

MORTGAGING THE FUTURE IN RETURN FOR POWER:

Zimbabwe's Natural Resources and the 2018 Election



VOTE
EMMERSON D. MNANGAGWA
FOR PRESIDENT

A MAN OF ACTION
VOTE ZANU PF

BEHOLD THE NEW
energy
Power to the People
NELSON CHAMISA FOR PRESIDENT

CNRG
CENTRE FOR NATURAL RESOURCE GOVERNANCE

Contents

About us	2
Introduction	3
Forms of political parties financing	4
Political parties in Zimbabwe	5
KEY FINDINGS	
Zanu-PF funding	7
MDC-Alliance funding	16
The National Patriotic Front (NPF)	18
The MDC-T	19
Conclusion	20
References	23

About Us

Centre for Natural Resource Governance (CNRG) is a Zimbabwean civil society organization established in 2012 to promote inclusive and just governance of natural resources. The organisation was formed as a response to growing cases of human rights violations linked to natural resources extraction. These include, but are not limited to, direct violence against communities, land and water grabbing, displacements, pollution, desecration of cultural sites by extractive industries and general lack of socio-economic development in communities endowed with natural resources. The foregoing challenges have their origins in the deliberate lack of consultation with local communities at the decision making stages of projects formulation. Extractive projects are imposed on communities without their formal or informal consent. This creates deep rooted conflicts between government and extractive industries on one side and communities and civil society on the other.

CNRG's work involves strengthening the capacity of communities to assert and defend their rights, interests and values against corporate interests and power. Our guiding philosophy is that power responds to power. Whilst the state uses political, financial, institutional and legislative power the communities' power is in organizing and resisting domination using cultural law and an array of collective grassroots actions. CNRG believes in the power and agency of the people. Genuine dialogue between the State (and corporates) and the communities can only take place when the communities are organized and resilient. The organisation also advocates for policy reforms to accommodate the changing needs of communities, based on evidence gathered through research. CNRG programs cover the following themes: Gender and Extractives, Climate Justice, Mineral Resource Governance, Ecosystems (Wildlife and Forest Management) and Land and Water Rights.

Introduction

In terms of its 2013 Constitution, Zimbabwe holds local government, parliamentary and presidential elections every five years. These elections are held at the same time hence they are referred to as “harmonised elections,” a term used to describe their simultaneous nature. The holding of these elections demands a lot of funds from central government for the coordination of electoral activities which is done by the electoral management body, the Zimbabwe Electoral Commission (ZEC). The harmonised elections budget for ZEC is often estimated in the region of US\$200m-300m.¹

The financial pressure of elections is not only on ZEC but is also felt by the participating political parties as institutions, and individual candidates because of the First-Past-the-Post (FPTP) electoral system that is used in the country. While ZEC gets most of its funding from the central government and technical partners like the United Nations Development Programme (UNDP), political parties have to source their own funding. An important source of funding exists for those political parties that qualify for treasury funding through the Political Parties (Finance) Act (Chapter 2:11). The relevant provisions of the Act provide as follows:

“Subject to this Act, every political party shall be entitled in each parliamentary year to receive from the State sums of money that are payable to it in terms of this Act.”

Parties must however meet the criterion set out in the Act. An important criterion is that:

“each political party whose candidates received at least five per centum of the total number of votes cast in the most recent general election shall be entitled to the same proportion of the total moneys appropriated as the total number of votes cast for its candidates in the election bears to the total number of votes cast for all its candidates in that election.”

In light of this provision, only Zanu-PF and MDC qualified for funding after the 2013 general election.

While the US\$1.8 million released to the MDC by June 2018, before the elections in July, for instance, might appear big for other purposes, it is not sufficient to pay administrative costs for running a political party, let alone fund a proper election campaign in an election year.²

In general, a Zimbabwean party needs not less than US\$30 million to fund an effective campaign for its presidential, parliamentary and local government candidates and US\$5 million of this amount is what a party needs for election day expenses like training and deployment of election party agents. In a country where money plays a pivotal role in politics, the budget for election campaigns for political parties has become more demanding, even for parties that get some form of support from treasury. More often than not, business interests and cartels pour in money into political parties' campaigns in return for business contracts if a political party wins election and forms the next government. As a result, dirty funds have found ways into political parties' finances, posing many challenges and threatening both democracy and

¹ Newspaper reports suggested that Zimbabwe needed about US\$274 million for the 2018 election. <https://www.news24.com/Africa/Zimbabwe/zimbabwes-election-to-cost-more-than-270m-20170719>

² “MDCT Funding Crisis” The Zimbabwe Independent Newspaper, 08 June 2018: <https://www.theindependent.co.zw/2018/06/08/mdc-t-faces-funding-crisis/>

the allegiance that elected officials should ideally have towards the electorate.

