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AN **INSIDE** JOB

ZIMBABWE: THE STATE, THE SECURITY FORCES, AND A DECADE OF DISAPPEARING DIAMONDS

SEPTEMBER 2017

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CONTENTS

ACRONYMS

AFECC(G)	Anhui Foreign Economic Construction (Group) Co., Ltd.
ATF	Antwerp Tender Facility
AWDC	Antwerp World Diamond Centre
CCCMC	China Chamber of Commerce of Metals Minerals & Chemicals Importers & Exporters
CIO	Central Intelligence Organisation
DDE	Dubai Diamond Exchange
DMC	Diamond Mining Corporation
DMCC	Dubai Multi-Commodity Centre
EU	European Union
FATF	Financial Action Task-Force
GDP	Gross Domestic Product
IMF	International Monetary Fund
MDC	Movement for Democratic Change
MDC-T	Movement for Democratic Change-Tsvangirai
OECD	The Organisation for Economic Co-operation and Development
OFAC	The Office of Foreign Assets Control
SADC	Southern African Development Community
US	United States
ZANU-PF	The Zimbabwe African National Union – Patriotic Front
ZBC	Zimbabwe Broadcasting Company
ZCDC	Zimbabwe Consolidated Diamond Company
ZDF	Zimbabwe Defence Forces
ZDI	Zimbabwe Defence Industries
ZMDC	Zimbabwe Mining Development Corporation

"We have not received much from the diamond industry at all (...) I don't think we've exceeded US$2 billion or so, and yet we think that well over US$15 billion or more has been earned in that area. (...) There has been quite a lot of secrecy (...) and lots of swindling, smuggling (...). The companies that have been mining have virtually robbed us, I want to say, of our wealth (...). You cannot trust a private company in that area. None at all."

President Robert Mugabe, interview with Zimbabwe Broadcasting Corporation on the occasion of his 92nd birthday[1]

President Robert Mugabe has accused private companies of having 'robbed' Zimbabwe of its diamond money, despite the government owning at least fifty per cent of all Marange diamond companies.
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SUMMARY

In 2006 one of the largest diamond finds in recent history was made in eastern Zimbabwe's rural Marange. A find of this scale could have gone a long way towards alleviating the country's serious economic woes.

Instead, Zimbabwe's precious stones were left to the mercy of the country's highly partisan security services and political elites, to the ultimate detriment of Zimbabwe's development and democracy.

Deep cavernous holes in the diamond-rich ground are matched only by holes in government budgets and company accounts.

A decade later, in 2016, Zimbabwe's Minister of Mines and Mining Development ordered all diamond mining companies to cease their operations with immediate effect. As 2018 elections draw closer and an increasingly divisive presidential succession struggle unfolds, this shock announcement marked the culmination of a decade-long diamond debacle and the government's most dramatic step towards tightening its grip on dwindling diamond revenues.

The future of Zimbabwe's diamonds now hangs in the balance. Dwindling reserves are demanding greater investment from an industry shaped by state-sponsored looting and short-term thinking, while driving competition for what remains of Zimbabwe's diamonds.

President Mugabe has finally admitted that billions have vanished before ever reaching the Zimbabwean Treasury, with government efforts to centralise the diamond industry billed as a response to calls for reform.

But the government's effort to amalgamate the industry into a single new Zimbabwe Consolidated Diamond Company (ZCDC) is stuttering. Several Marange companies have taken to the Courts following the government's refusal to renew their licences, while the ZCDC's own legal basis, operations, and oversight mechanisms are being questioned.

The ZCDC's operations have also been beset by the same secrecy that has grown endemic to Zimbabwe's diamond industry, while some of its proposed shareholders appear drawn from the very same cast of characters that have charted Marange's history to date. Despite the government's promised reforms, the stage looks set for a repeat performance.

President Mugabe has pointed the finger of blame squarely at private diamond companies.

But this is only half the story. The Government of Zimbabwe owns at least 50 per cent of each of the companies that were licenced to mine Marange, and was responsible for selecting and overseeing each of their private partners. With billions missing, any heist — it is clear — started closer to home.

Global Witness has uncovered new evidence that reveals how Zimbabwe's feared Central Intelligence Organisation (CIO), the military, notorious smugglers, and well-heeled political elites, all gained control or ownership of companies operating in Zimbabwe's diamond fields. Despite the role the security forces have played in subverting Zimbabwe's democracy and perpetrating serious human rights abuses, Zimbabwean diamonds are traded freely on international markets with the Kimberley Process' seal of approval. Rather than encouraging transparency and reforms, international demand has delivered a market for Zimbabwe's diamonds.

This report has followed Zimbabwe's diamond millions from the mines of Marange to scrapyards in South Africa; the skyscrapers of Dubai and Hong Kong; and to the anonymous companies of secrecy jurisdictions from Mauritius to the British Virgin Islands. Some even appear to have passed through a small motel off a highway in Mozambique — an unlikely headquarters for an international diamond smuggling ring.

It documents the extraordinary lengths to which Zimbabwe's powerful elites have gone to facilitate the disappearance of their country's diamonds while concealing the scale of the loss to its people. Basic information on production and revenues has never been meaningfully reported, frustrating efforts to make sure funds are going where they are supposed to.

This report examines five major mining companies that have recently operated in the Marange diamond fields and may continue to hold a stake in its future: Kusena Diamonds, Anjin Investments, Jinan Mining, Diamond Mining Corporation (DMC), and Mbada Diamonds. It details steps taken to conceal their finances, shield their operations from public scrutiny, and hide their ultimate beneficiaries and owners.

The tale of Zimbabwe's disappearing diamond wealth is not a story of a fragile developing economy looted by greedy venture capitalists and unscrupulous multinationals. It is the story of an inside job.

KUSENA, ANJIN, AND JINAN: OFF-BUDGET FUNDING FOR PARTISAN STATE SECURITY FORCES

Global Witness has uncovered evidence that suggests Zimbabwe's feared spying agency, the Central Intelligence Organisation (CIO), has maintained covert interests in diamond mining operations in Marange. Publicly, Kusena Diamonds was owned entirely by the Zimbabwe Minerals Development Corporation (ZMDC) on behalf of the state. Documents, seen by Global Witness, however, suggest the company was set up by the CIO to secure a secret off-the-books source of financing.

The military in Zimbabwe also has strong links to two diamond mining companies. In 2012, Zimbabwe's Deputy Minister of Mines and Mining Development confirmed to Zimbabwe's Parliament that a substantial portion of Anjin is indirectly owned, via two holding companies, by Zimbabwe Defence Industries (ZDI),[2] a military company which is currently on sanctions lists in a number of countries, including the European Union (EU) and Australia. Nevertheless, Anjin diamonds have been tendered within the EU, likely in violation of the EU sanctions placed on ZDI.

Global Witness can now also reveal that a second Marange company, Jinan, was effectively run as an extension of Anjin in partnership with the very same Chinese investor, potentially providing the Zimbabwean military with still further access to diamond revenues.

Security sector involvement in Zimbabwe's diamond sector does not just represent a financial loss to Zimbabwe's population and economy. Elements within both the CIO and military have been heavily implicated in stifling political opposition and scores of serious human rights violations.[3] A private, off-the-books, source of income from diamonds allows these highly partisan and oppressive institutions to operate beyond the effective oversight of Zimbabwe's Parliament. It also gives them a dangerous economic incentive to preserve the power of those who afford them access to these lucrative resources.

CIO-linked Kusena Diamonds has reportedly already been amalgamated into the ZCDC, the new consolidated state mining company, and may act as a poison pill that has already secured the CIO an economic interest in what may become Zimbabwe's biggest diamond company.

Neither ZCDC nor Kusena responded to Global Witness' request for comment. Anjin and Jinan's private investor also declined to comment, citing ongoing legal proceedings in Zimbabwe.

DMC: FROM DIAMOND SMUGGLERS TO DIAMOND MINERS

Most of Zimbabwe's diamond companies are joint ventures shared between the government and a private investor. Such private investors are usually brought in to supply capital and technical expertise. In some cases, however, the government's choice of joint venture partners suggests a different skillset may have been sought.

Evidence unearthed by Global Witness suggests that the key individuals behind DMC were previously behind a highly organised network of smugglers that had been illegally ferrying Zimbabwe's diamonds out of the country, and who may also have been implicated in similar smuggling operations elsewhere on the African continent.

DMC did not respond to Global Witness' request for comment.

MBADA: A FINAL MYSTERY SOLVED?

Mbada operated one of Marange's largest mining concessions and publicly celebrated reaching US$1 billion in turnover in 2014. But Mbada's ownership structure is complex and opaque. One quarter of the company's shares are held anonymously by a company called Transfrontier Mining, whose ultimate owners are hidden behind a complex web of companies and nominee directors stretching from South Africa, to Mauritius, Hong Kong, and beyond.

Zimbabwe's people and oversight institutions deserve to know who is profiting from their diamonds. Global Witness now believes that Robert Mhlanga, an associate of President Mugabe, ally of the ruling party ZANU-PF, and retired member of the security forces, controls, and may own, Transfrontier Mining.

The future of Mbada and its secretive investor in Marange and the ZCDC remains unclear. Another of Mbada's private investors currently engaged in legal proceedings linked to the proposed amalgamation, further muddying the water.

Neither Mbada nor Robert Mhlanga responded to Global Witness' request for comment.

"We are leading a diamond life, but we are poor."

Diamond worker, Marange

THE FUTURE OF MARANGE

Despite the secrecy and uncertainty that surrounds Marange, it is clear that the billions in promised revenues have failed to benefit the public purse. What is also clear is that those responsible for preventing such losses have instead facilitated and concealed them.

The end result is that very little of Zimbabwe's diamond wealth has benefitted ordinary people. Since 2010 Zimbabwe has officially exported over US$2.5 billion in diamonds according to official figures from the Kimberley Process. According to the limited available government reporting, only around US$300 million can clearly be identified in public accounts.

Whether Marange's mining companies number one or many, it is this culture of vested economic interest, protected by secrecy, that will likely shape the future of Zimbabwe's diamond sector.

An aerial view of parts of the Marange diamond fields in eastern Zimbabwe. Vast deposits of alluvial diamonds were discovered in the area in 2006.

THE ZIMBABWE CONSOLIDATED DIAMOND COMPANY (ZCDC)

"In essence, ZCDC does not have a skilled human resource base, working capital, adequate equipment and machinery(...)."

First report of the Portfolio Committee on Mines and Energy on 'the Consolidation of the Diamond Mining Companies,' presented to Zimbabwe's Parliament on 6 April 2017 [4]

In early 2015 the government of Zimbabwe announced plans to amalgamate all of the country's diamond mining operations into a single consolidated company.[5] According to the Minister of Mines and Mining Development, companies not willing to join the new company would have to exit the industry altogether.

Under the proposed model the Government would own 50 per cent of the new consolidated company — now known as the Zimbabwe Consolidated Diamond Company — while existing private companies who agreed to amalgamation would share the remaining 50 per cent, with each participating company's stake in ZCDC reportedly based on the net value of its capital and debts.[6]

In the wake of controversy and accusations about missing diamond revenues, officials framed this dramatic step as a move towards greater transparency and oversight of a sector run out of control.[7] It did, however, also coincide with reports of dwindling production and the need for further capital investment in order to continue mining more challenging deposits.

Yet despite these promises of reform and concerns about the way in which revenues had been managed to date, it seems to have been clear from the outset that the private investors in this new company would be drawn exclusively from the pool of Marange's existing private investors.

Following months of talks with the reticent diamond companies, in October 2015 the Minister of Mines announced[8] that all company licences to mine in Marange had expired. This paved the way for ZCDC to take them over. By December, three of the seven Marange companies (Marange Resources, Gye Nyame, and Kusena) had reportedly been subsumed into the ZCDC,[9] though these were all companies in which the government reportedly already owned a 100 per cent stake.

In February 2016, the remaining companies, Anjin, Jinan, DMC, and Mbada, were ordered to cease mining immediately.[10] Two months later, however, it was announced that DMC had resumed operations after signing a new deal with the government.[11] Meanwhile, private investors in the remaining three companies challenged the government's actions in court[12] casting considerable uncertainty over the future of the ZCDC.

The ZCDC has also been beset with challenges from the outset. Very little information has been put in the public domain, frustrating hopes of a more transparent industry.[13] The government does not appear to have been much more transparent. Court documents[14] note that Grandwell Holdings (the private investor in Mbada) requested a blueprint for the amalgamation proposal early in the process, but had this request refused.

The absence of information has prompted speculation about the legal basis of the ZCDC. While it may initially have been conceived of as a new parastatal created through an act of Parliament, it was later confirmed that the ZCDC had been created through the Companies Act.[15] As a private company, however, the ZCDC cannot acquire rights to the entirety of Marange's diamond resources without oversight and scrutiny by Parliament, as outlined in the Constitution of Zimbabwe.[16] As no such scrutiny has been provided for, and the structure and operating model of the ZCDC remains opaque, this raises questions about the legal basis upon which it is currently operating.

The staffing of ZCDC has also been controversial and suffered from rapid turnover. Three CEOs were appointed in quick succession, with questions repeatedly being raised about their suitability for the role.[17]

In a further twist, in August 2017, it was reported that the High Court of Zimbabwe had ordered the ZCDC to shut down operations with immediate effect for failure to meet with Environmental Management Authority regulations.[18]

With a legally questionable foundation, high staff turnover, a temporary board[19] rocked by accusations of nepotism,[20] the future of the ZCDC is far from certain.

MARANGE DIAMOND FIELDS TEN YEAR TIMELINE

JUNE 2006

After diamonds are discovered in Marange, eastern Zimbabwe, the government declares the diamond fields open to anyone.

DECEMBER 2006

An estimated 35,000 people are mining informally by the end of the year.

JULY 2008

The U.S. imposes sanctions on the ZMDC.

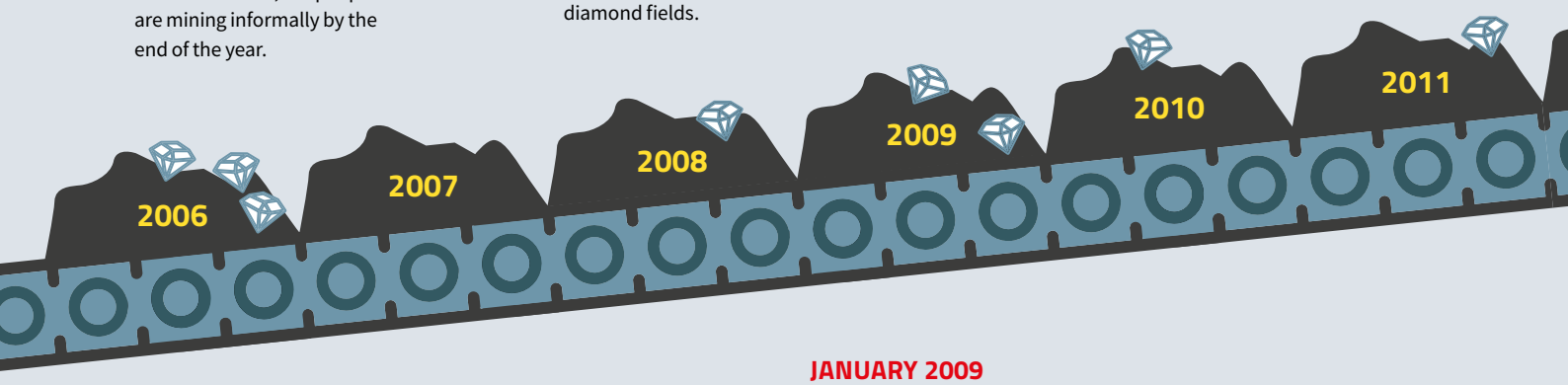
OCTOBER 2008

"Operation Hakudzokwi" (Never Return) is launched to drive out informal miners. More than 200 are killed as soldiers, dogs and helicopter gunships are deployed in the diamond fields.

NOVEMBER 2011

The Kimberley Process allows diamond exports to resume from Marange, amid protest by civil society about lack of reform.

The Mining Minister claims Marange diamonds will generate US $2 billion a year.



FEBRUARY 2007

President Mugabe announces the government's intention to take over the mining of diamonds.

JANUARY 2009

ZMDC added to list of Zimbabwean entities subject to EU sanctions.

JUNE 2009

Kimberley Process Review Mission sees first hand military involvement in mining, and victims of human rights abuse. The team suggest a 6 month withdrawl from the scheme.

NOVEMBER 2009

Minister of Mines, Obert Mpofu, announces first licenses awarded to mining companies.

JUNE 2013

The Parliamentary Committee on Mines and Energy release a report on diamond mining, following a four year enquiry led by Edward Chindori-Chininga.

SEPTEMBER 2013

The EU removes the ZMDC from its sanctions list.

DECEMBER 2013

First tender of Zimbabwean diamonds in Antwerp following lifting of EU sanctions against ZMDC sees stones from Marange Resources, Diamond Mining Company (DMC), Anjin Investments, Jinan and Kusena Diamonds, totalling about 300,000 carats.

