



USAID
FROM THE AMERICAN PEOPLE

USAID STRATEGIC ECONOMIC RESEARCH AND ANALYSIS – ZIMBABWE (SERA) PROGRAM

GAP ANALYSIS OF MINERAL REVENUE DISCLOSURE AND THE INFORMATION NEEDS OF VARIOUS STAKEHOLDERS

CONTRACT NO. AID-613-C-11-00001

This report was produced by Nathan Associates Inc. for review by the United States Agency for International Development (USAID).

MAY 2016

USAID STRATEGIC ECONOMIC RESEARCH AND ANALYSIS – ZIMBABWE (SERA) PROGRAM

GAP ANALYSIS OF MINERAL REVENUE DISCLOSURE AND THE INFORMATION NEEDS OF VARIOUS STAKEHOLDERS

CONTRACT NO. AID-613-C-11-00001

Program Title:	USAID Strategic Economic Research & Analysis – Zimbabwe (SERA)
Sponsoring USAID Office:	USAID/Zimbabwe
Contract Number:	AID-613-C-11-00001
Contractor:	Nathan Associates Inc.
Date of Publication:	May 2016
Author:	Mukasiri Sibanda and Gilbert Makore

DISCLAIMER

This document is made possible by the support of the American people through USAID. Its contents are the sole responsibility of the author or authors and do not necessarily reflect the views of USAID or the United States government.

ACRONYMS

BNC	BINDURA NICKEL CORPORATION
CIT	CORPORATE INCOME TAX
CSO	CIVIL SOCIETY ORGANISATIONS
CSOT	COMMUNITY SHARE OWNERSHIP TRUST
DMC	DIAMOND MINING COMPANY
EITI	EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
ESOT	EMPLOYEE SHARE OWNERSHIP TRUST
JV	JOINT VENTURE
MMCZ	MINERALS MARKETING CORPORATION OF ZIMBABWE
NIEEB	NATIONAL INDIGENISATION AND ECONOMIC EMPOWERMENT BOARD
PAYE	PAY AS YOU EARN
SOE	STATE OWNED ENTERPRISES
TSX	TORONTO STOCK EXCHANGE
VAT	VALUE ADDED TAX
ZIMASSET	ZIMBABWE AGENDA FOR SUSTAINABLE SOCIO-ECONOMIC TRANSFORMATION
ZMDC	ZIMBABWE MINING DEVELOPMENT CORPORATION
ZIMPLATS	ZIMBABWE PLATINUM MINES
ZIMRA	ZIMBABWE REVENUE AUTHORITY
ZIMSTAT	ZIMBABWE NATIONAL STATISTICS AGENCY

TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	4
BACKGROUND TO THE STUDY.....	5
OBJECTIVE OF THE STUDY.....	6
METHODOLOGY.....	9
MINING RELATED DISCLOSURE FROM STATE ENTITIES.....	8
DISCLOSURE FROM LISTED COMPANIES.....	16
STATE OWNED ENTERPRISES AND LEVELS OF DISCLOSURE.....	22
VOLUNTARY DISCLOSURE FROM MINING COMPANIES.....	27
NATURE AND LEVELS OF MINERAL DISCLOSURE IN NATIONAL BUDGETS.....	30
AVAILABILITY AND ACCESSIBILITY OF MINING RELATED INFORMATION.....	38
STAKEHOLDERS' MINING DISCLOSURE INFORMATION NEEDS.....	39
CONCLUSION AND RECOMMENDATIONS.....	40

EXECUTIVE SUMMARY

Mining information disclosure has come to be important on the global governance agenda. In a bid to ensure that mineral resources spark inclusive economic growth and benefit the poor, there have been repeated calls for improved public disclosure of information related to mining. The idea is that transparency and accountability are cornerstones to the good governance of natural resources. Aggregate demand for improved transparency and accountability in Zimbabwe has also spiked with repeated calls for the lifting of the ‘veil secrecy’ in the sector. Over the years, statements from government representatives have repeatedly revealed dissatisfaction that mining companies are not remitting all that is due to government. This has been compounded by civil society calls and campaigns for improved mineral revenue transparency.

Meanwhile, some mining companies have argued that information on their operations and financial performance is regularly publicly released. There is, therefore a critical need to detail the specific mining related information that stakeholders are interested in seeing publicly disclosed. In addition, given that the mining field has many players which are not a homogenous group; there is also a need to see what different companies are disclosing and the extent to which the purported information disclosure is fragmented. The absence of composite mapping of the mining and mineral revenue information that is currently publicly available is partly the cause for continued debate and, to some extent, confusion around mining information disclosure. Without an understanding of the mining information disclosure landscape, the calls for transparency and accountability by various actors have lacked traction because of wide generalisations. This has, in turn, made it difficult to give succinct and actionable recommendations on how to improve transparency in the mining sector.

The ensuing research report, from an evidence-based standpoint, unpacks the mining information disclosure landscape. It clearly shows that there is some level of disclosure with respect to mining and mineral revenue information. However, there are varying levels of disclosure with listed mining companies, in particular foreign listed ones, regularly disclosing a host of information. These companies furnish detailed data on mineral production, reserves, community social investments, environmental management on top of operational and financial information. It is also important to note that a limited number of private mining companies are infrequently sharing information with respect to their operations. State owned enterprises also intermittently disclose mining and mining revenue related information. With respect to state owned enterprises some mining revenue information is publicly available but this often has to be drawn from reports from various state entities including the audited annual reports, Auditor General reports and national budget statements.

Findings from the research study make a case for more sharpened, as opposed to generalised, calls for transparency and accountability. This entails stakeholders clearly outlining the information that needs to be furnished. The study also shows that there is a critical need for capacity building of civil society actors; community based organisations, the media and Parliament to interrogate the information that is already publicly available. Other findings include the need for support to institutions such as the Auditor General’s

Office and the need to institute a transparency initiative that would help standardise the disclosure of information, information that is presently disclosed in an asynchronous and incongruent manner.

The research report clearly shows that some, if not most, information related to mining revenue is already held by government. Indeed, the government, through the Ministry of Finance and Economic Development has, on occasion, previously published disaggregated data on what specific mining companies are paying in taxes and royalties. The government has also often repeated its commitment to adopting the Extractive Industries Transparency Initiative. The first step in improving the disclosure levels in the mining sector may be for government to consistently disclose the information on what mining companies are paying as it has infrequently done this before. Another option for improving the disclosure levels is for mining companies such as Zimplats to consistently furnish the public with disaggregated data related to the operations of their mines. It is important to note that these companies are already consistently disclosing albeit not sufficiently disaggregated.

The research report starts off by giving a background to the current discourse on mining in Zimbabwe and the purpose of the study. The main objective of the study is to; analyse the gaps in current mining information disclosure and document stakeholder's information needs. The gap analysis proceeds by analysing disclosure along the mining value chain. This includes looking at what information various entities are disclosing (and not disclosing) at various levels of the mining processes from licencing right through to the use of the generated revenue. The research report concludes by proposing recommendations to improve mining disclosure in Zimbabwe and ensure that the information that is disclosed is used.

BACKGROUND OF THE STUDY

Globally, there have been increased demands for transparency and accountability in the exploitation of mining, oil and gas resources. This demand has been fuelled by failure amongst many resource rich countries to leverage their natural wealth capital to spur socio-economic transformation.

In Zimbabwe, mining has become a key economic sector largely due to the collapse and subdued recovery of manufacturing and agricultural sectors that previously contributed significantly to the national fiscus. These sectors have seen plummeting production, redundancies and company closures across the country.

While the mining sector has also been affected; with mines closing, falling commodity prices and a reduction in production due to increasing costs, scarce investment funds and less friendly investor policies; it has largely been a resilient sector. The mining industry has, therefore, been looked at to trigger an economic resurgence. This is also evidenced in the government's economic blueprint, the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIM-ASSET) (2013-2018). The blueprint acknowledges mining as anchoring prospects for industrialisation through value addition and beneficiation. In addition, successive national budget statements (2009-2015) from the Ministry of Finance and Economic Development have indicated that mining will be central to the socio-economic recovery of the country.

This focus on the mining sector and the expectations of windfall revenues were stoked with the onset of formal diamond mining in Marange. Formal diamond mining in Marange, coupled with the knowledge of the significant deposits and commercially viable reserves of chrome, platinum and gold, among other minerals; has meant that the mining sector has become integral to the government's economic plans.

However, it is important to note that the mining sector has hardly lived up to public expectations. Mining companies and government have been at the vortex of accusations of opacity and starving the public of mining related information. The government has repeatedly lamented the fact that the sector is not contributing enough to the national fiscus this notwithstanding the super influence has as both a regulator and a player. The former Minister of Finance, Tendai Biti, indicated that some mining companies could be evading tax and not contributing enough revenue to Treasury.¹ In addition, there have been public sentiments that some mining companies are inflating cost structures and under-reporting their production.

Amidst this, civil society organisations, mineral resource rich communities and the general public have demanded for greater transparency and accountability in the flow and use of revenues generated from mining activity. There is general consensus that there has been opacity across the whole mining value chain. This is indicated by government's attempt at implementing the Zimbabwe Mining Revenue Transparency Initiative (ZMRTI).

It is important to note that mining activity does not necessarily correlate with an increase in contributions to national treasury. Indeed, there are examples across the African continent, of what has come to be termed as the 'resource curse' theory. This theory posits that countries that are rich in natural resources perform poorly in economic growth and social development when compared to those that are not replete with natural resource wealth.²

Transforming sub-surface mineral resources into revenues that enable government to deliver on positive development outcomes requires good governance and judicious management of mineral resources. An important part of good mineral resource management is the implementation of principles of transparency and accountability. It is important to note, however, that transparency in and of itself is not sufficient to ensure that mineral resources result in broad based economic growth. Transparency and accountability are necessary but not sufficient conditions for good exploitation of mineral resources to the benefit of the poor. It is against this background that the study was carried out.

OBJECTIVE OF THE STUDY

Amidst concerns around transparency and accountability or the lack thereof, it is imperative to identify, analyse and understand the current sources, nature and extent of public information disclosure in the mining sector. This would contribute to enriching the discourse on transparency and accountability in the mining sector. Disclosure of mining

¹ Ministry of Finance ,2012 National Budget Statement pg67 ,

² Sachs. J and Warner. M, 2001, The Curse of Natural Resources, *European Economic Review*

revenue data and mining related information is particularly important given that mineral resources are public resources and the resources are finite.

The players in Zimbabwe's mining industry include; private, public and state owned mining companies with the state playing another role as a regulator. The activities of small scale miners are more pronounced in gold and chrome mining. There are a few large mines that have interests mainly in platinum, gold, coal and nickel. Government's interests as a player in mining is either through full equity or partial equity participation in minerals such as diamonds, platinum, graphite, gold and emeralds. However, it is government's involvement in Marange diamond mining that has strengthened the state hand in mining. The flow of mineral revenues also involves various government related entities including the Zimbabwe Revenue Authority, Minerals Marketing Corporation of Zimbabwe; and Fidelity Printers and Gold Refiners.

The main objective of the study is to determine the current disclosure levels in Zimbabwe's extractive sector. The research is informed by the need to map the mining and mining revenue information that is currently being disclosed and analyse where the gaps are. The research is aimed at ascertaining what (types) information mining companies are disclosing and the levels of that disclosure (quality, consistency etc.).

The objective of mapping current disclosure levels and the types of disclosure, as aforementioned, emanates from the fact that there have been repeated calls for transparency and accountability. Civil society organisations and the general public have bemoaned the fact that the country has not fully benefited from its mineral resources and this could be down to the fact that there is opacity in the mining sector. The government, particularly the Ministry of Finance has also conceded that there is very limited transparency and accountability in the mining sector. Mining companies, meanwhile, have argued that they disclose a lot of information to the general public and to the Ministry of Mines and Mining Development. It has been argued that mining companies, particularly, those that are listed on the local bourse or other stock exchanges already disclose a lot of information in their quarterly and annual reports.

From the foregoing, it can be argued that while there is some agreement with respect to the fact that there is need to improve transparency and accountability, there is no clarity on what the current information gaps are. There is also no clarity with respect to the information needs of different stakeholders. The research objective is to give clarity to the information needs of different stakeholders and also clearly show what information is already available. This is expected to untangle the issue of transparency and accountability further and lay the basis for evidence based collaborative engagement towards mining reform and greater public accountability. Perhaps this might give traction to longstanding government intentions to adapt or adapt the Extractive Industry Transparency Initiative.³

METHODOLOGY

The research was primarily a desk-top based research. Some of the documents that were looked at included data from the Zimbabwe National Statistics Agency (ZIMSTAT), the

³ National budget statements from 2011-2015 have repeatedly signalled government's policy intentions to domesticate the Extractive Industry Transparency Initiative. The 2015 national budget called for the resuscitation of ZMRTI.

Zimbabwe Mineral Revenue Authority (ZIMRA), the Minerals Marketing Corporation of Zimbabwe (MMCZ) and the Zimbabwe Mining Development Corporation (ZMDC) among others. The documents that were assessed include; production data, export data and information drawn from various audited financial statements. The research considered the audit reports of parastatals and local authorities from the Office of the Auditor General.