In an attempt to address challenges of ‘illegal’ money influencing electoral outcomes, most countries, Zimbabwe included, have now established regulations and statutes that govern financing of political parties. The Zimbabwe Political Parties (Finance) Act gives guidelines on political parties funding. Section 6 of this Act gives parameters on the “prohibition of foreign funding” for political parties. A similar law exists in South Africa, the Political Party Funding Act 2019, which among other things, provides for the “establishment and management of a Multi-Party Democracy Fund to fund represented political parties sufficiently”. The South African Political Party Funding Act, like the Political Parties (Finance Act) of Zimbabwe, also seeks to prohibit certain donations made directly to political parties while also providing a legislative framework to compel political parties to disclose donations that parties would have accepted.

In many cases, however, effective enforcement of these regulations has proven to be a major challenge. Many challenges — “ranging from the penetration of illicit funds and criminal networks into politics to the high costs of electoral politics and the undue influence of business interests — are exacerbated by badly designed regulations and poor enforcement” (Falguera, E et al, 2014:24). Consequently, while it is not ideal that illicit funds supplement political parties funding, the reality on the grounds is that such money changes hands during elections.

This research, therefore, seeks to unravel the extent to which political parties in Zimbabwe receive illicit funds during elections with particular reference to how parties were funded in the July 30, 2018 elections. References and comparative analyses are, however, made to political parties funding in the 2008 and 2013 elections. This was done to create comparative signposts in order to understand the extent of this practice and to establish whether the phenomenon is a flash in a fry pan or an entrenched practice requiring serious attention in our electoral politics. There are serious threats posed to democracy when illicit money is used to fund political parties’ election campaigns. It is worse when a country’s mineral resources are mortgaged and used as surety for the illicit ‘loans’ that politicians and political parties receive from corporate entities and individuals to fund their election campaigns.

Forms of political parties financing ○

There are several ways through which political parties source funding for their operations. Depending on jurisdictions and legal frameworks, some funding models are outlawed in some countries. This research outlines some of the methods through which political parties are funded in general.

As stated earlier, Zanu-PF and MDC-A get part of their funds from treasury through the Political Parties (Finance) Act, and also member subscriptions. In addition, political parties also get dividends from party businesses, and this is especially so in the case of Zanu-PF.

While some political parties claim that they get most of their funding from member subscriptions, according to former Zanu-PF Political Commissar, Saviour Kasukuwere, annual member subscriptions are very insignificant even for the biggest political parties like Zanu-PF. Kasukuwere revealed that Zanu-PF, the biggest political party in the country, with 180 of the contested 210 parliamentary seats in the 2018 elections, only has a registered membership of around 800 000 who pay less than US\$1 annually as subscription fees. Kasukuwere argued that there are several problems with subscription fees. He noted that apart from leakages because of the decentralised nature of subscriptions, fewer and fewer people are capable of

raising annual subscription fees which are less than US\$1 per person because of the current economic challenges.

In light of the above, notwithstanding the issue of legality, political parties in the country tend to consider funding through (1) foreign donations (2) corporate donations, (3) donations from public and semi-public entities (parastatals) (5) quid pro quo corporate donations, and (6) anonymous donations.

It is important to note that some of the methods of funding outlined above are outlawed in Zimbabwe through the Political Parties (Finance) Act. The Act, for instance, prohibits foreign funding of political parties, ostensibly to prevent external influence on electoral processes in order to preserve the fundamental principle of self-determination. Donations on a quid pro quo basis by corporate bodies are also illegal, so are donations from public and semi-public entities.

It is paramount, however, to state herein that, while acknowledging various funding methods through which political parties financed their election activities in 2018, and the preceding 2013 and 2008 elections, it is quid pro quo funding, especially where corporate and individuals alike, made donations to political parties in exchange for access to Zimbabwe's mineral resources. This informed the basis for this study.

Operating from the hypothesis that Zimbabwean political parties mortgage the country's mineral resources to corporate bodies and individuals who funded their election campaigns, especially the Zanu-PF party, this study set out to investigate how four selected political parties, Zanu-PF, MDC-Alliance, MDC-T and NPF financed their 2018 election campaigns. The four parties were deliberately chosen for this study because they are the only ones, out of the initial 112 parties (ZEC report on March 15 2018 delivered to the media) that had indicated interest in participating in the 2018 elections, who fielded candidates in most constituencies and also managed to get one or more seats in the elections.

Political Parties in Zimbabwe

Zimbabwe has several political parties and most of them commonly sprout up towards elections. On March 15 2018, four months before the July 30 2018 harmonised elections, ZEC reported that there were 112 political parties that had expressed interest in contesting the elections and 23 presidential candidates expressed interest in contesting for the country's top job. Out of the 112 political parties only four got one or more seats in both the lower and upper houses of parliament, that is, Zanu-PF, MDC-A, MDC-T and the National Patriotic Front (NPF). Among the four, only Zanu-PF and MDC-A qualified for central government funding as provided for by the Political Parties (Finance) Act.