JULY 2015

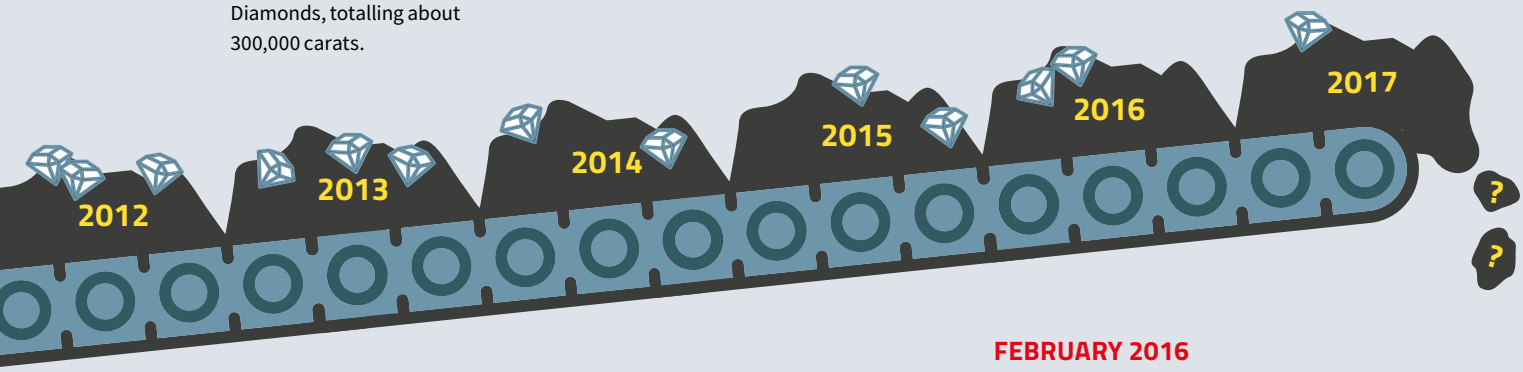
Zimbabwe's Mining Minister announces all diamond mining companies in Zimbabwe to merge by the end of the year.

NOVEMBER 2015

The Finance Minister announces that delays in the merger are due to resistance from the diamond companies.

APRIL 2017

Release of the first report on the consolidation of the diamond mining companies by Parliamentary Committee on Mines and Energy. The report questions the legal status of the ZCDC.



FEBRUARY 2012

Global Witness report reveals that several directors of Anjin are drawn from the Zimbabwean military and police.

JUNE 2012

Global Witness report reveals how Zimbabwe's Central Intelligence Organisation (CIO), appears to have received off-budget financing in exchange for diamonds.

JANUARY 2014

Reports emerge that Marange's alluvial diamonds are running out.

FEBRUARY 2016

Mining Minister orders all Marange diamond mining companies to cease operations immediately. A ninety day grace period is provided for companies to remove their equipment from the concessions.

MARCH 2016

President Mugabe announces that of an anticipated US $15 billion only US $2 billion has been received from Marange diamonds and claims private companies have 'robbed' Zimbabwe.

The Finance Minister announces the new government backed Zimbabwe Consolidated Diamond Company is up and running.

THE FIND

Almost three quarters of Zimbabweans are surviving beneath the poverty line. In 2017 up to 4.1 million were left "food insecure" as a result of drought.
© Alexander Joe/AFP/Getty Images

In June 2006 one of the most significant diamond discoveries of recent times was made in eastern Zimbabwe's rural Marange, not far from the provincial capital of Manicaland in Mutare. Diamonds, once carried and dispersed by rivers, were found concentrated in the area now known as the Marange diamond fields. The find soon turned Zimbabwe into one of the world's largest diamond producers, offering a beleaguered economy a rare chance of revival.

"We expected to see Zimbabwe growing, especially looking at the current economic challenges it was facing during that period. We expected it to grow through those diamonds."

Community member, Marange

By 2011 the then Minister of Mines and Mining Development, Obert Mpofu, claimed that Marange had the potential to generate up to US$2 billion a year.[21] An international diamond analyst observed that "[I]n the last 20 years, we haven't found a significant great new deposit. It was the most significant find in many, many years."[22] Within a few years, the Marange discovery had propelled Zimbabwe into the diamond producing big-leagues.

By 2012 Zimbabwe was the world's fourth largest producer of diamonds by volume, surpassed only by Russia, the Democratic Republic of Congo (DRC) and Botswana.[23] By 2013 some analysts argued Zimbabwe had become the world's single largest producer of diamonds,[24] though statistics from the Kimberley Process suggest production had already started decreasing, a trend that has continued ever since. Zimbabwe has, however, remained among the top ten diamond producers in the world since 2010.[25] In that time, Zimbabwe's official diamond exports have totalled just over US$2.5 billion.[26]

KIMBERLEY PROCESS EXPORT DATA

Year of export	Volume (cts)	Value (US$)
2010	8,424,384	320,237,120
2011	7,787,923	422,926,507
2012	14,957,649	740,998,085
2013	9,564,278	448,635,918
2014	6,367,107	480,221,832
2015	3,899,385	168,612,483
2016	2,322,418	123,314,734
Totals	**53,323,144**	**2,704,946,679**

Source: Kimberley Process statistics

This valuable discovery should have provided a much-needed boost to Zimbabwe's ailing economy and the needs of the near three quarters of the population living beneath the poverty line,[27] and still suffering from the effects of political, human rights and economic crises which began around 2000.

But despite their early promise, diamond revenues have offered little to the ordinary Zimbabweans. In 2017 up to 4.1 million people were left "food insecure" as a result of drought.[28] Zimbabwe's external public debt is estimated at over US$10 billion, a figure equivalent to 76 per cent of GDP.[29] The economy is creaking under the burden of a severe liquidity shortage, as cash is in short supply; collapsing infrastructure; endemic company closures; and job losses. The formal unemployment figure is now reported to be in the range of 80 per cent[30] and there are regular reports of difficulty in meeting the wage bill of the civil service.[31]

"What I hoped for, was for that the mining which was from the diamonds was going to benefit us, the locals first, then they'll go to the whole country... What happened was totally the opposite... We look at our country, the way it is suffering, the health sector, the infrastructure, the roads, everything."

Community member, Marange

THE COMPANIES

Piecing this story of missed potential together benefits from an understanding of how Zimbabwe's diamond sector has been set up.

A few years after the discovery of diamonds in Marange, the government started licensing a small number of joint venture companies to operate in the area. Each was set up by the government, usually in partnership with a private investor. All Marange diamond mining companies were therefore owned, at least in part, by the Government of Zimbabwe.

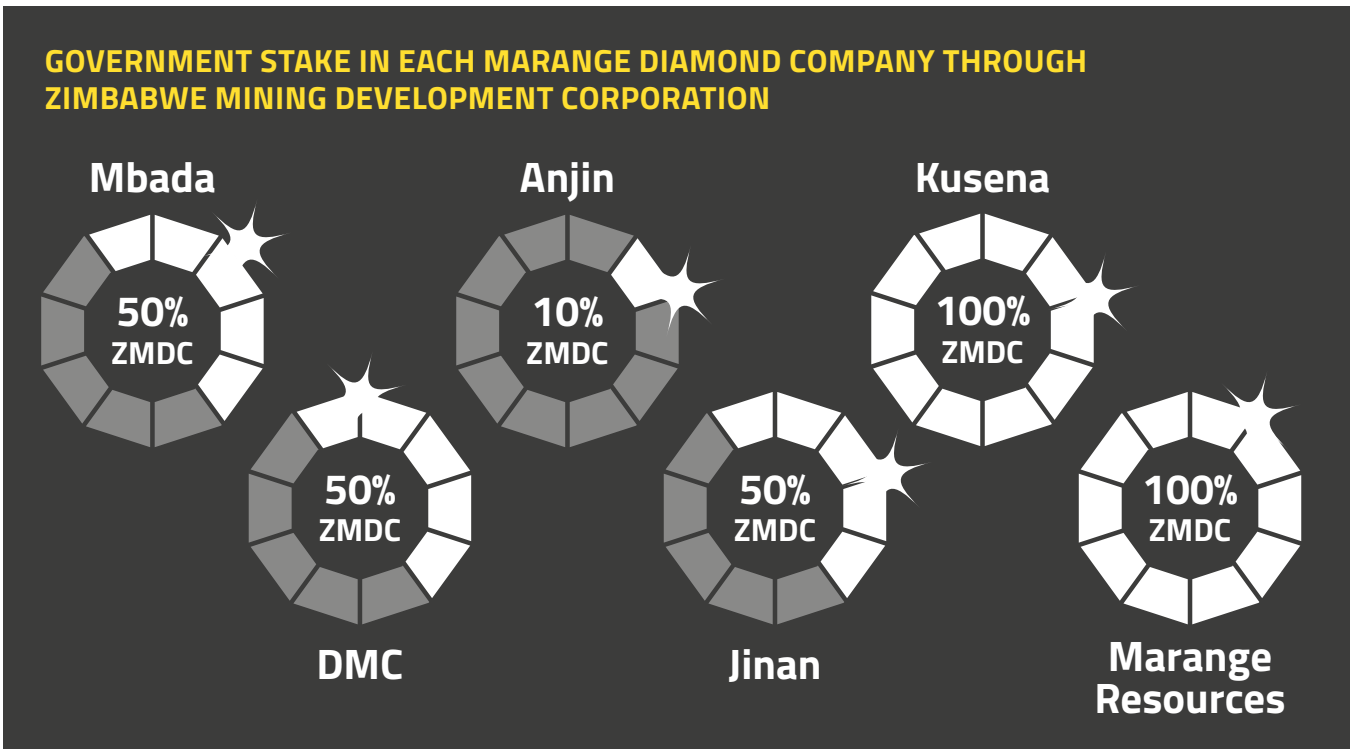
The government's share was usually held by the Zimbabwe Mining Development Corporation (ZMDC). This is the state institution designed to safeguard the Government's interest in Zimbabwe's mineral wealth. The ZMDC's share of the companies is in most cases owned through a private company named "Marange Resources," which is entirely owned by ZMDC. The remaining shares in the diamond companies were owned by private investors. These are usually brought in to provide technical expertise or investment capital.

The maximum shareholding of any private investor — each of whom was selected by the government — in a joint venture company is limited to 50 per cent. Space is also reserved on the boards of all Marange diamond companies for representatives of the government and state institutions. Ultimately, the rights to all of Zimbabwe's mineral wealth are vested in the President.[32]

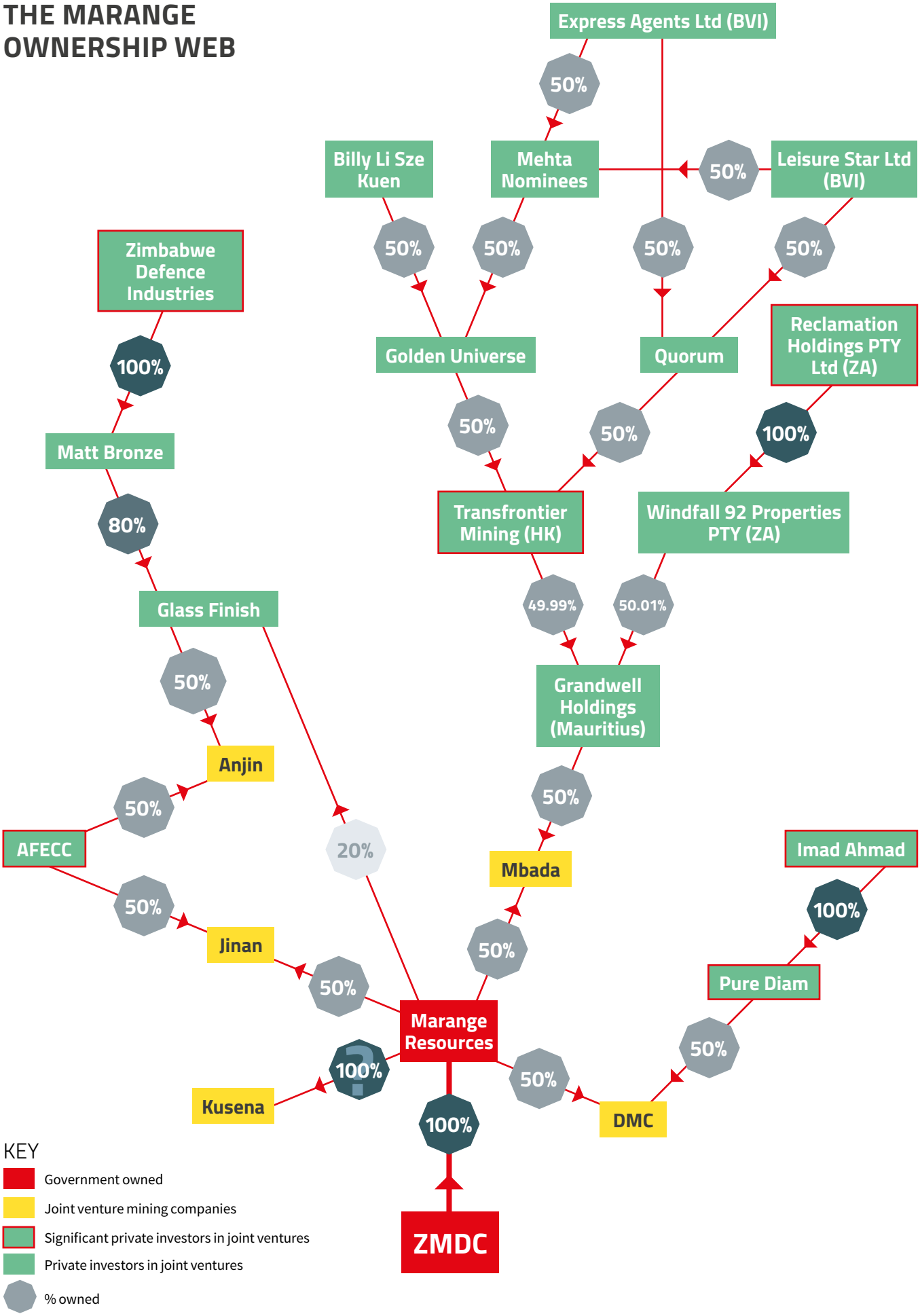
The vast majority of Zimbabwe's diamond production came from these main Marange joint venture companies. These are Mbada Diamonds, Marange Resources, Diamond Mining Corporation (DMC), Anjin Investments, Jinan Mining, and Kusena Diamonds. The ZMDC reportedly owns the entirety of Marange Resources and Kusena; fifty per cent shares in Mbada, DMC and Jinan; and ten percent of Anjin (the other forty per cent of Anjin is also held by the State, albeit in the form of a stake held by Zimbabwe's military).[33]

The impact of the ZCDC amalgamation process on these companies and their shareholdings remains uncertain. The government has, for example, stressed that the ZCDC aims to amalgamate all the licences to mine in Marange into a single entity, not necessarily the companies that previously held these licences.

Through these joint venture arrangements, the government should have retained a healthy percentage of the diamond wealth exported from the country. The terms of these deals, and the identities of those that own the other share of these lucrative partnerships, is central to unpicking who has ultimately benefitted from Marange's diamonds. What is clear from the map of companies operating in Marange is that several have been set up in a way which frustrates those who seek an answer to precisely that question.



THE MARANGE OWNERSHIP WEB



LIMITED INFORMATION ABOUT PRODUCTION AND REVENUE FLOWS FRUSTRATES OVERSIGHT

In his 2016 Budget Statement, the Minister of Finance, Patrick Chinamasa, made a startling admission. "[T]here was greater economic impact from diamonds during times of uncontrolled alluvial panning," he admitted, "than what is being realised following introduction of formal diamond mining arrangements."[34]

Rather than boosting production and revenues, Zimbabwe's diamond companies — companies the government itself partially owns — have achieved less for the population than if they had simply been left to mine the diamonds themselves. This artisanal pre-2008 period is now locally referred to as 'mazuva ebvupfuwe,' meaning 'days of plenty.

The Minister's admission is borne out by the numbers. Successive Budget Statements have recorded relatively meagre income streams from diamond mining, with reported earnings also repeatedly falling short of what the government itself predicted the year before.[35]

Year	Diamond earnings projected by Treasury	Actual (non-tax) diamond earnings as reported in budget statements
2010	*No projection*	US$174 million
2011	*No projection*	US$80 million
2012	US$600 million	US$45 million
2013	US$70 million	*No reporting* (IMF reported US$18 million)
2014	US$96 million	*No reporting*
2015	*No projection*	*No reporting*

Source: Zimbabwe National Budget Statements and ZMDC Annual Reports

These recorded revenues suggest that despite officially exporting a little under US$2.5 billion in diamonds, clearly identifiable non-tax government revenues from the sector since 2010 have amounted to just over US$300 million. How much *should* have gone to the public purse is difficult to establish. Information about operating costs and re-investment is not available, making it impossible to calculate the profits that remain to be shared by the Treasury and private companies.

Zimbabweans queue outside of a bank in the midst of a severe cash shortage in the country. © Tafadzwa Ufumeli/Anadolu Agency/Getty Images

Greater transparency is needed not only to identify missing revenues, but to determine how much should have reached the Treasury in the first place.

