

**Your Excellency, President Robert Gabriel Mugabe**

**Revolutionary Greetings!**

Your Excellency, in early March, you made a stunning revelation: the diamond mining companies in Marange had robbed Zimbabwe of over \$13 billion. You revealed that out of a possible \$15 billion in revenues, Zimbabwe had only realized a paltry \$2 billion. 'Lots of smuggling and swindling has taken place and the companies that have been mining, I want to say robbed us of our wealth', you said.

You are the latest and most senior government official who has publicly complained about the looting of our diamonds. Former Finance Minister Tendai Biti repeatedly raised a red flag on Marange diamonds but his claims were dismissed by government apologists as false. The 2009-13 Parliamentary Portfolio Committee on Mines and Energy led by the late Edward Chindori-Chininga raised several crucial issues pointing to massive corruption in Marange but again the report was frowned at by those who should have utilized it to plug the leakages; Chindori-Chininga was tragically killed in a car crash barely a week after presenting his report in parliament in 2013. As a civil society activist I too made several calls for good governance in our diamond sector based on evidence of looting and human rights abuses in Marange; this whistle-blowing landed me in jail in 2010.

However your honest admission of how much Zimbabwe has cumulatively lost to illicit financial flows from Marange took everyone by surprise, including those close to you. Some of them quickly said they were going to carry out an audit to ascertain how much Zimbabwe could have lost in an attempt to revise your \$13 billion claim downwards.<sup>1</sup> But I completely agree with your estimate. In 2014 I also made an attempt at calculating our losses and had put the figure at \$11.6 billion.

Your remarks raised both anger and hope among the suffering masses in Zimbabwe. People were justified to be angry, considering what \$13 billion could have done to a country whose annual state budget is a paltry \$3.6 billion. However, your announcement raised hopes that government was at last going to do something to recover our stolen wealth and hold the perpetrators of such organised crime accountable.

Given that government held 50% stake in all the diamond mining firms through Zimbabwe Mining Development Corporation (ZMDC), except in Marange Resources where it had a 100% stake, a fraud of such monumental proportion could not have happened without the collusion of corrupt government officials.

As a concerned citizen I also sought to assist your high offices to unravel the \$13 billion mystery. In my investigation I discovered a big anomaly in the Ministry of Mines which can give us a clue as to how our diamonds disappeared.

You will recall that in 2013 you announced a new cabinet entrusted with the mandate to oversee the implementation of the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (Zim Asset). You also reshuffled Permanent Secretaries. You appointed Professor Francis Pedzana Gudyanga as Permanent Secretary in the Ministry of Mines and Mining Development.

No sooner had you appointed Professor Gudyanga to the Mines Ministry did he get a new appointment to the Board of Dubai Diamond Exchange, based in the United Arab Emirates. The Dubai Diamond

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<sup>1</sup> <http://www.financialgazette.co.zw/forensic-audit-underway-for-missing-us15b-billion-diamonds-chidhakwa/>

Exchange, a subsidiary of Dubai Multi Commodities Centre (DMCC), is the diamond trading platform of the UAE. DMCC can be equated to the Minerals Marketing Corporation of Zimbabwe (MMCZ). On its website DMCC describes its role as follows:

We are a government entity established in 2002 to enhance commodity trade flows through Dubai, performing several roles which have firmly established Dubai as a regional and international commodities trading hub.

DMCC regulates, promotes and facilitates trade across a range of commodities including gold, diamonds, pearls, precious metals and tea.

We are the Government of Dubai Authority dedicated to establishing Dubai as the global gateway for commodities trade.

The DDE website states that it 'is a DMCC platform and Dubai Government initiative which brings the Middle East diamond and coloured stones markets together'.

Our own marketing firm's website states that 'MMCZ markets directly in some regional and international markets e.g. Diamonds to Belgium, India, Dubai, RSA'.<sup>2</sup> This means Secretary Gudyanga is performing identical roles in Zimbabwe and Dubai – which makes him a potentially conflicted person.



