



Policy Brief

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USD12 Billion Mining Economy by 2023: What Are the Key Enablers?

Introduction

Zimbabwe is highly endowed with mineral resources estimated at over forty minerals comprising of precious metals, base metals, industrial metals and gemstones. These are found along the two prominent geological features namely the famous Great Dyke and the ancient Greenstone Belts, also known as Gold Belts. The Great Dyke is the host to the world's largest high-grade chromite resource base. The country also boasts of being the world's second largest resource of platinum group of metals as well as significant reserves of copper and nickel (Ministry of Mines and Mining Development, 2020). The mineral resource sector contributed 6.2% to the gross domestic product (GDP) between 2009 and 2015 and 8.4% from 2016 to 2018 and 60% of the country's export earnings as of October 2018. Thus, when exploited in a sustainable manner, the mining sector has the potential to transform the Zimbabwean economy. However, this has not been the case despite the Government of Zimbabwe's (GoZ) various economic blueprints such as the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET) which was anchored on the judicious exploitation of natural resources. On the contrary, Zimbabwe's resource wealth has been associated with "poverty, conflict and corruption", as resources have not always translated into higher levels of household income and/ poverty reduction. The historic commodity boom and bust cycles of 2001 to 2011 did not reflect in the economic trajectory of the country. Instead, the country registered its worst economic performance during the greater part of this period with a bit of relief after the Government of National Unit after 2009.

The poor performance of the sector has been attributed to the archaic Mines and Minerals Act of 1961 which has failed to address issues of transparency and accountability, revenue management and environmental and community engagement. Despite political pronouncements captured in the 2019 and reiterated in the 2020 National Budgets, Zimbabwe has been hesitant to join the Extractive Industries Transparency Initiative (EITI). Further, a domestic version of EITI called the Zimbabwe Mining Revenue Transparency Initiative (ZMRTI) which was launched in 2011, with the aim of promoting the disclosure of mineral revenues and payments was short-lived due to lack of political will. Recognising the potential of the mining sector to transform the economy, the GoZ launched the US\$12 Million Mining Economy in October 2019. In launching the initiative, the President of Zimbabwe His Excellence Emmerson Mnangagwa envisaged that investments and benefits accruing from a thriving mining sector will be critical building blocks for a prosperous Zimbabwe. Under this policy document, priority is given to investments in

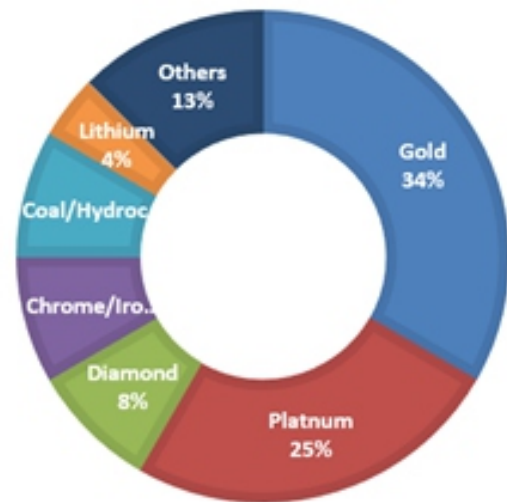
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exploration, opening of new mines, beneficiation, and value addition of minerals as well as expansion of projects subject to various commercial and economic models. It was against this background that TI Z explores the key enablers to the envisaged US\$12 billion mining industry.

Unpacking the USD12 billion economy in brief

The government of Zimbabwe launched the USD12 Billion Mining Industry by 2023 in October 2019 as part of the broader macroeconomic roadmap towards an Upper Middle-Income Economy by 2030. The USD12 billion mining industry represents a 344% increase from the US\$2.7 billion registered in 2017. The multi-billion-dollar industry will be driven by gold, platinum, diamond, chrome, iron ore, coal, lithium, and other minerals as follows.

Mineral contribution to US\$12 Billion milestone



The key deliverables of the mining roadmap are as follows:

- 🌐 Enhanced exploration;
- 🌐 Optimum benefits to the country and its people;
- 🌐 Increased exports and foreign currency generation;
- 🌐 Enhanced investment and capacity building;
- 🌐 Increased productivity and employment creation; and
- 🌐 Greater value addition.

Current challenges in the Mining Sector

The Mines and Minerals Act [Chapter 21:05] in its current form considers Artisanal and Small-Scale Mining (ASM) as informal and criminal. Artisanal miners in Zimbabwe have no official definition except being individuals and groups mining without permits or licensed mining claims. ASMs are commonly referred to as 'Amakorokoza or Panners'. They have mining licenses and mineral rights in the form of a certificate of registration of a block of 10 hectares at minimum. The lack of a proper definition of this form of mining has resulted in policy inconsistencies over the recognition of ASM and leading to its growing informalisation. The informalisation of the ASM can also be attributed to their lack of knowledge regarding licensing requirements, less incentives from the government to small-scale miners for formalisation (legal mining), high tax / fees burden and bureaucratic procedures to gain and remain a formal operation. However, it should be noted that the current scenario benefits the political elites who seem to be content with the status quo considering that the law considers ASM as illegal, but the proceeds (mainly gold) are sold officially through the government buyer, Fidelity Printers.