Despite its leading role in safeguarding the state's interest in Zimbabwe's diamond wealth, the ZMDC have been even less forthcoming with this critical information.

The ZMDC has only published two annual reports on its website. The most recent is a report on its activities in 2012, and was published in 2014. This report lists revenue to ZMDC from diamond mining operations of US$272.26 million in 2012,[36] up from US$252 million in 2011[37] and US$129.85 million in 2010.[38] Again, there is insufficient information to accurately assess how much of this revenue should have been passed to the Treasury once operating costs and any re-investment is taken into account.

In 2013, a Parliamentary Portfolio Committee enquiry reported finding "serious discrepancies between what government receives from the sector and what the diamond mining companies claim to have remitted to Treasury."[39]

The companies have followed suit, with none publishing regular production data or audited company accounts.

The true extent of Marange's failed potential is therefore difficult to establish. A lack of transparency at all levels of Zimbabwe's diamond industry impedes efforts to detect corruption and looting, and frustrates attempts to estimate its size where it is uncovered. This secrecy has been critical to sustaining the decade-long disappearance of Zimbabwe's diamonds.

WHERE CAN DIAMOND DOLLARS DISAPPEAR?

PRODUCTION

Most of Zimbabwe's diamonds are mined by joint venture companies in Marange. Accurate production figures a critical first step in tracking revenues.

SMUGGLING

Some diamonds are likely being smuggled out of the country without ever being registered.

SALES AND EXPORTS

Zimbabwe does little cutting and polishing of its own, and so most diamonds are exported. Zimbabwe is a member of the Kimberley Process, meaning all of its official exports should be recorded.

UNDERVALUING

Other diamonds may be officially exported, but purposefully undervalued. Export taxes are paid on the *value* of diamonds, so the less you say they are worth, the less you pay in tax. This is especially profitable when exporting diamonds to jurisdictions with no import or re-export tax. This is sometimes called **"transfer pricing"**, as it allows unscrupulous businesses to "transfer" the value of their diamonds to countries with more generous tax regimes. This is another reason Zimbabwe's official export figures may not reflect the true value of the diamonds that have been mined.

COMPANY REVENUES

Once diamonds are sold, the company collects the revenue. Some of the revenue will go towards covering costs, some will be re-invested, and some will be shared between the government and private investors.

Before profits are calculated, the **government** is entitled to a share of revenues.

Royalties of 15% on all gross sales are deducted at this point, as is a **"resource depletion fee"** of 2.5% and a **marketing commission** for the Government marketing body of 0.875%.

Both the **ZMDC** and private investor are also allowed to deduct 2.5% of turnover as a **"management fees"** as this point. This fee is based on turnover, not profit, and so is paid regardless of whether the company makes a profit or a loss.

UNDER-REPORTING

Much of the revenue the government is entitled to comes from company revenues and profits. Accurate and reliable accounts that detail company revenues, costs, investments, and profits, are therefore crucial to ensuring the right amounts are paid.

COMPANY PROFITS

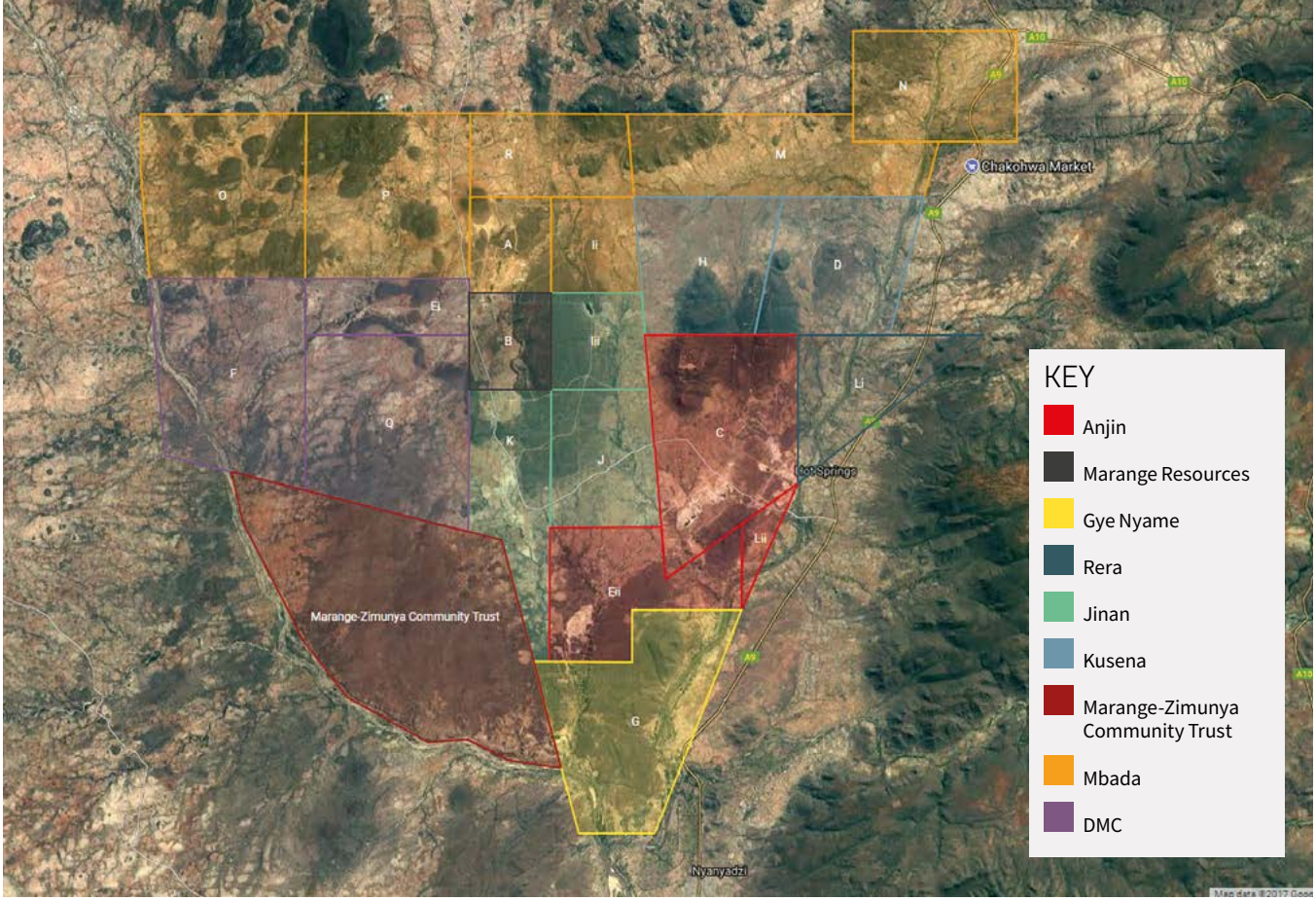
Once royalties and fees, production costs and any re-investment have been subtracted, the company's profits are calculated and shared.

ZMDC SHARE OF PROFITS

As a shareholder in all joint venture companies, the ZMDC is entitled to a share of the profits, or dividends.

PRIVATE INVESTOR SHARE OF PROFITS

The private joint venture partner, like all companies in Zimbabwe, should also be paying a 25% **corporation tax** to the government on its profits.



Marange's mining concessions, drawn by Global Witness, based on official government map seen by Global Witness. An interactive version of this map is available at www.globalwitness.org/insidejob. © Google Imagery © TerraMetrics

COMPANY OWNERSHIP INFORMATION IS GUARDED AS A STATE SECRET

A lack of information about revenue flows is the first feature that has allowed Zimbabwe's diamond wealth to disappear. The secrecy that surrounds the ownership of Zimbabwe's diamond companies is the second.

After years of obfuscation, President Robert Mugabe has finally acknowledged the gap in Zimbabwe's diamond finances. In a series of statements, he has pointed the finger of blame squarely at the diamond companies operating in Marange, accusing them of having "robbed" Zimbabwe of its wealth.[40] But a narrative that casts the Zimbabwean government as an innocent victim conveniently overlooks the role the government has played in establishing and managing this sector, as well as the role it has played in stifling the transparency and accountability that could have prevented it.

From the outset of the Marange discovery, Zimbabwe's diamond mining sector has been shrouded in secrecy with poor governance underpinned by a lack of transparency and accountability.Inside a closed industry, chronic mismanagement and diverted diamond proceeds have provided off-budget funds to those who have stifled dissent and democracy in Zimbabwe. Left behind are displaced communities[41] and an undercapitalised industry on the brink of collapse.

In 2014 the Zimbabwe Environmental Law Association (ZELA) noted that "The general public perception is that the companies mining diamonds in Marange are prejudicing the State of billions of dollars each year and are only benefiting a phalanx of political and economic elites."[42]

The government's selection of joint venture partners has lacked transparency from the very beginning of the Marange diamond discovery.

In 2013, a Parliamentary Portfolio Committee on Mines and Energy enquiry, led by the ZANU-PF MP, Edward Chindori-Chininga, who had served as Minister of Mines and Mining Development from 2000 to 2004, tried to illuminate the process. Their work was, however, frustrated by considerable, and to some extent, impenetrable resistance. The Committee's eventual report concludes:

"The Committee observed with dismay that the Minister and his officials did not want to disclose who selected the joint venture partners in Marange's first two joint ventures [Mbada Diamonds and the now defunct Canadile Miners]. They created the impression that the selection process was done by an unknown person or body and this is clearly unacceptable."[43]

The Committee went on to note that it appeared that "the ZMDC was coerced into accepting these two companies. It was not clear who or what exerted the pressure on ZMDC to accept these two companies without following the normal and acceptable standards and procedures," and that "the due diligence report by ZMDC revealed that two investors were probably not the best suitors for the country."[44]

While valiant efforts have been made by civil society groups at the local level to track diamond money, this resistance to disclosure has made oversight and accountability an uphill struggle. Most mining companies are private limited enterprises, and are not required to disclose who ultimately owns and profits from them — their 'beneficial ownership.'

Confidentiality clauses in joint venture contracts also routinely prohibit signatories from disclosing the contents of the agreement to any third parties.[45] One local monitor described their efforts to access information on diamond revenues from public bodies, including the Ministry of Finance, The Zimbabwe Revenue Authority, and the ZMDC, as being "hamstrung" in most cases by "massive stonewalling" and in some cases "a deliberate attempt to frustrate repeated efforts to get information."[46]

This opacity has been justified on "national security" grounds using Zimbabwe's draconian Access to Information and Public Protection Act (AIPPA). This allows government bodies to withhold state-held information if it is deemed to be in the "interests of defence, public safety, public order, and the economic interests of the State."[47]

'National security' may in fact not be too far from the truth. The following sections will examine each of the mining companies in turn, attempting to understand who has benefitted from an industry that has brought little more than disappointment to the communities that were promised so much. They reveal how far diamond companies have gone to shield their revenue management from public scrutiny and to hide their ultimate beneficial owners. The picture it paints is of a sector set up to allow revenues to disappear, while shielding the identities of those who benefit.

Where Global Witness has been able to peel back the layers of secrecy there is strong evidence that suggests the true beneficiaries of Zimbabwe's diamond wealth include the country's spying agency and the military. The possibility of off-budget financing for these highly partisan institutions raises numerous concerns. When security forces do not rely on the national budget for their income, democratic oversight is significantly weakened. And when their economic interests align with the political survival of the ruling party, partisan interference in the country's democratic process becomes more likely.

ZIMBABWE'S DIAMONDS ARE REACHING INTERNATIONAL MARKETS WITH MINIMAL SCRUTINY

Despite the risks, Zimbabwe's diamonds are sold on international markets with minimal scrutiny. Little is done to ensure their proceeds reach the people of Zimbabwe rather than the powerful elites and oppressive security agents intent on gaining what they can.

In 2010 the Kimberley Process and Zimbabwe agreed a Joint Work Plan that would allow exports from Marange diamond mines if certain conditions were met.[48] This, in turn, paved the way for Marange diamonds to be traded internationally. From there they reach companies and consumers the world over.

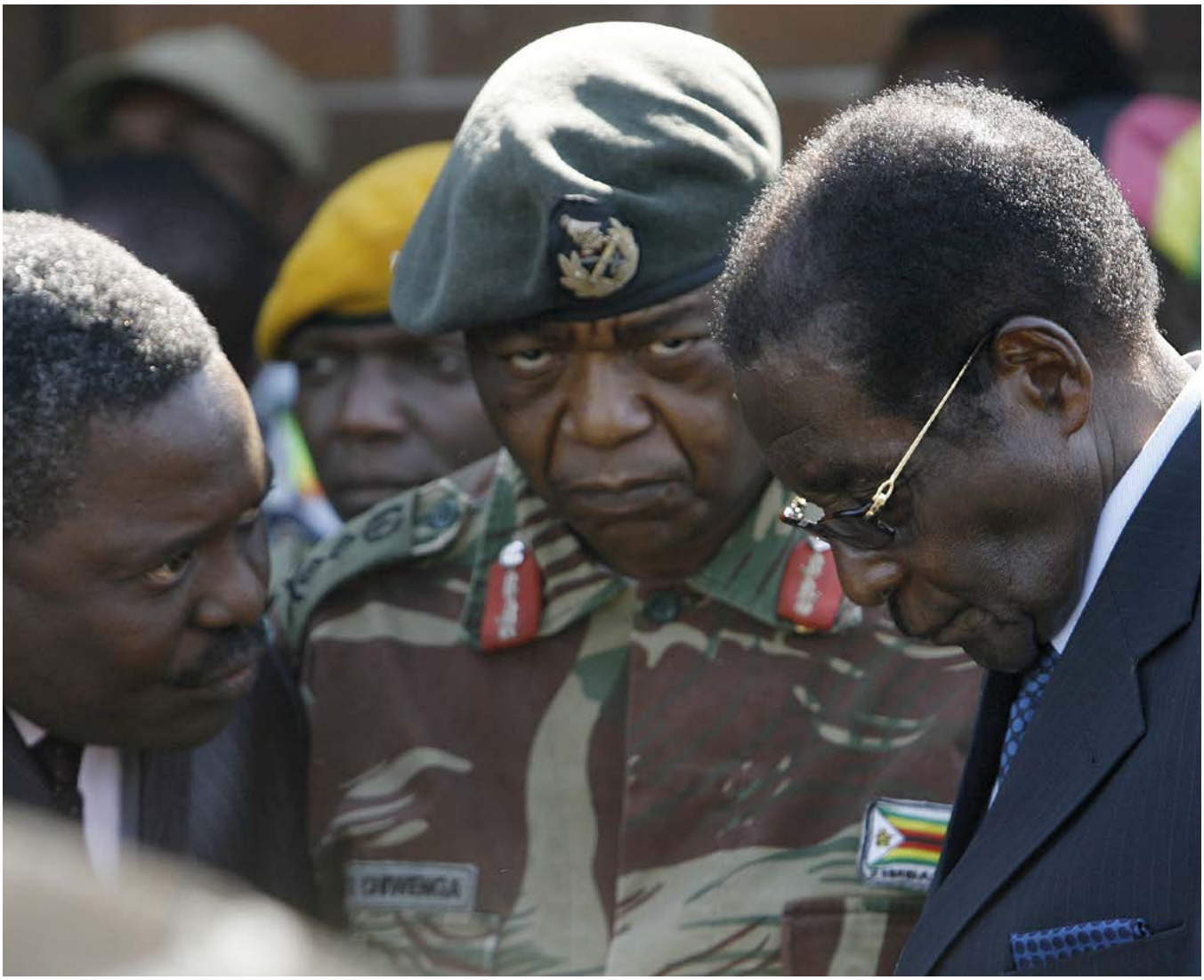
The Kimberley Process was set up to stem the flow of conflict diamonds, but the definition remains rigid and narrow. "Conflict diamonds" are limited to "rough diamonds used by rebel movements or their allies to finance armed conflicts aimed at undermining legitimate governments."[49] In a country like Zimbabwe, where state institutions profiting from diamonds, not rebels, are implicated in undermining democracy and serious human rights abuses, the Kimberley Process remains silent. Member states have shown no political will to amend this definition.

As a consequence international demand for Zimbabwe's diamonds has done little to influence or shape the sector. Zimbabwe needs an international export market, giving the global diamond sector meaningful leverage. Their failure to use this leverage to bring greater transparency to Zimbabwe's diamond sector is a missed opportunity to ensure the country's diamonds deliver real benefits to the Zimbabwean people.

International diamond companies also have a responsibility to ensure their business activities do not directly or indirectly finance conflicts or serious human rights abuses. Diamond companies that trade in diamonds that may have originated in Zimbabwe cannot simply rely on the Kimberley Process to ensure they meet this responsibility — or to assure their customers that they have. As this report documents, Zimbabwean diamonds that may be linked to serious human rights abuses and oppressive state institutions are freely traded within the Kimberley Process.

International diamond companies therefore have a responsibility to exercise additional diligence, and to use their commercial leverage to make sure the supply chains they profit from are not complicit in thedisappearance of diamond wealth that rightfully belongs to the people of Zimbabwe.