Prof Gudyanga 4<sup>th</sup> from right and Dr Robert Mhlanga 6<sup>th</sup> from right, with fellow DDE Board members in Dubai

I also noted that Dr. Robert Mhlanga, the Chairman of Mbada Diamonds is one of the Board of Directors of Dubai Diamond Exchange. Appointing a serving Permanent Secretary in the Ministry of Mines and the Chairman of the biggest diamond firm of a diamond producing country to the Board of the diamond trading platform of a diamond trading country raises many questions about conflicts of interest. The main ones are whose interests are Prof Gudyanga and Dr Mhlanga serving when they sit on DDE board,

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<sup>2</sup> Minerals Marketing Corporation of Zimbabwe. <http://www.mmcz.co.zw/marketing-channels/>

and who shall hold them accountable for the decisions they make on behalf of UAE – including those that are possibly against the economic interests of Zimbabwe.

Given that the role of DDE board members is to ensure the economic viability of that enterprise – in this case the economic interests of a country other than Zimbabwe – and also given the need for Zimbabwe to plug leakages and halt illicit financial flows we agree have occurred, I am of the view that these two individuals have a serious conflict of interest and may have undermined our national interest.

UAE is a trading centre which makes billions of dollars through importing and re-exporting diamonds. The export is sometimes more than twice the price of importation. According to the Civil Society Coalition mediation proposal circulated to KP members early this year, in 2014, the UAE re-exported African diamonds at an average of 44% higher than the value at which they were originally imported from African countries – a mark-up four times that of competing trading centres.

KP statistics from 2013 show that the average per carat value of diamonds entering the UAE was \$74.40 yet the average re-export value was \$107.05 per carat – a 43.8% increase.<sup>3</sup> The loss to Zimbabwe could be even more given that for many years it was falsely claimed Zimbabwe's diamonds were selling at \$49 per carat and UAE and India were the main recipients of these undervalued diamonds. It was the Antwerp Tender which raised the value of Zimbabwean diamonds to \$76 per carat and thereafter UAE started claiming they would offer better prices for the same diamonds they had always purchased at less than \$50 per carat.

It is therefore not a surprise that UAE has been appointing serving African mining officials to the Dubai Diamond Exchange. Interestingly, according to their website, the UAE also appointed Zimbabwe's former Permanent Secretary in the Ministry of Mines, Mr. Prince Mupazviriho, to the DDE Board in September 2013. As soon as Mr Mupazviriho left the Ministry of Mines he was also replaced on DDE Board by the in-coming Secretary Prof Gudyanga. This means UAE is not targeting individual skills as they claim on their website but rather decision makers in the Ministry of Mines in Africa.

Your Excellency, this blatant conflict of interest is a threat to our national interests and security.

Zimbabwe is not the only victim to these questionable appointments by UAE. The CEO of South Africa's Diamond & Precious Metals Regulator Levy Rapoo was also appointed to the DDE board in September 2013; as was former Mines Minister of the Republic of Namibia Hon Isak Katali, appointed to the Board of DDE in 2014. Thereafter he commented that he felt 'privileged to be part of the success story of DDE'. I have since raised this issue with lawmakers in South Africa to investigate Mr. Rapoo and was assured that appropriate action will be taken. Mr Katali appear to have been dropped from the Board the moment he was dropped from Namibia's Cabinet, just as was the case when former Permanent Secretary Mupazviriho was moved from the Mines Ministry.

Your Excellency, with this dual function, the integrity of African minerals governance is reduced to a joke! Appointments like this explain why the continent will not rise in the foreseeable future, and why the legacy of so many minerals is poverty, disease, displacements without compensation, hunger, unemployment and hopelessness. These appointments should not be accepted by serving officials of African governments who have respect for their leadership and who serve their countries with honor and dignity. I am persuaded to say any public official who simultaneously accepts appointment to serve another country commits treason against their own countries. This is even worse when they are

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<sup>3</sup> Patnership Africa Canada. United Arab Emirates. <http://www.pacweb.org/en/united-arab-emirates>

appointed to positions that undermine our national agenda in favor of our competitors. I feel the trust you bestowed on Secretary Gudyanga was betrayed.

