retreat and withdrew her statement. The cabinet minutes simply enjoined ZMDC to seek joint ventures; they did not direct the ZMDC to have a joint venture with a particular company.

The Auditor-General's 2014 Report on state enterprises paints a sorry picture on ZMDC. It shows that the rot and mismanagement of the mining sector continues unabated. The report reveals for instance that "ZMDC had expenses amounting to \$3 163 091 in its Corporate Social Responsibility account that had no breakdowns or acknowledgements of receipts from beneficiaries" (Auditor-General, 2015). In

addition the non-executive directors were each given \$27 450 without the approval of the parent ministry (ibid); none of these directors was supposed to get above \$700 as board sitting fees per session. In addition, the much trumpeted joint ventures were not living up to agreements, resulting in undercapitalisation.

Amount invested by joint partners

Joint venture	Agreed amount (US\$)	Amount invested	Variance
Mbada Diamonds	100 000 000	47 914 009	52 085 991
Jinan (Private) Limited	200 000 000	134 853 491	65 146 509
Diamond Mining Corporation	100 000 000	40 971 654	59 028 346

The Auditor-General was not able to determine the amounts invested by Anjin Investments, which is believed to be one of the biggest diamond mines in Marange.

What is clear from the shareholding of the diamond mines in Marange is the Chinese links as well as the military and police connections. The security services links would probably explain why as powerful a body as a parliamentary portfolio committee can be denied access to Marange. China was itself a key backer and funder of the ruling Zanu PF during the liberation struggle. Chinese contractors have gone so far as to build an airfield at the Marange diamond fields where commercial planes seem to arrive at will without having to go through onerous customs and immigration formalities. A *News24 Special report*²⁴ revealed how commercial pilots had complained of the irregularities to aviation authorities, but nothing was done. In 2010 China extended an unconditionally interest-free loan of US\$98 million for the construction of a National Defence College in Zimbabwe. The college is supposed to contribute to what President Mugabe calls “safeguarding our national sovereignty and territorial integrity²⁵.” The college has, amongst other lecturers, Chinese professors. China’s unwavering support is important for the Zanu PF government, so it is not surprising that the Chinese have a strong footprint in Marange.

2.9 Progress on KPCS front

After a lot of back-and-forth movement, the South African government declared in April 2011 that it would support the sale of diamonds from Marange as Zimbabwe had complied with international standards. Within two months, the new chairman of KP, Mathieu Yamba of the Democratic Republic of Congo, issued a notice at a KP meeting approving the sale of diamonds by Mbada and urging quick certification of other companies operating in Marange. Civil society organisations walked out of the KP meeting in protest and blasted the global diamond watchdog group for ignoring human rights concerns in Zimbabwe.

2.10 Parliament takes notice

In between this hectic period, the Parliamentary Portfolio Committee on Mines and Energy began an enquiry in 2009 on diamond mining in Zimbabwe, with special reference to Marange. Twice the committee was denied entry to do on-site enquiries in Marange (Portfolio Committee on Mines and Energy, 2013). It was only allowed to enter Marange in 2012, two years after the enquiry had started. Even as the committee was being denied entry, some individuals and groups were allowed free access into Marange – for example Abbey Chikane, the Kimberley Process monitor, as well as some international monitoring groups. On countless occasions during 2010, the committee tried to get the two main companies (Mbada, Canadile) that were operating in Marange at the time to appear before it and

²⁴ Where is the diamonds money? Special Report News24 17 October, 2013 <http://bit.ly/1q3DXCF>

²⁵ National Defence College: response to security threats’ <http://bit.ly/1q3GuNj>

provide clarity on what was happening in Marange, but there was resistance. The committee was concerned that the Ministry of Mines was discouraging company officials from attending hearings. In the end the committee had to invoke the Privileges, Immunities and Powers of Parliament Act, which allows parliament to issue summons and force people who do not want to appear before it to attend committee hearings and answer questions.

2.11 To indigenise or nor?

In January, 2010, the government gazetted the Indigenisation and Economic Empowerment (General) Regulations²⁶. These regulations required every business with an asset value of \$500 000 to cede a controlling stake of not less than 51 percent to indigenous Zimbabweans, unless permission to cede a lesser share was given or a longer period was granted to fulfil the requirements of the regulations. The regulations came some two years after the Indigenisation and Economic Empowerment Act was passed by Parliament in October 2007. The Act (Chapter 14:33) defines an indigenous Zimbabwean as: “any person who, before 18th April, 1980²⁷ was disadvantaged by unfair discrimination on the grounds of his or her race, and any descendant of such person...” It is clear that the Act and the regulations sought to push white Zimbabweans and foreign-owned businesses to cede a controlling stake to black Zimbabweans.

2.12 Community Share Ownership Trusts

In 2011 President Mugabe crisscrossed the country and launched 59 Community Share Ownership Trusts²⁸ (CSOTs) in ten provinces in the country. These CSOTs were set up to support development in rural areas and empower communities. Companies accessing natural resources are required to cede 10 percent²⁹ of their shareholding to these trusts. Although pledges amounting to US\$2 billion were made during the whirlwind presidential tours, Zanu PF revealed in its 2013 election manifesto that only US\$23.5 million had been paid out two years later by just six companies.

2.13 Developments in diamond mining

In November 2012, the government announced a diamond policy to promote the sustainable development of the diamond industry for the benefit of all Zimbabweans. The policy came six years after the Marange deposits were discovered and asserts sovereign ownership of diamonds by the Zimbabwean people through the state. The state may choose who it will partner with, although it will always have a controlling stake. Former Finance minister Tendai Biti reported that between January and July 2013 Treasury had only received US\$5 million from diamond companies, even though the year had been expected to be good for diamond business. As the alluvial diamonds started to dry up, firms in Marange asked government for help and started retrenching workers. In early 2014 retired Brigadier Munyaradzi Machacha, the director of the Chinese-run diamond company Anjin, announced the retrenchment of almost 200 workers, who constituted about 25 percent of the workforce. According to Machacha things were getting worse although the company had invested US\$400 million in diamond mining in Zimbabwe. Machacha believed the retrenchments were justified because: “Our resources

²⁶ Statutory Instrument 21 of 2010. The regulations were amended with effect from 14th May 2010 by the Indigenisation and Economic Empowerment (General) (Amendment) Regulations, 2010 (No. 1), published in SI 95/2010.

²⁷ April 18, 1980 is Zimbabwe’s Independence day.

²⁸ Pay Up diamond firms told http://www.zimbabwesituation.com/news/zimsit_pay-up-diamond-mining-firms-told-the-herald/

²⁹ Govt Set Up 50 Community Share Ownership Trusts <https://www.google.co.za/webhp?sourceid=chrome-instant&ion=1&espv=2&ie=UTF-8#q=community+share+ownership+trusts+in+zimbabwe&start=10>

have dwindled, our revenues are down. The ore we are mining we are recovering the low grade diamonds which are not fetching much on the market in terms of prices. Our prices are probably the lowest in the Marange area” (New Zimbabwe, 2014)

2.14 Merging all diamond mines

By March 2015, the Zimbabwe government announced that it would merge all diamond mines under one to promote accountability and transparency in their operations (*The Herald*, 2015). These statements were repeated by the Mines minister at the Dubai Diamond Conference in April 2015. In essence, the companies were being forced to be part of this arrangement by a government that was not only a licensing authority and regulator in the industry, but also a significant shareholder. Details of the merge are not yet clear, but government has announced that it will own 50 percent of the consolidated company. There was the feeling in some government circles that not much from diamond mining was going into state coffers. This seemed to be contrary to parliamentary hearings where the chairperson of Mbada Diamonds, Robert Mhlanga, had reported in parliament that his company had gone beyond the \$1 billion turnover mark, with most of the money going into treasury (News Day, 2015).

CHAPTER 3: OVERVIEW OF ZIMBABWEAN POLITICS 1998-2015

The goal of this chapter is to give an overview of the workings of Zimbabwean politics. The economic and political context under which decisions are taken in Zimbabwe is an important dynamic that is covered in this section. The exploitation and developments around diamonds in Marange cannot be explained outside of Zimbabwe's evolving political context. This is not least because the control of Marange diamonds is at the centre of Zanu PF's survival and that of Mugabe. The political challenge from Zimbabwe's fledgling opposition party – the Movement for Democratic Change altered the political and economic configurations in the country. The entrance of the MDC in the inclusive government as well as its control of the Finance ministry for example checked Zanu PF's access to state resources and this forced Zanu PF to search for other sources of funding to sustain party activities as well as to disburse patronage. Marange revealed broad configurations of a shared and shifting power centre dominated by the president, state security, the army and a complex web of party patronage. There is an umbilical cord that ties Zanu PF to the army and security services sector that stems from Zimbabwe's liberation struggle. The fight for Zimbabwe's Independence was accompanied by a massive politicization programme in rural areas referred to as Pungwes. The Pungwes were occasional night meetings where guerillas from Zanu PF would meet people and talk about the struggle for independence. On such nights, there was also all-night singing of moral boosting and praise songs supporting the leadership of Zanu PF. It was also an occasion to deal with people who were suspected to be traitors or were failing to toe the Zanu PF line. The loyalty of securocrats to Zanu PF and Mugabe is unquestionable and it is this loyalty that has helped to sustain the dominance of Zanu PF as this chapter will show. It is therefore no wonder that the developments in the preceding chapter show that the main beneficiaries at Marange are retired and serving members of the army, the police, the intelligence services buttressed by senior Zanu PF politicians and government officials. The evolution of politics from 1998-2015 show total presidential powers that brook no dissent but can also dangle the carrot of state patronage and give economic rewards to those who stand by the President and the party.

3.1 Crises of transition

The last two decades have seen substantial economic and political regression in Zimbabwe, evidenced by a dramatic decline in the country's economic output between 1998 and 2008 (Ploch, 2011). The decade 1998-2008 is now generally known as the "lost decade" or the "Crisis in Zimbabwe" (Phimister, 2004). At the heart of the economic crisis were unparalleled levels of hyper-inflation, unprecedented devaluation of the currency, and massive job losses. The Zimbabwe crisis was in a way similar to what David Moore sees as reflecting "the long term crises of transition – those of primitive accumulation, nation state formation and democratisation – faced by all developing societies" (Moore, 2003). There are three immediate causes that are used to explain Zimbabwe's crisis. These include the unbudgeted payments to war veterans in 1997, which precipitated the fall of the Zimbabwe dollar by 71,5 percent against the US dollar, while the stock market crashed by 46 percent as there was a rush for the United States dollar by investors. The second cause is the deployment of Zimbabwe soldiers to the Democratic Republic of Congo (DRC), which grew from 1 000 in August 1998 to 12 000 by 2001 before they began departing in 2002. It was largely the Zimbabwean army, with help from Angolan and Namibian forces, that helped prop up the Congolese government. The cost of the DRC operation to the Zimbabwe economy has been estimated to be at least one billion US dollars (Johwa, 2004). The third cause is the violent occupation of white-owned farms from around year 2000 with the approval of government, after it had declared that it would acquire 3 000 farms for redistribution. There was also in 2000 a growing intolerance for political opposition, especially after a new political party, the Movement for Democratic Change (MDC), won 57 of the 120 contested parliamentary seats, with Zanu PF getting the remaining 63 in a poll that was marked by intensifying violence. The unbudgeted payments to Zimbabwe's war

veterans as well as the deployment of Zimbabwe soldiers to the DRC are all part of the process of buying the loyalty of the armed forces and Marange can be seen to be an extension of this process as well.