OFF-BUDGET FUNDING TO THE SECURITY SECTOR



Director General of the CIO. Happyton Bonyongwe (left), Constantine Chiwenga, Commander of the Defence Forces (centre), and President Robert Mugabe (right). Zimbabwe's security forces are notoriously politically partisan.
© Alexander Joe/AFP/Getty Images

Global Witness' research into the joint venture companies operating in Marange has revealed a number of links between Zimbabwe's feared and highly partisan intelligence organisation, the military, and three of these companies: Kusena, Anjin, and Jinan. Through these links, Zimbabwe's CIO and military have secured themselves a potentially lucrative source of off-budget financing.

This kind of independent financing undermines democratic and civilian oversight of powerful state security services, leaving these institutions free to act independently with fewer checks and balances. This, in turn, incentivises these same institutions to preserve the power structures that afford them access to these funds. In Zimbabwe, where security forces are closely aligned to the ruling party ZANU-PF, this arrangement serves both parties by shoring up a system that maintains the security sector's loyalty and the ruling party's power.

With a ruling party increasingly divided over the issue of Presidential succession, and with the run up to 2018 elections looming, this poses significant risks to stability and Zimbabwe's democratic future.

ELECTIONS AND SUCCESSION

Following the 2013 elections, in which ZANU-PF controversially claimed a landslide victory, Zimbabwe's main opposition party, the MDC-T, fell into disarray. The fracturing of the opposition combined with President Mugabe's advanced age, saw the ruling party's attention turned increasingly inward. Intra-party rivalries over the Presidential succession have come to dominate the political narrative. At the end of 2014 a serious disagreement resulted in the removal of the then Vice-President Joice Mujuru — who had been tipped as potential successor — from her post in in government. This was followed by her expulsion from ZANU-PF and a purge of her key supporters.

Presidential succession is an extremely divisive issue within ZANU-PF. President Mugabe has signalled that he intends to see out his terms as President and as leader of ZANU-PF, and has already been confirmed as the party's Presidential candidate for the 2018 election. It therefore appears unlikely he will appoint a successor and step down. Increasingly divisions within the ruling party over the succession issue are playing out in public .[50]

ZANU-PF has frequently responded to internal and external threats to its grip on power with violence. The 2008 elections were a particularly alarming illustration of this, with a campaign of violence resulting in more than 200 deaths, while at least 12,000 people were reportedly tortured and 28,000 displaced from their homes.[51]

The presence of senior members of the security forces in positions of power within the Marange diamond industry, as well as the off-budget funds they have been able to draw from the sector, means diamond revenues risk playing a role in the emerging succession struggle and elections scheduled for 2018. The need for transparency and oversight over these revenues is more critical than ever, and carries long-term implications for Zimbabwe's democratic future.

Tensions are mounting within the ruling party over who will succeed Zimbabwe's nonagenarian President.
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MARANGE DIAMONDS FUND THE CIO THROUGH KUSENA?

Elections in Zimbabwe have often been fraught with violence, with Zimbabwe's security forces playing a key role.
© Desmond Kwande/AFP/Getty Images

Global Witness' research has uncovered evidence that Zimbabwe's feared internal spying agency — the Central Intelligence Organisation (CIO) — may have longstanding interests in Marange diamonds through a company named "Kusena Diamonds."

Kusena Diamonds is one of Marange's diamond mining companies. Until recently, the company was described as entirely owned, at least on paper, by the ZMDC.[52] Evidence indicates that Kusena has in fact served as an off-budget source of funding to the CIO, though the scale of their operation is unclear. Kusena's diamonds have, however, been sold in Antwerp and Dubai in recent years, both key international trading hubs.[53] This means international buyers may have indirectly financed the CIO with their purchases.

At the end of 2015 the Minister of Mines announced that Kusena has been subsumed into the newly created Zimbabwe Consolidated Diamond Company (ZCDC).[54] Through this amalgamation Kusena — and by extension, the CIO — may have secured themselves a stake in Marange's future and a continued source of secret off-budget diamond financing.

THE CIO'S SECRET FINANCES

Zimbabwe has a long history of security forces, including elements of the police and military, as well as the Central Intelligence Organisation, orchestrating and perpetrating human rights violations against perceived critics of the government.

In 2013 a Human Rights Watch report concluded that "the CIO has operated more as the intelligence arm of the ZANU-PF and has been implicated in serious human rights abuses against ZANU-PF's political opponents."[55]

The CIO also has a history of closely guarding its finances, recognising that this is an effective means of shielding itself from unwanted oversight and accountability. Unlike other elements of Zimbabwe's security services , the organisation's budget does not appear in Zimbabwe's Annual Budget Estimates. Prior to the adoption of Zimbabwe's 2013 Constitution the CIO did not even have any formal legal status, and instead fell directly under the President's Office. While the 2013 Constitution does expressly include reference to the "intelligence services" as part of Zimbabwe's security apparatus, to date no law has been tabled in Parliament to regulate its activities.

SECRET MEMOS REVEAL CIO INVOLVEMENT IN MARANGE

Global Witness has seen two secret memos, circulated between some of the most senior members of the CIO, both discussing Marange diamonds.[56] Both documents, marked 'Secret,' are dated 2012 and refer to the creation, staffing and operation of a diamond mining company called "Zimdiamonds" or, in shortened form, "Zimdiam." One document refers to a stockpile of diamonds already mined. The main signatory to the documents is the CIO's Director of Economics, a senior position within the CIO. According to documents seen by Global Witness, in 2012, a Jimias Madzingira was the holder of this CIO position.[57] A Kimberley Process insider has told Global Witness that a Jimias Madzingira is also often included in Zimbabwe's delegation to the forum's annual meetings, where he is described as 'an economist.' The other signatory holds the position of "D Admin."

One of the two secret documents states that "Zimdiam" is in the process of becoming a legal entity. But no company by that name appears in the government's annual publication on diamond mining in Marange.[58] One public reference to "Zimdiamonds" can, however, be found in a December 2012 newspaper article, which reports that:

> **"Zim Diamonds is a wholly owned ZMDC company which took over claims formally owned by Sino-Zimbabwe. SinoZimbabwe was a Chinese company granted a licence to operate at Chiadzwa [Marange diamond fields] a year ago, but later abandoned its claims arguing that they were not commercially viable."**[59]

SINO-ZIMBABWE HAS PREVIOUSLY BEEN LINKED TO THE CIO

This article suggests that the CIO-linked Zimdiam was created with the intention that it would take over a diamond mining claim previously controlled by a company called "Sino-Zimbabwe,"[60] which had become defunct in 2012.

Sino-Zimbabwe Development Limited (Sino-Zimbabwe) was allocated Marange blocks H and D[61] in early 2011 following an allocation process that appeared to involve no open bidding.[62] In 2012 Global Witness linked the CIO to Sino-Zimbabwe with company registry records, court documents and sources connected to the security services. Global Witness revealed that three Zimbabwean directors of Sino-Zimbabwe were members of the CIO.[63] One of these Directors, Gift Machengete, held the position of Director of Finance and Administration in the CIO.[64]

Both the secret memos that discuss the creation of Zimdiam are signed by the CIO's "D Admin." This suggests that the occupant of that CIO position — Gift Machengete — who was involved in Sino-Zimbabwe, may also have been involved in the creation of its apparent successor, Zimdiam.

SINO-ZIMBABWE LINKED THE CIO TO SECRETIVE BUSINESSMAN SAM PA

Sino-Zimbabwe was part of a group of firms known as the 'Queensway Syndicate,' which included a company called the China International Fund (CIF), in which a Hong Kong businessman, Sam Pa, was also believed to hold leadership positions. By May 2011, however, Sino-Zimbabwe had reportedly ceased operations in these blocks and filed an application for a new concession.

In 2012 Global Witness reported that Mr Pa had donated US$100 million and 200 Nissan vehicles[65] to the CIO in exchange for diamonds and business opportunities in Zimbabwe. It was alleged by a credible source that the cash was used to fund 'Operation Spiderweb,' a covert CIO project to undermine the MDC ahead of the 2013 election.

SAM PA'S RESPONSE TO GLOBAL WITNESS ALLEGATIONS

In a letter sent to Global Witness in August 2012 representatives of Sam Pa and China International Fund stated that Sino-Zimbabwe had been dormant since its inception, had never exported diamonds from Zimbabwe and had not been party to any illegal acts. The letter denied that Sam Pa held any shares or positions in CIF, although it confirmed that he carried out work as an advisor for the group. The letter also said that CIF provided funds to the Government of Zimbabwe for legitimate business reasons, such as the payment of taxes, license fees, etc. CIF also provided vehicles to the government without specifying the vehicles' usage. The letter denied any suggestion that CIF or Sam Pa were given undue commercial advantage in their business activities, in exchange for the vehicles. The letter further denied any suggestion of CIF or Sam Pa contributing to human rights violations in Zimbabwe or being involved in covert actions of the CIO.

In April 2014 Sam Pa and Sino Zimbabwe Development (Pvt) Ltd. were sanctioned by the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) in connection to their suspected role in undermining democracy and facilitating corruption in Zimbabwe. In a statement OFAC outlined Sam Pa's role in "undermining democratic processes and institutions in Zimbabwe, facilitating public corruption by Zimbabwean senior officials through illicit diamond deals, and providing financial and logistical support to the Government of Zimbabwe and SDNs [Specially designated nationals]."[66] The press release also referred to the CIO connection:

"Among other actions, Sam Pa has given more than one million dollars, as well as supplies and equipment, to senior Zimbabwean government officials in support of the Central Intelligence Organization (CIO). The CIO, in its capacity as Zimbabwe's state intelligence service, is linked with activities meant to undermine democracy. The CIO credits Sam Pa's financial support with helping the organization survive in a harsh economic climate. This off-budget financing has contributed to CIO programs dedicated to pre-election intimidation in Zimbabwe, among other activities."[67]

In October 2015 the Financial Times reported[68] that Sam Pa had been detained in Beijing. The Chinese financial magazine, Caixin, reported that his detention was connected to a separate investigation into the former Chairman of the Chinese state owned oil company, Sinopec, by the Chinese ruling party's anti-graft body.[69] Global Witness does not know whether any charges were brought against Sam Pa, and is unaware of any further public reports on his whereabouts.

With the withdrawal of the private investor in Sino-Zimbabwe, the state-owned ZMDC reported that they had entirely taken over operations in the two blocks the joint venture had mined.[70] As the CIO's interest in Sino-Zim had been served primarily by the private investor in the now-defunct joint-venture, this may well have cut off or threatened their existing source of diamond funds. This may explain why the CIO's Directors of Administration and of Economics were interested in establishing a new private diamond company, perhaps as a means of securing a continued stake in the diamond sector.

Soon after, the Deputy Minister of Mines, referring to information he had received from the Chair of the ZMDC, stated that "there is another company which wants to move into that area which Sino-Zim is pulling out."[71] This statement, combined with the newspaper report that "Zim Diamonds is a wholly owned ZMDC company which took over claims formally owned by SinoZimbabwe,"[72] suggests Zimdiam was the "other company" and the intended vehicle through which the CIO sought to revive its diamond interests in Marange.

KUSENA, NOT ZIMDIAM, TAKES OVER THE CONCESSION

On paper, however, the company that eventually took control of the old Sino-Zimbabwe concession was named "Kusena Diamonds (Private) Limited."

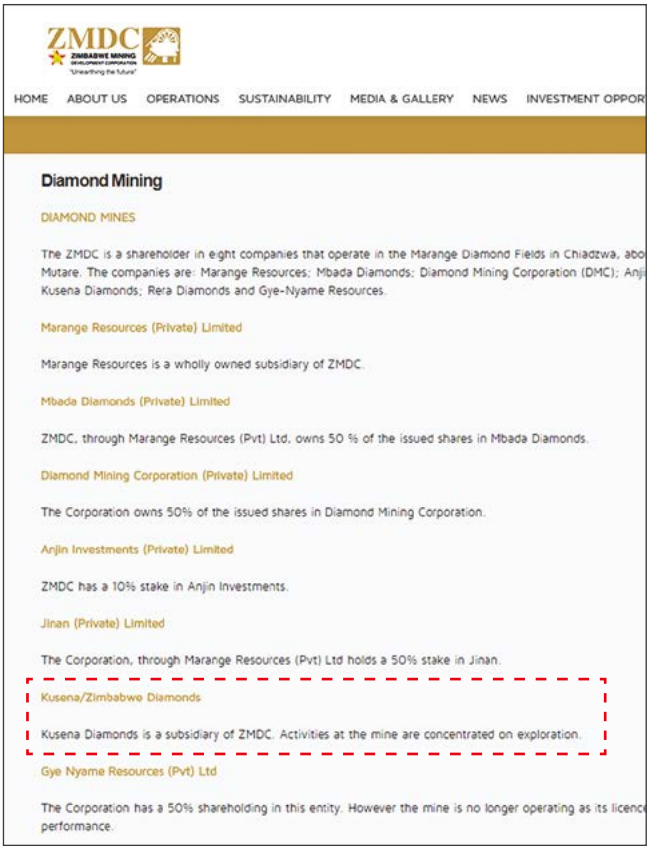
In 2013 the ZMDC published its financial report for 2011. It states that Kusena was the company that took over the Sino-Zimbabwe concession in the context of describing a loan to the company, in which the ZMDC holds a stake:

> **"The loan of US$4,267,032 was advanced to Kusena Diamonds (Private) Limited by Sino-Zim (Private) Limited, a former joint venture partner with the Corporation. Sino-Zim (Private) Limited pulled out of the joint venture in 2011 and the company [Kusena] is now a 100% subsidiary of the Corporation. The loans are unsecured, interest free and have no fixed repayment terms."**[73]

A Global Witness source has also confirmed that the company recently operating in the former Sino-Zimbabwe concession in Marange is Kusena Diamonds, while a map of the concessions in Marange seen by Global Witness confirms this.

KUSENA IS ZIMDIAM BY ANOTHER NAME

Despite ultimately operating under a different name, evidence suggests the CIO were ultimately successful in their attempts to revive an interest in Marange following the withdrawal of Sino-Zimbabwe, but through a company which traded as Kusena rather than Zimdiam.


ZMDC

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Diamond Mining

DIAMOND MINES

The ZMDC is a shareholder in eight companies that operate in the Marange Diamond Fields in Chiadzwa, abo Mutare. The companies are: Marange Resources; Mbada Diamonds; Diamond Mining Corporation (DMC); Anji Kusena Diamonds; Rera Diamonds and Gye-Nyame Resources.

Marange Resources (Private) Limited

Marange Resources is 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.

Diamond Mining Corporation (Private) Limited

The Corporation owns 50% of the issued shares in Diamond Mining Corporation.

Anjin Investments (Private) Limited

ZMDC has a 10% stake in Anjin Investments.

Jinan (Private) Limited

The Corporation, through Marange Resources (Pvt) Ltd holds a 50% stake in Jinan.

Kusena/Zimbabwe Diamonds

Kusena Diamonds is a subsidiary of ZMDC. Activities at the mine are concentrated on exploration.

Gye Nyame Resources (Pvt) Ltd

The Corporation has a 50% shareholding in this entity. However the mine is no longer operating as its licenc performance.

A page of the ZMDC's own website titled "Diamond Mining" indicates a clear connection between the two companies. In the list of companies mining in Marange, Kusena is listed as "Kusena/Zimbabwe Diamonds."[74] This information has since been removed from the ZMDC website.

Evidence collected by Global Witness also suggests that Zimdiam, Sino-Zimbabwe and Kusena are inter-linked, and that senior members of the CIO maintained interests in all three entities.

According to the secret CIO documents, the Director of Administration and the Director of Economics were both party to the planned establishment of the company called ZimDiam in 2012. Sino-Zim's company records show that the CIO's Director of Administration was also on its board.[75] Kusena's company registration documents confirm that the company was registered in 2012, the same year as the proposed creation of Zimdiam. They also show that a 'Jimias Madzingira,' the name of the CIO's Director of Economics — the other signatory to secret CIO documents — was appointed to the board of Kusena.[76]

The Auditor General of Zimbabwe's 2013 report on State Enterprises and Parastatals lends further support to Kusena's unorthodox arrangements. While the Zimbabwe Mining Development Corporation publically claimed 100 per cent ownership of Kusena on its website, the Auditor General's report noted that:

Kusena "is a joint arrangement between Zimbabwe Mining Development Corporation and an unidentified party," and reports that "the following information has not been availed for audit verification: The joint arrangement agreement. Details of all parties to the joint arrangement. Rights and obligations of the parties involved."[77]

The 2013 report also records a "Management response" which notes that:

"This is a special type of joint arrangement; ZMDC is contributing funds as well as other resources. However, a draft joint venture agreement is being circulated for comments before it is submitted to various committees and to the board of directors."

The following year, however, the Auditor General's report for 2014 reported that no progress had been made in this area. Under the heading "Kusena Diamonds (Private) Limited joint venture agreement," the report recorded that "No joint venture agreement was availed for audit verification."[78] It proceeds to recommend, again, that "A formal agreement that clearly indicates parties to the joint arrangement, responsibilities of each party should be drafted and signed by all the parties."