Under the 12 Billion Mining Economy, priority is given to investments in exploration, opening of new mines, beneficiation, and value addition of minerals as well as expansion of projects subject to various commercial and economic models.

The lack of policy clarity and potential conflict between mining and agriculture over access to land and miner exploitation further undermines the potential of the sector to contribute to sustainable development.

The mining sector in Zimbabwe is also faced with the problems of corruption, politicisation of the sector, state capture, resources being vested in the hands of individuals rather than the state, lack of geo-data, exclusion of communities, lack of transparency and accountability, access to information among others.

Contracts are negotiated behind closed doors. They are not open and competitive, and as a result there are stabilisation and confidentiality clauses which limit the ability of the state to review and publish contracts, respectively. The opacity of these contracts leads to tax evasion and avoidance, which drain the country of the much-needed resources.

The mining sector has remained an enclave economy, detached from the rest of the economy. Moreover, the sector is characterized by excessive investment incentives including provisions for carrying over losses indefinitely. Such incentives, apart from the harmful tax holidays, limit the capacity of the state to benefit from the sector. The lack of policy clarity and potential conflict between mining and agriculture over access to land and miner exploitation further undermines the potential of the sector to contribute to sustainable development. The existing Mines and Minerals Act gives precedent to mineral exploration and exploitation ahead of agricultural usage, in the process, disrupting agricultural activities. The vagueness and discretionary powers create opportunities for corruption and conflict.

The mining sector in Zimbabwe is further characterised by the unequal distribution of revenue between the central and local government. The local governments are entitled to unitary tax, which is charged per unit comprising of 10 unskilled labourers. The mechanisation process which crowded out unskilled workforce has also affected revenue collection by the local authorities. The bulk of the revenue is distributed through the national treasury leaving the mining communities worse off. In this regard, “national development” is at the expense of the local/ source of resources. Proceeds from mining are used to develop infrastructure in major cities and towns without improving the mining communities. The destination countries of the mining companies equally benefit at the expense of the mining communities which remain underdeveloped.

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Cognisant of the limitations and problems emanating from the 1961 Mines and Minerals Act, Civil Society, and other key players in the mining sector, advocated for the amendment of the Act and in 2015 Parliament came up with a Mines and Minerals Amendment Bill. However, in the Bill provisions for transparency and accountability remain weak, especially in relation to access to information, restricted access to mining contracts and revenue declaration, unclear provisions regarding closing down of mines which is a subject of interest in view of the open shafts, and lack of transparent and accountable community displacement procedures to pave way for mining operations.



RECOMMENDATIONS:

What should the GoZ do to achieve the US\$12 Billion Mining Economy

Transparency International Zimbabwe (TI Z) believes that the US\$12 billion mining economy can be realised. However certain measures and policies need to be adopted by the GoZ and these are:

-  Expedite the enactment of the Mines and Minerals Bill into an Act in order to address transparency and accountability risks and vulnerabilities associated with the archaic Mines and Minerals Act of 1961. The proposed Mines and Minerals Bill should be grounded on transparency and accountability along the mineral value chain and should reflect the tenets of the African Mining Vision of having a “Transparent, equitable and optimal exploitation of mineral resources to underpin broad-based sustainable growth and socio-economic development.”
-  Formalize and decriminalize the Artisanal and Small-Scale Miners to optimize on their contribution to the economy. The formalisation of the sector should be coupled with incentives for the players to access mining claims and licenses at reasonable fees.
-  Take measures that promote the attainment of gender equality, equity, and women empowerment within the pursuit of a just mining sector.
-  Fulfil its commitment to join the Extractive Industries Transparency Initiative and implement its standards. Implementation of the EITI Standards establishes a systematic process for making data in the mining sector transparent and accessible. By joining EITI the government will be committing itself to assuring full disclosure of information along the mineral value chain- from how extraction rights are awarded to government revenues and how the public benefit from the sector.
-  Make information on beneficial ownership easily accessible and verifiable. The GoZ must avail details about those who own extractive companies in the country and those who ultimately benefit from their activities.
-  Adopt open contracting in the extractives sector, that is, the publication of government contracts from the awarding process to the monitoring and evaluation of contract implementation.
-  Adopt a legal framework of fiscal terms that provide sufficient accountability to citizens, stability for investors and flexibility to respond to changing circumstances. This will enable the GoZ to review mining contracts in the event of policy changes.
-  Desist from giving harmful tax incentives and abolish the indefinite carrying over of losses in the mining sector.
-  Incorporate into the mining contracts provisions that impose obligations on the mining companies to respect human rights and the highest standards of environmental, social and health protection consistent with the United Nations Guiding Principles on Human Rights. This creates the basis for mining communities to report wrongdoing and assure them of prosecution of companies that violate human rights.

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