3.2 Navigating independence

At independence in 1980, the Zanu PF government of President Robert Mugabe focused considerable energy on the provision of public services. Huge successes were scored in improving the general welfare of people. Life expectancy increased, infant and maternal mortality rates dropped, and notable achievements were made in education. Civil society re-emerged during that decade, with the help of international NGOs, to further the country's advancement by seeking to bring economic development to previously marginalised groups. It was also during the first few years after independence that the first signs of Mugabe's willingness to use violence were illustrated through an operation called *Gukurahundi* (the storm that destroys everything) from 1983 to 1986. This operation was characterised by the suppression and brutal killing of civilians in the Ndebele-speaking provinces of Matabeleland North, Matabeleland South, and the Midlands – people who were believed to be supporters of Zanu PF's erstwhile liberation ally, PF Zapu (Makumbe, 1997). In 1987 Mugabe and the PF Zapu leader, Joshua Nkomo, signed a Unity Accord which ended the civilian killings but also brought to an end the political party known as PF Zapu as it became part of the unified Zanu PF. Zimbabwe had become a de facto one-party state, with very weak opposition.

After the Unity Accord in 1987, liberation fighters from both groups formed a welfare organisation called the Zimbabwe National Liberation War Veterans Association (ZNLWVA), which aggressively campaigned for huge pensions to be paid to war veterans and land to be redistributed, leading to confrontations with the government. The war veteran demands posed challenges for the government as they came at a time when the government had introduced the World Bank/IMF-supported Economic Structural Adjustment Programme (ESAP) in 1990. At the inaugural conference of ZNLWVA in 1992 Mugabe, whose government was deeply steeped in ESAP, attacked the war veterans and accused them of being armchair critics thus drawing the battle lines with the war veterans association. In the following five years (1992-1997), there were confrontations between war veterans and government as the veterans went on street demonstrations, locked up government and party officials, and interrupted Mugabe's speech at the National Heroes Acre. War veterans have been a critical part of Zanu PF since Zimbabwe's Independence in 1980. They have not always had a cosy relationship with Zanu PF, but rather what has obtained is what Norman Kriger (Kriger, 2001) has characterised as "collaboration, conflict and accommodation". Kriger argues that:

The party has used veterans to build its power and legitimacy. It has sanctioned and encouraged veteran's violence against its opponents and rewarded them for work well done. Veterans have used their allegedly superior contribution to the liberation struggle to justify their claims for preferential access to state resources, jobs, promotions, pensions, and land. In trying to enforce their demands, they have often used violence and intimidation against competitors for resources, as well as party leaders and bureaucrats whom they believed were blocking their progress (Kriger, 2001).

In 1997, the war veterans took their demands a step further when they marched to Mugabe's official residence (State House) demanding recognition and material benefits. Mugabe conceded, giving each of the 50 000 veterans the equivalent of US\$5000, along with a monthly allowance plus benefits. These gratuities and Zimbabwe's foray into the DRC war signalled the beginning of the collapse of the Zimbabwe economy, from which the country is still recovering. The alluvial diamonds found in 2006 were met with relief by Zanu PF and Mugabe as this discovery coincided with an economic crisis as well as with growing opposition to the ruling party.

3.3 Trade unions, structural adjustment and constitutionalism

Trade unions played a significant role in partnering with and supporting the government during the first decade. However, that relationship began to sour when the government introduced ESAP, as the programme resulted in massive retrenchments in the public sector as part of government measures to reduce spending, and in the private sector as manufacturing companies failed to compete with imports in the liberalised environment. Through ESAP, user fees were introduced in health and education. All this combined to erode the gains that had been achieved in the previous years, and undermined the government's egalitarian thrust. The massive job losses in the private and public sectors were, however, not compensated by any significant increase in investment or in economic growth, resulting in widespread disillusionment.

An immediate result of the IMF programme was the collapse of the working relationship between the Mugabe government and labour unions, which felt betrayed by the ruling party's shift from a socialist agenda to a market-driven economy. Disillusioned with the government's new market reforms, the Zimbabwe Congress of Trade Unions (ZCTU) began disengaging from Zanu PF, and increasingly interpreting its new struggle as one involving human rights and governance. ESAP was not sustainable as it reinforced an enclave economy of a small wealthy elite, and an increasingly impoverished majority who could no longer afford basic social services.

As the population became poorer, CSOs began to aggressively advocate for greater budgetary allocation of resources to the social sectors. When they did not make headway, they pressed for greater involvement in policy formulation and in the governance processes. These developments put CSOs and the labour movement on a collision path with the government. As NGOs shifted from service delivery to advocacy, a new breed of leaders began to emerge, made up of young professionals with university education. Most were inspired by concepts of participatory democracy, civic empowerment and gender equality and demanded accountability from the government. In 1997, civil society groups, including trade unions, churches, youth groups (mostly university students) and women's groups formed the National Constitutional Assembly (NCA) – a broad-based coalition to spearhead demands for a new constitution. The NCA forced the debate for a new constitution and made it a critical political agenda. The government hijacked the constitutional debate, and appointed a Constitutional Commission which riled the NCA as the group questioned the process and criteria of appointments. Government went on with its process and produced a draft constitution which was put to a referendum. The draft constitution was rejected in the 2000 referendum after the NCA launched a spirited campaign against the Constitutional Commission draft. Zanu PF did not take kindly to this defeat, believing that the draft constitution had been rejected because of the financial influence of white farmers who had campaigned against the draft, as they were not happy with clauses that called for the appropriation of land without compensation. The Zanu PF-dominated parliament moved into action and amended the 1992 Land Acquisition Act in line with the section of the rejected Constitutional Commission draft, which provided for the appropriation of land without compensation.

On the labour front, as the economy imploded and ordinary workers struggled, ZCTU became militant in its approach to negotiations with government, seeking to gain more for the workers and expressing dissatisfaction with the National Economic Consultative Forum (NECF). ZCTU declared that:

When workers cannot earn a living wage and decent working conditions through industrial action at the workplace, they will go beyond the shop-floor and bring their issues in the national stage, thus politicising the issues. When in addition the Trade Unions have been marginalised and cannot successfully address these issues through National Reforms in a government that has abandoned the desire to engage in national consensus, the only recourse is action at a National level (Zimbabwe Congress of Trade Unions, 1998).

In the end the militancy spilled onto the streets in a series of mass demonstrations that saw thousands of workers all over the country engaging in strike action. There were further food riots, precipitated by the rise in the cost of mealie-meal. Ten people were killed by security forces, and hundreds arrested. The deployment of security forces to deal with potential explosive situations is the Zanu PF way of

instilling order and managing developments. They do so in the comfort of knowing that they can command total obedience from the security forces. Thus it was that when things seemed to be getting out of hand with a diamond rush of over 20 000 informal miners in Marange in 2008, first the police and then later the army were deployed in an operation that Human Rights reports say resulted in at least 200 people being killed (Heinrich Boll Stiftung, 2011). From 2008 onwards there were a series of military style operations to control Marange and establish “order” but as revealed in the preceding chapter, the operations also enabled security forces to make deals with illegal miners and acquire illicit wealth quite apart from being in boards of some of the joint ventures that resulted from Marange diamond fields.

3.4 Movement for Democratic Change and crackdown

The state moved further and used the Presidential Powers (Temporary Measures) Act to enact regulations that banned mass strike action. The year 1999 also saw the formation of Zimbabwe’s biggest opposition party, the Movement for Democratic Change (MDC). Morgan Tsvangirai, then Secretary General of ZCTU, became the leader of the MDC. Given the dwindling availability of patronage resources due to the economic crisis, and the ruling party’s consequent need to increasingly rely on raw political intimidation, Zimbabwe’s regime hardened in the years following the formation of the MDC. The rule of law was deeply eroded as the regime sought to bypass or ignore court rulings. The executive branch – and within it the presidency – reigned supreme. Addressing a Zanu PF Congress in December 2000, President Mugabe urged black Zimbabweans to unite against whites who he blamed for the country’s economic and political crisis:

Our party must continue to strike fear in the heart of the white man, our real enemy. They think because they are white, they have a divine right to our resources. The courts can do what they want, but no judicial decision will stand in our way. My own position is that we should not even be defending our own position in the courts (Meredith, 2002).

That same month the Supreme Court gave the government six months to evict people who had occupied white-owned farms, but there was no movement from government. Questioned on why the government was ignoring court orders, the presidential spokesperson George Charamba stated that “The Government through the President has already pronounced its attitude to these kinds of decisions. Court decisions are of no consequence” (Independent, 2000). The executive’s control over the judiciary and the legislature became more pronounced. The top ranks of the judiciary were restructured from 2001 onwards through involuntary resignations and new appointments based on party loyalty rather than merit (Sachikonye, 2011). The state also stepped up repression against the political opposition, civil society activists, the independent media, and other zones of autonomy including the churches. Zanu PF’s crackdown was accomplished through legal and extra-legal instruments, including beatings and torture, all with a view to neutralising countervailing centres of power. A feature of this period was the party-state’s propaganda campaign directed externally at the west – and internally at NGOs operating in the governance and human rights sector – accusing them of working for regime change. The more the government was losing control of the economy, the more it tightened control in the political realm. The government instituted new legislation to silence opposition. This included the Access to Information and Protection of Privacy Act (AIPPA) and the Public Order Security Act (POSA). The legislation was used to silence the media and opponents, to ban political gatherings and to curtail political freedoms. Through AIPPA, statutory licensing for journalists and media houses was required and the gathering and dissemination of news became a risky enterprise as journalists faced heavy criminal penalties (including jail sentences) for violations. The media was under siege, and some foreign correspondents like Andrew Meldrum³⁰ who had worked in the country for more than ten years were deported, while media houses such as the BBC and CNN were banned. The Public Order Security Act (POSA) enacted in 2002 placed tight restrictions on public meetings including seminars, as police

³⁰ Andrew Meldrum was a correspondent for The Guardian (UK) and Economist from 1980 to 2003 before he was deported in May 2003 in defiance of a court order. He had earlier been arrested and charged with spreading falsehoods but was acquitted by the courts.

insisted that no meeting could take place without them sanctioning it. So while on one hand AIPPA curtailed communicative spaces through tight media restrictions, POSA on the other hand reduced and limited physical spaces for civic and political groups as well as for the general public. The impression was cultivated that to challenge Zanu PF was to challenge Zimbabwe as it was Zanu PF that had brought Independence to Zimbabwe through a protracted liberation struggle, challenging Zanu PF was therefore seen as an attempt to reverse the gains of Independence. This characterisation also emerged around the management of diamonds in Marange where questioning Zanu PF actors in Marange and the opaqueness of the deals was seen as attacks on Zimbabwe's sovereignty sponsored by the West, especially Europe and USA. It was not necessary for civil society organisations to know who the government was selling diamonds to or where the money was going because according to the Mines minister: "If they know we are selling to so and so, the countries imposing sanctions on us will freeze their accounts and put their companies under sanctions. In the end we won't get any money from our diamonds" (Bulawayo 24, 2012).