This is consistent with the presence of an unidentified and secretive partner in Kusena, which Global Witness believe to be the CIO, or a vehicle controlled by the CIO.

It is unclear why Zimdiam was not in the end chosen as the name for the CIO's diamond interests. A check of Zimbabwe's company registry reveals that a company called Zimdiam was registered in Zimbabwe in 2008.[79] Global Witness has no reason to believe this company is connected to Kusena or the CIO, but its use of this name as far back as 2008 may have precluded any other company in Zimbabwe from registering under the same name.

While Kusena was, on paper, owned 100 per cent by the ZMDC, indications of a covert CIO interest is an indicator of how legitimate government institutions in Zimbabwe may be used to conceal illegitimate control or ownership of state resources. The potential misuse of state resources by state institutions which have used violence to subvert democracy represents not just a threat to the Zimbabwean people's entitlement to benefit from their own natural resource wealth, but a threat to human rights and the future democratic governance of Zimbabwe.

CIO LINKED DIAMONDS TENDERED ON THE INTERNATIONAL MARKET

Global Witness has not been able to confirm the scale of production or activity in what was the Kusena concession and is now under the control of the ZCDC. Satellite images confirm that there has been some activity in the concession since the withdrawal of Sino-Zimbabwe and before Kusena's amalgamation into the ZCDC, though at a level that appears to be considerably lower than in those run by Mbada and Anjin. It is, however, clear that some production has taken place, and that this production is reaching international markets, including the EU.

In December 2015, Minister of Mines and Mining Development, Walter Chidhakwa, announced that Kusena was subsumed into the ZCDC with immediate effect. © Alexander Joe/AFP/Getty Images

After EU sanctions on the ZMDC were allowed to lapse in 2013,[80] the first tender of Marange diamonds took place in Antwerp in December 2013.[81] The tender reportedly included diamonds supplied by Kusena. A company where there are indications of links to the CIO was therefore able to trade diamonds internationally. Kusena also participated in subsequent tenders in Dubai.[82] Diamonds that may have funded serious human rights violations were thereby circulated freely, and with Kimberley Process certificates, on international markets.

In December 2015 Zimbabwe's Finance Minister Patrick Chinamasa announced that Kusena would be subsumed into the ZCDC with immediate effect.[83][84] It was announced to Zimbabwe's Parliament that three concessions, those of Marange, Kusena and Gye Nyame, would be integrated into the new company.[85] In 2017 reports confirmed that exploration is underway at the former Kusena and Gye Nyame concessions.[86] This is consistent with statements made by the Minister of Mines, and means the CIO may now be in possession of a hidden stake in the company created to control Zimbabwe's entire diamond sector. This possibility should be of major concern to the global diamond industry and consumers worldwide.

Neither Kusena nor ZCDC responded to Global Witness' request for comment.[87]

DIAMONDS AND THE MILITARY: ANJIN AND JINAN

The CIO's suspected stake in Kusena is not the only link between Marange's diamonds and Zimbabwe's partisan and oppressive security forces. Evidence also suggests that some of Marange's larger operations are being used as sources of off-budget funding for these institutions. Two other Marange companies, Anjin and Jinan, appear linked to Zimbabwe's military. In the case of Anjin's ownership structure, it appears that a forty per cent share is held by Zimbabwe Defence Industries, a company under EU sanctions, suggesting that tenders of Anjin diamonds in Antwerp, may have violated these sanctions.

ANJIN IS PART-OWNED BY A MILITARY-LINKED COMPANY

Anjin was assigned blocks C, Lii, and Eii in Marange. Global Witness has previously documented that Anjin is partly owned by a Chinese investor called the Anhui Foreign Economic Construction (Group) Co., Ltd (AFECC).[88]

AFECC owns 50 per cent of Anjin. The ownership of the remaining 50 per cent is less clear. In 2011 the Kimberley Process[89] named Matt Bronze Enterprises (Pvt) Ltd as "a Zimbabwean company" with a 50 per cent share in Anjin.

The ownership of the government's share of Anjin is described in slightly different terms in the ZMDC's 2012 annual report, which states that the ZMDC owns 10 per cent of Anjin, with another 40 per cent owned by "the Government of Zimbabwe."[90] Previous Global Witness research revealed that this 40 per cent is the share held by Matt Bronze.[91]

These accounts can, however, be reconciled. According to a report by the Zimbabwe Independent newspaper, Matt Bronze was formed by the Ministry of Defence/ Zimbabwe Defence Forces and the ZMDC through a company called Glass Finish (Pvt) Ltd.[92] The Zimbabwean military owns an 80 per cent stake in Glass Finish, while the ZMDC owns a 20 per cent share in the company. Through its 20 per cent shareholding in a company that owns 50 per cent of Anjin, the ZMDC therefore effectively owns 10 per cent of Anjin. The military thereby retains a 40 per cent share, euphemistically described as belonging to "the Government of Zimbabwe."

The military's stake in Anjin was further clarified in a June 2012 statement from the Deputy Minister of Mines and Mining Development, Gift Chimanikire, who stated to Parliament that "Anjin is owned by the Chinese and the Government of Zimbabwe where ZMDC owns 10 per cent and Zimbabwe Defence Industries owns 40 percent of the shareholding."[93]

This clearly indicates that the military company "Zimbabwe Defence Industries" (ZDI) owns 40 per cent of Anjin through the companies Matt Bronze and Glass Finish.

The transfer of 80 per cent of the ZMDC's share in Anjin to Glass Finish was also confirmed in the Auditor General's Report for the Financial Year ended 2012.

"As per the shareholders' agreement between ZMDC and Glassfinish Investments (Pvt) Ltd dated 2 February 2010, the parties agreed that ZMDC was to cede 80% of its investment in the joint venture company for $40 million and it would retain 20%. ZMDC ceded its shareholding to Glassfinish Investments (Pvt) Ltd but it had not been paid the $40 million for the sale of its shareholding."[94]

This suggests the army did not even make the agreed payment when it acquired its stake in Anjin. With respect to the failure of the government to collect the agreed amount, the Auditor General stated that

"Considering the amount involved management should have come up with a specific strategy for recovering what was due to them. There is no real commitment to take action."[95]

In April 2014, the Zimbabwe Independent newspaper reported[96] that sources in the Zimbabwe Revenue Authority had alleged that the army-owned Glass Finish had, to date, received US$40 million in management fees from Anjin. In addition to management fees, the Zimbabwean army is, as a share-holder, also entitled to 40 per cent of any dividends paid from Anjin's profits.

ZDI was placed on the EU sanctions list in 2008.[97] While most of EU sanctions against Zimbabwean entities and

The Zimbabwean military hold a forty per cent stake in Anjin. © Jekesai Njikizana/AFP/Getty Images

individuals have been suspended, those against the ZDI have remained in place, along with sanctions against President Mugabe and his wife, Grace Mugabe.[98] Despite this, Anjin diamonds have been tendered in Antwerp (Belgium) on at least three occasions after sanctions against the ZMDC were dropped in 2013.[99]

WERE EU SANCTIONS VIOLATED BY ANTWERP TENDERS?

Global Witness believes the Antwerp World Diamond Centre (AWDC), the Antwerp Diamond Tender Facility (ATF), and First Element Bvba likely violated EU sanctions when facilitating the trade of Anjin's diamonds on at least three occasions between December 2013 and September 2014.

In December 2013 Zimbabwean diamonds were tendered in Antwerp, Belgium.[100] The city prides itself on its status as one of the diamond trading capitals of the world and promises significant advantages and increased returns to those who sell their diamonds in the city's historic diamond district. A second — considerably larger — tender of Zimbabwean diamonds was held in Antwerp in February 2014,[101] and a third in September 2014.[102]

These tenders were noteworthy as the first European sales of Zimbabwean diamonds since the EU's extensive catalogue of sanctions against Zimbabwe had been relaxed a few months earlier in September 2013.

The EU first introduced sanctions against Zimbabwe in 2002 in response to an escalation of violence and

intimidation against critics of the government as well as the enactment of repressive legislation.[103] In 2008 and 2009, ZDI and ZMDC were added, respectively, to EU sanctions lists. On 15 February 2011 the EU adopted a decision to extend restrictive measures against a significant number of Zimbabwean individuals and entities.[104] These measures included economic sanctions and restrictions, with Article 5 of the Council Decision stating that:

"No funds or economic resources shall be made available directly or indirectly to, or for the benefit, of natural or legal persons, entities or bodies listed in the Annex."

The list of sanctioned entities included the Zimbabwe Mining Development Corporation (ZMDC) and the military company Zimbabwe Defence Industries (ZDI).

In September 2013 the majority of these sanctions were suspended following Zimbabwe's elections, with most of the individuals and entities removed from the sanctions list.[105] This included — following extensive Belgian lobbying — the removal of the ZMDC from the list of sanctioned entities.

Sanctions were, however, retained against President Robert Mugabe; his wife, Grace Mugabe; and the military company Zimbabwe Defence Industries, linked to the highly partisan and oppressive Zimbabwean armed forces. These sanctions remain in place, and have recently been renewed until 20 February 2018.[106]

As the ZMDC hold a share in all of Marange's diamond mining companies, its presence on the sanctions list was widely accepted as precluding the EU tender or sale of Marange diamonds. In a press statement welcoming the removal of the ZMDC from the sanctions list, the AWDC itself stated that:

"As the world's most important trade center in rough diamonds the AWDC has always respected the EU restrictive measures."[107]

Within a few months tenders had been organised in Antwerp. Each of these tenders reportedly included diamonds from a number of Marange companies including, on each occasion, Anjin.

As this report documents, Zimbabwe Defence Industries own 40 per cent of Anjin. On 13 June 2012, Zimbabwe's Deputy Minister of Mines and Mining Development confirmed to Zimbabwe's Parliament that:

"Anjin is owned by the Chinese and the Government of Zimbabwe where ZMDC owns 10% and Zimbabwe Defence Industries owns 40% shareholding. (...) Defence Industries are a common practice world over and there is nothing peculiar about it in Zimbabwe because Anjin itself is a defence industry company that is owned by the Chinese, which is in a joint venture with Zimbabwe Defence Industries."[108]

This statement was widely reported in the press.

While ZMDC had been removed from the sanctions list, ZDI — which holds a far more significant share of Anjin — had not, and remained subject to economic restrictions outlined in Article 5 of the original Council decision.

In 2012 Global Witness also documented extensive links between Anjin and Zimbabwe's military, which controls ZDI.[109]

Anjin's Executive Board included Mr. Martin Rushwaya, the Permanent Secretary of Zimbabwe's Ministry of Defence. Non-executive board members included Mr. Morris Masunungure, a retired officer in the Zimbabwe Defence Forces (ZDF), and Mr. Romeo Daniel Mutsvunguma, a retired colonel in the ZDF.

A second Executive Board Member, Mr. Mabasa Temba Hawadi, was also a Director of Marange Resources, a subsidiary of the ZMDC. In 2012, it was reported that the then-CEO of Zimbabwe Defence Industries, Retired

Colonel Tshinga Dube, had been appointed chairperson of Marange Resources.

Global Witness also reported that the principal officer and company secretary of Anjin was Brigadier General Charles Tarumbwa, widely reported to be a senior military lawyer. It was the Brigadier General who signed the agreement, on behalf of ZDI linked Matt Bronze, to establish Anjin with the private Chinese investor AFECC. Zimbabwe's company register also stated that Anjin's share capital consisted of 2,000 ordinary shares shared equally between Brigadier General Tarumbwa and AFECC's Peng Zheng.

Brigadier General Nathaniel Charles Tarumbwa was included on the EU's 2011 sanctions list, which stated that he was "Directly involved in the terror campaign waged before and during the elections." He was among those removed from the list of sanctioned individuals in 2013.[110]

The ceremony granting Anjin's mining licence was attended by executives from AFECC, President Robert Mugabe, and Zimbabwe's then Minister of Defence, Emmerson Mnangagwa.

Global Witness believes Zimbabwe Defence Industries profits significantly from Anjin's operations through its 40 per cent stake in the company. As Zimbabwe's diamond mining companies are public-private joint ventures, shareholdings are in most cases, including Anjin's, effectively limited to a maximum of 50 per cent. ZDI is the second largest shareholder in Anjin, and is the largest government shareholder by some distance. Global Witness also believes the Zimbabwean military, and military company ZDI, exercise significant control over Anjin at the Board level.

It is also notable that when the European Commission informed the AWDC that ZMDC had been removed from the sanctions list in September 2013, they included a list of companies noting that "Imports from the other companies linked to this entity are also allowed." This list did not include Anjin.[111]

The Antwerp tenders of Anjin's diamonds were organised by the Antwerp Diamond Tender Facility (ATF) and First Element Bvba. The Antwerp Diamond Tender Facility (ATF) is a joint initiative of the Antwerpse Diamantkring and the Antwerp World Diamond Centre. It describes itself as:[112]

"[A]n independent, fully-fledged, Triple A facility within the AWDC Building that enables companies to tender their goods right in the heart of the largest and leading diamond marketplace."

"The Antwerp Diamond Tender Facility is a service tool that offers diamond companies the opportunity to easily tender their goods right at the heart of the world's leading rough diamond trade center."[113]

First Element describes itself as:[114]

"[A] fully independent Diamond Services Company registered in Belgium, Botswana, South Africa and Dubai, which has become one of the premier diamond valuing, marketing and cleaning companies in the industry. First Element is committed to providing a world class diamond service aimed at adding value to the entire supply chain from the daily recoveries recorded on the mine(s) to the presentation of the diamonds on tender, thus optimizing the value of the diamonds sold."

The AWDC has clearly stated that its Tender Facility aims to generate significant revenues for those who make use of it.

In 2014, the CEO of AWDC, Ari Epstein, was invited to address the Parliament of Zimbabwe. The AWDC reports that his address noted that:[115]

"[F]ollowing the actual lifting of the sanctions in September 2013, Antwerp vouched it could guarantee higher and transparent revenues for the Zimbabwean Government through the marketing of Marange diamonds in this leading diamond hub.

Results from the recent tenders held in Antwerp have demonstrated the immense buying power and benefits the world's leading diamond-trading platform has to offer. Performance zoomed past expectations, as on average, the sales in Antwerp generated prices that were 30% above the producing companies' expectations and an astonishing 50 to 60% higher than prices fetched in Zimbabwe and other diamond centres."

Having consulted with an EU sanctions expert, Global Witness believes that in organising and facilitating the tender of Anjin diamonds on at least three occasions, ATF, AWDC, and First Element, likely made significant financial resources available to the EU-sanctioned Zimbabwe Defence Industries. As they will likely have violated EU sanctions. Any buyers of Anjin diamonds would likely also be in violation of these sanctions.

First Element have stated to Global Witness that they believe sanctions against all six Marange diamond companies were lifted before any diamonds were tendered in the EU.

The Antwerp World Diamond Council, representing also the Antwerp Diamond Tender Facility, have stated to Global Witness that they were "not directly involved in the

Zimbabwe Diamond Tender – First Element

EVENTS

It is with great pleasure that First Element invites you to attend a tender of goods from the major Zimbabwe mines, at the Antwerp Diamond Tender Facility in the AWDC building, Hoveniersstraat 22, Antwerp, Belgium.

Approximately 500.000 carats from the following Zimbabwean mines will be on offer:

- Jinan Mining
- Anjin Investments
- DMC
- Mbada Diamonds
- Marange Resources
- DTZ OZgeo

Second Zimbabwe Diamond Tender - First Element - February 12 - 21

EVENTS

It is with great pleasure that First Element invites you to attend the second Run of Mine tender of the Zimbabwe productions in Antwerp, Belgium.

The following productions will be on tender:

1. Diamond Mining Company
2. Jinan Investments
3. Anjin Investments
4. Marange Resources
5. DTZ
6. Mbada Diamonds

Zimbabwe Diamond Tender - First Element

12 - 21 Feb 2014

It is with great pleasure that First Element invites you to attend the second Run of Mine tender of the Zimbabwe productions in Antwerp, Belgium.

The following productions will be on tender:

Diamond Mining Company
Jinan Investments
Anjin Investments
Marange Resources
DTZ
Mbada Diamonds

Tender invites for sales of Marange stones including from Anjin at the Antwerp World Diamond Centre.

tenders of the diamonds in question and [AWDC] does not have contractual relations as regards the import/export or sale/purchase of diamonds with any third party."

AWDC also stressed that it is "fully committed to respecting all applicable sanction/restrictive measures and executing due diligence investigations in this regard." As part of this "AWDC undertook a substantial investigation into the structure(s) behind Anjin." These drew on the Kimberley Process' Monitoring Team for Zimbabwe, information from the EU delegation in Zimbabwe, and reporting by Global Witness. AWDC states that "no hard evidence has been presented–to date — to back" links between Anjin and the ZDI, and "AWDC has, as a consequence, not received any credible indication as to whether ZDI would have received benefits from any possible dealings done with Anjin. AWDC itself has in any case not made any financial resources available to ZDI, directly or indirectly."