5

Methodology

As this study was concerned with inquiring into how political parties are funded in Zimbabwe under a political and legal environment in which foreign funding is outlawed, much of what the study sought to understand was reposed in the minds, not documents, of those chosen for interviewing.

The researchers, therefore, used in-depth interviews to find answers to the research question. Since the approach was sociological, the answers to the research problem were grounded in “the experiences of the individuals” and “social abstractions” of those chosen as part of this investigation (Seidman 1991:4).

In-depth interviews were the most appropriate method because it is by talking to the politicians and political party functionaries chosen for this study, that possible explanations on how the political parties were funded under the socio-political, economic and legal environment obtaining in Zimbabwe could be made.

Despite the secrecy, obscurity and shadowy nature in which political parties acquire their funding in Zimbabwe, the researchers carefully identified key informants and cultivated a conducive atmosphere for each interviewee to be able to converse freely so that invaluable information could be extracted from them. As Bertaux (1981:39) notes, “if given a chance to talk freely, people appear to know a lot about what is going on”.

The sample consisted of people chosen for their involvement in the political parties selected for this study and their availability and willingness to share their experiences with the researchers pertaining to the study. This approach was justifiable in line with Deacon et al’s (1999:45) view that “qualitative research methods do not always follow conventional sampling procedures but, instead, depend upon the creativity and resourcefulness of the researcher.” At times, it is not the number of people that one talks to about a research problem that matters, but the appropriateness of the people to the research that is being undertaken which becomes important. Rubin and Rubin (1995:72) support the idea of a small sample, as used in the study, as long as it yields the necessary information when they argue that:

With the first principle of qualitative sampling—what we label completeness—you choose people who are knowledgeable about the subject and talk with them until what you hear provides an overall sense of the meaning of a concept, theme or process. Sometimes interviewing one very informed person is all that is necessary (Rubin and Rubin 1995:72).

For this research, therefore, people who were in senior positions in Zanu-PF, the MDC-A, MDC-T and NPF were interviewed. Also interviewed were those currently linked to the parties through business dealings and lawyers who handled cases when disputes arose after some political parties reneged on their part of the bargain, after money had already been availed to the parties for their operations and election campaigns.

It is pertinent to note here that some of the information used herein, formed part of court documents that aggrieved parties placed on record through lawyers in disputes that arose after funding deals between foreign nationals and local political actors went sour.

The key informants from all parties agreed to be interviewed on the understanding that their names were not included in this report but some were willing to provide party documents and other documents, for instance, sensitive security documents, from which direct quotes are made in this report.

The interviews were not captured on tape as part of the agreement reached between the interviewer and the interviewees. The researchers also did a lot of document analysis of various written reports that some of the informants provided which, upon in-depth explanations from the interviewees, yielded very important information on how political parties get financial support from both local and foreign funders.

Key findings

Zanu-PF funding

Zanu-PF, as the ruling party, enjoys many advantages that come along with incumbency. Informants outlined how different government owned entities supported the party through donations made directly towards party projects which are often disguised as government projects.

The conflation of party with both the government and the state has been used to circumvent calls against public entities funding to Zanu-PF and to conceal corruption by ministers who allegedly take public funds from parastatals for personal use and hide behind the excuse of party funding.

While a lot has been said about how parastatals like ZIMDEF, NetOne, POTRAZ, among others, have been used to fund Zanu-PF activities under the guise of government programmes, it is the extent to which Zanu-PF benefits from *quid pro quo* donations by individuals and private corporate bodies that raises a lot of public concern. Particular attention was put into researching the link between Zanu-PF election funding, and companies or individuals with interests in mineral resources of this country.

For that reason, the research focused on investigating the extent and impact of these donations not only on the unevenness of the electoral playing field, but also on alleged abuse of national resources that Zanu-PF has been accused of by opposition political parties. The central entity to these Zanu-PF activities, as the research shows below, is the Zimbabwe Mining Development Corporation (ZMDC) and mining companies under its purview.

Official documents gleaned by the research team covering the July 31, 2013 elections give a window to understanding how Zanu-PF election funds are sourced and the individuals or companies responsible for underwriting its huge election expenses.

A Joint Operation Command (JOC) “Election Brief Meeting” report dated 3 June 2013, reference “JOC/RG/SS”, reveals that Zanu-PF contracted Nikuv International Projects which worked with the Chinese Communist Party (CPC) to run Zanu-PF 2013 elections. Nikuv drew up a “USD3 billion” budget for the 2013 elections.

According to the report, a great part of the budget, 67 percent, which amounted to US\$2.01 billion, went towards “the presidential campaign” while US\$990 million went towards “regional diplomacy” [Next SADC Chair, liberation Movements] to drum up “support for poll credibility before, during and after elections.” The so-called “regional diplomacy” is nothing but a euphemism for bribes paid to the SADC Chairperson, then President Joyce Banda, and liberation movements in the SADC region to proclaim legitimacy to the elections whose credibility Zanu-PF anticipated was going to be questioned.