3.5 SADC mediation

The prevailing social and economic conditions have implications on stability and legitimacy. As the Zimbabwe crisis deepened, the major political protagonists in Zimbabwe's crisis (MDC and Zanu PF) were in a battle over who had the political legitimacy to lead the country. Zanu PF managed to cling on to power in successive elections in 2000, 2002, 2005, and 2008, although the credibility of those elections was undermined. In March 2007 Southern African Development Community (SADC) heads of state and government held an extra-ordinary meeting in Tanzania, where they discussed the political, economic and security situation in their region, with a special focus on Lesotho, Democratic Republic of Congo and Zimbabwe. On Zimbabwe, they mandated then South African President Thabo Mbeki to facilitate dialogue between the MDC and the Zanu PF government of Zimbabwe. They further mandated the SADC Executive Secretary to undertake a study of the economic situation in Zimbabwe, and to propose measures whereby SADC could assist Zimbabwe to recover economically. This was a historic moment as the crisis in Zimbabwe had hitherto remained unacknowledged publicly by African leaders. In the run-up to this meeting the political crisis had escalated to unprecedented levels. At the beginning of 2007, the Zimbabwe political climate continued to be characterised by stark polarisation, exacerbated by violence. Scores of opposition and civic activists were systematically abducted and routinely tortured while government placed a blanket ban on public meetings.

The situation got out of hand on 11 March 2007, when scores of MDC supporters and representative of civil society organisations who were on their way to a prayer meeting were attacked by the police. Opposition party and civil society leaders were arrested and beaten up in police custody. These leaders included president of the two MDC formations, Morgan Tsvangirai and Professor Arthur Mutambara, as well as the chairperson of the National Constitutional Assembly, Lovemore Madhuku. The attacks on civic and political leaders drew international condemnation of the Zanu PF government, and once again put a spotlight on Zimbabwe.

It was against this background that SADC leaders met in Tanzania and appointed Mbeki as the point-man on facilitating dialogue in Zimbabwe. The dialogue process took place in secrecy and was extremely slow, and fed an already active rumour mill largely based on anxiety caused by lack of briefing. A sticking point of the dialogue was the date for new elections. In January 2008, President Mugabe unilaterally declared 29 March as the date of the harmonised elections, despite the fact that the date of elections was part of the debate under discussion in the dialogue process. President Mbeki met the negotiating parties, but no compromise could be reached as President Mugabe insisted that the date he had announced could not be reversed.

Mbeki proceeded to Ethiopia to attend an African Union meeting where, on the side-lines of this meeting, he reported to SADC that the parties had successfully concluded the dialogue process. This angered the MDC who then convened a press conference in Johannesburg and announced that the position stated by Mbeki was false. They pointed out that the dialogue process had broken down, and

the reason for the breakdown was Zanu PF unilaterally announcing the election date. The political agreement which had been drafted was never signed. The opposition parties decided to contest the harmonised³¹ March elections, although under protest. The results of the election showed that for the first time since independence, Zanu PF had lost the elections as the parliamentary polls revealed that the Tsvangirai-led MDC won 99 seats in the lower house, followed by Zanu PF with 97. A break-away faction of the MDC, led by Arthur Mutambara, had 10. The presidential results were not announced for over a month, and when they were eventually given they showed that Tsvangirai had received 47.9 percent of the vote compared to Mugabe's 43.2 percent, with the balance of the vote going to a third candidate (Simba Makoni).

3.6 Inclusive government

Although opposition leader Morgan Tsvangirai had received more votes than Mugabe, he had failed to garner the 50 percent plus one vote needed to avoid a runoff. The other two small opposition parties then declared that they would support Tsvangirai for the runoff. The runoff was set for June, and state security forces and Zanu PF militias orchestrated a violent campaign that left 200 MDC supporters dead and 10 000 people receiving medical treatment for various injuries (Freedom House, 2012). Zanu PF was making it clear that it would not tolerate a second defeat. As the incessant state-sponsored violence exacted a heavy toll on his electoral base, Tsvangirai eventually decided to withdraw from the second round poll, allowing Mugabe an unopposed victory.

SADC then once more took up the mediation role as it became evident that both Mugabe and Tsvangirai had few options to deal with the Zimbabwe political and economic crisis. Although Mugabe and Zanu had the coercive force through the security services, militia and war veterans, they were struggling to deal with the economic crisis, international isolation, and an unfolding humanitarian crisis. The MDC and civic bodies, on the other hand, were not gaining much traction in the SADC region or on the African continent as Africa united behind Mbeki's quiet diplomacy. This deadlock is what in the end pushed the parties to sign a political settlement in September 2008, leading to the formation of an inclusive government in early 2009. Tsvangirai was then appointed prime minister while the president of the breakaway faction of the MDC (Mutambara) was appointed deputy prime minister. Mugabe continued as president with two vice-presidents coming from Zanu PF in an accommodative though messy arrangement. Civic bodies in the country and in the region were sceptical of the political settlement, and Tsvangirai tried to assuage the feelings of his restive support base:

Let us make no mistake, by joining an inclusive government, we are not saying that this is the solution to the Zimbabwe crisis, instead our participation signifies that we have chosen to continue the struggle for a democratic Zimbabwe in a new arena... We are committed to establishing a democratic Zimbabwe regardless of how long that struggle takes us (Hadebe, 2009).

3.7 Zanu PF flexes muscles

The period that followed the signing of the political settlement and the establishment of the inclusive government showed that Tsvangirai had hurdles to overcome as Mugabe retained control of the executive branch. Much to MDC's chagrin, Mugabe unilaterally appointed the Attorney General, Central Bank governor and senior judges. He also appointed ten provincial governors, who were all Zanu PF loyalists. When it came to the distribution of ministries, Zanu PF had control of security, state intelligence, police and defence. They also took charge of the cash cow – the Ministry of Mines and Mining Development. The MDC took the finance ministry as well as the social services ministries (such as education and health). The loss of the finance ministry by Zanu PF forced the party to search for

³¹ This was Zimbabwe's first attempt at organising elections for all levels of government (local, National Assembly, Senate, and presidential) at the same time.

sources of funding to support partisan security forces and maintain loyalty to President Mugabe and Zanu PF.

In its 2012 budget the MDC-controlled finance ministry presented a US\$4 billion budget, and indicated in that budget the lines that would be supported if Treasury received the projected US\$600 million from diamonds. The money was not forthcoming and the budget was reduced to US\$3.4 billion. Nevertheless, the inclusive government was not without its positives. It created the space for engagement with the international community including with multilateral institutions such as the World Bank and the International Monetary Fund, which led to the lifting of the suspension of extending technical assistance to Zimbabwe. The country also got a lift from the financial assistance provided to member states in the form of special drawing rights (SDRs) that provided much-needed finance for countries to deal with the global financial and economic crisis. Furthermore, the engagement with the European Union and the United States of America led to the removal of some companies from the targeted sanctions list. Another positive development of Zimbabwe's inclusive government was the development and acceptance of a new constitution.

The SADC mediation in Zimbabwe continued and by July 2011 the parties had jointly produced a road map towards elections, which included reforms of the electoral laws and the holding of a constitutional referendum, although there was little movement on the other reforms and the haggling continued. Just as in 2008, Mugabe moved unilaterally and announced the dates for new elections in 2013, against the advice of SADC and to the dismay of the MDC. The 2013 elections gave a thumping victory to Mugabe and his Zanu PF party, which has ruled Zimbabwe since independence, and brought an end to the inclusive government that had been painstakingly crafted to include Zanu PF and the two formations of the Movement for Democratic Change (MDC). The purpose of the political settlement was to set the stage for the country to engage in constructive dialogue with key stakeholders, in order to bring about an end to the political and economic crisis. However, the inclusive government struggled to achieve much reform as there were no enforcement mechanisms. When elections were hastily conducted in 2013 very few of the promised reforms had taken place, thus compromising the poll in which Mugabe had a landslide victory garnering 61 percent of the vote. This poll was quickly endorsed by SADC and the African Union. Despite the stability ushered in by the inclusive government, between 2009 and 2013 Zimbabwe's economy was still under a strain, with low government revenue and economic programmes that were hampered by lack of liquidity. GDP growth, which had been expected to be around 5 percent for the next three years was below 3 percent, which is a significant drop from the 10.6 percent of 2012, although it should be said that the 2009 to 2012 growth was coming from a low base. Although Zanu PF had a "landslide win" in the July 2013 elections, the party seemed to implode in 2014 as a result of factional infighting in the party and the lack of a clear succession plan. The divisions and bickering led to the firing of Zanu PF second-in-command, Vice-President Joice Mujuru, Secretary for Administration Didymus Mutasa, Zanu PF spokesperson Rugare Gumbo, and more than ten Zanu PF parliamentarians on accusations of plotting to topple Mugabe. The expulsion of Mujuru and other senior Zanu PF officials from Zanu PF and government was a clear reminder that although Zanu PF has the façade of unity around the party and President Mugabe, there is also deep seated antipathy and factionalism within the party. For a long time, there were two main factions one that coalesced around Solomon Mujuru and his wife Joice. Solomon was a retired army commander and together with his wife, they are decorated war veteran and hence have massive liberation struggle credentials. Their faction was pitted against Emerson Mnangagwa a senior Zanu PF official who also has an impressive liberation struggle record. Although there was fierce contestation for power between these two factions, they were both united in their reverence for Mugabe and their battles were sometimes seen as the assembling of a war chest to claim the presidency once Mugabe had retired or died. The divisions between these two factions also spread in the security forces and government circles as various securocrats and senior party and government officials were identified with one faction or the other. It was also these deep seated divisions which enabled Mugabe to dance around the factions. For example in the build up to Zanu PF's Congress in 2004 it was expected that Mugabe would announce that his was serving his final term that would end in 2008. This would mean that whoever was elected to the vacant position of Vice President would succeed Mugabe. It became apparent as the Congress approached that Mnangagwa had support from seven of the ten electoral provinces. With Mugabe's support, the Women's League dug up a resolution

that had been passed in 1999 requiring one of the two vice presidents to be a woman and that is how Mujuru became Vice President. In signs of encouragement, Mugabe congratulated Mujuru on her appointment and urged her to look beyond the Vice Presidency, but as 2008 approached it became clear that Mugabe had no intention of leaving as he wanted his term extended from 2008 to 2010 and this did not go down well and was thwarted by Joice Mujuru and her faction. An angry Mugabe in an interview accused his enemies from within Zanu PF of being impatient and being too ambitious. He said there was no one who would push him out of the party and that talks that Mujuru would succeed him were a great misrepresentation.