THE FUTURE OF ANJIN

Anjin's future in Marange is unclear as a consequence of the faltering amalgamation process. The government of Zimbabwe have repeatedly suggested that 50 per cent of ZCDC will be shared among existing Marange investors, raising the possibility that the ZDI, Glass Finish, or Matt Bronze, may come to hold a direct or indirect share in ZCDC. This should be of serious concern to EU companies trading with ZCDC while ZDI remains on the sanctions list.

Anjin did not respond to Global Witness's request for comment. AFECC also declined to comment, citing ongoing court proceedings in Zimbabwe linked to the proposed amalgamation of all existing diamond companies.[116]

JINAN IS CLOSELY LINKED TO ANJIN

"You could find this area [of Jinan's] (...) you could see it's rich in diamonds, automatically that area would be transferred to Anjin."

Former Marange diamond worker

In 2012 a diamond mining company named Jinan was set up to mine in Marange.[117] Global Witness was unable to obtain the company's filing from the Department of Deeds, Companies and Intellectual Property in Harare.

According to the ZMDC annual report for 2012,[118] Jinan is 50 per cent owned by the ZMDC. The other partner is the Chinese company AFECC.[119] AFECC is the very same Chinese company that owns half of Anjin. The AFECC website confirms that both Jinan and Anjin are part of its "brand new" venture into overseas mineral resource development.[120]

ANJIN AND JINAN

The Chinese names of Anjin (安津) and Jinan (津安) are made up of the same two Chinese characters, only in reverse order. 'An' is the first character in Anhui, the home of AFECC. 'Jin' is the first character of the Chinese name for Zimbabwe (Jīnbābùwéi). The close relationship between these two companies and their owners is evident in their chosen names.

A number of sources have further confirmed to Global Witness that Anjin and Jinan are closely related, reporting that the two companies share both equipment and staff as part of the field operations in their neighbouring concessions.[121] Another source with good knowledge of Anjin and Jinan's operations, also told Global Witness that particularly lucrative diamond finds made by Jinan would quickly be transferred to Anjin. For all intents and purposes, Anjin and Jinan appear to have been structured differently but operated as a single company.

A potentially significant difference is the absence of a formal role for the sanctioned ZDI in Jinan's ownership structure. The extremely close relationship between the two companies suggests a clear risk of Jinan's assets benefiting also Anjin, and so the ZDI.

Jinan did not respond to Global Witness' request for comment.[122]

DMC: FROM SMUGGLERS TO MINERS?

"Sanctions or no sanctions diamonds get sold to clients all over the world, be it Belgium, be it Israel, be it India, be it customers in Dubai. They come from all over. You have the product available, they will come, they will pay their money for it and they will take it."

Ramzi Malik, Project Manager, Diamond Mining Corporation (DMC), 2012[123]

"The core principles of the diamond mining sector of Zimbabwe have and will always be transparency, accountability and sustainability."[124]

Ramzi Malik, Executive Director, Diamond Mining Corporation, Zimbabwe Diamond Conference, October 2014

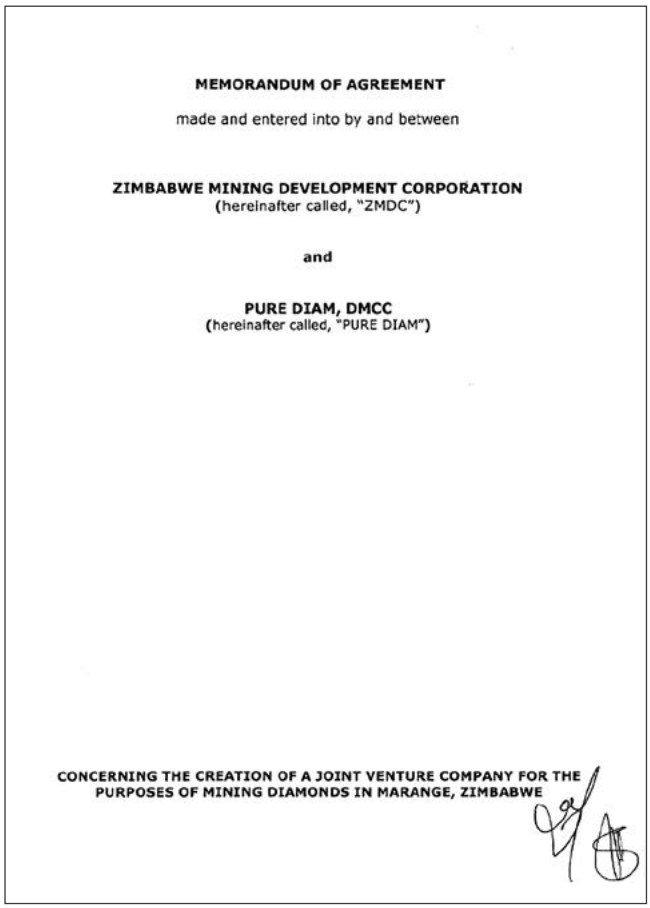
Links between Kusena, Anjin, Jinan and Zimbabwe's partisan security forces are obscured by opaque and secretive company structures. The ownership of Diamond Mining Corporation (DMC), another Marange diamond mining company, is, by contrast, easier to establish. The real mystery is why Zimbabwe would entrust a lucrative mining concession to a private investor with a highly questionable track record in the diamond industry. Two of the company's principals have been involved in smuggling Zimbabwe's diamonds out of the country prior to being awarded a mining concession and one may have been implicated in a number of other smuggling networks on the African continent.

THE INDIVIDUALS BEHIND DMC ARE IMPLICATED IN WIDESPREAD SMUGGLING

A small motel off the highway in Mozambique is an unlikely headquarters for an international diamond smuggling operation, but it was here DMC got its start in Zimbabwe's diamond sector.

According to DMC's joint venture agreement, it was formed in 2010 as a partnership between the ZMDC and a Dubai-listed company named "Pure Diam DMCC" (Pure Diam), with each partner owning a 50 per cent share.[125] Global Witness has obtained documentation and information that implicate Pure Diam, its owner Imad Ahmad, and one of its directors, in the illegal trade of diamonds from Marange. There is also evidence that suggests the owner of Pure Diam may have a track-record of diamond smuggling elsewhere on the African continent.

DMC's joint venture agreement states that the owner and sole-shareholder of Pure Diam DMCC is Imad Ahmad. DMC's incorporation documents name the Directors as Ramzi Malik who, according to Global Witness sources and public reports, is a nephew of Imad Ahmad,[126] and Samson Siziba, who is supposed to represent the ZMDC. The "Report of the Auditor-General for financial year ended December 31 2012: State Enterprises and Parastatals" noted, however, that at that time there was no ZMDC presence on the board, despite the provision for four representatives of the State to sit as directors.[127]



MEMORANDUM OF AGREEMENT

made and entered into by and between

ZIMBABWE MINING DEVELOPMENT CORPORATION
(hereinafter called, "ZMDC")

and

PURE DIAM, DMCC
(hereinafter called, "PURE DIAM")

CONCERNING THE CREATION OF A JOINT VENTURE COMPANY FOR THE PURPOSES OF MINING DIAMONDS IN MARANGE, ZIMBABWE

DMC's Joint Venture Agreement

Sign for Manica Gemas, the company allegedly used by Imad Ahmad and Ramzi Malik as a cover for the trade in illegal diamonds that had originated in Marange. © Robin Hammond

MARANGE DIAMONDS SMUGGLED PRIOR TO KIMBERLEY PROCESS CERTIFICATION

DMC was established in 2010, but was not permitted to export diamonds from Zimbabwe under the Kimberley Process until 2012. Prior to this point, the company could not legally export diamonds from the country. Several sources have, however, alleged that this did not stop the company's principal players actively engaging in the Marange diamond trade during this period.

Smuggling was rife during the early days of the Marange diamond find as the scale of the find gained interest from across Zimbabwe and beyond. Diamond exports from Marange were suspended by the Kimberley Process in June 2009 following reports of grave human rights abuses in the diamond fields,[128] making smuggling the only route onto international markets.

Three sources, from both sides of the Zimbabwe-Mozambique border, who all followed the cross-border trade in diamonds closely during this period, have told Global Witness that, between 2007 and 2010, Imad Ahmad ran a highly organised smuggling network between Zimbabwe and Mozambique.[129]

During this period, the sources told Global Witness how an Imad Ahmad took up residence in a small hotel named Casa Guida on the outskirts of the town of Vila de Manica, 18 km from the Machipanda border post between Zimbabwe and Mozambique. Ramzi Malik — now the Executive Director and public face of DMC[130] —

co-ordinated operations from Mutare, the closest Zimbabwean city to the Marange diamond fields.[131]

Ramzi Malik allegedly arranged for diamonds to be collected in Mutare. Cash from Mozambique was sent to pay middlemen in Zimbabwe, who were charged with buying and transporting diamonds from the Marange diamond fields. Once a significant volume of diamonds had been collected in Mutare, immigration officials in Zimbabwe or Mozambique were allegedly notified and accompanied diamond dealers across the border.

The whole system was reportedly very well organised, with Imad Ahmad and his associates paying bonuses, retainers and even providing weekend entertainment allowances to officials throughout the chain.[132] This illicit diamond trade also allegedly involved members of the Zimbabwean police, army, and CIO,[133] who were seen selling diamonds to dealers working for Imad Ahmad at or near Casa Guida.[134]

Once diamonds were safely across the border in Mozambique, they could be channelled on to international markets.

Global Witness has obtained documentation, dating back to March 2007, for a Mozambican company named "Manica Gemas Limitada." Both an Ahmed Imad and a Ramzi Malik held shares in this company. A mineral license was issued to Manica Gemas by the Mozambican Ministry of Mineral Resources in May 2007, permitting them to trade in gold and semi-precious stones. Manica Gemas was, however, allegedly instead used as cover for the trade in illegal diamonds that had originated in Marange, not resources mined in Mozambique.[135]

These allegations are partly corroborated by a US Diplomatic cable published by WikiLeaks. Dated 12 November 2008 and marked as "Confidential," it reports a conversation between a representative of the US Embassy in Zimbabwe and Andrew Cranswick — the CEO of a British mining company whose mining concession had been seized by the Government of Zimbabwe. In his account, Andrew Cranswick detailed how "high-ranking Zimbabwean Government officials and well-connected elites are generating millions of dollars in personal income (…). They are selling the undocumented diamonds to a mix of foreign buyers, including Belgians, Israelis, Lebanese, Russians, and South Africans who smuggle them out of the country." While the US Embassy notes that "Cranswick is a businessman trying to find any pressure point through which to leverage his own claim," his account claims that the majority of diamonds were "smuggled to Dubai and sold at the Dubai Multi Commodities Centre Authority."[136]

FROM DIAMOND SMUGGLERS TO DIAMOND MINERS

Zimbabwe began to regulate the diamond fields following the adoption of the Kimberley Process Joint Working Plan in November 2009. According to Global Witness sources, it was at this point that that Imad Ahmad began to pursue a diamond concession in Marange.[137] Despite allegations of widespread smuggling, Pure Diam was awarded a concession in Marange in November 2010, leaving Imad Ahmad to take up residence in Zimbabwe at the helm of a new and legitimised operation.[138]

DMC PRINCIPAL MAY ALSO BE IMPLICATED IN GLOBAL SMUGGLING NETWORKS

DMC's international partners may also have historical links to trading in conflict and other high-risk diamonds across the African continent.

In 2002, a Report by the "UN Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth of the Democratic Republic of Congo (DRC)," named an Imad Ahmad of the "Ahmad Diamond Corporation" in Antwerp, in their recommendations to the UN Security Council for a travel ban and financial restrictions.[139] Restrictive measures were recommended for individuals and companies who had made well-documented financial contributions to elite networks responsible for perpetuating conflict and human rights abuses in DRC and considered by the Panel to be in violation of the OECD Guidelines for Multinational Enterprises.[140] The same report recommended financial restrictions on the Ahmad Diamond Corporation, of Antwerp Belgium, citing its Principal Officer as

'Mr AHMAD Imad.' (The relevant section of report uses a naming convention in which surnames are capitalised.)

In 2003, the UN Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth of the Democratic Republic of Congo (DRC) presented a Final Report[141] to the UN Security Council. This report was produced after a Security Council resolution gave the Panel a six month extension to its mandate in order to "verify, reinforce and update its earlier findings, and, as necessary, revise the annexes attached to its previous report (S/2002/1146, annex) of 16 October 2002." The panel was asked to pursue a dialogue with individuals, companies and States referred to in the report, exchange information with those parties, assess actions taken by them and compile their reactions for publication.[142]

In its final 2003 report, the "Ahmad Diamond Corp" and "Imad Ahmad" are listed under "Category III – Unresolved cases referred to NCP for updating or investigation."[143] Global Witness contacted the Belgian National Contact Point (NCP), to whom the case was referred, to obtain further information, but they were unable to provide information about historical cases.

An Ahmad network was also previously named in an excerpt of a 2001 Belgian intelligence dossier which was leaked to the press and remains available online.[144] The file consists of gathered information and is not presented as proven or established fact, and no prosecutions appear to have resulted.

The dossier stated the wider network was active in Sierra Leone and had been involved in buying possible conflict diamonds from Angola and the DRC, then selling them on through front companies set up in Antwerp.[145]

The section on companies in Antwerp includes a reference to an "Imad Sleiman Ahmad," who is listed as a director of the "Ahmad Diamond Corporation," based in Antwerp and which ceased its activities in 2008. This appears to be the same company as named in the UN reports. The company is only described in the intelligence dossier as importing from Tanzania, though is presented as linked to the broader network.

Evidence gathered by Global Witness suggests this Imad Ahmad is the same person as the owner of Pure Diam, and the joint venture partner of the DMC.

Global Witness has seen DMC investor documents which list Imad Ahmad as the owner of Pure Diam and include his date and place of birth. This information matches in the details in a separate document, seen by Global Witness, issued to an Imad Ahmed active in Mozambique at the time, though a slight variation in the transliterated spelling of his surname should be noted.[146]

The year of birth in these documents is also the same as that given for Imad Sleiman Ahmad in the Belgian intelligence dossier, though the dossier only includes the year of birth. The DMC investor documents also state that Imad Ahmad has owned a mining company in the Democratic Republic of Congo since 1997.

Global Witness has found corporate registry information for a company called "Pure Diam DMCC Sal Offshore," which is registered in Lebanon. An "Imad Sleimane Ahmad" is listed as its Chairman and Managing Director.[147]

In light of available evidence, in awarding Imad Ahmad a Marange diamond concession, the Government of Zimbabwe appears to have entered into partnership with an individual allegedly implicated in global smuggling networks, as well as in the smuggling Zimbabwe's own diamonds. At a minimum, the licensing of DMC's operations presents serious concerns about the vetting process and criteria on which diamond mining licenses have been awarded in Zimbabwe.

In April 2016[148] it was reported that DMC was the first company to return to its concession following the government's attempt to consolidate all concessions into the ZCDC. The DMC's success in resisting this amalgamation was reportedly down to a new and undisclosed agreement with the government. In 2017 it was reported that the DMC concession and former Marange Resources concession were the only blocks that were formally being actively mined.[149]

Neither DMC, Imad Ahmad, nor Ramzi Malik have responded to Global Witness' request for a response to these allegations.

MBADA, CRONIES, AND STATE SECRETS

"As you may all be aware our diamonds end up in every corner of the world."

Dr Robert Mhlanga, Chairman, Mbada Diamonds, speaking to the Zimbabwe diamond conference, Harare, October 2014

"Our concession is only a thousand hectares. It just like a farm. Its not... when you talk of Chiadzwa, everyone thinks Mbada diamonds owns the whole of Marange. We only have 1000 hectares."

Robert Mhlanga providing oral testimony at the Parliamentary Portfolio Committee on Mines and Energy Hearing, March 2010

Dr Robert Mhlanga., Chairman of Mbada Diamonds.

Mbada Diamonds held the largest concession in Marange.[150] Of all Zimbabwe's diamond companies, Mbada has been the most eager to publicise its investment in corporate social responsibility.[151] The company has been considerably less forthcoming with information about its ownership. The true beneficial owners of 25 per cent of Mbada are concealed by numerous anonymous companies spread across secrecy jurisdictions. Global Witness now believes the available evidence points towards Robert Mhlanga — an associate of President Mugabe and former member of the security forces — as the principal controller, and possible owner, of this lucrative slice of one of Marange's largest diamond companies.