Your point that these same officials are failing to account for \$13 billion implies that our state security is severely compromised. The money can be used to undermine state institutions, peace & security, good governance and the economic sovereignty of African governments.

Secretary Gudyanga is also Chairing the Board of MMCZ and is Director of the Mining Affairs Board. He is also the First Director of Applebrigde, a government-owned mining investment vehicle that falls under MMCZ which he chairs. More importantly he is now the acting Chair of Zimbabwe Consolidated Diamond Company (ZCDC) which reports to him as Permanent Secretary and Acting Board Chair of MMCZ. Secretary Gudyanga is also the chairman at the Zimbabwe School of Mines. Whilst he is purportedly acting in those positions I think he has reduced state business to street theatre.

Why does the Permanent Secretary sit on boards of state institutions that he regulates? The Secretary has been acting Board Chair of MMCZ since 2013 and yet the Labour act states that a person can only act in position for a period not exceeding three months.

His position as Permanent Secretary and membership on the boards of MMCZ, ZCDC, Mining Affairs Board and other state entities make him a very attractive candidate for the DDE Board position. This is bad for Zimbabwe. Professor Gudyanga and Dr. Mhlanga are now the face of UAE interests in Zimbabwe and, as a result, are possibly abusing their public positions to advance the UAE's wealth at the expense of Zimbabwe's. For instance when Finance Minister Patrick Chinamasa and others complained about the late arrival of the Dubai tender payment in 2014,<sup>4</sup> he was overruled by those in favor of UAE/DDE.

Further, after the Antwerp Tender, Dr Mhlanga also told the Parliamentary Committee on Youth, Indigenization and Economic Empowerment that he was opposed to selling diamonds in Antwerp because Zimbabwe had suffered a great deal under EU sanctions. However the European Union had lifted the sanctions in 2012.

Why does Dr. Mhlanga keep pretending the sanctions matter? Might this ruse explain suggestions that some in government wanted sanctions to stay so as to justify corruption and lack of transparency and accountability in the public sector? I am now wondering whether Secretary Gudyanga and Dr Mhlanga were now using their public positions to ensure that Zimbabwe's diamonds only benefit UAE.

The problem is not only in the diamond sector. The entire mining sector is bleeding Zimbabwe through tax evasion, undervaluation of minerals, trade mispricing, state-assisted illegal mining (read the Chindori Chininga reports on Diamonds and Chrome and you will see how some elements in government are assisting and shielding criminality in the sector). The 'Panama Papers' revelation that our main platinum exporter, Zimplats, operates an offshore account in a hot money centre should ring alarm bells.

This is why, despite the rise in mining, our economy is shrinking. Your Excellency, not a single community in Zimbabwe is happy with mining. The story is the same from Hwange to Penhalonga, from Mutoko to Bikita – mining communities feel vulnerable as they count their losses; they are bitter that mining has condemned them to new poverty. It's the same sad story for most African countries. We are getting poorer as we make others richer and richer. How do we explain the poverty in mining communities where resources worth billions of dollars are extracted annually? How are we going to explain this

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<sup>4</sup> <http://www.bulawayo24.com/index-id-News-sc-national-byo-46853.html>

anomaly to future generations? What shall we tell the future generations of Marange families concerning the \$13 billion?

The Gudyanga's, Mhlanga's and their hangers-on celebrate mining. But as it stands, mining is a disaster unfolding across Zimbabwe. Mining is creating an enclave economy full of white-collar criminals, who make virtually no positive linkages to the broader Zimbabwean economy. They simply deplete our natural capital and provide an inconsequential return.

Contrast mining to agriculture which, during its heydays in the 1980s and 1990s, powered our economy, ensured that upstream manufacturing thrived, created jobs and gave us food security.

We are concerned that even after your admission that \$13 billion diamond revenues have been stolen, no investigation has taken place and no one has been arrested or even accused. Prosecutors should be making this their top priority, if they take you seriously.