Also under review were the financial statements of publicly traded companies and information that is voluntarily disclosed by both private and public mining companies. These included the Rio Tinto 'Taxes Paid' Report of 2013 and Zimplats' Quarterly Metal Production Updates. The research also sought to establish the expected standards of disclosure that come with listing on various stock exchanges.

It is important to note that the research did not just seek to establish the levels of revenue disclosure in the mining sector but also assessed the accessibility of mineral revenue data. It sought to establish the responsiveness of various state institutions with respect to revenue disclosure requests. To this end, requests for information were made to ZIMRA, ZIMSTAT and the Office of the Auditor General. To sufficiently establish the information needs of various stakeholders with respect to disclosure, the research also included a component of interviews and questionnaire administration with various stakeholders. The stakeholders that were interviewed or those that completed questionnaires included representatives drawn from civil society, community based organisations, faith based organisations and the media.

To guide the study, information disclosure was interrogated using the mineral resource value chain as a continuum. The research sought to establish the levels and types of public information disclosure from the time when mining licences are granted, through the mining operation itself, the remittance of revenue; right through to the appropriation of that revenue in Budgets.

I. MINING RELATED DISCLOSURE FROM STATE ENTITIES

A. AUDITOR GENERAL REPORTS

The audit reports from the Office of the Auditor General provide some information related to mining and mineral revenue. In particular, the auditor general's reports on state owned enterprises (SOEs) have information and data that is important in the context of mineral revenue disclosure. This is due to the fact that state enterprises such as the Minerals Marketing Corporation of Zimbabwe (MMCZ) and the Zimbabwe Mining Development Corporation (ZMDC), which are key players in mineral revenue flow, are covered in the Auditor General's reports.

The Auditor General's Reports focus on governance and statutory compliance with respect to SOEs. The reports are an important source of information as they also detail the responses from the SOEs to some of the findings. In addition, in some cases, the Auditor General evaluates the responses from management with respect to findings.

In the Auditor General's Report covering the year ended 2012, the following information on the Zimbabwe Mining Development Corporation is disclosed.

Joint Ventures

The information on ZMDC covers the year 2011. Some of the findings from that report include;

- a) Non declaration of ZMDC interests in Total Mining (Pvt) Limited in ZMDC's financial statements
- b) ZMDC has no mechanism to monitor whether or not joint venture partners have invested the agreed amounts

The Report notes that there are risks to the obtaining situation as there is a likelihood that joint venture partners may fail to invest the agreed amounts thereby prejudicing ZMDC. Another identified risk arising from the failure to declare ZMDC's interest in Todal is that there may be misstatement of the financial statements as the recorded investments of those accounted for may not be complete. The ZMDC management at the time noted the findings of the Auditor General and made a commitment to follow up with management at its joint venture companies in order to get their audited financial statements

This is an important finding with respect to the joint ventures that ZMDC has entered into. The finding also has serious implications on mineral revenue. It is instructive to note that it took the Auditor General's Report to push ZMDC to follow up with its joint venture companies to avail audited financial statements.

Sale of Shareholding

Another finding from the 2012 Auditor General Report is with respect to a sale of shareholding agreement between ZMDC and GlassFinish Investments (Pvt) Limited. The agreement is dated 2 February 2010 and according to the agreement, ZMDC would cede 80% of its shareholding in the joint venture investment for US\$40 million. ZMDC duly ceded its shareholding but was not paid the US\$40 million at the time the 2012 Auditor General's report was compiled.

The risk is that of serious financial impairment and the Auditor noted that the corporation should have been paid as per the agreement. ZMDC management noted that follow up letters had been made and there was to be a shareholders' meeting to map a way forward. However, the Auditor General, in evaluating this management response, noted that considering the amount involved, management should have taken swift action. The auditor general noted that there is no real commitment to take action.

This disclosure is important as it gives a window into the operations of ZMDC and details some parties that transact with ZMDC. Moreover, it reveals the undermining of state's commercial interest in ZMDC of optimising mineral revenue receipts as shareholding is ceded without clear fall back mechanism when payment is not honoured.

Board Representation

The Report noted that ZMDC did not have its representatives on the boards of joint venture companies as per the joint venture agreements. It was noted that in Anjin and Diamond Mining Company, the ZMDC has a 10% and 50% shareholding respectively. ZMDC is expected to have four (4) board members in both companies but had no representation at all at the time the auditor compiled the report. In Mbada Diamonds, ZMDC has a 50% stake

and is supposed to have two (2) board representatives. The corporation, however, only had one (1) representative.

To comprehend the gravity of ZMDC's failure to have board representation, there is need to understand that a company is a legal person with no mind of its own. A company's directors, therefore, have a fiduciary duty to act in the best interest of the shareholders. Apart from the shareholder's right to a dividend, a shareholder has a right to vote for appointment of directors amongst other rights. Failure by ZMDC's to exercise its power to appoint directors diminishes its direct influence on how the company affairs are run. The board plays an oversight role to management and at the same time reporting to shareholders. It is difficult to understand ZMDC's apathy in the management of its joint ventures In Marange given the elevated importance of Marange diamond dividend to a nation suffering fiscal stress.

Remission of taxes and statutory compliance

The Auditor General Report stated that ZMDC had been remitting its corporate tax and royalties to the Ministry of Mines and Mining Development instead of remitting to ZIMRA and the MMCZ respectively. This is a clear flouting of the Income Tax Act which requires that corporate tax be submitted to ZIMRA. Some examples of the transactions that involve this non-compliance with statutory requirements are detailed below;

Unit	Income Tax Paid Through ZMDC	Royalties Paid Through ZMDC
Mbada Diamonds (Pvt) Ltd	US\$ 21 610 088	US\$ 25 935 288
Marange Resources (Pvt) Ltd	US\$ 3 742 333	US\$10 675 366

There is no clarity with respect to how approximately US\$62 million was appropriated and used by the Ministry of Mines and Mining Development. These were resources that should have gone through ZIMRA and the MMCZ and should have eventually found their way to the Consolidated Revenue Fund. To this end, the Auditor General's Reports detail important mineral revenue related information.

The ZMDC Act requires that dividends be paid out only when there is a Board Resolution to that effect. The Auditor General's Report, however, notes that dividends were paid out in 2011 to the Ministry of Mines and Mining Development without prior Board approval. This has the risk of blighting the financial position of ZMDC as dividends may be paid out even where this compromises the financial position of the Corporation.

The response from ZMDC was that these dividend payments were made due to the demands of Treasury and the Board would approve these payments in retrospect. This however, does not detract from the issues raised by the Auditor General that these dividend pay-outs flout the ZMDC Act and may negatively impact on the financial performance of the Corporation.

Other Issues Noted

Other issues that were noted in the Auditor General's Report for 2012 include;

- Transfer of assets from one company to other subsidiaries within the group without supporting documentation thereby risking asset misappropriation.
- Boards of subsidiaries (Sandawana and Jena Mines) not being properly constituted and not meeting as often as is required.
- Non-compliance with safety, health and environmental legislation or requirements at some of the mines.

Auditor General's 2011 Report Findings

The 2011 report from the Auditor General's findings also has important revelatory information with respect to mining and mineral revenue. The report noted that there was non-invoicing of ferrochrome consignments that were being exported via Beira and Maputo. In particular it was noted that chrome produced by Maranatha Ferrochrome and exported in 2010 through Manica Beira was not invoiced. Some of the consignments that were not invoiced or not properly invoiced are detailed below;

Railing Date	Truck Number	Tonnage	Date of Arrival	Date of Dispatch
01/09/10	289355	44 000	09/08/10	03/10/10
02/09/10	269883	44 000	07/09/10	22/09/10
06/08/10	303613	44 000	17/08/10	04/10/10
06/08/10	268871	44 000	11/08/10	14/08/10
06/08/10	391777	44 000	11/08/10	14/08/10

The Auditor General's Reports expressly states that non-invoicing of mineral exports has the potential of understating the corporation's revenue and MMCZ could potentially lose through underhand deals by producers in collaboration with staff members.

2009 Auditor Generals' Report

MMCZ

Among many other governance findings with respect to the Minerals Marketing Corporation, the Auditor General's Report noted that MMCZ was unable to verify the quality and quantity of chrome exports. It was noted that MMCZ was not adequately staffed with the result being that the Corporation was monitoring the operations of Chrome Producers as far off as Mashava in Zvishavane from its Head Office in Harare. The Auditor General also noted MMCZ's Hwange Office was not keeping records of production data from the mines within the Hwange area.

In essence, MMCZ was not effectively monitoring production from the operators in the area yet this is important so as to ensure no losses with respect to revenues. In addition, it was noted that MMCZ did not have the necessary equipment to verify the mineral content in the chrome ore that was being produced.

The risk is that the corporation would suffer revenue loss due to under-declarations. MMCZ however, noted the findings and stated that it had budgeted some resources so as to acquire the necessary equipment and hire adequate personnel.

There is evidence that the Auditor General’s reports provide important information with respect to mining and mineral revenue. However, the Auditor General’s Reports are not produced in a timely manner. To date, the 2013 reports for SOEs and local authorities are yet to be produced. In addition, poring through the reports, there is no sufficient evidence showing that there is follow up or continuity on the issues that Auditor General would have raised in previous reports. Nonetheless, the information in these reports is important insofar as the quest for transparency and accountability is concerned.

B. ZIMBABWE REVENUE AUTHORITY

The Zimbabwe Revenue Authority (ZIMRA) is an institute of statute in terms of the Revenue Authority Act (Chapter 23:11). Its responsibilities include assessing, collecting and accounting for revenue treasury. In addition, ZIMRA advises government on fiscal and economic matters such as revenue forecasting and tax reforms. ZIMRA’s mandate makes it an indispensable player in the management of mineral revenue.

Basically taxable applicable to the mining sector are not unique but applicable to other industries with the exception of mineral royalties .Mineral royalties are a form of rent paid for the extraction of wasting mineral assets and are charged in terms of the Mines and Minerals Act (Chapter 21:05). Mineral royalties are levied based on the face value of the invoice. The royalty structure is designed to capture higher revenue from highly valuable minerals. Royalties for all minerals with the exception of gold are collected by MMCZ.

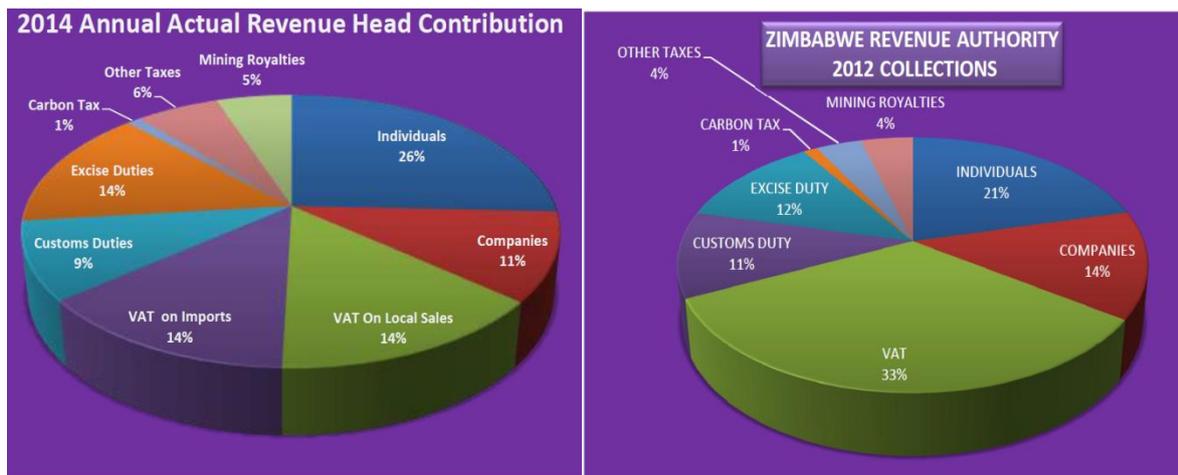
There are different royalty rates for minerals which vary in accordance with mineral type as listed below.

Mineral	Rates of royalties with effect from 1 January
Diamonds	15%
Other precious stones	10%
Gold	7%
Platinum	10%
Other precious metals	4%
Base metals	2%
Industrial metals	2%
Coal bed methane	2%
Coal	1%

Source: ZIMRA website⁴

ZIMRA timeously produces quarterly and annual revenue performance updates which are publicly accessible online and also published in newspapers.

⁴ http://www.zimra.co.zw/index.php?option=com_content&view=article&id=1883:what-is-the-basis-of-charging-mining-royalties&catid=21:did-you-know&Itemid=91



Source: ZIMRA website

As noted from the above charts, ZIMRA’s reports disclose revenue collection per tax head. Consequently mineral royalty is the only mineral revenue stream that can be completely attributed to mining. This is so because other taxes are not unique to the mining industry alone but also applicable to agriculture, tourism, manufacturing and banking industries. There is therefore a gap in terms of the information disclosure from ZIMRA. The information that is produced by ZIMRA for public consumption is not sufficiently disaggregated. It is, therefore, difficult to ascertain the contribution of mining companies to corporate income tax (CIT) or customs duty.