CONCEALMENT OF MBADA'S BENEFICIAL OWNERS

Of the recent Marange operators, Mbada was the first to receive its license from the Zimbabwean Government in 2009.[152] Like the other companies, it is a joint venture, with 50 per cent owned by the Government of Zimbabwe through the ZMDC, and 50 per cent owned by a private investor called Grandwell Holdings.[153]

Grandwell has been incorporated in Mauritius since 2009.[154] In 2009, Grandwell was in turn entirely owned by the New Reclamation Group (Pty) Limited (Reclam),[155] itself a subsidiary of New Reclamation Holdings, a scrap

metal company registered in South Africa with no apparent previous experience of diamond mining.[156]

This arrangement was one of the key areas of enquiry for a noteworthy 2013 Parliamentary Portfolio Committee, which has never received the attention it deserved from the Zimbabwean Government. The Committee noted, in particular, that the selection of Reclam as Mbada's joint venture partner was "not done in accordance with any known precedents, procedures or with reference to any legislation in the country."[157]

Enquiries into Mbada's complex management structure appear to have been met with hostility and resistance. The Parliamentary Committee was especially critical of Mbada's lack of co-operation and the failure of the government to follow proper process in the management of the company. It stated "Mbada Diamonds displayed a "big brother" syndrome such that some of the government institutions were rendered powerless to question Mbada's decisions or actions."[158]

In 2010 Reclam transferred 49.99 per cent of its share capital to a company called Transfrontier Mining Company Limited (Transfrontier), incorporated in Hong Kong.[159] Reclam received no monetary payment for this stake in one of Zimbabwe's largest mining companies, stating:

"Subsequent to the financial year ended 30 June 2010, the company [Reclam] transferred 4,999 shares in Grandwell comprising 49.99% of the share capital of Grandwell to Transfrontier in consideration for the procurement and introduction of mining and resource opportunities and associated funding in Southern Africa for the benefit of the issuer including, for example, coal, gold, chrome, diamond, iron ore and platinum. Transfrontier is a company incorporated in Hong Kong and is focused on resource-related business opportunities in southern Africa."[160]

Transfrontier thereby gained a 25 per cent stake in Mbada through its shareholding in Grandwell. Less than 12 months later, in 2011, the Zimbabwean Government expanded the area that Mbada was licensed to mine six-fold, from approximately 1,100 hectares to 7,540 hectares.[161] Mbada henceforth held the largest diamond mining concession in Marange.

TRANSFRONTIER MAKES EXTENSIVE USE OF SECRECY JURISDICTIONS

Transfrontier has been set up in a way that conceals its ultimate owners and beneficiaries through extensive use of anonymous companies and nominee directors across multiple notorious secrecy jurisdictions.

Global Witness first looked into the ownership structure of Transfrontier in 2012.[162] At that time an opaque company-ownership structure was already in place. Since 2012 a few changes have been made to this structure, with two companies removed from the ownership web.[163] Despite these changes, Transfrontier's ownership structure still spans secrecy jurisdictions from Mauritius to Hong Kong and ends, as in 2012, with anonymously held companies in the British Virgin Islands (BVI). Through these complex arrangements the company has concealed the ultimate beneficiaries of this significant slice of Marange's diamond wealth.[164]

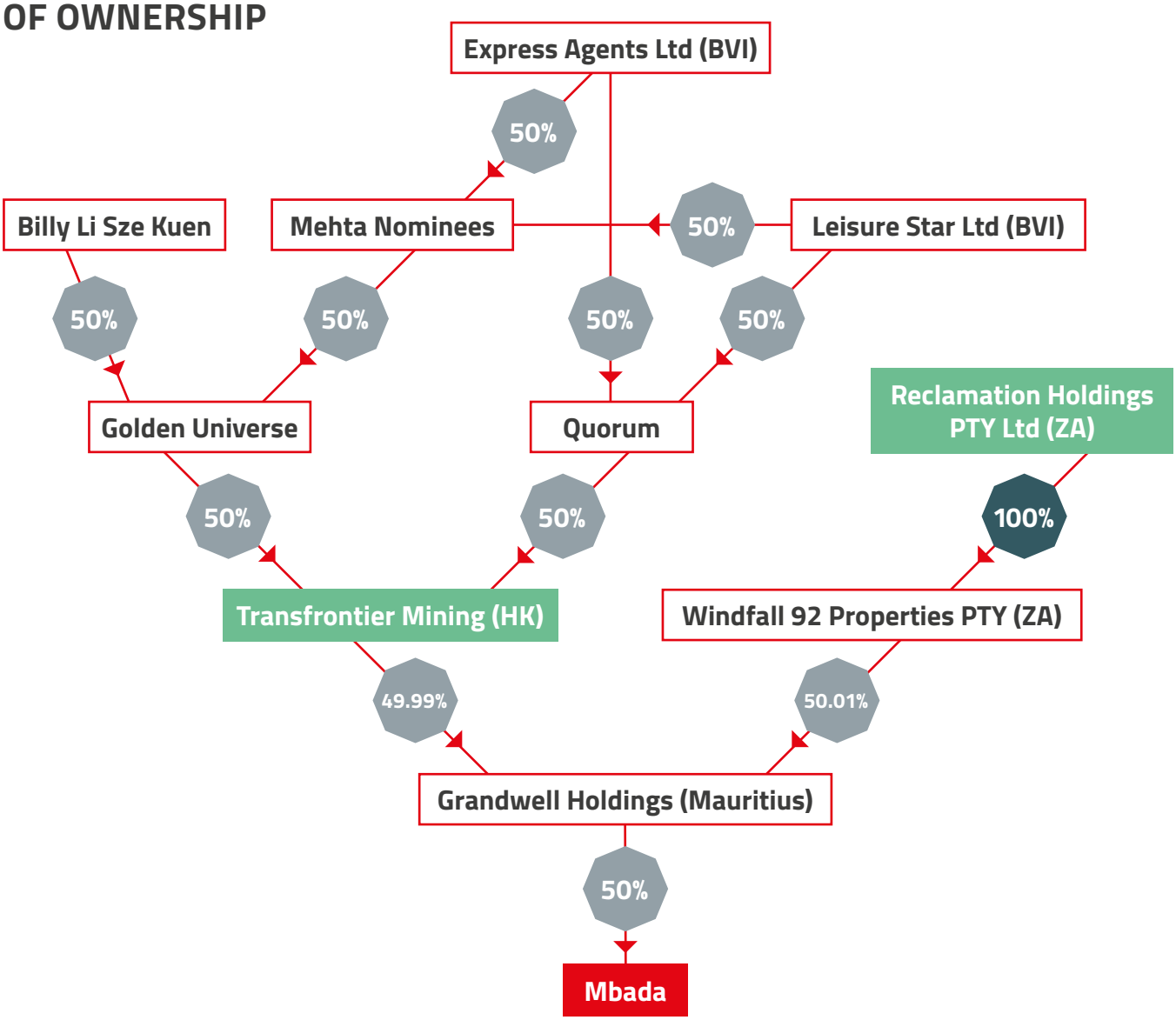
ROBERT MHLANGA LIKELY CONTROLS TRANSFRONTIER

The Chair of Mbada Diamonds is Robert Mhlanga, a former Air Vice-Marshal in the Zimbabwean Air Force and a man reported to be President Robert Mugabe's former pilot.[165] Publicly, his interest in the company is limited to this important managerial post.

Despite the concealment of the ultimate owner or owners of Transfrontier, Global Witness believes there is significant evidence that suggests the company is controlled, and possibly owned, by Robert Mhlanga. This would mean that in addition to being the Chair of Mbada, Robert Mhlanga also secretly owns as much as a quarter of the company.

Robert Mhlanga is the Chief Executive Officer of a South African company named Liparm. Liparm's website has previously described Transfrontier as a "sister" company

MBADA: WEB OF OWNERSHIP



BENEFICIAL OWNERSHIP. WHAT IS IT AND WHY HIDE IT?

A 'beneficial owner' is a natural person — that is, a human being, not another company or trust — who directly or indirectly either owns or controls a substantial proportion of a company. Individuals who wish to conceal such control or benefit can use an anonymous company as a legal smokescreen. An anonymous company can do business like any other company, the only difference being that it is incredibly difficult to find out who is actually controlling it. Such ownership or control can be concealed by "nominees," who essentially rent out their name so that the real controller or owner's identity can be kept hidden. This makes it difficult to determine who ultimately owns and controls the company, and what it is being used for. Such arrangements have been used to facilitate criminal activity and money laundering, as well as conceal conflicts of interest and other improper economic interests.

Global Witness has been campaigning for a number of years for the names of the people who own and control companies to be put in the public domain for all to see. Two countries now have such a public register up and running, seven more have committed to do so, and seven more countries together with the member states of the European Union are considering doing so.

WHO IS ROBERT MHLANGA?

Robert Mhlanga is the Chairman of Mbada Diamonds. He has described his role in Zimbabwe's diamond industry as a matter of "patriotic duty" and has stated that he retired from the Zimbabwean Air Force as an Air Vice-Marshal and Chief of Staff for Operations in the Air Force of Zimbabwe.[166]

Robert Mhlanga came to public attention in 2003 when he stood as a witness[167] for the prosecution in the trial on treason charges of Morgan Tsvangirai, the leader of the major political opposition party, the Movement for Democratic Change. Mr. Tsvangirai was accused of attempting to arrange the assassination of President Mugabe and of staging of a military coup.

Letters between Zimbabwe's top army generals relating to the establishment of a "National Command Centre," set up to secure a ZANU-PF victory in the 2005 parliamentary elections, published in Zimbabwe's Independent newspaper,[168] also name Air Vice Marshall R Mhlanga as the body's "Chief of Staff Operations."

In March 2014 it was announced that Dr Robert Mhlanga had joined the Board of the Dubai Diamond Exchange (DDE)[169], where he joined another controversial figure, Zimbabwe's former permanent secretary of Mines and Mining Development, Francis Pedzana Gudyanga. The DDE is part of the Dubai Multi-Commodities Centre (DMCC)[170] which was "established in 2002 as a strategic initiative of the Government of Dubai with a mandate to provide the physical, market and financial infrastructure required to set up and operate a thriving commodities marketplace."

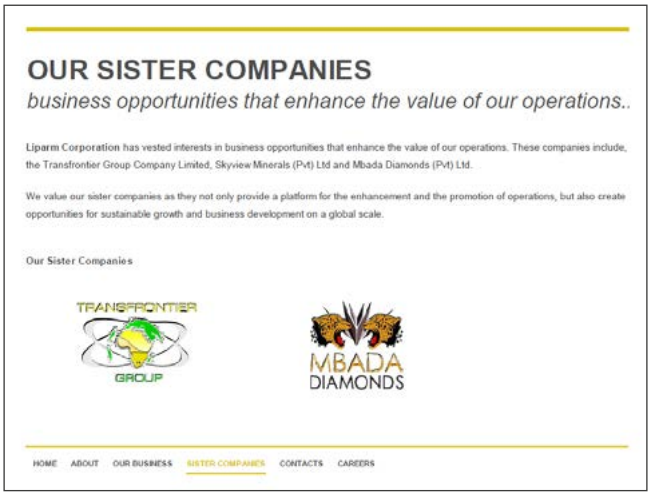
Dr Mhlanga's increasingly high profile role in the global diamond industry is surprising given information in the public domain about his activities in the sector. A 2013 report from the "Portfolio Committee on Mines and Energy on Diamond Mining" reported on what it labelled an "Aborted auction sale" in 2010. The Committee reported that "Mbada diamonds attempted to auction its diamonds, in violation of both national and international law." The Committee further alleged that Mbada "took advantage" of "weakness" in the institutions entrusted with governance of the diamond sector. The report notes that "out of the ten board members of Mbada Diamonds, only two members, Dr Mhlanga and Mr Kassel admitted of having knowledge of the attempted auction sale."[171]

and has referenced Liparm's vested interests in both Transfrontier and Mbada.

"Liparm Corporation has vested interests in business opportunities that enhance the value of our operations. These companies include the Transfrontier Group Company Limited, Skyview Minerals (Pvt) and Mbada Diamonds (Pvt) Ltd."

"We value our sister companies as they not only provide a platform for the enhancement and the promotion of operations, but also create opportunities for sustainable growth and business development on a global scale."[172]

Following an enquiry by Global Witness this reference was removed from Liparm's website.


OUR SISTER COMPANIES

business opportunities that enhance the value of our operations..

Liparm Corporation has vested interests in business opportunities that enhance the value of our operations. These companies include, the Transfrontier Group Company Limited, Skyview Minerals (Pvt) Ltd and Mbada Diamonds (Pvt) Ltd.

We value our sister companies as they not only provide a platform for the enhancement and the promotion of operations, but also create opportunities for sustainable growth and business development on a global scale.

Our Sister Companies

TRANSFRONTIER GROUP

MBADA DIAMONDS

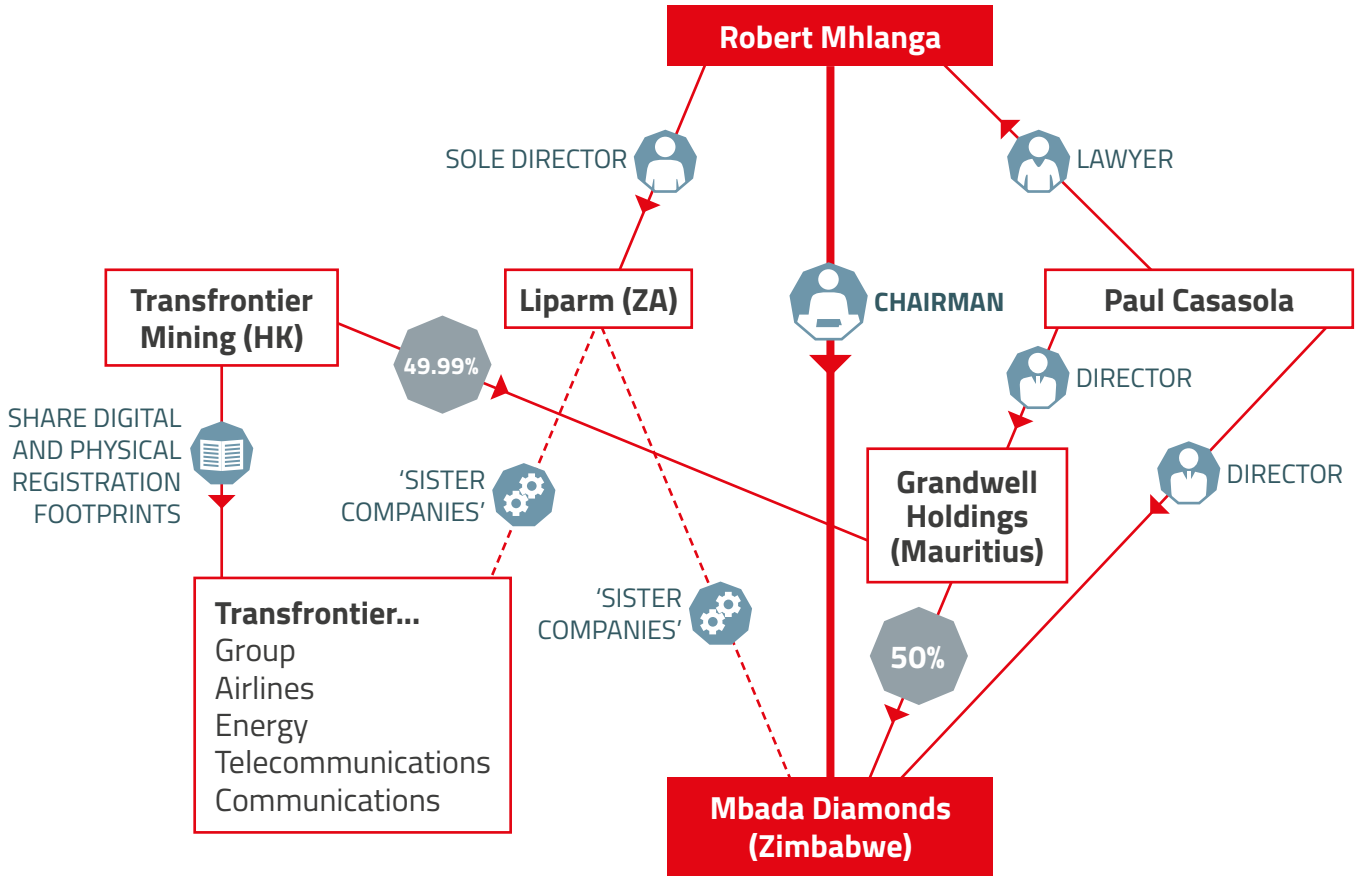
HOME ABOUT OUR BUSINESS SISTER COMPANIES CONTACTS CAREERS

Screenshot from Liparm's website, in which the Transfrontier Group and Mbada Diamonds are described as Liparm's 'sister companies.' This information was removed from the website following an inquiry from Global Witness

KNOWN LINKS BETWEEN LIPARM AND TRANSFRONTIER

Companies or web domains	Positions held by Robert Mhlanga	Links to Liparm's address in Sandton Square, Johannesburg	Links to Liparm's postbox address in South Africa: "Postnet Suite 446"	Links to e-mail address ending @liparm.co.za
Transfrontier Investment Holdings (SA)	Director	Business address	Postal address	
Transfrontier Property Investments (SA)	Director	Business address	Postal address	E-mail address used to register
Liparm.com		Address of account used to register domain		E-mail address used to register
Liparm.co.za			Address of account used to register domain	E-mail address used to register
Mbadadiamonds.co.za			Address of account used to register domain	E-mail address used to register
Mbadaholdings.com			Address of account used to register domain	E-mail address used to register
Transfrontierenergy.com		Address of account used to register domain		E-mail address used to register
Transfrontiergroup.com			Address of account used to register domain	E-mail address used to register
Transfrontieairlines.com		Address of account used to register domain		E-mail address used to register
Transfrontiercommunications.com		Address of account used to register domain		E-mail address used to register
Transfrontiertelecommunications.com		Address of account used to register domain		E-mail address used to register
Transfrontiermining.com		Address of account used to register domain		E-mail address used to register

ROBERT MHLANGA'S LINKS TO MBADA DIAMONDS



Robert Mhlanga's is linked to a number of other companies that employ a variation on the Transfrontier name. Global Witness has seen his name listed in the corporate registry as the Director of the South African companies Transfrontier Investments Holdings and Transfrontier Property Holdings.[173]

Through their digital footprints, he can also be linked to several Hong Kong registered companies employing a variation of the Transfrontier name. The e-mail address used to register the domains, transfrontierairlines.com, transfrontiercommunications.com, transfrontierenergy.com, transfrontiergroup.com, and transfrontiertelecommunications.com — all companies registered in Hong Kong — is the same Liparm e-mail address as used to register the domains liparm.com and liparm.co.za.