In fact the entire history of Marange is a history of criminal abuse of office that has been ignored since the days of De Beers to the present. For instance, Section 94 of Zimbabwe's Mines and Minerals Act states that 'no [Prospecting] order shall be granted for a period in excess of three years but an order may be extended by the Minister, on the recommendation of the Board, for a further period or periods not exceeding three years in all.'

And yet De Beers, notorious for misinvoicing, prospected for 13 years in Marange of which 7 years were in violation of our law. No one was arrested. Just like now, government only questioned De Beers operations when a new group of looters felt it was their turn to eat. It was never for the benefit of our society and economy. Because no public official is ever held accountable in Zimbabwe, it appears that well-organised crime is taking place between Marange and Dubai.

Instead of jailing the real criminals who are letting our great nation down, only petty criminals are being jailed for lengthy jail terms for petty crimes such as being found in possession of pangolins or the so called illegal panning. This is injustice. If you trace the origin of the term 'illegal panning' you will wind up at the colonial administration's doorstep. I am sickened when our learned judges send black Zimbabweans to prison for 'illegal' possession of diamonds or gold, whilst our Police and Army are brutalising their own brothers and sisters for daring to engage in artisanal mining. The same state security agents stood akimbo whilst protecting the ruling elites and their foreign guests as they looted the \$13 billion.

In fact, the so called illegal miners are the ones who can account for the pittance they earned from Marange diamonds. They built houses in Zimbabwe, started businesses and managed to change the lifestyles of their families, some forever. Their money circulated in Zimbabwe and made a huge impact on the local economy. But as for the diamond mining firms we have nothing to show for their stay in Marange. The ruling elites who helped themselves to the Marange loot stashed their money in foreign lands where other nationals can access bank loans for the development of those countries – not our Zimbabwe. This is certainly not patriotism and anti-liberation struggle ethos. I would be less angry if the billions stolen from Marange were invested in Zimbabwe.

This vast outflow of wealth is one important reason we face such a serious cash crisis. People are failing to access their hard earned cash from the banks. Can you imagine the impact \$13 billion would have made to our economy? Even the 2 million jobs you promised in 2013 would have been created. Industries throughout the country could have been revived. Zimbabweans would have had access to bank loans to start self-help projects and to revive our now-dead manufacturing sector. The Chirundu-

Beitbridge highway would have been dualised and we could have saved hundreds of lives that are perishing on that death trap. But instead our officials are party to the export of the Marange diamond wealth.

However, the story can change if you act to stop this apparent display of maladministration and possible criminal abuse of office. My humble suggestions are to:

- Reverse the appointment of Prof Gudyanga to the DDE board. He cannot serve two countries with competing interests, in identical positions, at the same time;
- Investigate whether Prof Gudyanga has been impartial in his many roles in Zimbabwe and UAE's diamond sectors
- Convene an urgent meeting with the full range of citizens, including our impoverished communities in the Marange area, so that a genuine strategy can be established for saving our wealth.

The legacy of the past 20 years of diamond exploitation in Marange, by the South African firm De Beers, by the Chinese firms and by the Zimbabwe military, will surely be known as one of Africa's worst cases of the 'Resource Curse.'

By naming the amounts involved, Your Excellency, the diagnosis of this Curse has begun. Finding a genuine cure will require a change of personnel in the responsible Ministry and related ministries and departments, and a completely different approach that is in keeping with the vision of liberation from colonialism that launched our national independence in 1980, and that keeps all of us fighting against neo-colonialism still today.

The greatest philosopher of all time once asked: "Suppose one of you has a hundred sheep and loses one of them. Doesn't he leave the ninety-nine in the open country and go after the lost sheep until he finds it? ... Or suppose a woman has ten silver coins and loses one. Doesn't she light a lamp, sweep the house and search carefully until she finds it?"

In the case of Zimbabwe we have lost not just one sheep but rather the 99 and remaining with one or lost the 9 coins if you will, remaining with only one. And yet our attitude is that of continuing with business as usual. Let us light the lamp and sweep the house until we find our \$13 billion.

If you find this letter to be useful I am willing to come with civil society colleagues to see you personally so we can discuss how to plug the leakages described above.

I will be waiting

Respectfully submitted

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