ZIMBABWE NATIONAL STATISTICS AGENCY

The Zimbabwe Statistics Agency (Zimstat) was established in terms of the Census and Statistics Act (Chapter 10:29). It is supposed to be the hub of all national statistics. Therefore, it is expected to publicly provide mineral related statistics. On the Zimstat website the key information one can find relates to trade. One can find the export values of various minerals from 2009-2013. However the trade information does not provide for the export quantities.

However, it is possible to get mineral export volumes and values from Zimstat through an email request. Below is compilation of detailed data on diamond exports from 2010-2013.

Diamond exports by volume and value from 2010-2013

Year	2010:		2011:		2012:		2013:		Total 2010-2013		Total % 2010-2013	
	NetWeight (Kg)	USDValue	NetWeight (Kg)	USDValue	NetWeight (Kg)	USDValue						
71021000:Unsorted diamonds	303	76,770,795	123	34,741,118	11	7,749,568	642	138,663,522	1,079	257,925,002	1%	16%
71022100:Industrial diamonds unworked or simply sawn, cleaved or bruted	871	218,330,591	44,480	225,494,177	18,702	657,788,187	28,413	187,894,015	92,467	1,289,506,969	99%	82%
71022900:Industrial diamonds, not mounted or set, nes	-	-	0	35,418	0	113,111	-	-	0	148,529	0%	0%
71023100:Non-industrial diamonds unworked or simply sawn, cleaved or bruted	27	27,975,647	-	-	-	-	-	-	27	27,975,647	0%	2%
71023900:Non-industrial diamonds, not mounted or set, nes	0	11,611	0	11,611	-	-	-	-	1	23,221	0%	0%
Totals	1,201	323,088,643	44,603	260,282,324	18,713	665,650,865	29,056	326,557,537	93,573	1,575,579,368	100%	100%

Source: Compiled from Zimstat⁵

- The following can be deduced from the table above showing diamond exports by volume and value from 2010-2013;
- Diamond exports are classified into 5 categories which include unsorted diamonds, industrial diamonds unworked or simply sawn, industrial diamonds not mounted or set, non-industrial diamonds unworked or simply sawn and non-industrial diamonds not mounted or set. This disclosure is quite pertinent in that a quality frequency of diamond exports can be established which can be triangulated with production foot print if it is availed.

This is critical given that non-industrial diamonds are highly valuable despite that they are less voluminous. As a result, non-industrial diamonds are highly susceptible to smuggling. According to the 2011 midterm national budget statement, 18% & 23% gem quality diamonds are produced from alluvial diamonds at Marange and kimberlites respectively and the remainder being industrial diamonds.

⁵ The data was provided promptly by Zimstat through an email request.

This contrasts sharply with analysed data from Zimstat which shows that industrial diamonds account for nearly 99% of production. It can be interpreted gem quality diamonds were massively smuggled during this period. This is why the grey area of diamond quality production frequency must be cleared as a matter of urgency to allow public examination of whether they are massive leaks of diamonds.

- Unsorted diamonds account for a mere 1% of total diamond exports by volume (2010-2013) whilst in the same report their contribution to total diamond exports by value balloons to nearly 16%. This may mean poor classification of diamonds either negligently or fraudulently through staffing of highly valuable diamonds in parcels of unsorted diamonds.
- Zimstat diamond exports are presented in kilograms as opposed to carats which make comparison with other sources like the Kimberly Process (KP), MMCZ, RBZ and Ministry of Finance which use carats

II. DISCLOSURE FROM LISTED COMPANIES

A. Map of Listed companies

Companies listed at the stock exchange are public companies in that their shares are publicly traded. To protect public interests in listed companies, there are stringent public disclosure regulations as set by the Companies Act (Chapter 24:03) and the Stock Exchange (Chapter 24:18) which must be complied with. This means that the critical operational and financial information on listed companies is publicly released quarterly and annually as a legal requirement.

The nature of information disclosed includes; a statement of comprehensive incomes (showing income and expenses to arrive at profit or loss), cash flow statement (tracking the generation and utilisation of cash) and statement of changes in equity position. Further the disclosure is guided by the International Financial Reporting Standards (IFRS).

Some stock exchanges have additional reporting requirements for mining companies as is the case with Australian Stock Exchange (ASX) on disclosure of Mineral Reserves and Ore Reserves. Unfortunately the Zimbabwe Stock Exchange (ZSE) does not have specific additional reporting pertaining listed mining companies.

The information under consideration for listed companies is easily accessible to the public online on the relevant stock exchange website or company website.

A number of mining companies operating in Zimbabwe are listed on the local or on various international stock exchanges either directly or indirectly through their parent holding companies.

Mining companies listed on the Zimbabwe stock exchange

Mining Co	Founded	Listed	Year End	Mines and product catalogue	Shareholding Structure
Bindura Nickel Corporation Ltd	1966	1971	Mar	Shangani & Trojan mines Hunters road nickel deposits. Also it operates Bindura Smelter & refinery complex. Products (Nickel, Copper & Cobalt)	Mwana Africa a listed company on London stock exchange owns 75.4%
Falcon Gold Zimbabwe Ltd	1991	1991	Sept	Dalny mine in Chakari, Venice Mine in Kadoma, and Golden quarry mine in Shurugwi. Products (Gold)	Approximately 85% owned by New Dawn a company which delisted on Toronto stock exchange in November 2013. Now it is domiciled in Cayman Island
Hwange Colliery Company Ltd	1925	1953	Dec	Coal and Coke	Government is the largest shareholder owning approximately 37%, Nicholas Van Hoogstraten through different vehicles owns about 31% and Mittal Steel Africa

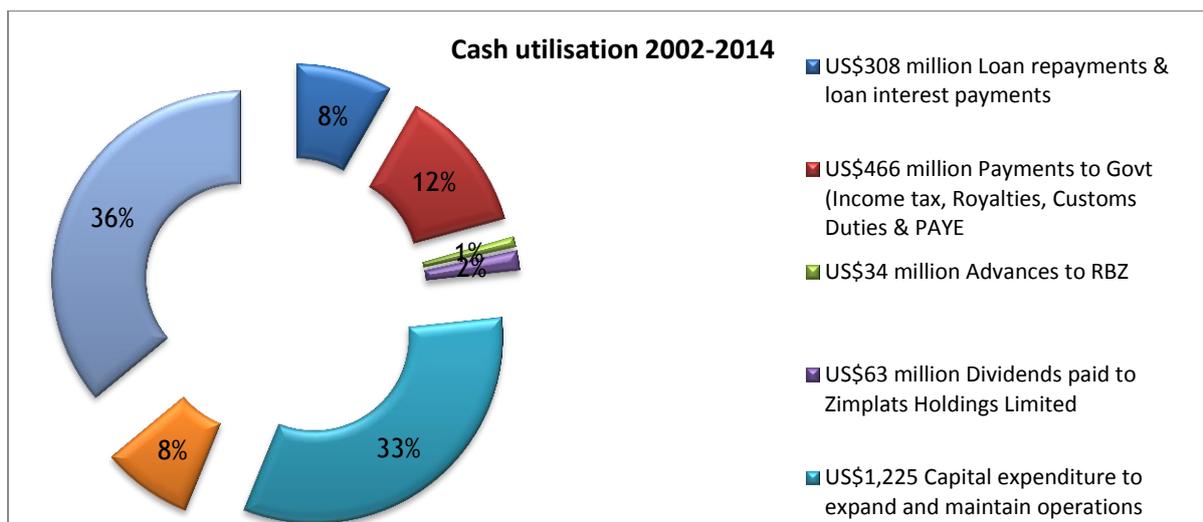
					about 10%
RioZim Ltd	1956	1969	Dec	Renco gold mine in Masvingo, Cam & Motor Gold Mines in Kadoma & Murowa diamonds in Zvishavane. It also operates Empress Nickel Refineries mainly through toll manufacturing. Products (gold & diamonds)	Murowa Diamonds is 78% owned by Rio Tinto and the other 22% by RioZim

Mining companies whose holding companies are listed on foreign stock exchanges

Holding Co	HQ	Stock Exchange	Mines Zim & products	Shareholding structure
Zimplats Holdings Limited	Guernsey	Australian	There are 11 subsidiary companies 100% owned by Zimplats holdings registered in Zimbabwe. It has 2 concentrators at Ngezi & a concentrator & smelter at Selous. Products include PGMS, gold, silver, nickel, copper. Zimplats, PGMS, gold, nickel, copper.	87% owned by Impala Platinum Holdings (Implats) listed at the Johannesburg stock exchange
Caledonia	Canada	Toronto	Blanket mine in Gwanda-Gold	49% Caledonia, 10% CSOT, 10% ESOT, 15% Indigenous partners & 16% NEEIB
Aquarium & Impala	Australia & South Africa	Johannesburg & Australia	Mimosa mine-PGMS, gold, nickel, Operates 1 concentrator	50% Aquarium & 50% Impala
Angloplat	South Africa	Johannesburg	Unki mines, PGMS, Gold, nickel. Operates 1 concentrator	100% owned by Anglo Platinum Mines

B. Zimbabwe Platinum Mines (ZIMPLATS)

As a result of being publicly listed, Zimplats discloses considerable information that relates to mineral revenue. An example is Fig 2 below wherein the company discloses its cash utilisation from 2002-2014. This information is drawn from Zimplats' 2014 *Integrated Annual Report* and is publicly available from Zimplats and the company's website. The information clearly shows how much the company has paid to government; its capital expenditure; advances to the Reserve Bank of Zimbabwe and loan repayments.



In addition to the cash utilisation disclosure, the company also provides a host of information on information related to revenue generated, production data disaggregated by mineral type; mineral grades, production costs per ounce, metal prices, employees, social and local enterprise investments; levels of local procurement and environmental information. Below is a snap shot of Zimplats' disclosure from its 2014 Integrated Annual Report;

Mineral reserves and mineral production

- ▶ Zimplats is guided by the additional reporting requirements on mining, gas and oil activities from the ASX and Australian Code for reporting on Mineral Resources and Ore Reserves (JORC). Therefore measured, indicated and inferred mineral resources inclusive of ores are reported separately for each mining pit.
- ▶ Estimated useful life of mines; Rukodzi (6 years), Ngwarati (11 years), Bimha (22 years), Mupfuti (18 years) and Ngezi open pit (3 years)
- ▶ Production is reported in terms of 4E which includes platinum, palladium, rhodium and gold
- ▶ Platinum production increased by 21% to 239,000 ounces
- ▶ Average 4E head grade for the year was 3.26g/t lower than the previous year 3.32g/t

The mineral reserves and ore reserves are disclosed in accordance with levels of confidence in geological information and given technical and economic consideration. The mineral resources are reported and classified separately as; measured, indicated and inferred resources in order of respective level confidence and life of mine. Such level of disclosure is pertinent not only to investors but to government and citizens as it helps to manage expectations associated with exploitation of mineral resources.

The case of the, Marange alluvial diamond field which was touted as the largest alluvial diamond find of the century with capacity to supply 25% of the world's rough diamond

production, springs to mind.⁶ Government fuelled public expectations by declaring that at least US\$2 billion annual revenue could be realised from Marange diamonds.⁷

To date, the expected windfall revenue from Marange diamonds has not materialised⁸. Worse still, news has filtered in that alluvial diamonds have depleted barely 5 years from the onset of formal exploitation.⁹ Mining entities concerned, government and the public were all seemingly caught off guard. This could have been managed if the confidence levels in diamond reserves and the life of a mine were disclosed.

It is also important to note that such disclosure is important insofar as the average quality ore grade per tonne as disclosed can be compared with other local, regional and international platinum players, this notwithstanding varying geological factors.

Financial performance

- ▶ Metal prices improved marginally leading to gross revenue per platinum ounce increasing from US\$2,432 to US\$2,457.
- ▶ Revenue for the year increased by 22% from US\$472 million to US\$576 million broken down per mineral (platinum, palladium, gold, rhodium, nickel and others)
- ▶ Average cost per platinum ounce amounted to US\$1,319, which is 2.5% up from prior year

Zimplats' effective annual tax is 16.84% derived by the US\$97 million total tax contribution as disclosed below with the annual revenue of US\$576 million disclosed above. Such statistics including the disclosed average cost per platinum ounce assist in analytical reviews.

Analysis of data from peers in the local platinum industry can be done to detect major disparities that warrant investigations notwithstanding other critical factors like the stage of mine development and production.