The same e-mail address was used to register the domains 'transfrontiermining.com', which is registered to Liparm Trading, and the domain Mbadadiamonds.co.za.

The physical address used to register the transfrontiermining.com domain is also the same Liparm physical address in Sandton, Johannesburg, as was used to register the majority of these.

Transfrontier Mining, which owns 25 per cent of Mbada Diamonds, can also be linked to the other Hong Kong registered Transfrontier companies through their corporate structure. Global Witness has previously documented numerous similarities between the structure and history of these Hong Kong entities.[174] An accountancy and secretarial services firm based in Hong Kong called Chang Leung Hui & Li CPA Ltd (CLHL) established all of the Hong Kong based entities used in the complex Transfrontier ownership structure, as well as well as Transfrontier Mining, Transfrontier Group Company, Transfrontier Airlines, Transfrontier Energy, and Transfrontier Telecommunications. The Corporate Secretary for all of these companies is listed as CLHL Secretaries.

Robert Mhlanga, via the Liparm network of companies, can also be linked to a branch of the Transfrontier network in Dubai. Global Witness has previously reported that in late 2011, an employee of Liparm was seeking prices for two 2,500kg safes on behalf a company called Transfrontier International, which had established an office in Almas Tower in Dubai.[175] Almas Tower is also the home of the Dubai Multi Commodities Centre (DMCC) and its diamond-focused branch, the Dubai Diamond Exchange (DDE).[176] Robert Mhlanga is a member of the DDE Board.[177] One source with direct knowledge of the Liparm network has told Global Witness that the Transfrontier Office in Dubai served as the distribution centre for Mbada Diamonds and another Zimbabwean company Skyview Minerals, which traded gold, and was also part of the Liparm network.[178] A range of open source information as well as conversations with confidential sources closely connected to the Liparm network of companies have indicated how staff moved between companies in the group, with Liparm acting as an administrator for the other companies in Robert Mhlanga's group network.

ROBERT MHLANGA HAS PREVIOUSLY TRIED TO SET UP A DIAMOND COMPANY IN MARANGE

Mbada is not the first vehicle through which Robert Mhlanga pursued his interest in Marange diamonds. In 2014, evidence from a US court case[181] revealed that he had previously been involved with a small group of overseas investors in a venture which was to be called Edenic Resources. Edenic was proposed as a Marange diamond mining company, but after an apparent fall-out between the investors, the company never got off the ground.

In January 2015 a Chicago based businessman, C. Gregory Turner, was sentenced to 15 months in prison for "his role in a conspiracy to violate U.S. sanctions by agreeing to assist Zimbabwe President Robert Mugabe and others in an effort to lift economic sanctions against Zimbabwe."[182] An affidavit[183] submitted to the Court by the US Department of Justice stated that Zimbabwean Government officials agreed to pay Turner and his business associate, Prince Asiel Ben Israel, US$3.4 million for their efforts. The same affidavit revealed that, while on the pay-roll of the Zimbabwean Government, in 2008 C. Gregory Turner was also pursuing interests in Marange diamonds through a proposed partnership with the Government of Zimbabwe, a South African businessman, and a company called "Liparm Corporation."

In an email sent to Israel, Turner stated that the diamond mining company, Edenic Diamond Resources "would be owned by the Government of Zimbabwe (25%), Turner and Ben Israel (25%), Individual C and the owner of another company in Johannesburg called Liparm Corporation (50%)."[184] Individual C is a South African business person. The relationship however, appears to have broken down before any of the plans were put into action. According to the affidavit, Individual C emailed a letter to Robert Mhlanga on 22 May 2009 over an apparent fall-out. The relationship never recovered and Edenic never went into operation. It does, however, suggest that Robert Mhlanga harboured an interest in a stake in a Marange diamond company prior to the establishment of Mbada, and that he played a central role in the decision-making process about who the chosen private investor should be.

Finally, Robert Mhlanga's lawyer, Paolo (Paul) Casasola, is a Director of both Mbada Diamonds and Grandwell Holdings, the private investor in Mbada. New Reclamation's Annual report for the year ending 2010[179] lists three Grandwell board members. They are David Kassel, Jayechund Jingree and Dhanun Ujoodha. In the report for the year after[180] — the year in which 49.99 per cent of Grandwell was transferred to Transfrontier — Paul Casasola is listed as an additional Grandwell board member.

Cumulatively, there are strong indications that Transfrontier Mining forms parts of Robert Mhlanga's extensive Transfrontier and Liparm business network, effectively meaning that Robert Mhlanga likely controls, and possible owns, 25 per cent in Mbada diamonds. Hasty efforts to remove references to Transfrontier Mining on the Liparm website were not able to obscure the many historical links between the various companies.

The Transfrontier stake in Mbada is a lucrative asset. In March 2014 Mbada publically announced financial figures for the first time stating that, in four years of operation leading up to January 2014, it had surpassed US$1 billion in total gross revenue.[185] Out of this figure the company stated that US$424 million had been paid in "taxes, dividends and government expenses." Mbada did not provide annual figures, nor did they disaggregate 'taxes, dividends and government expenses' which are separate income streams, thus limiting any public examination of the company's reporting.

Another partial source of information is the ZMDC's annual reports for the years 2011 and 2012.[186] These state that in 2010 Mbada recorded US$107 million in sales and US$70.1 million in profits before tax, falling to US$145 million and US$69.4 million in 2011, and US$155.6 million and US$41 million in 2012.

The 2012 ZMDC Annual Report also details several payments made to Grandwell in connection with its 50 per cent shareholding in Mbada.These are "Management fee expenses" of US$15,540,446 in 2012 and US$14,584,829 in 2011; and "Dividend paid" of US$39,233,635 in 2012 and of US$44,954,624 in 2011. These figures add up to just over US$114 million, a figure very close to what Mbada claimed to have remitted to the Zimbabwean Treasury which, under the terms of the Joint Venture Agreement, would be entitled to the same share of Mbada's revenues as Grandwell. Global Witness wrote to New Reclamation Holdings, which holds a 25% stake in Mbada via Grandwell and its direct subsidiary Windfall 92 Properties to request information about the services received by ZMDC in return, and how were these amounts calculated.

In response to our enquiry, Reclam told Global Witness that the ZMDC's information about the payments is 'factually inaccurate'. Reclam expressly stated that no payments have been made to date by ZMDC to Grandwell or by Marange Resources, a subsidiary company that is 100 per cent owned by the ZMDC, to Grandwell. Reclam also denied that it was in any way a front for state actors to exploit diamonds for off-budget financing.

Global Witness subsequently wrote to the ZMDC as well as BDO Zimbabwe, the independent auditors of the 2012 annual report to ask if they could shed light on Reclam's denial of the payments. Only BDO responded, stating that it was unable to disclose information about its clients.

In March 2017, Mbada's assets were reportedly auctioned off to recover debts owed to its creditors.[187] In June, Zimbabwe's Courts ruled against Grandwell's — the private investor in Mbada — application to return its security officers to the concession and to stop the ZCDC mining the site.[188]

THE FUTURE OF MARANGE

The ZCDC is Zimbabwe's newly constituted government backed diamond mining company.

Zimbabwe's diamond industry is at a cross roads. Remaining reserves are dwindling and are more difficult to mine. But they remain lucrative enough to command the attention of both the government and private investors.

A decade of disappearing diamond wealth, aided by a culture of impunity and secrecy, has shaped an industry captured by vested economic interest, rivalries, and mistrust. These are now playing out more publicly than ever, as rival interests compete for what can still be salvaged from the wreckage of a find that once offered such promise.

The Government of Zimbabwe has sought to tighten its grip on the sector by amalgamating all its mining licences into a single new company — the ZCDC. If these efforts are successful, the government may secure greater control, though the signs of genuine reform remain to be seen.

Evidence to date suggests the ZCDC will be run with the same opacity that has frustrated oversight and accountability in the past, while retaining many of the actors that have shaped the sector for the past decade.

Of greatest concern is perhaps the prospect of Zimbabwe's security sector — including the CIO and sanctioned ZDI or another entity connected to the army — securing a stake in a far greater proportion of Zimbabwe's diamonds than they have enjoyed to date. If ZCDC does emerge as Zimbabwe's only diamond mining company, and includes actors linked to the security forces, this may serve only to further entrench the economic interest of the security sector in the diamond industry.

Ultimately, it will not be the configuration of actors that will shape Marange's future, but the interests they represent and the principles that govern their operations. Only a comprehensive commitment to restructuring the sector through principles of transparency and accountability offer the prospect of Marange's next decade delivering what the first did not.

RECOMMENDATIONS

TO THE GOVERNMENT AND AUTHORITIES OF ZIMBABWE

- Publicly commit to root and branch governance reforms aimed at making Zimbabwe's diamond industry, and associated revenue flows, transparent and accountable to the people of Zimbabwe;

- Publish detailed information about all mining related revenue flows, including diamonds. These should, at a minimum, be disaggregated by company, year, and type of revenue stream;

- Account for all diamond mining revenues, from extraction to sales and transfers of proceeds, and publish timely audited financial statements of state owned mining entities, in line with commitments made to the International Monetary Fund (IMF);[189]

- Publish all joint venture contracts signed with companies operating in the Marange diamond fields and make the final beneficial owners of all private investors and companies public. Any new investors should be required to disclose their beneficial ownership and publish their contracts;

- Remove serving and retired members of the security sector from control or ownership positions in Marange diamond companies;

- Initiate an independent and impartial investigation into allegations that the Central Intelligence Organisation has an undisclosed interest in a diamond mining company;

- Initiate an independent and impartial investigation into the findings of the June 2013 *"First Report of the Portfolio Committee on Mines and Energy on Diamond Mining (with special reference to Marange Diamond Fields)"* and the 2017 *"First Report of the Portfolio Committee on Mines and Energy on the Consolidation of the Diamond Mining Companies"*;

- Commit to sound economic governance and anti-corruption practices and take action against those engaged in corrupt and illegal practices, including actions to recover funds or other assets that may have been looted or stolen from the Treasury;

- Ensure that relevant Ministries respond to the findings and recommendations made in the Auditor General's Annual Reports on State Enterprises and Parastatals including through a submission to the Public Accounts Committee of Parliament;

- Support and protect local civil society organisations in order to promote effective oversight and monitoring of Zimbabwe's extraction and trade of natural resources;

- Clearly define the official legal status of the Zimbabwe Consolidated Diamond Company, through an Act of Parliament if merited;

- Avoid potential conflicts of interest by requiring serving members of the government and diamond company boards to resign from diamond trade bodies linked to foreign governments, such as the Dubai Diamond Exchange.

- Support efforts to promote the responsible sourcing of diamonds and other minerals from Zimbabwe by facilitating the implementation of international due diligence frameworks, as recommended in other mineral-rich high risk areas, and as encouraged by key international multi-stakeholder initiatives, including the Financial Action Task Force (FATF) and the Organisation for Economic Cooperation and Development's (OECD) Due Diligence Guidance for Responsible Mineral Supply Chains; and Chinese due diligence guidelines published in 2015 by the China Chamber of Commerce of Metals Minerals & Chemicals Importers & Exporters (CCCMC), under the authority of the country's Ministry of Commerce.

TO THE ZIMBABWE MINING DEVELOPMENT CORPORATION

- Publish annual reports, including audited accounts, for each of the years in which the ZMDC has been a joint venture partner in diamond companies;

- Publish detailed company accounts that include disaggregated information about all diamond-linked payments made to the Zimbabwean Treasury and private joint venture partners.

TO THE ZIMBABWE CONSOLIDATED DIAMOND COMPANY

- Clarify the company's legal basis and take all steps necessary to ensure the company is operating with the oversight and accountability required by the Constitution and laws of Zimbabwe;

- Publish information about all shareholders in ZCDC, as well as arrangements for allocating shares to existing Marange investors or new investors;

- Publish annual reports, including audited accounts, detailing revenues raised and all transfers to the Treasury and private shareholders.

TO DIAMOND MINING COMPANIES IN ZIMBABWE

- Publish all diamond mining contracts, shareholdings, and ultimate beneficial owners;

- Publish annual reports, including audited accounts, detailing revenues raised and all payments to the Treasury, including tax payments, and all transfers to private shareholders
.

TO SADC COUNTRIES

- Call upon government agencies in Zimbabwe to create a transparent, accountable and well governed diamond industry that delivers tangible benefits to the people of Zimbabwe;

- Work with the wider international community to break links between diamonds, human rights abuses and other harms in the region through cooperation on steps to implement human rights supply chain due diligence in line with the United Nations Guiding Principles on Business and Human Rights and Financial Action Task Force (FATF), to the standard set out in the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

WHAT IS SUPPLY CHAIN DUE DILIGENCE?

The UN Guiding Principles for Business and Human Rights were adopted by the UN Human Rights Council in 2011. They make it clear that companies share in the responsibility of making sure their business activities do not contribute to conflict or serious human rights abuses. Human rights due diligence has emerged as the main tool that helps companies meet this responsibility.

Human rights due diligence is a process by which companies look into their supply chains, and proactively look out for risks that they may be contributing to conflict financing or human rights abuses. Companies are then asked to put processes in place to do something about the risks they find, and to publicly report on their efforts to do so.

Risk-based due diligence is a key component of numerous initiatives linked to more responsible business practices. It is widespread in numerous industries, including the financial sector, where it forms the backbone of the FATF recommendations designed to limit money laundering and terrorist financing. These include specific due diligence recommendations linked to the trade in diamonds.

In 2010 the OECD adopted its Guidance for Responsible Mineral Sourcing from Conflict Affected and High-risk Areas. This Guidance provides a detailed framework designed to help companies do effective risk-based due diligence when sourcing from conflict affected and high risk areas. It applies to all natural resources, including diamonds, and has more detailed supplements for the tin, tantalum, and tungsten sector, and for the gold sector. The OECD's Due Diligence Guidance has emerged as the global due diligence standard in the minerals sector.

TO GOVERNMENTS OF DIAMOND CONSUMING COUNTRIES

- Recognise the important role played by Zimbabwe's civil society and journalists in independent monitoring and oversight of Zimbabwe's diamond sector through appropriate and adequate support;

- Ensure companies domiciled in your territory and/or jurisdiction are sourcing minerals responsibly from conflict affected and high risk areas. Companies should meet their responsibilities as set out in the United Nations Guiding Principles on Business and Human Rights through implementing the Organisation for Economic Cooperation and Development's (OECD) Due Diligence Guidance for Responsible Mineral Supply Chains; and linked standards, such as China's due diligence guidelines published by the China Chamber of Commerce of Metals Minerals & Chemicals Importers & Exporters (CCCMC), under the authority of the country's Ministry of Commerce;

- Work with companies to identify all beneficiaries of Zimbabwe's diamond companies in an effort to ensure trade does not benefit oppressive state institutions, including the CIO and military.

TO THE DIAMOND INDUSTRY

- Undertake and publicly report on risk-based supply chain due diligence in line with the OECD's Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. Companies sourcing diamonds from Zimbabwe cannot rely on the Kimberley Process to ensure they are meeting their responsibilities not to finance conflict or human rights abuses through their business activities, and respecting existing sanctions and financial restrictions;

- Diamond companies trading with Zimbabwe should be particularly watchful for any risks posed by links to their Zimbabwean trading partners and Zimbabwe's CIO, military, or other oppressive state institutions. Particular care must be taken to avoid all sanctioned entities, though risks associated with non-sanctioned entities should also be identified and mitigated.

TO THE KIMBERLEY PROCESS

- Expand the definition of a 'conflict diamond' to capture the full range of human rights abuses and conflict financing linked to the global trade in diamonds;

- Support efforts to promote broader human rights due diligence by companies engaged in the global diamond trade;

- Encourage independent oversight in Zimbabwe's diamond sector and greater accountability through support for Zimbabwe's civil society organisations and recognition of the critical role they play in providing sustained local oversight of Zimbabwe's diamond sector.

ENDNOTES

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