The same JOC meeting report revealed that part of the US\$3 billion came in the form of “US\$800 million from Mbada Diamonds and Anjin (Pvt) Ltd”, US\$85 million from then President of the Democratic Republic of Congo (DRC), Joseph Kabila, while Equatorial Guinea chipped in with US\$92 million. Other individuals, Mohamed Mussa (late) and British born property mogul, Nick Van Hoogstraten donated US\$2 million and

US\$3 million respectively.

The other chunk, the report shows, was covered in kind through donations from Sino-Zimbabwe then Chairman, Mr Sam Pa, Meikles and Chinese Communist Party (CPC). Mr Pa pledged “2 million t-shirts and a corresponding number of caps and bandanas” while “Meikles and CPC” donated “500 trucks.” The balance, as shown by another report from the “CIO Director General’s Office,” was raised through shady sales of Marange diamonds to mainly “Mr Sam Pa” and “China-Sonangol.”

The internal document from the CIO Director General’s office, “Ref/23/13/1432” dated 23 May 2013, shows that a total of 16 000 carats were shipped out of Zimbabwe to Angola and Hong Kong between 04 April 2013 and 10 May 2013 and a total US\$58 million was realised from the illicit sale of the gems. A further 20 000 carats were shipped out of Zimbabwe to Angola between 11 and 16 May 2013 for an undisclosed fee. The same internal CIO document clearly states that the money raised was for “Special Interests Projects” (elections) and part of the shipment was taken to “Number 88 Queensway, Hong Kong, “on behalf of the Special Interests Projects” by “Air Vice Marshal H. Muchena” who, according to another security document, headed the Zanu-PF Commissariat together with “retired Director, Counter Intelligence, Sydney Nyanungo.” The two also presided over a violent quasi-military operation code-named “Operation Return to Zanu-PF.” According to the JOC internal document referred to earlier, the operation led by Retired Air Marshal Muchena and Retired Director Nyanungo was funded to the tune of US\$800 million from Mbada Diamonds and Anjin (Pvt) Ltd.

The 2013 funding model was not a flash in the frying pan as Zanu-PF also used mineral resources and external donors to fund its 2008 and 2018 elections. In the run-up to the 2008 Presidential Run-off election, on 10 April 2008, while President Robert Mugabe, backed by the army, was still refusing to release elections results and preparing for a bloody presidential election run-off on June 27 2008, Zanu PF received a US\$100 million electoral lifeline from a dubious deal orchestrated by one businessman with interests in farming, the fuel industry and mining³. An informant privy to the deal alleged that the money was paid by this businessman to Zanu-PF through a ‘loan’ from a company called Lefever Finance Limited (BVI) which had a joint venture operation with ZMDC called Todal Mining (Pvt) Limited which owned Bokai mine. Lefever Finance Limited had 60% shares in Todal Mining (pvt) Limited while ZMDC owned the other 40%. According to the Zanu-PF informant, the money was used to finance the campaign by the army to subvert the March 29 2008 election result in favour of Zanu-PF through the June 27 2008 presidential election run-off from which MDC’s Morgan Tsvangirai pulled out, citing murder of more than 200 of his supporters by the army.

The Zanu-PF informant revealed that the Bokai mine (Todal Mining (Pvt) Limited) deal point out to the fact that, while the mine was ‘sold’ for US\$175 million to the Central African Mining and Exploration Company (CAMEC) through an intricate web of shelf companies registered in the British Virgin Islands (BVI). Zanu -PF, through ZMDC, benefitted a quick fire of US\$100 million from the sale which they used for the bloody June 27 2008 presidential election run-off. The same source revealed that Billy Rautenbach, through Meryweather Investments Limited (BVI), got US\$75 million from CAMEC in addition to coking coal mining rights in the Hwange Western Areas that he was given by the government of Zimbabwe for arranging the deal.

³ How we can help African nations to extract fair value. Collier, Paul. Financial Times. 12 May 2013. <http://www.ft.com/intl/cms/s/0/45065606-b8d9-11e2-869f-00144feabdc0.html>

Within a month of the sale of Bokai mine to CAMEC, CAMEC valued the same mine at US\$1 billion⁴. This means that the government of Zimbabwe was prejudiced of US\$825 million because of the illegal and desperate sale of the mine.

According to Henricus Funnekotter's IMF letter, the government and its Zanu-PF functionaries who were behind the sale of the mine did not care much about its actual value considering that the government had fraudulently acquired it through arm-twisting mining giant Anglo American to cede 30 per cent of its platinum claims on the Great Dyke to the government in an agreement signed on 23 March 2008, days before the presidential election. In return, Funnekotter argues, Anglo American was to receive a special mining lease that allowed it to hold offshore foreign exchange earnings from its Unki platinum mine and protection from any future indigenization requirements on top of the release of its funds that were being held by the Reserve Bank of Zimbabwe (RBZ).