Fiscal related matters

- ▶ Related party transactions-all white matte is sold to Impala Refining Services (IRS) (a sister company). Prices for individual extracted minerals/metals (after refining) are based on market prices. Quantities of metals contained in white matte are obtained from assay report results from both the Group and IRS and agreed by the two.
- ▶ Fiscal contributions in respect of corporate tax, royalties, payroll taxes and customs duties for the year amounted to US\$97 million
- ▶ Additional Profit Tax (APT)- contingent liability shot to US\$50.4 million arising from the disallowance of prior year losses as allowable deduction for the computation of APT. ZIMRA dismissed Zimplats' objection on amended APT and has since appealed to

⁶ Taurai Mangundla, 23 November 2012, Zimbabwe Independent and available here: <http://www.theindependent.co.zw/2012/11/23/govt-pumps-us50m-into-dmc/>

⁷ 9 December 2011, The Chronicle, Zimbabwe will not beg again-Mpofu and available here: <http://www.chronicle.co.zw/zimbabwe-will-not-beg-again-mpofu/>

⁸ 2013 and 2014 national budget statements-the anticipated \$600m diamond revenue failed to materialise in 2012, and \$61 million budgeted dividend revenue was not realised

⁹ 5 March 2015, Chinamasa: Forget diamonds, Zim is broke and available here: <http://www.newzimbabwe.com/news-20990-Chinamasa+forget+diamonds,+Zim+broke/news.aspx>

the Special Court of Tax Appeals .The group has an estimated US\$49.5 million contingent liability excluding interest for the period (2007-2014)

- ▶ Statutory tax rate is 15% as stipulated in the special mining lease (Income Tax Act)
- ▶ On beneficiation, the Base Metal Refinery (BMR) as Selous will be refurbished at an estimated cost of \$192 million

The disclosure of the applicable tax structure helps to shed light on whether or not Zimplats has been given fiscal incentives.¹⁰ Thus comparisons can be drawn between the company's disclosed tax structure and the one legally provided for in the Income Tax Act and related pieces of legislation. For instance the disclosed corporate income tax rate of 15% matches the one provided for under the special mining lease provisions in the Income Tax Act Chapter 23:06. Further, disputes between Zimplats and the Zimbabwe Mining Revenue Authority on calculation of Additional Profit Tax have been reported on. As a result, there is enhanced understanding of the administration of taxes.

Zimplats also furnishes its overall annual contribution to the fiscus which provides an opportunity for government to publicly disclose what it has received to allow public reconciliation as called for by EITI guidelines and the Publish What You Pay (PWYP) campaign. The only drawback is that Zimplats' fiscal contribution is lumped which makes it difficult to analyse performance of specific revenue heads. For instance, PAYE an indirect tax contributed to by employees is mixed up with other direct taxes. Consequently direct tax contributions by Zimplats are clouded. It must be noted that Rio Tinto voluntarily discloses a breakdown of its direct and indirect tax contribution which is an example that Zimplats and other mining companies may follow¹¹. In its 'Taxes Paid' report of 2013, Rio Tinto reports on its tax payments broken down by type, that is, corporate income tax, PAYE and royalties.

Employment, indigenisation and local content development

- ▶ Permanent employees increased by 12% to 3,268 at the close of year and the number of contractor employees decreased by 1% to 2,749
- ▶ On-going negotiations with government on indigenisation after the initial agreement concluded in January 2013 was discarded
- ▶ Local enterprise development work being done with 7 small and medium enterprises within the local community in Mashonaland West province. Goods and services sourced from these enterprises include protective clothing (work suits and overalls), silica, and bricks, punch bars, housing maintenance services and ore transportation. \$5 million has so far been spent to date on promoting local enterprise development.
- ▶ US\$ 215million was spent on local procurement translating to 66% of total expenditure excluding payments to government institutions

The report on local procurement performance and support to local development enterprises enables an evaluation of whether mining is shifting from an "extraction mind

¹⁰ *Civil society in general laments that mining companies in some cases are given over generous tax incentives that undermine the country's tax code thereby hurting the fiscus.*

¹¹ <http://www.riotinto.com/ourcommitment/taxes-paid-in-2013-4757.aspx>

set to a development one”.¹² There is scope for civil society to undertake social audits to verify this key economic contribution which accounts for the greater share of mineral revenue generated. In addition Zimplats employs over 6000 workers directly and indirectly which contributes to a composite view of its overall economic contribution.

Community Social Investments (CSI)

- ▶ Final instalment to the Community Share Ownership Trust (CSOT) honoured to take total final contribution to \$10 million.
- ▶ Community Social Investments; these are separate from CSOT activities. In the report is noted that the refurbishment of Chitungwiza ward amounted to \$27,476; and two market gardening projects cost US\$33,768

Only 17 out of 61 launched CSOT are operational. It can be seen that Zimplats has joined Unki Mine as the two companies that have fully honoured their obligations towards CSOTs. It is also important to note that the obligations to CSOT have been honoured when there issue of indigenisation remains outstanding. From the reports, it can also be noted that Zimplats has continued with its corporate social investments notwithstanding the payments to the CSOT.

Environmental issues

- ▶ Applied for annual renewal of 4 Environmental Impact Assessment (EIA) certificates, and two Environment Management Plans (EMP) certificates.
- ▶ 3 inspections carried out during the year by Environmental Management Agency (EMA) to ascertain compliance levels with permit condition and Environment Management Act.
- ▶ Zimplats was judged to be compliant with requirements of EMA.
- ▶ The provision for rehabilitation stood at US\$13.7 million as at 30 June 2014
- ▶ Rehabilitation of closed open pit mine progressed well in the year with over 50% of the disturbed areas now rehabilitated

The mining sector in Zimbabwe has attracted attention for poor environmental management practice. Public disclosures on environment help to demystify such stylised facts. Other mining companies should be encouraged to follow suit to facilitate public accountability through verification of disclosed information.

Community Social Investments over the past 4 years

	FY2014	FY2013	FY2012	FY2011
	US\$	US\$	US\$	US\$
Education	207 494	3 062 160	3 282 818	755 000
Sports Development	93 975	53 779	35 000	26 000
Income generating projects	88 456	80 025	46 732	303 000
Health	91 009	668 050	873 471	223 000

¹² Reversing the resource curse: Maximising the potential of resource-driven economies 2013 and available here: http://www.mckinsey.com/insights/energy_resources_materials/reverse_the_curse_maximizing_the_potential_of_resource_driven_economies

Other	578 029	339 641	1 071 079	40 000
Total Company CSR	1 058 963*	4 203 655	5 309 100	1 348 650
Direct Donation to CSOT	4 200 000	2 500 000	3 300 000	-
Total CSR	5 258 963	6 703 655	8 609 100	1 348 650

C. CANADIAN LISTED COMPANIES

Extractive companies listed on Canadian stock exchanges are required to publish various types of disclosure documents on a regular basis. In Zimbabwe, the company that is listed there is Caledonia Mining which runs Blanket Gold Mine. Disclosure is made based on the principle of “materiality” - what might reasonably be seen to impact the decisions of an investor. The documents include;

- Annual Information Form-provides an annual overview of all aspects of the company, including all countries of operation.
- Manager’s Discussion and Analysis-perspective of the company’s managers on the operations of the company and its future.
- Press Releases
- Material Change Reports-a material change report is produced whenever there is a substantive event that may impact the operations of the company and its value. This includes anything from a new contract signed, a new CEO, or a workers strike at a mine site.
- Financial Statements
- Technical Report- similar to a feasibility study or economic impact assessment. The technical report includes information on forecast production. An example is below;

All monetary values in Real terms		Total Production 2011 to 2023
Total Underground Production	t	4,134,900
Grade	g/t	3.81
ROM tonnes per day	tpd	1,000
Mill Recovery	%	91.5%
LOM	years	12
Total Recovered - Au	kgs	14,415
Total Recovered - Au	ozs	463,459
Gold Price (long term, real)	US\$/oz	1,500
Gross Revenue	US\$	736,909,545
Royalty	US\$	33,160,930
Refining & Transport	US\$	3,707,673
Net Revenue	US\$	700,040,942
Working Costs	US\$	314,414,830
Working Costs	US\$/t	76
Working Costs	US\$/oz	678

Source:

All this information is available on the System for Electronic Document Analysis and Retrieval (SEDAR). This is an online filing service for Canadian public companies. This site provides public access to securities documents and other information filed by public companies.¹³ This serves as a credible source of information as companies are liable for information disclosed. This allows CSOs, government officials to engage with companies and ask questions relating to the information provided.

An example of the information that is available from SEDAR relates to the now TSX de-listed New Dawn. The information that is available is that on payments to government and is presented in the format below. The payments are clearly disaggregated by tax head to include royalties, CIT, licences and the rural electrification levy. It is important to note that the information is even broken down even in terms of payroll contributions (employer contributions and deductions from employees).

The main gap is that SEDAR is difficult to use. The website does not have a search function and the files are too large files. Another challenge may also be that there are not many Zimbabwe based mining companies that are listed on the TSX.

¹³ <http://www.sedar.com/>

7.5 Social investment and support for the Zimbabwean Economy

During the periods ended March 31, 2013 and 2012 and the year ended September 30, 2012, the Company's Zimbabwe operations made payments to the Zimbabwean Government and its agencies as follows:

	Three months ended March 31,		Six months ended March 31,		Year ended September 30, 2012
	2013	2012	2013	2012	2012
Gross revenue	\$ 14,986,200	\$ 14,857,212	\$ 31,598,676	\$ 30,297,978	\$ 61,947,433
Taxes and levies					
Corporate taxes	\$ -	\$ 187,315	\$ -	\$ 187,315	\$ 187,315
Royalties	1,051,632	979,360	2,197,592	1,675,134	3,898,969
Duty	148,708	184,915	293,855	645,225	1,009,523
Licenses and levies	147,214	108,578	194,226	149,259	267,638
Rural electrification levy	105,133	141,299	253,983	244,807	487,507
Payroll remittances					
Deductions from employees	667,960	705,489	1,410,577	1,423,982	3,116,704
Employer contributions	342,563	289,628	783,629	687,224	1,444,958
Total, taxes and levies	\$ 2,463,210	\$ 2,596,584	\$ 5,133,862	\$ 5,012,946	\$10,412,614
Percentage of reported gross revenue	16.4%	17.5%	16.2%	16.5%	16.8%

Source: SEDAR

III. STATE OWNED ENTERPRISES AND LEVELS OF DISCLOSURE

This section maps the State Owned Enterprises (SOEs) involved in mining in Zimbabwe, and ascertains the current informational disclosure publicly available and the gaps. The SOEs include; the Zimbabwe Mining Development Corporation (ZMDC), Minerals Marketing Corporations of Zimbabwe (MMCZ) and Fidelity Printers and Refineries (FPR). Broadly speaking, SOEs in Zimbabwe (regardless of which sector they are involved) are renowned for mismanagement and opaqueness. SOEs are required by the Public Finance Management Act, Chapter 22:09 sub-section (1) of section 49 to produce annual audited reports and financial statements within 3 months from year end.

Generally, state equity participation in mining may be influenced by a wide range of objectives. These objectives include commercial, strategic and security ones. The commercial objective is driven by state's desire to optimise mineral revenue accruable to the state especially in highly profitable ventures through a share of profits in addition to tax revenue. Some minerals like coal may be deemed critical to provide energy, a public good and thus the state would require a seat at the table to influence how they are exploited.

A. Zimbabwe Mining Development Corporation (ZMDC)

ZMDC is a SOE representing state business interests in the mining sector as a player and was established through an Act of Parliament (ZMDC Act Chap 21:08). Basically, ZMDC's

main source of disclosure is its annual reports and audited financial statements as required by the Public Finance Management Act (Chap 22:19) and read with section 40 of the ZMDC Act (Chap 22:19). Audited annual reports and financial statements have some degree of integrity as they are a result of an assessment by an independent expert (auditor).

In this regard, the auditor’s opinion on whether or not the annual reports and financial statements reflect a true and a fair view of the company’s financial performance and financial position is quite critical. For instance, the auditor’s opinion on ZMDC’s 2012 was modified on the grounds that ZMDC failed to consolidate financial results from some of its subsidiaries, the lack valuation of Marange diamond reserves and failure to authenticate existence and independent valuation of \$10,677,271 Jinan diamond stock.

The 2011 and 2012 audited annual reports and financial statements for ZMDC are publicly available. Soft and hard copies of these can be accessed online on ZMDC’s website and by making a written request to Parliament Portfolio Committee on Public Accounts and The Office of the Auditor General (OAG) (once the reports have been presented to Parliament). It is standard requirement for financial statements to compare current year information with that of the prior year. Thus information on ZMDC’s operations and financial performance from 2010-2012 is easily accessible.

Despite the above positives, ZMDC has toxic fallow periods in its production of annual reports. For instance, ZMDC’s 2012 audited annual report was released in the first quarter of 2014. Further, ZMDC’s 2013 audited annual report is still outstanding. This is contrary to requirements of the Public Finance Management Act that calls for the release of audited annual reports within first 3 months after year end. ZMDC’s year end is in December.

Since ZMDC is a holding company of government’s mining investments, its annual reports provide a bird’s eye view of the financial and operational affairs these various investments in Marange diamonds, gold, graphite, platinum and asbestos amongst others. It is thus possible to get information on the number and names of the subsidiaries ZMDC has and the level of state equity participation in those subsidiaries.

A snapshot view of ZMDC’s investment in subsidiaries and joint ventures in Marange diamond field as at 31 December 2012.