When the British-based African Consolidated Resources (ACR) was ordered to stop diamond sales in 2006 and eventually lost its long running court case against forcible acquisition by government a few years later. Solomon Mujuru was believed to control 3 percent of ACR and the troubles experienced by the company were partly believed to be as a result of internal battles within Zanu PF as factions jostled for control. It is even suggested (Standard, 2010) that when five Canadian directors were arrested in 2010 it was because of the battle for control by Mnangagwa and Mujuru's faction. Reports intimated that at that point Mugabe favoured Mnangagwa's faction and decided to lend a hand to deal with Mujuru (ibid). Quoting senior Zanu PF officials, the reports said that: "First Lady Grace Mugabe, Defence Minister Emmerson Mnangagwa and Mines Minister Obert Mpofu are behind the arrests" (ibid). One of the directors Lovemore Kurotwi, a retired major in the army who was especially believed to be leading Mujuru's bidding was subsequently charged with defrauding government of \$2billion (Kamhungira, 2015).

Solomon Mujuru also had a stake in River Ranch Diamond Company which was located in Beitbridge in the south-eastern part of Zimbabwe, close to the South African border. Mujuru had 20 percent shareholding in this diamond mine in a joint venture with a Dubai Investment holding firm called Rani Investment (Nqindi, 2012). This firm is believed to have been used at various stages by Mujuru to buy diamonds in Marange and use its South African connections to siphon the gems out of the country (ibid). Quite apart from his business deals, Mujuru had cordial relations with Morgan Tsvangirai to the extent that the Mujuru faction was believed to be having secret meetings with the MDC to work together in parliament for a Joice Mujuru-Tsvangirai alliance to nudge Mugabe out. Solomon Mujuru was no pushover commanding support among rank and file soldiers, police, airforce, intelligence services. He was also well accepted and respected by senior Zanu PF and government officials. At any event, he was to die at his farm in a mysterious fire in 2011. The government-supplied guards on duty the night he died were asleep and the fire truck that was called to put out the fire arrived with no water. Joice Mujuru and family suspected foul play but an inquest ruled out foul play. River Ranch mine remains shut as the company is negotiating to sell its shareholding to ZMDC. The Mujuru debacle taken together with the incongruous and conflicting announcements by senior government and Zanu PF officials and discussed in Chapter 2 reflect the intensification of the factional fights within Zanu PF but also shows the connection between the two hypotheses suggested in the first chapter that:

President Robert Mugabe and Zanu PF used their consolidated control over Zimbabwean politics to centralise control over rents, and used those rents both for personalised, predatory purposes and to build alliances.

BUT

Beneath a surface of consolidated control, Zanu PF is highly factionalised and the combination of economic turmoil and a major new rent resource brought the factions into the open, resulting in the chaotic opening up of the Marange fields with subsequent difficulty in consolidating control.

The control of these minerals is key for political dominance in Zanu PF. As a party Zanu is divided by these internal struggles and even though the alliances built are fluid, the military and security forces have continued support from the political elite. These internal factions have a base within the securocrats and Mugabe himself has relied on his relationship with security forces to stamp his authority, dispense patronage and ultimately retain power.

This chapter shows that the dramatic deterioration of the socio-economic situation in Zimbabwe had a combination of social, economic and political factors that impacted negatively on livelihoods and created a complex humanitarian situation and a highly vulnerable population. This was not helped by the political bickering between the main political parties as the political environment continued to be fraught with challenges that threatened the new found stability. There is no single explanation of Zimbabwe's political and economic crisis; the reasons are multiple and the causes complex.

This chapter also provided a few insights into how Zanu PF functions, and looked at the inclusive government. Evident, is the contradictory nature of Mugabe and the Zanu PF regime – the liberation hero and the liberation party that spearheaded land redistribution in pursuance of economic justice are at the same time responsible for social injustice through unleashing violence and repression to those who oppose them. This chapter provided a snap overview of the workings of Zimbabwe politics and suggests that Mugabe and his party rule by coercion, but also by co-option and consent. They win elections at whatever cost, but they also spearhead popular programmes that find attraction in Zimbabwe and beyond, and they do not hesitate to use violence to consolidate power. Some of the challenges in diamond mining governance need to be understood against this political backdrop. The demand for natural resources in the world has pushed significant new investments in mining in Africa. The governance of natural resources has deep implications for the distribution of wealth within a country. Political turbulences have a tendency to translate into economic turbulences, and hence have the potential to either accentuate or ameliorate forms of economic inequality. In Zimbabwe's troubled politics, it is important to interrogate potential entry points in the management of diamonds so that this natural wealth can support economic transformation. Various political, economic and social forces mediate the relationship between diamond wealth and development outcomes, but these have to be understood within the prevailing political context.

CHAPTER 4: LITERATURE REVIEW

The objective of this chapter is to discuss some of the critical concepts in the understanding of natural resource governance. These concepts help in understanding some of the challenges in the stewardship of natural resources.

4.1 Resource curse and the paradox of plenty

Although Africa is rich in natural resources, very few countries have been able to ensure that these resources are utilised to support national growth and development (African Union, 2009). Many countries rich in natural resources waste the wealth “enriching a minority, while corruption and mismanagement leave the majority impoverished” (Shultz, 2005). An abundance of natural resources is ideally supposed to provide economic opportunities for a country to develop and prosper, yet most resource-rich countries are neither growing faster nor performing better than those with fewer resources (Tsalik, 2003). This problem is referred to as a “resource curse” (Warner, 2001), and is also known as “the paradox of plenty” (Karl, 1997) where you have very rich countries with very poor people. The curse argument is that the richer a country is in natural resources, the poorer and more miserable it becomes.

The political environment has implications on the way resources are managed, and seems to suggest a connection between effective resource management and the level of democracy in the country (Mikesell, 1997). Assessing varied indicators from human development, economic growth and good governance, countries with resource wealth consistently underperform when compared to countries that are resource-poor (Warner, 2001). There are also a lot of studies that have looked at countries lacking oil and mineral resources and concluded that these countries have stronger GDP growth per capita than resource-rich countries. These studies show that between 1960 and 1990 resource-poor countries experienced growth rates that were two and in some cases three times higher than the growth rate in resource-abundant countries (Warner, 1997) – this gap even grew after the 1970s when oil went up from less than \$3 a barrel to around \$30 (ibid). This seems to suggest that the abundant natural resources are failing to improve the lives of citizens. For example when 100 countries whose export of oil was above 30 percent between 1965 and 1995 were assessed, almost half were in the bottom third of the United Nations 2002 Human Development Index (HDI). This is revealing as the HDI ranks are about looking at indicators that assess the quality of life including poverty, education and health. Only 25 percent of these countries were in the top third, and many of these (like Canada and Norway) were rich long before oil exports became a critical source of income.

4.2 Natural resources and poor governance

The issue of poor governance is raised ad *nauseam* in debates about managing natural resources, and indications are that the resource-rich and resource-exporting countries suffer disproportionately from bad governance. The World Bank defines governance as “the manner in which power is exercised in the management of a country's economic and social resources for development” (Daniel Kaufmann, 2010). World Bank researchers have developed indicators³² of governance that assess citizen participation in the selection of government, stability of government, corruption, freedom of media, public service provision and enforceability of contracts (ibid). Assessment reveals that countries with abundant natural resources are largely at the low end of the Bank's indicators. Further studies show that capital-intensive natural resources are a determinant of corruption, pointing to evidence that direct accrual to government of rents and large profits encourages misappropriation by government officials

³² Although this work was done by researchers in the Bank, these are not official World Bank indicators.

and promotes rent-seeking by other groups within and without, hoping to capture some of the profits (Weidman, 1999). This corruption has the net effect of pushing up the transaction costs of doing business, undermining development plans, and curtailing economic growth rates. Corruption comes in various forms, for example international companies can aggressively pursue getting resources at below market value through bribing government officials. The resources can also be sold to national companies below the true value, with government officials getting kickbacks for these murky arrangements. A high level corruption has implications for national progress, as it can be debilitating to national development.

There is also a human rights argument that posits that, apart from a governance deficit, resource-rich countries are susceptible to violent conflict. The argument is that an abundance of natural resources increases the likelihood of war and further that, because of these natural resources, financing conflict is easy and makes such states unstable compared to those with little or no resources (Collier, 2001). In addition, the likelihood of violent conflict means that a disproportionate amount of resources is diverted to policing and military use rather than to socially beneficially and productive outcomes. There is analysis that has examined extensively the role of natural resources in fuelling conflict (Ross, 2004). Ross warns, however, that abundance of natural resources and civil war, despite being correlated, are not necessarily casually linked. He looks at 13 cases and concludes that “the natural resource-civil war correlation could also be spurious: both civil war and resource dependence might be independently caused by some unmeasured third variable, such as a weak rule of law” (ibid). The point he makes here is that there are other variables. For example, a state with weak rule of law would struggle to attract investment in manufacturing, forcing that state to rely on resource exports. If this happens, Ross argues, “the result could be a statistically significant correlation between resource dependence and civil war, even though neither factor would cause the other” (ibid). Be that as it may, there are examples that quickly spring to mind of natural resources fuelling conflict, like for example in the high-profile case of writer and activist Ken Saro-Wiwa, who was executed by the Nigerian government because of continuous clashes of people with government security forces in the oil-rich Niger Delta. The war in Sudan between the government and communities is fuelled by oil and has led to the deaths of over two million people (Salopek, 2003).

4.3 The Dutch disease

There are other economic challenges that result from mineral management, for example the currency appreciation due to huge resource revenues which has a bearing on other industries in the country. This is referred to as the “Dutch disease” and gains its name from what was observed in Holland after gas was discovered in the 1960s (Financial Times, n.d.). The discovery of gas in the North Sea affected the manufacturing sector, which started performing more poorly than expected. The Dutch disease occurs when foreign currency exchange earnings from a country’s natural resources are converted into local currency, pushing up the value of that country’s currency. This raises the value of tradable goods, making them more expensive and uncompetitive. The other economic challenge has to do with fluctuating commodity prices as commodity-dependent countries tend to increase spending when prices are high and do not consider saving for a rainy day. International lending can also increase the fluctuations, as when prices are high the country will borrow and hence increase the boom, whereas when prices fall lenders demand payment. Both the Dutch disease and the problems of price volatility are essentially economic problems, and are therefore well understood and can be planned for, but the problem of political factors needs to be interrogated further as it has more far-reaching implications than the other two.