Funnekotter also reveals that a series of offshore companies registered in the British Virgin Islands (BVI) were used to convolute and obfuscate the deal in clear attempts aimed at hiding the real beneficiaries, who were not the people of Zimbabwe, but the Zanu-PF party which was in need of money to overturn an electoral loss through a June 27 2008 presidential election run-off.

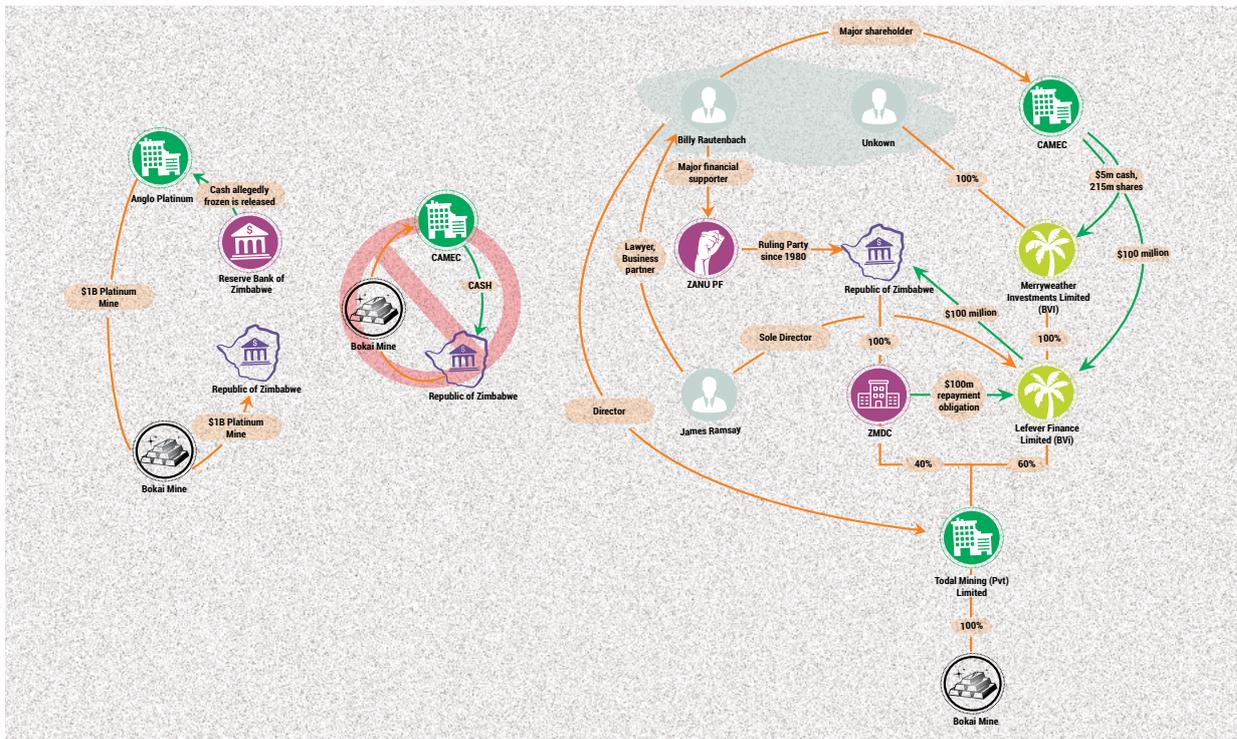
The diagram below shows the intricate network through which the deal was done, while after the dubious sale, the former American Ambassador to Zimbabwe, James McGee noted that:

The GOZ appears willing to sell the family silver, or in this case, platinum in shadowy deals for short-term benefit to questionable investors with no experience in platinum and absent public tender or public scrutiny of the terms. At a time of record-breaking platinum prices, the GOZ could be creating an investment climate that would attract long-term investors and generate a reliable income stream over decades for the benefit of all Zimbabweans. But, desperate for forex [read campaign money], the GOZ has opted for a quick return that will provide some short-term support for the government [Zanu-PF] but will most likely line the pockets of a select few and ultimately leave Zimbabwe all the poorer⁵

⁴ Camec Investor Presentation, London May 2008, contained in Bernadus Henricus Funnekotter's December 5 2013 letter to Antoinette Sayeh, Director of the African Department, International Monetary Fund in Washington DC

⁵ Rich Platinum Claims Change Hands in Hush-Hush Deals. 23 May 2008.