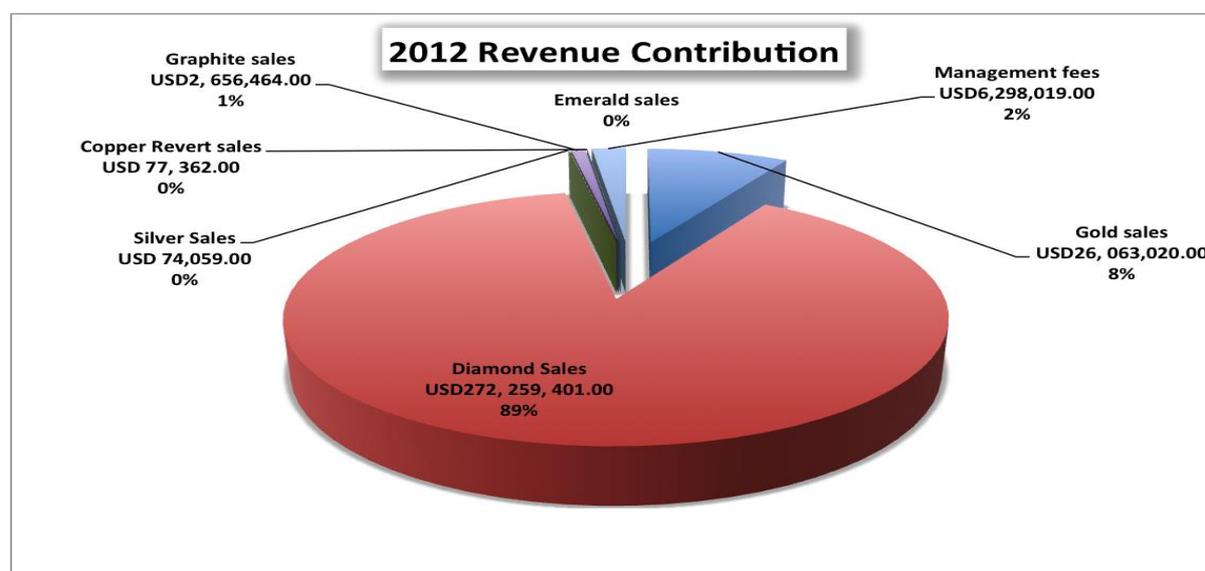
Company	Equity	JV Partner
Marange Resources	100%	N/A
Mbada Diamonds	50%	Grandwell Holdings
Anjin	10%	Anhui Foreign Economic Construction Company Ltd of China (AFECC)
Jinan	50%	Anhui Foreign Economic Construction Company Ltd of China (AFECC)
Kusena	100%	N/A
Rera	60%	
Diamond Mining Corporation	50%	Pure Diamond

Source: ZMDC’s 2012 annual report

According to the above picture, ZMDC has full equity participation in Marange Resources and Kusena Diamonds. In addition, ZMDC's has partial equity participation in Mbada Diamond, Jinan Mining and Diamond Mining Corporation (DMC) translating to 50% ownership in each.

From the annual reports, it is possible to sift information on shareholder as is the case with Anjin Investments. Anhui Foreign Economic Construction Company Ltd of China (AFECC) owns 50%, ZMDC's has 10% equity stake, the other 40% stake is said to be owned by Government of Zimbabwe which takes the overall state equity participation to 50%. It can be see that it is difficult to pinpoint which government agency is holding 40% in Anjin. This limited disclosure complicates the picture with respect to accountability mechanisms especially with regards to remittance of dividends to the fiscus.

Total annual revenue together with a breakdown depicting the revenue sources can be extracted from the audited annual reports as show by the pie chart below;



Source: ZMDC's 2012 Annual Report

Overview of ZMDC's financial performance and fiscal contribution from 2010 to 2012

	2010	2011	2012	Total
Revenue	120,000,000.00	279,600,000.00	307,400,000	707,000,000.00
Profit Before Tax	120,193,927.00	126,955,771.00	90,075,868.00	337,225,611.00
Tax	19,601,679.00	16,787,065.00	10,985,302.00	47,374,046.00
Dividend	61,932,750.00	72,686,628.00	19,300,000.00	153,919,378.00

Source: ZMDC's 2011 and 2012 Annual reports

The information from the above table is quite pertinent in tracking the flow of dividend revenue. The flow of dividend revenue was a major source of contention in national budget statements (2010-2015). Disclosure of dividend revenue by ZMDC can be triangulated with Mbada Diamond's alleged U\$117,202,859.79 dividend payment to government for the past 2 years as declared in May 2012.¹⁴ What can be deduced here is

¹⁴ Mbada Injects US\$300 million into national coffers, accessed on 29 April 2014 and available here: <http://www.herald.co.zw/mbada-diamonds-injects-us300-million-into-national-coffers/>

that alleged dividend revenue paid by Mbada Diamond to ZMDC accounts for 76% of diamond remitted to the treasury by ZMDC. Thus it can be seen that ZMDC was withholding dividend payment to the state at a time of serious fiscal stress.¹⁵

Mineral production from ZMDC related investments 2010 & 2011

	2011	2010
Gold (Kg)	516.54	283.94
Diamonds (Carats)	4,502,739	8,105,201
Graphite (tonnes)	7,250	3,967
Emeralds (carats)	768,200	665,400

Source: ZMDC's 2011 annual report

The table above details total mineral production from ZMDC's investments. This disclosure presents an opportunity to juxtapose of mineral production and revenue. Greater transparency would be attained through breakdown of mineral production to levels of specific mining entities as is the case with Zimplats' 2014 annual report.

B. MINERALS MARKETING CORPORATION OF ZIMBABWE

MMCZ is a SOE responsible for marketing all minerals produced in Zimbabwe, with the exception of gold, in accordance with the Minerals Marketing Corporation of Zimbabwe Chapter 21:04. Unlike ZMDC, MMCZ's audited financial statements from 2010-2013 are available. Annual reports for 2013 were finalised on 21 October 2014. These documents are easily accessible online on MMCZ's website with the exception of the 2012 annual report. However, since annual reports have comparative financial performance data for the current year and the prior year, one can have a general understanding of MMCZ's 2012 financial performance by looking at its 2013 annual report.

The annual reports mainly show revenue mainly from commission earned from the marketing of minerals. Other critical information that can be gleaned from the annual reports include annual mineral production data by volume and value, an indication of the extent of mineral value addition and beneficiation, royalties collected on behalf of the state, corporate social investments made, the board's expenses, profit or loss made, taxes and dividends paid to the treasury and cash reserves. Also to be found in MMCZ's annual reports are global market conditions including mineral prices.

Overview of mineral exports by volume and value (2010 & 2011)

¹⁵ 2013 National budget statement, out of \$563 million recorded diamond exports by October 2012; only \$43 million had been received by the treasury a far cry from the budgeted \$600 million.

PRODUCT	Dec- 11		%CONTR	Dec10		% GROWTH	
	MT	'000 USD		MT	'000 USD	MT	USD
PGMS CONCENTRATE	115,514.13	500,936.48	27.31	66,872.00	316,684.81	73	58
PGMS (Oz)	374,845.03	446,709.24	24.35	375,762.00	383,878.69	(0)	16
HCFC	209,970.88	258,692.63	14.10	179,727.00	227,759.31	17	14
NICKEL	3,626.91	66,415.82	3.62	3,552.00	58,992.81	2	13
CHROME ORE	143,084.67	18,549.73	1.01	401,029.00	49,755.99	(64)	(63)
COPPER	2,654.61	18,067.11	0.98	2,552.00	13,929.52	4	30
COAL	103,411.39	4,127.15	0.22	120,099.70	6,587.00	(14)	(37)
COKE BREEZE	159,174.49	7,870.42	0.43	100,486.00	5,583.00	58	41
COKE VARIOUS	133,475.39	45,570.14	2.48	82,864.00	28,209.00	61	62
DIAMONDS (CTS)	7,333,212.98	424,383.97	23.13	6,619,217.00	347,604.00	11	22
GRANITE	120,183.66	15,034.17	0.82	118,228.00	12,689.00	2	18
OTHERS	136,979.22	28,060.02	1.53	163,999.78	19,782.89	(16)	42
GRAND TOTAL	1,128,087.40	1,834,416.89	100.00	1,239,421.56	1471,456.02	(9)	25

Source: MMCZ's 2011 annual report.

From the table above, minerals which include platinum and coal are presented in a manner that shows some differences in the degree mineral value addition and beneficiation. Thus it is interesting to note that exports for Platinum Group of Metals (PGMs) are classified separately as platinum concentrate and platinum white matte by MMCZ.

This stems from the fact that in terms of platinum value addition and beneficiation, Zimplats goes a step further to smelt the platinum concentrate into platinum white matte unlike Mimosa and Unki mines. This is important given that there is a general perception that Zimbabwe exports all its minerals in raw form. Government has not helped this perception by making more or less similar allegations. However, there is room to for further value addition on platinum with plans to refurbish a Base Metal Refinery (BMR) which separates nickel, copper and cobalt and the Precious Metal Refinery (PMR) where PGMs are separated.

Rough diamond local sales (2013)

Producer	Retained Volume (cts)	Reserve Value (US\$)	Volume Sold (cts)	Value sold (US\$)
Anjin Investments	15,440.89	4,642,467.90	516.65	382,754.00
Murowa Diamonds	6,544.43	2,367,977.62	2,095.09	745,801.90
DMC	11,946.52	5,934,170.24	82.12	94,438.00
Marange Diamonds	9,955.85	2,970,685.94	6,103.75	1,810,169.73
DTZ-OZGEO	666.09	84,068.16	-	-
Grand Total	44,553.78	15,999,369.86	8,797.61	2,933,163.63

Source: MMCZ's 2013 annual report

As required by Statutory Instrument 157 of October 2010 (Precious Stones Trade Act), a 10% diamond production quota across all the diamond classes (gem, near gem and

industrial) was to be reserved for local cutting and polishing. The table above shows what each diamond producer reserved for the local quota according to volume and value. It also shows that which was sold (by volume and value).

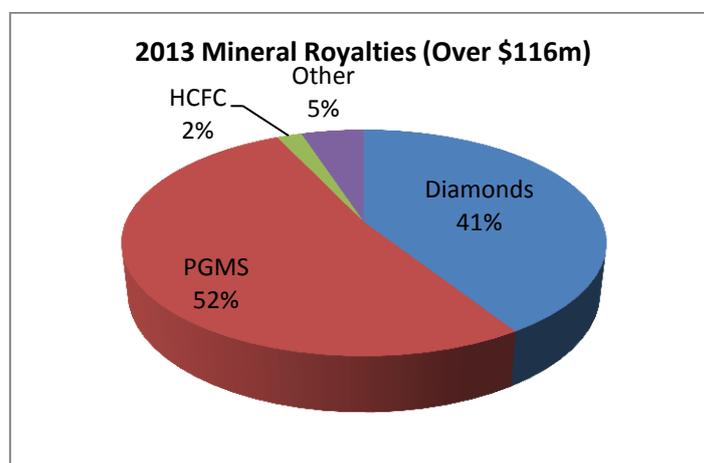
The information clearly shows that there was very little uptake of the retained diamonds for the local cutting and polishing industry. The disclosure of such information is important as it allows for interrogation into why there was low uptake. There have been perceptions that this is due to the poor quality of the reserved diamonds and or the fact that the local cutting and polishing industry is still in its infancy and may not have the capacity to uptake all the reserved diamonds.

The argument that the reserved diamonds were of poor quality may need further interrogation as the law required that the 10% quota be reserved across all the diamond classes (gem, near gem and industrial). The table below also does not show what Mbada Diamonds reserved. The omission of Mbada Diamonds the lead diamond producer raises eyebrows as to whether it did not set aside the 10% production quota as legally required.

The omission of Mbada Diamond the lead diamond producer raises eyebrows as to whether it did or not set aside the 10% production quota as legally required.¹⁶

In addition, failure to beneficiate 10% reserved production quota calls for greater scrutiny of government's current directive for 100% local cutting and polishing of diamonds. The directive has been given weight through the 15% export tax on raw diamonds.

Mineral Royalties



MMCZ administers a major mineral revenue stream to the fiscus in the form of royalties for all mineral with the exception of gold. The pie chart above, drawn from information available from the MMCZ reports shows that PGMs and diamonds constitute the bulk of mineral royalties taking a combined share of 93% from over \$116 million remitted to ZIMRA by MMCZ. This figure is exclusive of gold royalties which are supposed to be remitted by Fidelity Printers and Refineries (FPR), the sole gold buyer, refiner and marketer.

¹⁶ Statutory Instrument 157 of October 2010, reserves 10% diamond production quota across all the diamond classes (gem, near gem and industrial) for local cutting and polishing.