4.4 Challenging the resource curse theory

The resource curse theory is not uncontested, and even in the early 1950s there were arguments for the positive relationship between development and natural resources. The idea was promoted that the

“possession of sizable and diversified natural resource endowment is a major advantage to any country embarking upon a period of rapid economic growth” (Higgins, 1968). This argument by economists like Norton Ginsburg (Ginsburg, 1957, first published online 23 Feb 2005) was informed by the rapid development and growth which they saw in countries like United States of America, Canada and Australia where mineral resources played a significant role in the development of these countries. It must be noted that the “resource curse” or the “paradox of plenty” is not necessarily because of the abundance of natural resources. The social and political context is important, as are the forces and actors that mediate the relationships in the various contexts. The dynamics in each country are different, and they produce different outcomes. For although Botswana and Zimbabwe are neighbouring countries and are both rich in diamonds, they have different economic experiences and different political contexts. In Zimbabwe, for instance, despite the abundance of natural resources and a diversified economy, the country had an economic crisis between 2000 and 2008 that saw a 40 percent fall in the gross domestic product and hyperinflation that peaked at 500 million percent (United Nations Development Programme, 2010). Botswana, on the other hand, has been one of the fastest growing economies in Africa in the last two decades. Between 1967 and 2006 economic growth averaged 9 percent per annum (US State Department, 2010), spurred by the diamond industry. In 2009, the diamond industry contributed 36 percent to GDP and 45 percent of government revenue (Ministry of Mines Botswana, 2009). Rosser argues that those who advance the resource curse argument are not only reductionist, but they are also asking the wrong questions because:

rather than asking why natural resource wealth has fostered various political pathologies and in turn promoted poor development performance, they should have been asking what political and social factors enable some resource abundant countries to utilise their natural resources to promote development and prevent other resource abundant countries from doing the same (Rosser, 1996).

Natural resources are neither a blessing nor a curse. The question of social and political factors is important as it grapples with the context under which decisions are made for extraction to take place, and what happens when extraction has taken place.

4.5 Precepts on natural resource governance

Organisations like the Natural Resource Governance Institute (NRGI)³³ describe the critical set of decisions that a country must grapple with when seeking to convert natural resources into better development outcomes. The approach that they describe has become a framework that is accepted even by the World Bank and the Extractive Industries Transparency Initiative (EITI). NRGI argue that:

For countries to benefit from resource wealth, citizens and their governments must make a broad range of decisions. Each decision requires governments to consider complex options and trade-offs and devise strategies to implement these policy choices (Natural Resource Governance Institute, 2015).

The idea is that, through outlining what is involved and discussing the reasons for decisions, government and citizens can understand what is at stake and where to effect change. In this regard NRGI has developed 12 charter precepts, with each precept covering key policy issues along the entire natural resource governance chain, including issues like whether to extract; allocating extraction rights; generating revenue; and managing revenues (ibid). Its major weakness is its focus on a watchdog role, away from an understanding of asymmetrical power relations. Development cannot be depoliticised and

³³ NRGI is an institution that seeks to help people to realise the benefits of their countries’ endowments of oil, gas and minerals. They do this through technical advice, advocacy, applied research, policy analysis, and capacity development. They work with innovative agents of change within government ministries, civil society, the media, legislatures, the private sector, and international institutions to promote accountable and effective governance in the extractive industries.

framed largely as dealing with technical problems that can be solved with technical solutions of increasing transparency.

4.6 Kimberley Process Certification Scheme

Conflicts are difficult to resolve, especially those that are fuelled by natural resources. In Africa there are conflicts that are blamed on “blood diamonds³⁴” – conflicts that are propelled by diamonds as an illicit source of funding. It was with this understanding that discussions started in Kimberley³⁵ South Africa, in May 2000. The discussions led to the adoption of the UN General Assembly Resolution 55/66, which called for a workable certification scheme for rough diamonds based on agreed minimum standards. Thus was born the Kimberley Process Certification Scheme (KPCS), with the main objective of eliminating trade in conflict diamonds. Prior to that, a KPCS Core document³⁶ was adopted in Switzerland in November 2002. The document explains what conflict diamonds are as well as the minimum measures. The certification scheme is a tripartite arrangement with government, the private sector and civil society involved. Conflict diamonds are defined as “rough diamonds used by rebel movements or their allies to finance conflicts aimed at undermining legitimate governments.” In the KPCS preamble, peace and security are identified as being fundamental to legitimate diamond trade.

It was not easy to apply the KPCS in Zimbabwe, especially because of its rather restrictive definition of conflict diamonds. While recognising the effects of conflict diamonds on human rights, the emphasis is on conflicts committed by rebel movements. There is silence on infractions by the state security services on people, or indeed on the violence by private company security personnel on communities living next to diamond areas. In Zimbabwe there were reports of a crackdown led by the army, police and private security guards from the diamond companies. This crackdown is reported to have left 200 people dead.³⁷

Some of the Section IV KPCS minimum standards³⁸ are as follows:

- Participants must establish a system of internal controls at a national level to eliminate conflict diamonds from shipments imported into and exported from the country.
- Participants are required to enact appropriate laws, policies or regulations or amend existing laws so as to implement and enforce the KPCS and to maintain dissuasive and proportional penalties for offenders.
- Shipments of rough diamonds to be accompanied by a KPCS Certificate.
- Participants are encouraged to promote closer cooperation between law enforcement agencies and customs agencies

Staff from civil society organisations that were trying to document the smuggling and the human rights abuses in the Marange diamond fields were harassed and in some cases beaten up. Although CSOs are supposed to be part of the KPCS, the breakdown in the rule of law in Zimbabwe meant that they were under constant harassment. A leading CSO activist who was campaigning for accountability in Marange had members of his family detained and beaten up while he was also accused of spreading falsehoods and thrown into the cells³⁹. It is not easy to deal with smuggling using the KPCS, and some international companies are complicit in this as they profit from the chaos and conflict caused by the

³⁴ Blood diamonds: the conflict in Sierra Leone

<http://www.stanford.edu/class/e297a/Conflict%20in%20Sierra%20Leone.htm>

³⁵ Eliminating Conflict diamonds

http://www.diamondfacts.org/index.php?option=com_content&view=article&id=130&Itemid=168&lang=en

³⁶ KPCS <http://www.kimberleyprocess.com/en/kpcs-core-document>

³⁷ Global Witness (2010), return of the Blood Diamonds, the Deadly Race to Control Zimbabwe’s new found wealth.

³⁸ KPCS <http://www.kimberleyprocess.com/en/system/files/documents/KPCS%20Core%20Document.pdf>

³⁹ Human Rights Watch 2011 <http://www.hrw.org/news/2011/08/30/zimbabwe-rampant-abuses-marange-diamond-fields>

scramble for diamonds. Findings that were made in the DRC by CSOs are instructive, as they alleged that 85 companies involved in the DRC had violated international norms, and among the companies named were De Beers, Das Air, and Oryx National Resources⁴⁰. This would seem to suggest that where there is chaos, international companies will complain to the extent that they have been left out, but significantly it also points to the limitations of KPCS.

Point number four in the minimum standards would be difficult to implement where there is state capture and looting as was the case in Zimbabwe, with both the police and the army having a stake in some of the diamond mines but also being involved in illegal activities. Still, a review mission sent to investigate compliance with KPCS reported non-compliance and suspended trade in Zimbabwe diamonds. The mission called for the adoption of a joint work-plan to enable Zimbabwe to address non-compliance issues, but by November 2011 Zimbabwe was allowed to trade. The other limitation is that KPCS is a voluntary process, seeking responsible rough diamond trading through participating members. Indeed the system is heavily reliant on the self-verification of participant countries. Even suspending a country does not stop the illicit trade of diamonds. There are ways around the system. In DRC, for example, diamonds are smuggled through neighbouring Congo. Congo itself produces KP certificates of origin for the diamonds, although there are doubts⁴¹ as to whether it is a diamond producer, and certainly does not produce the amount of diamonds it claims to produce a year. In his visit to Zimbabwe, then KPCS chairperson Esau Bernhard called on Zimbabwe to stop the violence and the abuses in Marange, but he was adamant that suspending Zimbabwe from the KPCS would be a futile exercise which would not halt the smuggling or stop the illegal activities. If anything, it would actually exacerbate⁴² the problems in Zimbabwe and fail to stop illicit diamonds from entering legitimate trade.

4.7 Limitations of best practice

Zanu PF is deeply entrenched in the state and the almost four decades of its rule have shown its ability to manipulate, reward, persuade but also to use downright violence to defend its interests. There is a deliberate conflation of party and state which creates access to resources and brings benefits to those linked to the party. It is through patronage that the state apparatus is well oiled. The cancer of patronage is so well spread in the party and the various groupings that it is not easy to disturb the status quo. Moreover the political elite who are fighting for ascendancy have almost guaranteed that substantial revenues from mining go to the army and security services. This is why security services stand ready to suppress opposition voices or take part in partisan campaigns and do not hesitate to use coercive means to enforce party and presidential fiat. This political context means 'best practice' approaches have limited relevance and requires a re-think on potential entry points in questions of resource governance in Zimbabwe. Context matters and the major problem with best practices is that they try to take a solution to a problem without carefully considering the context. Zimbabwe's context is one where bureaucratic professionalism around the management of diamonds has greatly diminished. It is therefore important to consider whether there are incremental entry points that offer the potential for traction and cumulative gains and that will be the focus of the next chapter.

⁴⁰ Unanswered questions: Companies conflict and the Democratic Republic of Congo
http://www.raid-uk.org/F1342092-A32F-4B3D-8F25-583938BA3AB6/FinalDownload/DownloadId-FB12CE61B83FA0021EDB3A88A993A767/F1342092-A32F-4B3D-8F25-583938BA3AB6/docs/UN_Panel_DRC/Unanswered_Questions_Full.pdf

⁴¹ Massive diamond smuggling allegations
<http://news.google.com/newspapers?nid=1697&dat=20040711&id=rikqAAAAIBAJ&sjid=Q0gEAAAAIBAJ&pg=7011,1211944>

⁴² Namibia Defends Zimbabwe Diamond Trade
http://www.namibian.com.na/indexx.php?archive_id=59527&page_type=archive_story_detail&page=3327

CHAPTER 5: STRATEGIC INTERACTIONS

The huge discovery of alluvial diamonds was supposed to spur economic revival and boost development as well as position the mining sector as the key driver of economic recovery in Zimbabwe. Instead, it appears that the diamond sector has become an arena for contestation and conflict as there is jostling for control by political factions in Zanu PF's internal power struggles. This situation is further worsened by the involvement of state security agencies, including the Zimbabwe National Army, Zimbabwe Republic Police and the Central Intelligence Organisation. The conflation of party and state also frustrates attempts to manage diamonds professionally. This makes Zimbabwe a particularly difficult challenge, especially for civil society organisations campaigning for transparency and accountability in the management of natural resources, because the state is highly secretive and even brutal in such matters. Against this background the critical question is what are the feasible steps around which to engage with the governance of diamonds in the country? This chapter explores the prospects and limitations of three potential entry points and the distinct options are framed in terms of three hypotheses.