<http://www.cablegatesearch.net/cable.php?id=08HARARE459>



Source: Bernadus Henricus Funnekotter's letter to IMF and World bank on 05 December 2013

As the former American Ambassador to Zimbabwe James McGee noted, these “shadowy deals” with investors “with no experience” and “away from public tender” and “scrutiny”, are a preferred modus operandi by the Zanu-PF government and its accomplice, the ZMDC, when there is need to fund the party for elections. The figure of US\$100 million constantly pops in these “shadowy deals” as shown in the Marange Diamond deal.

While Zanu-PF sold Bokai Mine to CAMEC for US\$100 million to fund the 27 June 2008 bloody presidential run-off, a similar arrangement, with The New Reclamation Group (Pvt) Limited (Reclam), a company “not involved in mining” and without “diamond mining as part of their vision,” was entered into by ZMDC to exploit the diamond reserves in Marange this was reflected in the ‘Minutes of the ZMDC Board Select Committee on the due diligence investigation exercise on the approved strategic investors for Marange Diamond (sic) fields conducted in South Africa on the 4th and 6th August 2009’.

Reclam, which was not a mining company, got the nod to partner ZMDC’s Marange Resources, to form Mbada Diamonds which proceeded to mine the Marange gems in Manicaland. Part of the deal involved Reclam, “the investor”, to “capitalize the Joint Venture Company (Mbada Diamonds) to the tune of USD100 000 000-00, until such amount is exhausted”. New Reclam went on to register a shelf company in Mauritius, Grandwell Holdings which then entered into a JV with Marange Resources to form Mbada Diamonds. According to a 2016 lawsuit by Grandwell Holdings, the Cabinet of Zimbabwe endorsed the deal and wrote to Grandwell on the 10th of February 2010:

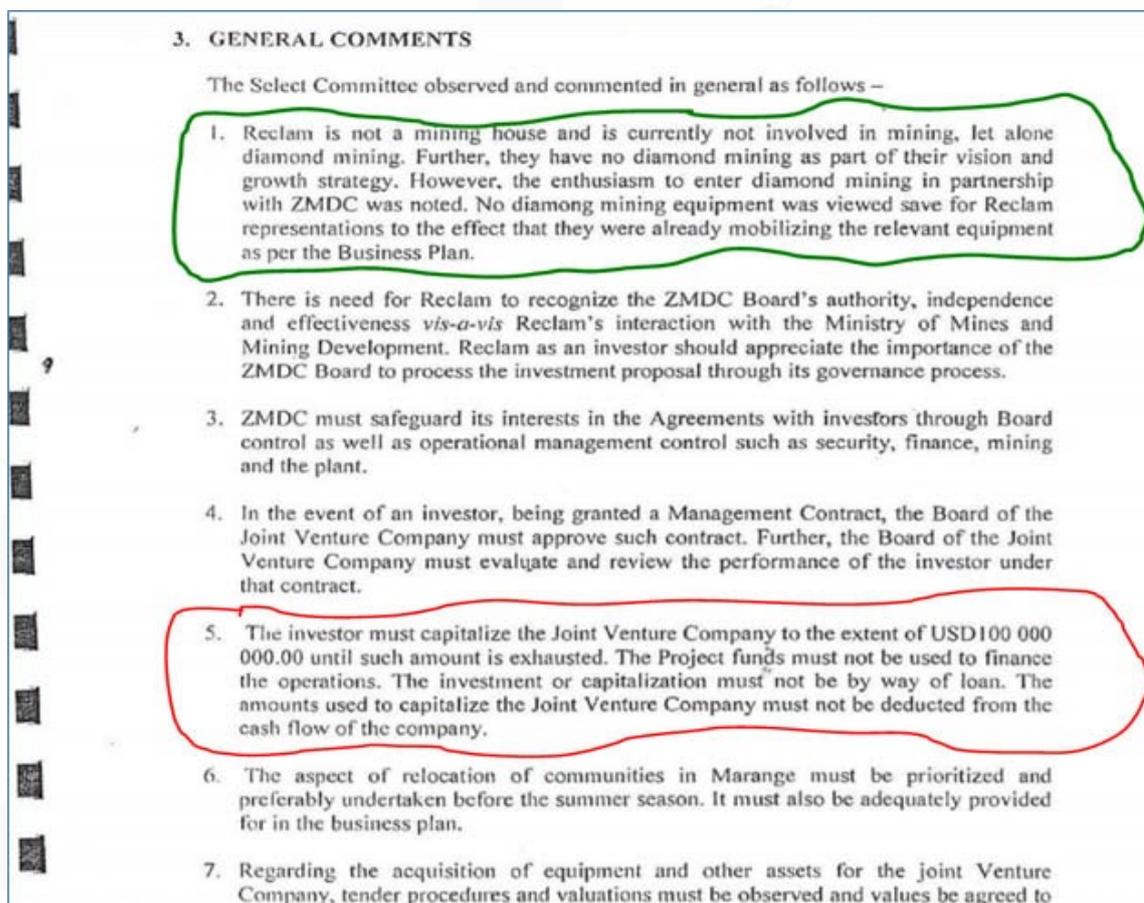
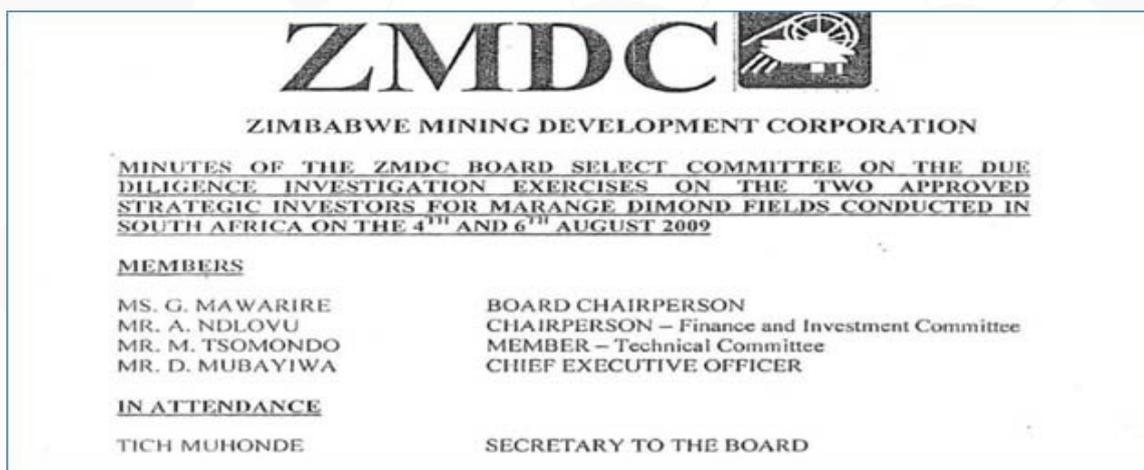
*“Re: IMPLEMENTATION OF THE JOINT VENTURE ARRANGEMENT FOR MARANGE DIAMONDS MINING PROJECTS: MBADA DIAMONDS PVT LTD
This is to confirm that the Government of Zimbabwe has approved and therefore fully supports the joint venture project between Grandwell Holdings Ltd, a company registered*