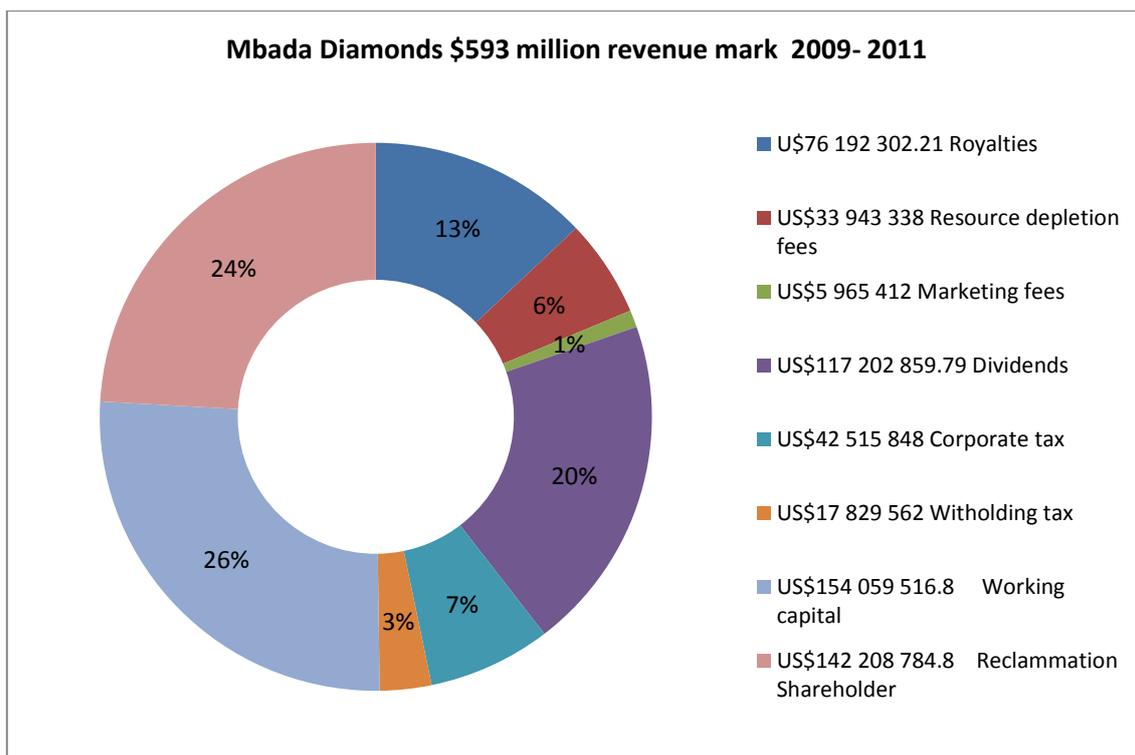
It is alarming that MMCZ admitted that it over relies on mineral assay and weight reports from producers as it has no laboratories and weigh bridges to carry out an independent verification exercise on this (MMCZ 2011 Annual Report). This compromise the integrity of mineral royalty an important revenue stream and dents government's opacity complains in the mining sector. It behoves on government to invest in the necessary checks and balances to dispel any suspicions of manipulated mineral essay results by mining companies.

IV. VOLUNTARY DISCLOSURE OF INFORMATION

Mining companies that are privately owned are not legally obliged by the Companies Act (Chapter 24:03) to publicly disclose results of their operations and financial performance. This section profiles Mbada Diamond's voluntary disclosure of mining and mineral revenue related information.

Perhaps nowhere has the alleged opacity of the mining sector been more sharply pronounced than in the Marange diamond mining operations. The treasury (2010-2015 national budget statements), legislators, civil society and media repeatedly decried limited transparency and accountability in Marange diamond mining activities. Yet amidst such chorus on opacity in the diamond mining sector, Mbada Diamonds has previously disclosed information related to its mining operations.

On two occasions (May 2012 and March 2014), Mbada disclosed the distribution of its total diamond revenue since starting operations in 2009. This information was disclosed in public media. The gap has been that Mbada Diamond's efforts towards disclosure have not been consistent. It is important to note, however, that Mbada Diamond's initiative on voluntary disclosure was unmatched by its peers (Anjin Investments, DMC, Marange Resources and Kusena) whose operations are largely cloaked in secrecy.



Source: The Herald 21 May 2012¹⁷

From the chart above, Mbada Diamond has reported on its fiscal contribution from the diamond mining activities. Fiscal payments are disaggregated per revenue head which enhances greater scrutiny. The omission of PAYE albeit being an indirect tax amongst the fiscal payments is a cause of concern.

That aside, the utility of Mbada’s disclosure was displayed by the Parliament Portfolio Committee on Mines and Energy 2012 report when it noted discrepancies between payment claims by diamond mining companies and what was actually received by government.¹⁸ This makes a case for plausible for government to enhance mineral revenue transparency through public disclosure of detailed fiscal receipts from Mbada. This will kick start public reconciliation of mineral receipts (government) and payments (mining companies). A position which lies at the heart of the Publish What You Pay (PWYP) campaign and which also is in line with international standards on mineral revenue disclosure such as EITI.

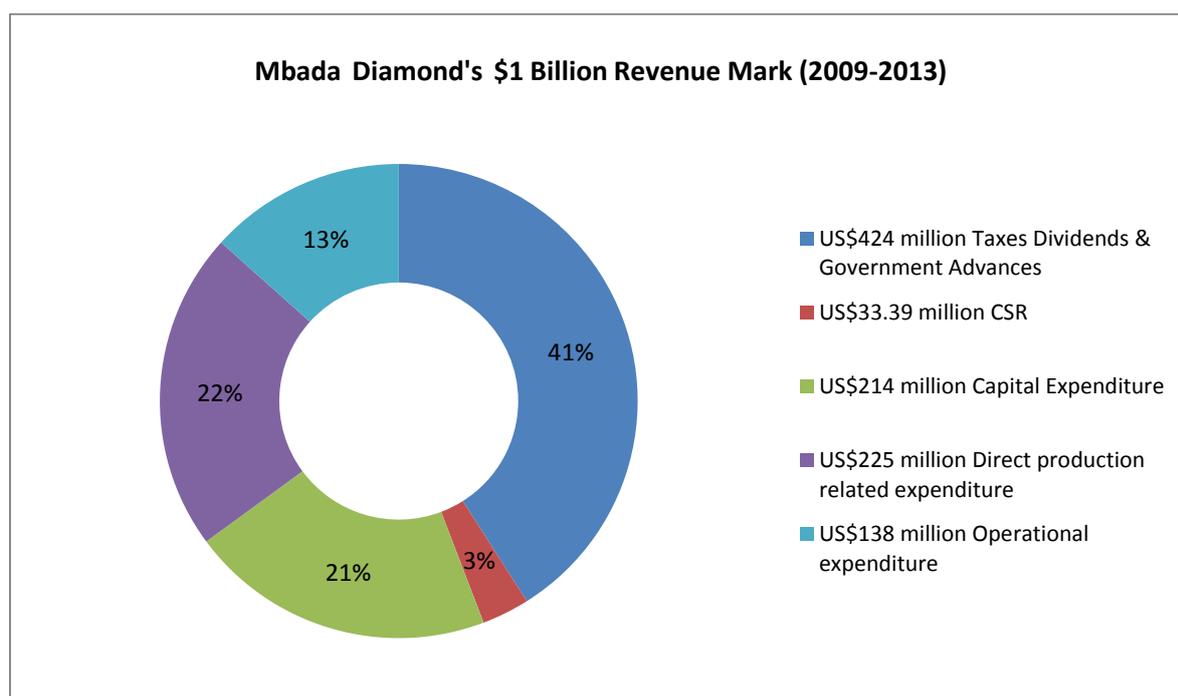
Notwithstanding Mbada diamond’s revenue disclosure, there was no information pertaining to diamond production, diamond reserves and ores. Disclosure on diamond production volumes and quality (percentage composition of gem, near gem and industrial diamonds) enables analytic reviews on whether production is commensurate with revenue declared. Also, comparison can be made with industrial trends to expose material variances that may warrant investigations. Further, failure to disclose levels of confidence on diamond reserves (measured, indicate and inferred) negatively impacts on resource management

¹⁷ Mbada Injects US\$300 million into national coffers, accessed on 29 April 2014 and available here: <http://www.herald.co.zw/mbada-diamonds-injects-us300-million-into-national-coffers/>

¹⁸ The report title Diamond Mining in Zimbabwe with Special Reference to Marange Diamond Field

plans. Without information on potential reserves it becomes difficult to forecast potential revenue accruable to the fiscus.

Maybe, if such information was being furnished or challenges in furnishing such information were disclosed, the public, government and mining companies concerned would not have been caught at unawares by the alleged depletion of Marange alluvial diamonds. The impact of the sudden collapse of this revenue stream was evident in that the 2015 National Budget Statement failed to make a provision of dividend revenue from Marange diamonds for the first time since 2010.¹⁹



Source: Mbada Diamond website²⁰

The second disclosure of over US\$1 billion revenue mark attained by Mbada in March 2014 was inconsistent with the first disclosure in May 2012. There was no breakdown of fiscal payments per revenue head. In addition, there is notable silence on the share of dividend diamond revenue by Reclamation or Grandwell Holdings the other 50% joint venture government partner.

Zimplats and Rio Tinto, though both listed on the Australia Stock Exchange also disclose information voluntarily. On March 1 2015, Zimplats released a quarterly report on metal production for the half year ended 31 December 2014. This was published in local newspapers, on the company's website and also availed freely on email if one registers for email updates on Zimplats website.

¹⁹ ZELA's analysis of the 2015 national budget statement and available here: http://www.slideshare.net/ZELA_infor/zela-budget-analysis-2015 and Hon James Maridadi's questions in parliament on Marange diamond revenue and available here: <https://www.youtube.com/watch?v=FcKuerTbOYQ>

²⁰ 19 March 2014; Mbada surpasses \$1 billion dollar threshold and available here: <http://www.mbadadiamonds.com/news-category/mbada-surpasses-us1-billion-dollar-threshold/>

The report noted that the release of the information is in line with the Extractive Industries Transparency Initiative (EITI) and also states that the company exports all metals through MMCZ and declares the same at the point of export to ZIMRA and the Reserve Bank of Zimbabwe.

Rio Tinto Taxes Paid Report

Rio Tinto is a multi-national mining giant and it has undertaken to voluntarily provide a detailed report on the company's economic contribution to public finances. These reports have been produced for the past 5 years (2010-2014). The report gives a breakdown of taxes and payments made to host governments.

Country	Corporate Income Tax	Government Royalties	Employer Payroll Tax	Other taxes & Payments	Total Taxes	Employee payroll tax
Zimbabwe	1	13	-	-	14	-

Source: *Rio Tinto Tax Paid in 2014*²¹

The tax payments made by Rio Tinto are commensurate with the equity stake of 78% that it holds in Murowa Diamonds. It is important to note that the report does not disclose payments which are less than \$1 million. Such disclosure is important given the current discourse on tax justice. Nevertheless, despite such levels of transparency, accusations of profit shifting remain unperturbed on the international front.²²

It is also important to note that there are private companies that have public companies as shareholders. This is the case with Marange diamond mining companies including Anjin, Mbada Diamonds and Diamond Mining Company. These companies are expected to publish their audited financial statements. More so, in the case of the Marange diamond companies as governments holds no less than 50% shareholding in the joint ventures.

V. MINERAL REVENUE DISCLOSURE WITHIN NATIONAL BUDGETS

NATIONAL BUDGETS 2010-2014

The national budget is an important tool which can be a source of mineral revenue and mining related data. Ideally, the national budget is expected to lay bare amongst other issues, the expected sources of government revenue and how that revenue is to be utilised. National Budgets in a country that significantly relies on commodities like Zimbabwe would naturally have details on the contributions of mining revenue to the national fiscus and how that revenue is to be used. It is important to note that National Budgets are also important insofar as they are reflective. In this sense, National Budget Statements often analyse the trends (years prior and projections) in terms of mineral production and tax and non-tax contributions to Treasury.

²¹ http://www.riotinto.com/documents/RT_taxes_paid_in_2014.pdf

²² On the bench, the taxman cometh and available here: http://www.miningaustralia.com.au/features/on-the-bench-the-taxman-cometh-video?utm_source=dvr.it&utm_medium=twitter

This section scrutinises mineral revenue disclosure in the national budget statements and midterm national budget statements from 2010 to 2014. National Budget Statements, to varying degrees, disclose mining production data by volume and value, share of mineral exports to total export earnings, minerals revenue contribution to the treasury, dividend revenue from state owned enterprises (SOEs), mining taxation and the earmarking of mineral revenue for capital and recurrent expenditure. National Budget Statements are also an important source of information with respect to government policy with respect to mining (taxation, legislation etc.).

Mining Production Data

National Budget Statements furnish production data for key minerals in terms of volume and also give comparative analysis done for the previous year and current year. An example is that of the 2012 National Budget Statement that presented mineral disaggregated production data on gold, platinum, coal and other minerals (See table below).

It is important to note that this is information that is drawn from the Ministry of Mines, the Chamber of Mines and Fidelity Printers and Gold Refineries. In addition, the National Budget Statements also detail the expected growth rates for specific minerals within the mining sector. Nickel production was projected at 15000 tonnes; coal production at 4million tonnes while diamond production was project at 12million carats for the year 2014.²³ There is, therefore, some level of transparency and or disclosure with respect to production data in the mining sector.