Hypothesis 3

Globalised mechanisms do (or do not) have significant potential to add value to enhancing transparency and accountability.

There are other global initiatives that have been touted as the panacea to Zimbabwe's murky diamond dealing. One such initiative is the Extractive Industries Transparency Initiative (EITI). This is a process⁴³ through which stakeholders (government and mining companies) make publicly available, through the preparation of annual reports by independent consultants, income and revenue of the state from the exploitation of mineral resources. Information such as taxes, signing bonus, production bonuses, royalties, dividends and various other taxes are made public. The EITI's goal is to reinforce good governance by improving transparency and accountability in the mining sector through the collection, verification, reconciliation and publication of all payments made by public and private mining companies to the state. Countries wishing to implement the EITI Standard, must submit candidature applications to the EITI Board, which decides on each country's status. There are four main steps that a country wishing to join the initiative must fulfil:

- The government is required to issue an unequivocal public statement of its intention to implement the EITI.
- The government is required to appoint a senior individual to lead the implementation of the EITI.
- The government is required to commit to work with civil society and companies, and to establish a multi-stakeholder group to oversee the implementation of the EITI.
- The multi-stakeholder group is required to maintain a current work plan, fully budgeted and aligned with the reporting and validation deadlines established by the EITI Board.

The EITI process in Zimbabwe started in 2010, during the period of the inclusive government. During this period Zimbabwe's MDC Finance minister, Tendai Biti, expressed the wish for the country to go this route and met civil society organisations working on transparency and accountability. Civil society organisations then produced a position paper on the importance of the EITI in managing natural resources. The Zanu PF section of government opposed the EITI, regarding it as a threat to state sovereignty. Progress appeared to be made in 2012 when the Cabinet Committee on Resource

⁴³ EITI: Standards to increase transparency <http://www.aveva.com/EN/operations-4263/mining-the-eiti-standards-to-increase-transparency.html>

Mobilisation established⁴⁴ a Zimbabwean version of EITI, called the Zimbabwe Mining Revenue Transparency Initiative (ZMRTI) which brought together government ministries, civil society organisations and the Zimbabwe Chamber of Mines (ZCM) to promote transparency in the accounting of diamond revenue. Although the Cabinet Resource Mobilisation Committee had members from both Zanu PF and MDC, the Mines minister, Obert Mpofu, said that his ministry would not recognise ZMRTI (Mudarikiri, 2012). According to Mpofu, as long as Zimbabwe remained on the US-EU sanctions list it did not make sense for the country to open its books to scrutiny. This resistance was not totally unexpected in a coalition government with two main parties with different visions – MDC framing itself as a social democratic party that believed in accountability, while Zanu PF positioned itself as an anti-imperialist liberation party that fought for independence and would defend the country's sovereignty. In every national budget statement from 2012 to 2015 government expresses the need to adopt EITI or its adapted version ZMRTI, but there is hardly any movement. In December 2014 the Finance minister, Patrick Chinamasa, announced that government was in the process of resuscitating ZMRTI as a way of improving accountability and transparency in the mining sector (Ncube, 2014).

According to Chinamasa:

the uncoordinated collection of mining revenue by various government departments and local authorities compromised viability and presented accountability and transparency challenges hence government will be resuscitating ZMRT initiative to enhance accountability in the sector (ibid).

Although calls for the revival of ZMRTI are laudable, to date there are neither clear guidelines nor an implementation plan. EITI standards require companies to publish how much they pay to governments, and governments to disclose how much they receive. The part-shareholding in diamond companies by the intelligence services, military and police provides clandestine financing for the security sector and undermines transparency and accountability. Furthermore, most of the companies in the joint ventures use companies registered in Mauritius, Hong Kong and the British Virgin Islands, all secrecy jurisdictions which conceal beneficial ownership. It is inconceivable that Zimbabwe would want to take this route, especially as there are still targeted sanctions against certain companies and individuals. Globalised mechanisms therefore do not currently have significant potential to add value to enhancing transparency and accountability.

Hypothesis 4

Given the background political economy, the Parliamentary Portfolio Committee is (or is not) an attractive entry point

While there has been chaos in the mining sector, there is appetite by parliament to set things right. The Parliamentary Portfolio Committee on Mines and Energy has been summoning a number of high profile people to appear before it with a view to understanding what is happening in the sector as well as to appreciate the gaps. A portfolio parliamentary committee is an important feature of the effective functioning of parliament and has powers to:

Monitor, investigate, enquire into and make recommendations relating to any aspect of the legislative programme, budget, policy or any other matter it may consider relevant to the government department falling within the category of affairs assigned to it⁴⁵.

The Portfolio Committee on Mines and Energy was from 2009-2013 chaired by Edward Chindori-Chininga, a former government minister and senior Zanu PF member. It was composed of 22 members of parliament across the political party divide, and conducted an enquiry into diamond mining in Marange for the period 2009 to 2013. The committee found some irregularities and loopholes in the

⁴⁴ Mugabe's call for transparency and accountability applauded
<http://www.dailynews.co.zw/articles/2013/12/12/mugabe-s-call-for-transparency-accountability-applauded>

⁴⁵ Terms of reference of Portfolio Committees – Standing Order No. 160

arrangements around diamond mining. The committee had several consultative meetings, as well as three visits to the mining sites. It also had two meetings in camera at the request of witnesses. The committee expressed concern with the smuggling of diamonds as well as with the lack of accountability in the sale of diamonds. They grilled the Mines minister, Obert Mpofu, demanding that he account for the choice of a South African company (New Reclamation) as the joint venture partner with state-owned ZMDC. The minister was not forthcoming on who selected the two investors to partner with ZMDC. He would only say: "I was a new minister and directed to go that way and that is the way it is"⁴⁶. The minister was not willing to say who directed him. The committee then called the former Mines minister, Amos Midzi, whose testimony only thickened the plot. He informed them that during his term in office there were three companies that wanted to partner ZMDC and Reclaim and Core Mining were not among the three. So it was evident from the various interviews and hearings that the selection process of who would partner ZMDC was opaque. It was also clear that ZMDC did not seem to have the power to make a choice on who would partner them. In their due diligence report on Reclaim and Core Mining, ZMDC pointed out that the investors have "no diamond mining as part of their vision and growth strategy. However, the enthusiasm to enter diamond mining in partnership with ZMDC was noted" (Zimbabwe Mining Development Corporation, 2009).

The Minister of Mines, his permanent secretary, Minister of Finance, mine bosses and the Police Minerals Unit have all appeared before the committee and faced serious questioning. As parliament applied the pressure on ministers and diamond companies, Mbada Diamonds went so far as to take advertising space⁴⁷ in all the major newspapers in Zimbabwe, in which they revealed their gross revenue in four years of operation. In those four years the company revealed that it had contributed \$424 million towards taxes, dividends and government advances and \$33 million towards corporate and social responsibility, \$214 million capital expenditure, \$225 million direct production-related expenditure, and \$138 million as operational expenditure. This was a welcome development and would aid in trying to understand what was happening in the diamond mining industry, but it also raised questions. The information was not disaggregated to reflect the total flow of benefits from diamond mining. Complicating issues further, the 2014 budget statement⁴⁸ from the Finance Ministry shows that government did not receive any dividends from Mbada in 2012 and 2013. Yet still, the disclosure from Mbada, showed that the pressure from parliament was being felt.

A new portfolio committee was appointed after Zanu PF's landslide win in 2013. Junior Zanu PF official, Justice Mayor Wadyajena, became the new chair. A key actor during the discovery of huge diamond deposits was the former Indigenisation minister and senior Zanu PF official, Saviour Kasukuwere, who is now the Local Government minister. In 2015 Kasukuwere was summoned to parliament to respond to questions on Community Share Ownership Trusts, and to explain what was happening as the trusts did not seem to have money. Kasukuwere did not take kindly to the questioning and accused Wadyajena of "abusing his parliamentary position to settle personal scores" (*NewsDay*, 2015). Kasukuwere raised his displeasure in parliament:

Mr Chairman, you have been very careless, I have recordings of your own discussions with journalists. I have recordings of your own self speaking on television and trying to impute that there has been corruption. We respect this committee, we respect Parliament but this institution must never be used for political grand standing. We must take each other seriously (Herald, 2015).

⁴⁶ First Report of the Portfolio Committee on Mines and Energy on Diamond Mining (With Special Reference to Marange) 2009-2013.

⁴⁷ Mbada surpasses \$1 billion turnover <https://www.newsday.co.zw/2014/03/11/mbada-diamonds-surpasses-1-billion-turnover-mark/>

⁴⁸ The 2014 National Budget Statement presented to Parliament on 19 December, 2013.50

There was a veiled threat in Kasukuwere's response, which seemed to suggest that he had secret recordings of Wadyajena giving information to journalists. Wadyajena was having none of it, responding:

Honourable Minister if you have any recordings there are authorities where you can take them to. You are free to take them anywhere, I won't be intimidated. I am doing my job and I will continue with this investigation (ibid).

It would seem that in the Zimbabwean context, although the struggle for transparency and accountability is an arduous one, parliament is one of the critical spaces in demanding accountability and transparency, but also in putting into place the necessary legal framework to govern the mining sector. The factionalism in Zanu PF plays itself out in parliament as members jostle to bring each other down. The two officials are part of two distinct factional camps in Zanu PF. Wadyajena belongs to the faction that is pushing for Vice-President Emmerson Mngangagwa to succeed President Mugabe. Kasukuwere belongs to another faction, known as Generation 40, that has coalesced around the first lady, Grace Mugabe, and would prefer for the president to die in office, hoping that by that time they will have built a sufficient base. Cracks and fissures within Zanu PF will always be there because of the deep-seated factionalism, and where these openings show, they present an opportunity to push for alternative governance in the management of natural resources.