Diagram showing how Bokai mine was bought through an intricate web of shelf companies.

in Mauritius and Marange Resources Pvt Ltd a ZMDC investment vehicle, currently carrying on the business of diamond mining under the name Mbada Diamonds [Pvt] Ltd. Appropriate Government approval was duly obtained both for the identification of investor and the subsequent joint venture agreement.”

According to minutes of the ZMDC Board Select Committee cited above, an extract of which is affixed below, the “USD100 million” was not supposed to “be used to finance the operations” of the JVC and that the “amounts used to capitalise the Joint Venture Company must not be deducted from cash flow of the company.”

The informant explained that part of this US\$100 million was availed to Zanu-PF in 2010 in preparation for



Source: ZMDC Board Minutes

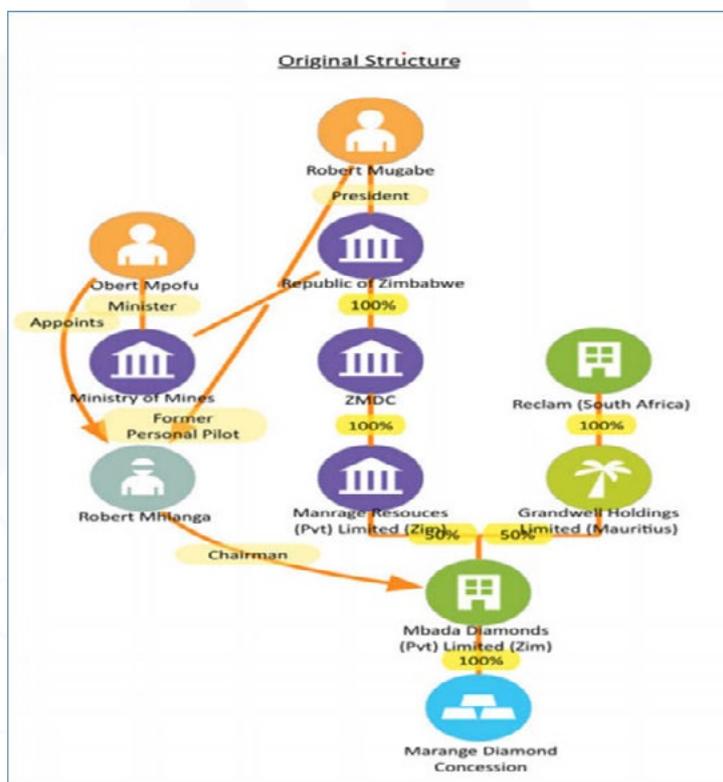
the 2013 elections. Said the Zanu-PF insider, “Mbada funded most of the activities of the party in the run-up to the 2013 elections and most of the money came from the \$100 million that Mhlanga (Robert) sourced for the party and the illegal sale of diamonds to Hong Kong”.