Mineral production data from the Ministry of Finance and Economic Development as presented in the National Budget Statements is important information as it also allows for comparison and corroboration with some information that is independently produced by the mining companies or by agencies such as ZIMSTAT. In addition, the disclosure of such information allows for an evidence based effort towards tracking production trends with respect to a specific mineral.

Mineral Output

	2009	2010	2011	2012 Est	2013 Est	2014 Proj
Mining Overall Growth (%)	18.9	37.4	24.4	8.0	6.5	11.4
Gold (kgs)	4 966	9 620	12 949	14 743	14 000	15 000
Nickel (tons)	4 858	6 134	7 992	7 899	12 000	15 020
Coal (k tons)	1 606	2 668	2 922	2 564	3 300	4 000
Asbestos (k tons)	8	2		0	2	0
Chrome (k tons)	201	517	599	408	360	500
Platinum (kgs)	6 848	8 639	10 827	10 524	13 000	14 000
Palladium (kgs)	5 355	6 916	8 422	8 136	9 800	11 200
Black Granite (k tons)	162	165	168	171	174	187
Diamonds (000 carats)	1 306	3 000	8 719	12 015	11 000	12 000

Source: Ministry of Mines, Chamber of Mines, Fidelity Printers

²³ 2014 National Budget Statement, Ministry of Finance and Economic Development

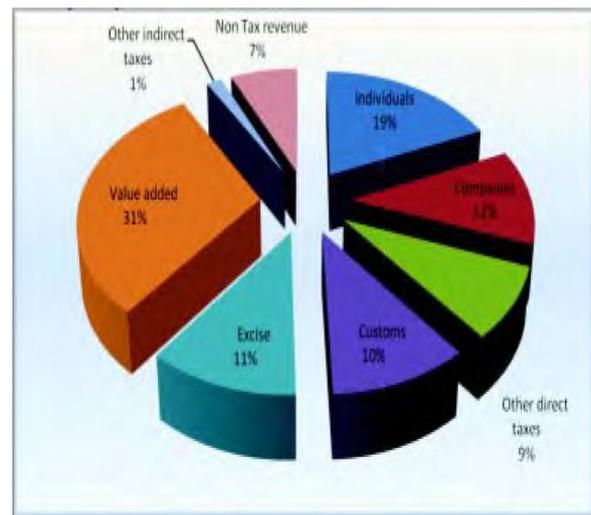
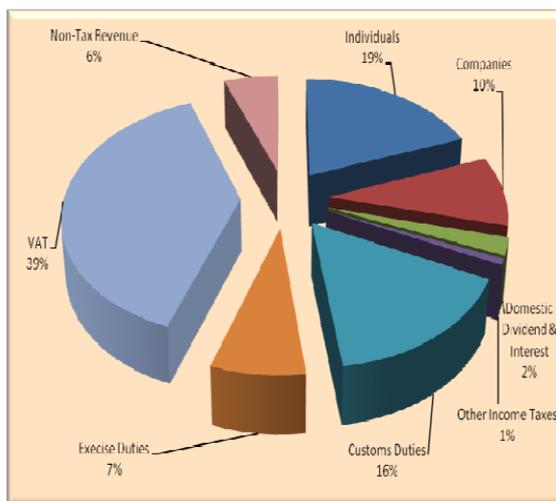
Mineral Revenue Contribution to Treasury

In addition to mineral production data, National Budget Statements also disclose fiscal revenue sources. It is important to note, however, that the disclosure of revenue streams in National Budget Statements is not effectively disaggregated. To this end, revenue streams are broadly classified under various tax and non-tax heads grouped together. Tax heads include Value Added Tax (VAT), Pay as You Earn (PAYE), Corporate Income Tax (CIT), customs duty and excise duty. Meanwhile, non-tax heads include royalties, dividends and levies.

As the revenues are broadly grouped as tax and non-tax revenue it becomes difficult to clearly track mineral revenue contribution to the Treasury. This is notwithstanding the fact that royalties from different minerals and dividends from SOE such as Zimbabwe Mining Development Corporation (ZMDC) are grouped under non-tax revenue and have been notable contributors to this revenue stream.

Thus, while it can be argued that there is disclosure of mineral revenue contribution (as a contribution to the non-tax revenue strand) this disclosure is largely unhelpful as it is difficult to disentangle the contribution of mineral revenues from the broad categorisation of non-tax revenue. An example of how revenue performance or streams are presented in the National Budget Statement is highlighted below in the pie-charts below.

2010 Revenue Performance



Source: 2011 and 2012 National Budget Statements

However, the 2013 National Budget Statement revealed a breakdown of mineral tax revenue from Zimbabwe Platinum Mines (Zimplats) from 2009-2012. This breakdown (Table 2 Below) clearly showed what the company had paid in terms of CIT, PAYE, royalties, commissions and duty for each year.

Zimplats Contribution to the Fiscus: 2009 to 2012 (US\$)

Beneficiary	12 months to 30 June 2009	12 months to 30 June 2010	12 months to 30 June 2011	12 months to 30 June 2012	TOTAL
Corporate Tax	-	23,457,419	4,188,637	8,995,959	36,642,016
PAYE	5,797,204	9,695,592	12,495,945	14,760,247	42,748,989
Withholding Tax on Fees	182,650	1,342,939	1,531,218	3,084,658	6,141,464
MMCZ Commission	981,149	3,360,427	4,381,288	4,230,192	12,953,056
Royalties	2,188,728	8,967,239	16,132,209	51,280,498	78,568,674
Custom Duties	3,874,698	6,653,162	9,417,480	8,775,648	28,720,978

Source: Extract from 2013 National budget statement

The fact that treasury has access to such details mean that consolidation of all individual mining entity's tax contributions can give fair view of overall mineral tax revenue. Such disclosure will give room for informed analysis on the fairness of the mining sector's fiscal contribution.

The fact that the Zimplats example is an outlier does, however, detracts from the utility of this disclosure within the budget. There is, therefore, no consistency with respect to how mining related data is disclosed within national budgets. This statement is corroborated by the table below which disclosed the overall fiscal share from Marange diamonds in 2010. Thereafter, nothing of this sort was reported on in the ensuing national budgets

Institution	Amount US\$	%
Government of Zimbabwe	174,223,814.88	56%
Grandwell Holdings	70,426,950.09	23%
Working Capital: Mbada Diamonds	30,302,739.29	10%
ZMDC Management and Depletion Fees	13,538,653.66	6%
Core Mining	3,453,891.39	4%
MMCZ Commission	2,650,453.73	1%
Total	313,504,567.36	100%

Source: 2011 midterm national budget statement.

Mining fiscal regime

Government pursues both equity participation and taxation to mobilise mineral revenues. State participation is sharply pronounced in the diamond sector where the state has no less than 50% equity stake in all the seven (7) diamond entities operating in Marange.

Diamond Dividends

The 2011 National Budget Statement also gives information on diamond dividends from Marange diamond sales and where these dividends were directed. The Table below gives an account of all Marange dividends from 2010. Such data is important as it allows for juxtapositions with subsequent Marange diamond dividends accruals vis-à-vis production data. In this case it was noted in the 2013 national budget statement that diamond mining revenue increased to \$563,561,459 and \$233,741,241 for Oct 2012 and Oct 2011 respectively. This growth, however, was not matched by a commensurate increase in diamond revenue remittance to the national fiscus as \$80,625,003.88 and \$41 million realised in 2011 and 2012 respectively.

Dividends from Ministry of Mines 2011

Date	Amount US\$
07 February 2011	8,386,918.99
08 February 2011	12,500,000.00
09 February 2011	6,200,000.00
10 February 2011	13,800,000.00
16 February 2011	689,630.26
08 February 2011	54,938.54
07 March 2011	225,000.00
12 July 2011	12,000,003.88
13 July 2011	7,000,000.00
14 July 2011	8,000,000.00
31 August 2011	23,400,000.00
16 September 2011	6,000,000.00
03 October 2011	5,000,000.00
04 October 2011	10,000,000.00
28 October 2011	6,000,000.00
11 November 2011	3,000,000.00
Total	122,256,491.67

Source: 2012 National budget statement

Earmarking of mineral revenue

Disclosure of mineral revenue is not just important with respect to the remitted revenue. It is also important that there be mineral revenue disclosure in terms of where the collected revenue is actually directed. Disclosure of how mineral revenue is to be spent is also important as this revenue is not sustainable due to the fact that mineral resources are wasting assets or finite.

An analysis of the ratio of non-investment spending to non-mineral revenue (Sustainable Budget Index) is, therefore, important. Mineral revenues should largely be earmarked towards human and infrastructure development so as to ensure sustainability and ensure that mineral revenue spend pays off dividends decades into the future and after the resource has been exhausted. Countries like Botswana generally earmark 80%-100% mineral revenue towards human and economic development projects.²⁴ Understandably, Zimbabwe may not be able to set such high ratios due to limited fiscal space. Regardless,

²⁴ Fund Profile, -Botswana Pula Fund, 2013, Natural Resource Governance Institute and Columbia Centre on Sustainable Investment accessed on 20 April 2015 and available here http://www.resourcegovernance.org/sites/default/files/NRF_Botswana_July2013.pdf

earmarking of mineral revenue towards human and economic development must not be entirely sacrificed.

Within Zimbabwe's national budgets, mineral revenue is generally not earmarked for specific projects with the exception of the \$600 million diamond revenue that was anticipated or projected in 2012. Half of the anticipated \$600 million was earmarked for agriculture (\$87 million), water (\$86.1 million), Transport (70.4 million), energy (49.5million) and health (\$7 million). The remainder was \$300 million was targeted at recurrent expenditure.²⁵ The disclosure of such information would allow for interrogation by Members of Parliament and the general public on whether or not the earmarked spending targets are judicious use of public mineral revenues.

Policy Pronouncements

The National Budget Statements are also an important source of information with respect to mining related policy pronouncements. Some of these policy pronouncements are important as they have the potential to impact on mineral revenue flows. A clear example is the repeated call from the Ministry of Finance and Economic Development indicating government's intentions to join the Extractive Industries Transparency Initiative. Nowhere has the EITI been more consistently referenced than in the National Budget Statement. This is shown by the following statements;

"Fourthly, Mr Speaker Sir, the issue of greater Extractive Industry Transparency is important. Zimbabwe will thus follow the guidelines of the Extractive Industry Transparency Initiative" **2011 National Budget Statement pg. 200**

"On our part, we have already begun measures to ensure that we are part of the World Bank's Extractive Industries Transparency Initiative. The key purpose of this Initiative is to strengthen accountability, good governance and transparency in the murky waters of the world of mining taxation"- **2012 National Budget Statement pg. 116**

"Zimbabwe has already embraced the World Bank's Extractive Industries Transparency Initiative principle. This initiative is envisaged to enhance transparency, accountability and good governance in the mining sector." **2013 National Budget Statement pg. 188**

"In this regard, Government will also consolidate efforts on embracing the World Bank's Extractive Industries Transparency Initiative principle, balancing the benefits accruing to mining houses with those accruing to the fiscus." **2014 National Budget Statement pg. 171**

²⁵ 2011 National Budget Statement, Ministry of Finance and Economic Development

In addition to the EITI, the Ministry of Finance and Economic Development, has, through the National Budget Statements, also give policy pronouncements that have consequences on mineral revenue. An example is in the 2014 National Budget Statement wherein the Minister of Finance stated that government is working to strengthen accountability and security systems for mining houses in order to improve transparency and timely remittal of fiscal obligations to treasury. Some of the measures that are detailed in the budget statement include;

- Formalisation of small scale mining so as to plug leakages
- Proposal to introduce tax disincentives with respect to export of raw platinum
- Instituting tripartite (Ministry of Finance and Economic Development; Ministry of Mines and Mining Development and Mining Companies) control over diamond vaults and surveillance of the entire production, sorting and transmission processes
- Fiscal incentives
- Duty free importation of capital equipment accorded to Bindura Nickel Corporation (BNC) as it was granted the national projected status to resume nickel production.

The importance of the disclosure of these policy intentions is that it allows the public to then question why, for example, the government has been failing to actually implement the EITI when it has repeatedly stated its interest in doing so. These policy pronouncements are an important tool for demanding public accountability from the Ministry of Finance and Economic Development.

Challenges in mobilising mineral revenues

National Budget Statements also disclose information that is important in understanding some of the governance challenges impeding efforts towards realising optimal benefits from the country's natural resources. Some of this information is detailed below;

- Mismatch between mineral export earnings and mineral contribution to the national fiscus.

The mineral revenue contribution to the fiscus for 2009 and 2011 was disclosed as \$44.8 million and \$150 million from total export earnings of nearly \$1 billion and in excess of \$2 billion respectively.²⁶

As a result the effective tax rate of the mining sector was 4% and 8% respectively for 2009 and 2011. The 2011 mineral revenue of \$150 million excludes \$130 million projected dividends from diamond revenue.