In 2014, the then Vice-President of Zanu PF and Zimbabwe, Joyce Mujuru, attacked⁴⁹ the media for exposing corruption and demanding accountability. She was aggrieved at what she saw as a plot to expose people who were only in her faction. In an unprecedented move, then Information minister, who is also a senior Zanu PF official and member of parliament, Jonathan Moyo, praised the media and launched a blistering attack on those who wanted to sweep the corruption under the carpet:

The full spectrum of the mainstream media, without any exception should be commended for the excellent job it is doing in the coverage of the abuse of public funds and assets by some boards and management elements in some public enterprises. (Moyo, 2014)

Moyo at the time was said to belong to Mngangagwa's faction, which was pushing for the ouster of Joyce Mujuru from the party. This suggests that the factionalism in Zanu PF offers gaps through which transparency and accountability can be pushed, depending on which faction is in control at that particular moment. Vice-President Mujuru has since been sacked from Zanu PF and government, accused among other things of being corrupt and plotting to topple Mugabe. Current Mining minister Walter Chidakwa has promised parliament that he will clean up the rot in the mining sector. He has fired the board of Zimbabwe Mining Development Corporation (ZMDC). The ZMDC board was fired together with the board of the Minerals Marketing Corporation as well as that of diamond company Marange Resources, which is owned by ZMDC. It is believed⁵⁰ that the three boards were fired following the disappearance of 1.3 million carats of diamonds.

When then Information minister Jonathan Moyo in a long interview with the state-controlled weekly The Sunday Mail announced⁵¹ that government was looking at amending the Indigenisation Act, this was denied by Deputy Minister of Indigenisation Mathias Tongofa also from Zanu PF⁵², who in a response to parliamentary questions denied that the government had any intention of reviewing the policy. Finance minister Chinamasa and Deputy Minister of Mines Fred Moyo expressed the need for the Indigenisation Act to be much clearer.

⁴⁹ Mujuru scores own goal <http://nehandaradio.com/2014/02/11/joice-mujuru-scores-goal/>

⁵⁰ Chidakwa Fires Diamond Boards, 12 December, 2013 <https://www.newsday.co.zw/2013/12/12/chidhakwa-fires-diamonds-board/>

⁵¹ Exclusive interview with Prof Jonathan Moyo <http://www.sundaymail.co.zw/?p=5117>

⁵² Indigenisation now a mess <http://www.theindependent.co.zw/2014/05/23/indigenisation-now-mess/>

It's an issue investors continue to feel they are not clear enough on. Maybe that issue needs attention so that we speak with one voice, we are clear and we are consistent on it (Zimbabwe Independent, 2015).

The different voices on mining and on indigenisation in parliament and out of it from the same party (Zanu PF), quite apart from policy discordancy, are a signal of the factionalised politics within Zanu PF.

Former Indigenisation minister Saviour Kasukuwere accused⁵³ diamond mining firms in Marange (among them Anjin Investment, Mbada Diamonds, Marange Resources, Diamond Mining Company and Jinan) of not honouring the pledges they made to the Marange-Zimunya Community Share Ownership Trust. However the companies refuted this in parliament, saying that they never pledged to pay \$10 million each as was being alleged by Kasukuwere – that instead their pledge was for \$1.5 million each. When Francis Nhema who replaced Kasukuwere as Indigenisation minister was summoned⁵⁴ by parliament, he revealed that letters that were said to have come from his office to Marange mining companies on their contributions to CSOTs did not exist. The mining companies said that they were dealing largely with the Minister of State for Manicaland Province, Christopher Mushowe. They went on to say⁵⁵ that Mushowe had provided them with his personal bank account rather than that of the Marange-Zimunya Community Share Ownership Trust.

Parliamentary rules⁵⁶ give portfolio committees the power to compel people to appear before them and to answer questions. They even have powers to compel hostile witnesses to give evidence, failing which the committee can impose a jail term. On a number of occasions the committee had to invoke the Powers of Parliament Act to compel company or government officials to appear before the committee and answer questions. The committee was also denied entry for over a year to the Mines in Marange, but they persisted until entry was granted. Given this background, parliamentary committees are an attractive entry point on diamond governance, not least because of their powers to compel people to give evidence. The factionalism in Zanu PF also presents cracks through which accountability is demanded.

Hypothesis 5

Given the background political economy, the Community Share Ownership Trusts are (are not) an attractive point.

Zimbabwe's mining has been highly secretive, with very little official information in the public domain. The work of the Open Society Initiative for southern Africa⁵⁷ (OSISA) on CSOTs will be used as a case study. OSISA is a philanthropy organisation, giving grants to civil society organisations, communities, government and research institutions working on issues related to transparency and accountability in governance, access to justice, and economic empowerment. OSISA's work in Zimbabwe on transparency and accountability in mining has faced challenges because of the highly secretive and politicised nature of diamond mining. CSOTs provided an opportunity for OSISA to get to understand some of the issues around transparency and accountability in the murky arrangements around mining deals in Zimbabwe. It was important to take advantage of this government initiative (CSOTs) and use it to advance, however modestly, a transparency and accountability agenda.

While government has now established 61 community trusts that are supposed to benefit from the extraction of natural resources within the local communities, there remain a serious capacity challenges

⁵³ Kasukuwere raps diamond firms <http://www.herald.co.zw/kasukuwere-raps-diamond-firms/>

⁵⁴ Diamonds saga Nhema summoned <http://www.thezimmail.co.zw/2014/03/31/diamonds-saga-nhema-summoned/>

⁵⁵ Minister fingered in diamond scam <http://nehandaradio.com/2014/03/09/ministers-fingered-diamonds-scam/>

⁵⁶ Standing Order 167.

⁵⁷ This writer is a Programme Manager responsible for Natural Resource Governance at OSISA.

in the CSOTs. The Boards of CSOTs, which are comprised of community members, chiefs, local government officials, and representatives of vulnerable groups, lack adequate skills and experience on principles of enterprise development, corporate governance, and developmental work to effectively deliver on their mandate and on the developmental objectives of community trusts. Part of the OSISA strategy on natural resource governance is a campaign for governments and companies to be transparent and accountable in the way they manage resources, and to concretely contribute to community development. OSISA reached out to the National Indigenisation and Economic Empowerment Board which was set up as a statutory institution, established in terms of the Indigenisation and Economic Empowerment Act (Chapter 14:33). NIEEB is a statutory body that has been monitoring and facilitating the capacity building of CSOTs since their establishment in 2011. NIEEB has been responsible for the establishment of CSOTs and ensuring their institutionalisation.

Although the community of Marange-Zimunya is surrounded by million-dollar mines, its people live in poverty. Although US\$50 million was pledged to support nearby communities, only \$400 000 has been collected, and it is not even clear what has happened to this \$400 000. The money collected is ideally supposed to support with the upliftment of the community, for example through building roads, providing clinics, drilling boreholes, or whatever the community deems a priority at the particular time. The following are further problems linked to the main problem:

- confusion on indigenisation law compelling foreign firms to cede part stake to communities;
- government has no evidence showing what companies pledged;
- some companies are not aware of Marange-Zimunya Community Trust;
- lack of properly constituted CSOTs;
- no report-back mechanism to community

In 2014 communication was initiated with NIEEB on the possibility of jointly hosting a meeting with most stakeholders in the Marange-Zimunya CSOT, to review the operations of CSOT and consider how their operations may be improved. OSISA was willing to fund this meeting. The meeting was an important entry point for OSISA to support this process, but also to push the envelope on transparency and accountability in diamond mining in Zimbabwe. It was requested that NIEEB submit a concept to OSISA for a Marange stakeholders workshop on Community Share Ownership Trusts. They then sent an email saying that in their internal meetings they had decided to focus not just on the Marange Community Share Ownership Trust, but they wanted to have a workshop with key representatives of 13 community trusts. This seemed very ambitious, but they seemed determined to proceed this way.

Three concrete things were identified for OSISA to focus on:

- Contribute to the design of the programme to ensure that the conference is able to deal with key issues and challenges, and to propose practical solutions.
- Help with the identification of participants from other African countries that are faced with the same challenges so they can share experiences on their models of empowering mining communities.
- Contribute US\$40 000 to the workshop

A position was taken that beyond these short-term contributions, OSISA would be open to discussions on the possibility of a long-term collaboration. These were the first steps towards something that could potentially become big. It was important in the first instance to agree on basics and develop a shared framework that could be built on. There was a two-week period when there was a lull in communication and emails went unanswered. Communication was then received expressing discomfort with receiving funding from OSISA. This was because over the last three years OSISA has been funding civil society organisations in Zimbabwe working on democracy and governance. This funding was interpreted in government-controlled media as supporting regime change, creating the impression that OSISA was against President Robert Mugabe. NIEEB was therefore uncomfortable with receiving direct support from OSISA. In the end there was agreement that this kind of support was an important first step.

It is important in these processes to be flexible and to not lose sight of the big picture. Our intention was to focus on just Marange, but NIEEB came back with a proposal that went beyond Marange to include 13 CSOTs. Although we thought this was too big a challenge at one go, we decided to be flexible and

agree to this with the proviso that an independent consultant be hired to assess all the CSOTs and the assessment report be tabled for discussions at the workshop that we were supporting. The analysis coming from the report would enable us to pick a specific community trust and focus on it and delve deeper into it and explore how that one community trust can be supported and built to be an island of effectiveness that others could learn from.

Dealing with government and government agencies is difficult as they are beset by bureaucracy. At one point we thought we had an agreement, only for that agreement to almost unravel as our organisation was questioned. In instances like this it is important to talk things out, and face-to-face meetings are more helpful than just relying on emails and the phone. In the programme that was being developed, OSISA wanted room to be given to people from around the region (southern Africa) so that they could share experiences, and because of OSISA's extensive contacts we were given the responsibility of organising this. We agreed that we would reach out to the Okavango Community Trust in Botswana and to David van Wyk of Benchmarks Foundation (BMF). NIEEB were not happy with van Wyk and they wrote:

What experience does van Wyk want to share? The reason I am asking is that our government is still jumpy and I don't want them to be unsettled by a white guy who might just go on the attack! (Personal communication with James⁵⁸, 23 September 2014).

We then had to give NIEEB van Wyk's profile, and when they saw that his organisation had been training communities in mining areas in South Africa on their rights and responsibilities they agreed that he would be a good person to share experiences. The point here is that sometimes the fears that are there can be overcome if there is communication and constant check-in meetings to deal with issues arising. Although NIEEB kept the Ministry of Youth and Indigenisation informed about the plans and were in constant communication with the permanent secretary in the ministry, OSISA received communication towards the end of September 2014 asking for a postponement of the meeting from the scheduled 16-17 October, 2014 to a date towards the end of November. This was because the initial dates were clashing with a SADC meeting that the minister wanted to attend. OSISA had no choice but to consider this request because it was important for the minister to be present at the meeting. Government was a critical player in this, and part of the process of building legitimacy was to make sure that he was present and visible in the workshop. This would also raise OSISA's profile and show that, although the organisation largely works with civil society organisations, it also works with government on community initiatives.

