POLICY BRIEF No. 5/2012

DISTRIBUTION OF MINING REVENUE IN ZIMBABWE

Introduction

The distribution of mining revenue in Zimbabwe has attracted a lot of attention especially with the discovery of diamonds in the Chiadzwa/ Marange area. The mining sector itself plays a very important role in the development of any country and in Zimbabwe it has become one of the fastest growing sectors of the economy since 2009.

Background

The past few years, have awakened many Zimbabweans to the importance of the mining sector in the development of the country. This realization has been further amplified by the discovery of diamonds in the country which a lot of people feel should be the panacea to our economic problems. New policies and laws have been introduced that have great implications on the sector in terms of trade, investment and economic empowerment of the people of Zimbabwe. People are aware that there is a lot of money being generated from our mineral resources, and they want to know how this revenue is being distributed. If there is transparency and accountability in the administration of the revenue generated from mining then this may enable will be proper investment for development in the country and the communities from where the minerals are coming from.

Overall objective of the study

The major thrust of this study is to:

- Critically analyze the provisions of the Mines and Minerals Act 21:05 of 1965 of the republic of Zimbabwe.
- Learn best practices from other countries (Botswana) on how the mining revenue is generated and distributed by central government
- Examine how the mining revenue is currently distributed and utilized.
- Recommend the most effective way of distributing and utilizing the mining revenue

Study Methodology

The methodology used for this study included:

- Secondary literature review,
- Consultative workshops, focus group discussions and interviews.

Study Findings

The study reveals the following **shortcomings of the Mines and Mineral Act** (chapter 21:05):

- The act was established in 1960s during the Unilateral Declaration of Independence (UDI) so it tends to perpetuate the colonial legacy.
- The act has not been simplified and disseminated to the people in the grassroots for them to make full use of its provisions The Act does not protect the rights of the communities.
- The Mines and Mineral Act restricts the acquisition of mining rights to individuals, companies and partnerships of not more than six persons in section 61 (1) and this restricts the entry of communal people
- Has no provisions for community benefits and participation in mining.
- The Mines and Mineral Act does not clearly specify that mining companies should have a Corporate Social Responsibility (CSR)
- There is no clause that looks at transparency and accountability in the mining sector including how mining revenue is to be used.
- There is limited provision on the environmental protection to the areas were mining will be taking place.

Realising the weaknesses of Mines and Minerals Act 21:05 of 1965, the **Mines and Mineral Amendment Bill of 2007** was developed to provide an improved and competitive mining legislative framework. However, the study has **exposed** the following **weaknesses** of the bill: .

- The issue of transparency and accountability in the mining sector is not clear in the bill.
- Disclosure of mining revenue and contracts is not addressed.
- Rights of the community are not specified in terms of compensation in cases where communities have been displaced when minerals are discovered in their area. The bill is not clear whether the Mining Affairs Board will operate as an independent board or not.
- Issues of environment protection are not exhaustive. It should be clear that the most applicable law to protect the environment is the Environment Management Act (Chapter 20:27) not the Mines and Mineral Act, however, issues of environment protection should be clearly stated in the Mines and Mineral Act.

The study **further exposes** the following challenges in the current **distribution of mining revenue** in Zimbabwe:

- There is no transparency and accountability in the distribution of mining revenue in the country;
- Lack of clarity on mining taxation policies
- The role of the state in state enterprises such as ZMDC and MMCZ in the mining sector is not clearly defined
- Absence of specific laws and policies that provides for corporate social responsibility (CSR) by mining companies operating in the country
- The operation of community trusts stipulated in the Indigenization and Empowerment Act (Chapter 14:33) is not clear

The study also **enlightens** on **international best practices** in countries such as Botswana, South Africa; Philippines and Norway, where a fund has been created for depositing proceeds from the mining sector for use by future generations.

Recommendations

In view of the study findings, we therefore strongly recommend that:

- There is need to review existing laws and policies in the mining sector, such as the Mines and Minerals Act, to align them to what is currently happening in the country and also to align them to international best practices when it comes to issues of taxation in the mining sector. As a way of fostering transparency and accountability in the distribution of mining revenue in the country, issues of transparency and accountability should be provided for in the new constitution
- .There is need to build more momentum around Zimbabwe's participation in global initiatives such as the Extractive Industry Transparency Initiative (EITI) and t*he Publish What You Pay Campaign*, initiatives which seeks to foster transparency and accountability in the extractive industries.
- Corporate Social Responsibility (CSR) be a legal issue whereby all mining companies are legally required to plough back into the community in which they are operating in by either doing life changing projects or employing people from the local community
- Creation of Sovereign Wealth Fund for revenue generated from mining as has happened in countries such as Botswana, Nigeria, Norway, South Africa (The Royal Bafokeng Community) among other countries that will benefit the future generations long after the minerals have been exhausted.
- Finally communities (including local communities in mining areas, artisanal miners and the country as a whole) should benefit mining revenue.
- Decisions on the distribution of mining revenue should be done at provincial levels
- The mining sector should be treated like the Communal Areas Management Programme for Indigenous Resources (CAMPFIRE) model, where communities can lease to a private operator and gets shares from the profits.
- There should be clear guidelines on the role/operations of Community Share Ownership Trusts, District Development Committees, Ward Development Committees (WADCO) and Village Development Committees (VIDCO). .

NB. *This policy brief is a summary of the policy monograph on the distribution of mining revenue in Zimbabwe written by Kwaedza Muranda. The policy monograph was developed by the National Association of NGOs (NANGO), the Institute of Development Studies (IDS) from the University of Zimbabwe and Progressio-Zimbabwe with the financial support from the European Union. For more detailed information on the policy monograph contact Mr. Marongwe Machinda at NANGO offices in Harare at machinda@nango.org.zw or Mr. Mweembe Christopher at Progressio Zimbabwe in Harare at chrismweembe@yahoo.com*