- Limited value addition and beneficiation of minerals.
- ZIMRA not carrying out verification exercise on royalty fees remitted by MMCZ
- Lack of metallurgical laboratories and weigh bridges to independently verify mineral assay (composition of minerals as is the case with PGMs) and tonnage reports furnished by producing entities.

²⁶ 2010 midterm budget statement and 2012 national budget statement

- Diamond mining companies in Marange deny ZIMRA officials access to be stationed at mining sites to have oversight of extraction, sorting, weighing, recording and storage of diamonds disregarding statutory requirements.

AVAILABILITY AND ACCESSIBILITY OF INFORMATION

There was variability with respect to availability and accessibility of mineral revenue data held by various state or state related institutions. Requests for information were made to the Office of the Auditor General, the Zimbabwe National Statistics Agency and the Zimbabwe Revenue Authority. Within a week of making the requests, the Office of the Auditor General and the Zimbabwe National Statistics Agency had replied. ZIMSTAT directed the researchers to its organisational website and stated that all the requested information is available online. Meanwhile the OAG gave the researchers hardcopies of the 2009-2012 audit reports of parastatals and one copy of the 2012 audit report of local authorities.

It is important to note that while it is commendable that the OAG and ZIMSTAT timeously responded to the requests for information, there remain some concerns. With respect to the OAG, the information that was provided did not adequately cover the requested time-period. Thus there were no reports on parastatals for years prior and after 2012. The OAG stated that 2013 reports were still being finalised. It is also important to note that, for the parastatals audit reports that were provisioned there were inconsistencies with respect to the availability of information on key mining related government agencies. The reports only cover the Minerals Marketing Corporation of Zimbabwe once within the period 2009-2012. In addition, the Zimbabwe Mining Development Corporation is only covered twice within the same period (2009-2012). This clearly shows that audit reports from the OAG do not adequately cover the mining related parastatals.

It is also important to note that the reply from ZIMSTAT just directed the researchers to the organisational website. ZIMSTATS did not send the relevant links to the actual requested data. Sifting through the mining related data that is available on the ZIMSTAT website is not easy.

The Zimbabwe Mining Development Corporation has the 2011 and 2012 annual reports available for download on its website. In addition, the website has information on the company's assets and joint ventures in the mining sector.

The researchers requested information on mining revenue (taxes and royalties) from ZIMRA. The revenue authority replied to the requests for information but this information is aggregated. Thus the information available from ZIMRA just details the royalties that the authority collected and amalgamated information on corporate income tax, PAYE and other tax heads. It becomes difficult to ascertain how much mining companies contributed to CIT or PAYE.

The Minerals Marketing Corporation of Zimbabwe also has its audited financial statements from 2010-2013 are available for download on its website.

The Parliament of Zimbabwe and the Ministry of Finance and Economic Development also have mining related information easily accessible and available for download via their websites. The national budget statements and mid-term budgets from 2010 to 2015 are all available for download on their websites.

Publicly listed companies such as Caledonia, Zimplats (Implats), Unki Mines (Anglo-American), Mimosa (Implats) and Murowa diamonds (Rio Tinto) all have a host of

information that is available online and is easily accessible. This information includes their sustainability footprint, their financial results and, in some cases quarterly updates on production and general mine performance.

VI. STAKEHOLDERS' MINING DISCLOSURE INFORMATION NEEDS

Information disclosure is not an end in and of itself. The usefulness of information disclosed is based on whether that information is meeting stakeholders' needs. The study, therefore, included a component of assessing the various stakeholders that have an interest in mining information disclosure; the type of information they need and their assessment of the status quo in terms of information that is being disclosed and the availability and accessibility of that information. The stakeholders that were interviewed mainly comprised of non-governmental organisations, the media, community based organisations and local community members.

CSOs and media views on mining disclosure

Representatives from various civil society organisations noted that transparency and accountability in the mining sector is particularly important given the fact that these mineral resources are public assets. It was also noted that transparency and accountability in the mining sector is critical in ensuring that mineral revenues are not misappropriated. This is crucial as the window within which to get benefits from the mining sector does not remain open forever as mineral resources are finite. Disclosure of information in the mining sector was cited as an important pillar of avoiding the 'resource curse' and building trust between citizens and the government. It was repeatedly stated that the mining sector has diverse shareholders and or stakeholders and full mandatory disclosure would ensure that all parties (including the citizens and the host communities) are on the 'same page'. It was argued that transparency would not just be beneficial to local communities and NGOs but would be beneficial to government as the government can independently assess whether or not it is getting a fair share from and for its mineral resource wealth.

There was general consensus among the interviewed representatives of local non-governmental organisations that there is no mining information disclosure with respect to Marange diamonds. The view from CSOs is that there is information disclosure with respect to the operations of the large scale mining companies. CSO representatives argued that it is possible to get up to date statistics on gold and platinum yet the same does not hold true for diamond production. It was noted that there is need for disclosure across the whole mining value chain including contracts or licences awarded, production figures, revenue remittance and the use of the revenue remitted to Treasury.

The specific issues on disclosure that civil society actors stated as important included;

1. Mining agreements/Contracts/Licence Awardees
2. Production Data
3. Tax payments disaggregated by type of tax
4. A mining register or map (cadastre)
5. Timely production of audited financial reports of SOEs

6. Proactive sharing of information by government entities; and private and public companies

The view that non-disclosure is principally a problem within the diamond sector raises some questions. If there was no diamond mining in Zimbabwe would the debate on transparency and accountability in the mining sector become redundant? It is also important to note, as previously noted, that there is very little analysis from civil society organisations in terms of the limited information that is there. However, civil society actors also gave examples of their failure to access information such as Environmental Impact Assessments (EIA) and mining contracts despite repeated attempts.

Community Based Organisations and Community Members in Mineral Rich Areas

Community members also noted that disclosure is important so as to ensure that government makes informed decisions; obviate corruption and ensure that every community member has full appreciation of what mining companies are doing. Overall, the community members interviewed stated that there is very little transparency and accountability in terms of how the mines operate in their areas. Examples given included the fact that there is limited information on the employment figures and if locals are recruited. It was also stated that at some mines, CSR projects are often imposed in collusion with the local leadership.

There is some difference in terms of what local community members view as important and what CSOs or NGOs view as important. Some of the concerns for communities are more heavily inclined to the social and environmental aspects. The specific information that the communities would want to see disclosed includes;

1. Employment data/statistics
2. Local procurement information
3. Companies' compliance with the Indigenisation and Economic Empowerment Act particularly when the companies would transfer 10% of their shareholding to the local communities
4. Production data
5. Mineral Prices
6. What the mining companies pay to local authorities in levies and fees
7. Information on how long the companies will be operating in their areas
8. Information on how the companies are addressing their environmental impacts
9. Corporate social responsibility plans and budgets

VII. RECOMMENDATIONS

- There is need to support some standard reporting on mineral revenue in the National Budget Statements. Currently, the information on mining and mining revenue differs from one budget statement to another.
- The government should be encouraged to publish the available mineral revenue data. The publication of mineral revenue information for Zimplats in the 2013 National Budget Statement (page 21 of this report) broken down by tax heads (CIT,

PAYE, withholding tax, MMCZ Commission, royalties and custom duties) clearly shows that government has this information.

- The Auditor General's reports must provide some follow up on concerns that would have been previously unearthed in preceding reports. An example is that the 2011 Auditor General's Report showed that there was non-invoicing of ferrochrome consignments that were being exported via Beira and Maputo. In the subsequent report of 2012, there was no follow on whether this important issue had been addressed.
- Civil society, including the media, needs to be capacitated with respect to knowing what information is available and skills to analyse the available information. There have been calls for transparency and accountability and disaggregated data but there has been very little analysis of that which is already available
- Parliamentarians also need to be capacitated to interrogate the Auditor General's reports and to make follow ups with respect to National Budget Statements. As indicated, the Ministry of Finance and Economic Development, through the National Budget Statements has repeatedly mentioned the state's intention to adopt and implement EITI yet there has been no follow up from Parliamentarians with respect to the impediments to adopting the initiative as the intent to join has been repeated ad-nauseam
- There must be efforts to support government's efforts towards adopting EITI or some transparency and accountability initiative. A mandatory standard reporting initiative would ensure that all mines are subject to the same disclosure requirements and would also ensure that there is consistency in terms of reporting formats.
- There should be determined attempts to encourage the mining companies that are already disclosing information to go a step further in terms of disaggregating the data that is produced particularly with respect to payments to government. Disaggregated data on the payments made to government would assist in terms of getting a fair view of the companies' contributions to Treasury.
- Private companies that have public companies as shareholders must disclose their audited financial statements.

VIII. CONCLUSION

There is evidence that there is some substantial amount of available data in the mining sector. This data is information that is produced by listed companies, some non-listed companies, state owned enterprises and the government, particularly through the Ministry of Finance and Economic Development (budgets). It emerged that the most widely available information is that which is produced by foreign listed mining companies such as Zimplats. This information covers a wide range of interest areas such as environment, social, financial, mineral production and exploration results (mineral reserves and ores data). The information from publicly listed entities is also consistently published and easily available and accessible to the general public.

At the lower end of the scale is disclosure from non-listed companies. Disclosure by these companies is voluntary and a rare commodity. Very limited information is publicly available on mining and mineral revenue related data. Non-listed companies are privately

owned and are not legally obliged unlike listed companies to publicly furnish material information on their operational and financial affairs. These levels of secrecy or non-disclosure of mining related information is particularly pronounced with respect to the diamond mining operations in Marange. What little information is available is drawn from the usually late consolidated financial statements of the ZMDC or piece-meal disclosures on diamond dividends and royalties from the National Budget Statements. Independent institutions such as the Office of Auditor General also provide a wealth of information that would otherwise not be available publicly with respect to the management affairs of state owned enterprises. Furthermore, Mbada Diamonds infrequently discloses the distribution of mineral revenue to government, working capital and CSR.

What emerged from the research is that there is some level of transparency with respect to the disclosure of mining and mineral revenue related information. The information that comes from listed companies especially foreign listed ones is often complete, independently verified and consistently produced. There may be questions around the disclosed data but it is by and large available and disclosed. As aforementioned, this is information with respect to exploration results (mineral reserves and ores), mineral production, cash utilisation, taxes paid to government, spending on (local) procurement and other operational costs.

With respect to SOEs, there is some level of disclosure. As noted in the report, MMCZ and ZMDC have audited financial statements. In addition, their performance falls under the scrutiny of the Office of the Auditor General. However, the disclosed information is often very late, not complete and has to be pulled from a wide variety of sources. The deficiency of material mineral production and exploration data is quite evident from ZMDC's public reports.

At the local level, the picture is replicated. The large scale mining operations such as Unki and Mimosa Mines disclose their social investments and corporate social responsibility plans to the local community leadership. In some cases, they work with the community to establish community-company engagement structures. This is the case with Mimosa where the company working with the community established a committee that would act to facilitate information flow with respect to the company's engagement with the community. However, it was noted that there is very little information flow or official engagement with communities where ZMDC joint ventures and or subsidiaries are concerned.

What the researchers noted is that the available information provides enough bases for civil society actors, community members, the media and Parliamentarians to interrogate mining company operations. However, there is evidence that there has been very little analysis of the information that is publicly available. There has been no in-depth of the Auditor General's reports into the operations of SOEs; the audited financial statements of the SOEs; the National Budget Statements (mining related information) and the financial statements and quarterly updates provided by the large scale listed mining companies.

This is not to say that there are sufficient levels of transparency and accountability. Indeed, there is need for the production of more consistent information particularly where SOEs are concerned. The Auditor General's reports are also not timeously produced and completed.

There could also be improvements with respect to the reporting of listed mining companies distinctly those locally listed. The ZSE does not have additional reporting requirements on mining, gas and oil entities as opposed to the ASX. These additional requirements zero in on disclosure of mineral production, reserves and ores. Zimplats' approach of producing an Integrated Annual Report provides the most comprehensive information on its operations. This model may be encouraged where the other large mines are concerned. In addition, the information that all the listed mining companies produce is not sufficiently disaggregated. In the case of Zimplats, the payments made to government are all lumped together with no breakdown of how much CIT, royalties, VAT and PAYE was paid. Further disaggregation of the data would also be important to enable detailed scrutiny per fiscal revenue and analytical reviews with industry trends

It is important to note that there is general agreement that there is limited transparency and accountability in the mining sector. The government has conceded as much as shown by its attempts to launch the Zimbabwe Mineral Revenue Transparency Initiative (ZMRTI). Even after ZMRTI implementation stalled after the tenure of the GNU, the government through the Ministry of Finance has repeatedly stated its intention to adopt and implement the EITI. What this report has shown is that there is some degree of mining public information disclosure although this disclosure is not consistent and varies from listed companies to SOEs. The report has painted a broad landscape of what is available and in what format. This behoves government and mining companies to institute some standard reporting rules for mining related disclosure. In addition, the research has shown that a wide variety of actors in civil society, the media and communities have a role in interrogating and using the data that is already available to hold corporates and public officials to account.