The conference was finally held 10-11 November 2014, and it had representatives from 13 CSOTs as well as officials from 11 companies operating in their areas. There were also officials from the responsible ministry (Ministry of Indigenisation). NIEEB designed the programme with OSISA input. Prior to the meeting there had been agreement that it would be important to get a detailed study of the state of the CSOTs which would then be used as the basis for discussions. Interesting information came from the study, for example of the 61 registered CSOTs only 16 were operational. The study also revealed that only a few companies were contributing the amounts that they had pledged to contribute. It was evident from the study that the little money that had been contributed was misused, pointing to governance challenges in the administration of funds received. The study indicated that there was a lack of clear guidelines on how to manage the funds. During the workshop there were heated discussions between the officials from companies and people from the communities, especially the chiefs in charge of those communities who felt that the companies were giving them a raw deal. The companies on the other hand were saying that it is difficult for them to put money where there are no proper systems. In addition they disagreed with government on the money that it was saying it had received, as they claimed they had given more. During the workshop a set of guidelines were developed in consultation with the communities, companies and officials from the state agency NIEEB. The guidelines deal with how money contributed by companies will be accessed and what it will be spent on. They also give details on time-frames for companies to fulfil their pledges. The guidelines point out that every quarter communities will conduct needs assessments which will then guide the priorities that

⁵⁸ Name has been changed to protect identity of some key actors

communities should spend on. The problem of Boards that were not aware of their duties was also raised, and in the guidelines the day-to-day operations of the CSOTs were made clear as well as the separation of powers, and the role of boards and secretariats. CSOTs were encouraged to learn from the example of the Mhondoro-Ngezi CSOT in Mashonaland West, which had recorded notable progress according to the research report. The Mhondoro-Ngezi CSOT has managed to build a hospital and a few roads within the community.

There were assumptions that we made about CSOTs, but those assumptions had not been tested. The report that OSISA commissioned together with NIEEB put to the test those assumptions. Unlike the campaign propaganda that was being spewed by Zanu PF, saying the CSOTs had been a massive success, the report proved otherwise. However, unlike (OSISA) scepticism that the CSOTs were a mess, the report revealed that some were operating without problems, and they could provide a model of how to run community trusts.

Where information comes from is important, and it was clear that if OSISA had commissioned its own research and organised its own workshop, it would not have covered the ground that it covered. Getting the involvement of the government agency was critical, and the reports produced could not just be waved away. These measures and relationships and processes are not to be taken lightly, because it is always important to understand where power lies because that way doors can be unlocked or locked. Working with NIEEB was important because it has the gravitas and convening power when it comes to CSOTs. The Zimbabwe mining environment is a complicated and highly politicised context, which makes it difficult to embark on huge missions without political support. It will probably take a lot of time to sort out the opaque processes around diamond mining, but what is possible is to do incremental work and build from it. Through just the conference and the research on the status of CSOTs, OSISA has opened whole new avenues including developing guidelines on how CSOTs can function. NIEEB has also reached a further agreement with OSISA to get financial support until August 2016 on a capacity building programme of the various boards of CSOTs.

It is hoped that at the end of the project:

- Each CSOT has conducted a participatory needs assessment, which includes community beneficiaries at ward levels and agreed-on priorities for the Trust.
- At least five CSOT Boards have proper governance structures, hold regular and minuted Board and community meetings, and take decisions that reflect the priorities in the needs assessment.
- There is at least one Community Engagement Forum for community leaders held each month.
- NIEEB undertakes regular monitoring and evaluation of CSOTs, through attending Board and other CSOT meetings and assessing projects being undertaken by CSOTs to ensure that they reflect the needs assessment.

In these processes flexibility is important. OSISA's intention was initially to have just a workshop on Marange CSOTs and then build on from there. However, in discussions with the government and with NIEEB it was decided to bring together a sizeable number of people representing at least 13 CSOTs. In addition after several meetings it became apparent that the conference would itself benefit from a solid study showing what the state of each CSOT was like.

Alliances are also a critical part of this process, knowing who to work with and at what time. It is also about understanding the power dynamics and who has leverage at critical points. The importance of communication cannot be overemphasised as it keeps everyone in the loop about what is happening and where the challenges are. The great rapport that OSISA has established with the government agency NIEEB means that OSISA can work on transparency and accountability in diamond mining at community level. Through supporting agency within these communities, critical questions are being asked on companies' commitment to empowerment, and there is pressure from below for the mining companies to be open about their business dealings. These are modest beginnings of what will hopefully turn into a much bigger programme on diamond governance in Zimbabwe. Community Share Ownership Trusts have the potential to be effective but it is still too early to assess their effectiveness as they are still a work in progress.

CHAPTER 6: CONCLUSION

There are vast opportunities for Zimbabwe to earn significant amounts from its mineral resources, but there are also lots of leakages, through massive illicit sales and plain racketeering. The corrupt and opaque nature of diamond mining in Zimbabwe means that the country is losing a lot of money that should be part of mobilising domestic resources to support national development. One cannot, however, be blind to the political context in which one is. The point is not to say that governance is not important, but rather to recognise that it is a medium- and long-term issue. With this kind of approach one does not then fall into the trap of failing to act, waiting for all constraints to be removed before doing something. Although things appear to be gloomy in Zimbabwe with what looks to be a captured state, there have been pockets of progress even in these circumstances. One such positive aspect is the Parliamentary Portfolio Committee of Mines. This committee has been able to take on senior party and government officials, and demand accountability and transparency. CSOTs also have potential to demand greater accountability and, more importantly, community empowerment through holding both government and companies to account.

There have been some sections in government that have urged openness and shown zero tolerance towards corruption. For example the new Minister of Mines has fired three boards that are related to mining in Zimbabwe, and also laid fraud and corruption charges against an ex-manager of ZMDC. The Finance minister has spoken about the need for Zimbabwe to participate in EITI. This reflects that Zimbabwe may be willing to get into accountability and transparency initiatives so that it is able to mobilise resources for national development. A key lesson is that that meaningful progress can still be made even in the most trying and militarised governance contexts. The politically connected will resist embracing a set of reforms that transfer rents to elsewhere, for to embrace reforms is akin to negotiating themselves out of lucrative deals.

In *Working with the Grain* (2014), Brian Levy argues that there is no one way of doing development but rather multiple pathways to development. The point is that there is no mechanical formula that can be prescribed on how development ought to be done. Along the same line, Andrews (2013) argues that development takes time and there is no one-size-fits all approach. Precisely because development takes time, it makes more sense to do small things incrementally, which can possibly have a snowball effect. Andrews (ibid) encourages a Problem-Driven Iterative Adaptation; this demands that a core team is needed to work aggressively for a few months and produce results. This approach entails identifying problems and focussing on them, while at the same time mobilising groups, seeking authorisation and building legitimacy, drawing some lessons and moving on. The big dilemma of development work is between best practice (donors, international community) on one hand and a debate on the other hand that says every process is unique and there is learning all the time. What makes sense and what needs to be done is different depending on where one is located, and where one is located is not just something that is wished and happens but rather is a result of the configuration of power. It is a consequence of unfolding processes and contestations.

The minerals sector remains a crucial part of the Zimbabwean economy. The potential of the mineral sector has yet to be fully realised, but there is however no best practice or best fit – rather there is the opportunity for learning. Zimbabwe would have to build on what can be built on, rather than counsels of perfection. There is a trap in the model of best practice. In Zimbabwe the mantra is that it is hopeless to try and work on transparency and accountability because diamond mining is murky and militarised. This is no reason to stop work; one has to understand the context and the politics as this determines the nature of the work. This does not mean that one is not alive to the dangers of co-option for example; but understanding the context enables one to understand the challenges at play and the uniqueness of every situation, and hence to craft a suitable intervention.

The important point is that one has to understand that one works at the level of individual tasks embedded in a broader sense of processes that are in turn embedded in the political economy. It is therefore necessary to appreciate the dynamics that are shaping the system in which the individual

tasks are embedded. If one is willing to experiment and to be bold, one can push the boundaries. Above all, progress itself is never linear, but is the result of an interplay of various factors that impact on each other in changing and different ways. If the various classic governance criteria⁵⁹ were to be applied to Zimbabwe, they would suggest that for development to take place, it is necessary to first establish effective, accountable institutions of government. George Soros raises some important points when he argues that:

Significant foreign investment in less developed countries occurs in the extractive industries such as oil, gas, and mining. Revenue from this investment makes its way to governments in the form of taxes, fees and other payments. If this revenue were effectively and transparently managed, it could serve as a basis for successful growth and poverty reduction. However, the state and other institutions that manage these resources are often, in practice, unaccountable to the parliaments and ordinary citizens of their countries. Revenues from resource extraction are disclosed neither by the governments nor the companies involved. This lack of accountability facilitates embezzlement, corruption and revenue misappropriation. In extreme cases, access to resources fuels regional conflict and the resulting disorder is exploited to facilitate further large-scale misappropriation of state assets.

Soros is alive to the rent-seeking activities that arise in contexts where there is no accountability, and suggests that resources that are transparently managed by the state and other institutions can bring better development outcomes. To be sure, state reconstruction in Zimbabwe requires effective policies and institutions to prop up and boost key sectors of the economy, of which mining is unquestionably a key part. The point is on how the governance narrative comes to grips with the complexities of development, especially in a country blessed with so many natural resources. The challenge comes when a maximalist governance approach is adopted to seek compliance. In this approach, a zero-sum game underpinned by total compliance is played, making coalition-building difficult. In the end what is achieved is what Zimbabwe political analyst Brian Raftopoulos refers to as “expressing strong moral fervour, but weak political analysis” (Raftopoulos, 2009). The reality is that the status quo is underpinned by a set of institutions that have structural power which is profoundly unequal, and in which the elite have the power of incumbency as most of them are in government or have very high connections at the heart of government.

Notwithstanding the constraints of Zimbabwe politics, there is still nonetheless scope to gain traction with incremental options. Despite the dominance of Zanu PF and security services sector in diamond mining Zanu PF is itself not a monolithic movement and the alliances that are there within the party are fluid alliances and there are constant reconfigurations, which leave spaces for some incremental accountability and transparency. In addition, there are huge expectations from communities in mining areas that have been cultivated through community share ownership trusts, Members of Parliament from these communities are being taken to task by communities that are asking serious questions about the money that was promised to them. This has also emboldened some of the members of Parliament to seek answers from responsible ministers and companies. In some of these communities Zanu PF has never lost elections hence dissatisfaction from the same communities is a threat to the party's hegemony. There is also the realisation that alluvial diamonds which are easy to mine are all but finished in Marange and much more hard work and more resources are needed to dig deeper. Getting new players who are prepared to invest huge amounts may require changing the politics and tact. Already there is cautious talk of revising the Indigenisation Act. All this calls for incremental steps that build on each other. What this study suggests is an approach that engages complexity and considers things as they actually are, which moves one to a space where new ways forward are considered. What is of immediate importance is what one can do under the circumstances in the space that one inhabits.

⁵⁹ Ranging from those used by AfriMAP in the Political Participation, Justice and Public Services questionnaires, through to the issues emanating from the Governance Report of the Economic Commission for Africa (2004), and right up to the NEPAD and Africa Peer Review Mechanism, and many others.

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