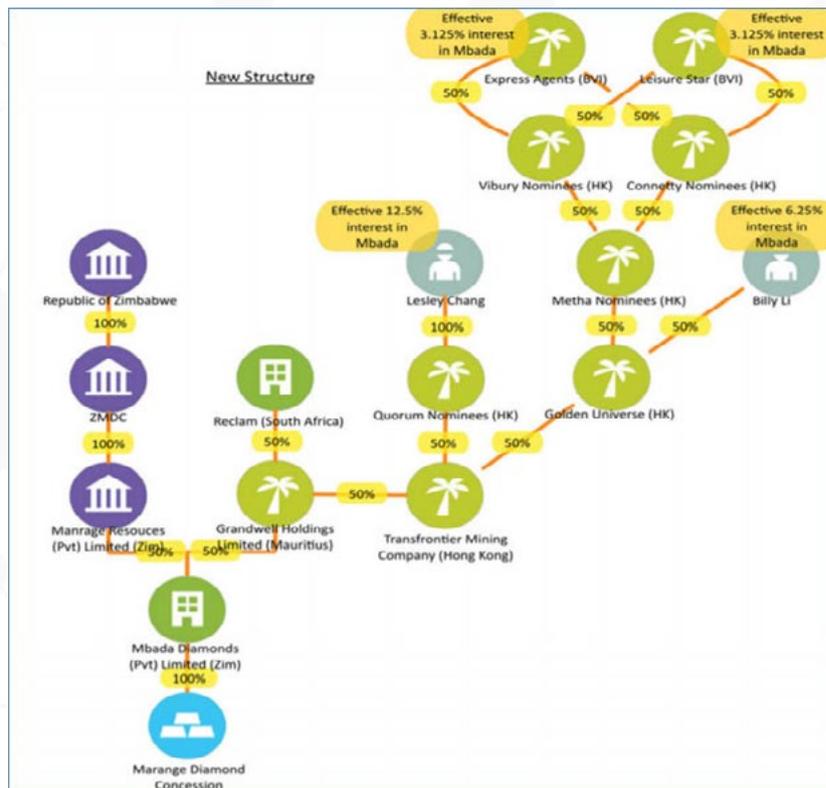
What is clear from documents is that the Mbada Diamonds deal, just like the Bokai mine deal that funded the 2008 presidential run-off, was structured in a way that involved a lot of shelf companies registered in the British Virgin Islands to obfuscate the ownership structures in a way to suggest there were a lot of things that ZMDC, the government of Zimbabwe and Zanu-PF wanted to conceal.

In the same way ZMDC, Zanu-PF and the government of Zimbabwe did with Bokai mine, which was sold to CAMEC through Lefever owned by Billy Rautenbach’s Meryweather, 50 per cent of Marange Resources diamond claims were sold for US\$100 million to Reclam which had no mining experience. Reclam, because it was not a mining company, immediately transferred its 50 percent stake in Mbada Diamonds to its subsidiary, Gradwell Holdings Limited registered in Mauritius which also transferred part of its stake to a battery of shelf companies like Transfrontier Mining Company (Hong Kong), Metha Nominees (Hong Kong), Vibury Nominees (Hong Kong), Connetty Nominees (Hong Kong), Express Agents (British Virgin Islands) and Leisure Star (British Virgin Islands).

The eventual ownership structure of Mbada became so intricate, but very convenient, for the Zanu-PF government to move millions of United States dollars, undetected, or at least concealed, in order to illegally fund its operations leading towards the 2013 elections. The diagram below shows this intricate web of shelf companies.

Diagrams showing original Mbada holdings ownership structure and the intricate web of shelf companies used to obfuscate the holding structure in the new set-up





Source: Bernadus Henricus Funnekotter's letter to IMF and World bank on 05 December 2013

It can be noted that after each election, Zanu-PF gets down to working out strategies to identify corporate bodies and individuals to fund the next elections. According to an interviewee involved in the deals, barely six months after the 31 July 2013 elections, in December 2013, Zanu-PF, through a proxy, who runs most Zanu-PF companies, entered into a joint venture operation with Gamstar Holdings, Hannam & Partners and Meikles Group to fund Zanu-PF operations in exchange for a raw chrome export licence which was the only one of its kind since the export of raw chrome was banned at the time. The joint venture company Carzle Investments was formed and immediately issued with a raw chrome export licence.

According to the informant involved in the deal, Carzle Investments shareholders are Meikles Centar Mining (Pvt) Limited 75 %, Cougan Matanhire 12.5%, and Mnangagwa & Sekeramayi Syndicate (M & S) 12.5 %. Meikles Centar Mining (Pvt) Limited is a Zimbabwean registered company owned by Meikles Group (51 %) and Hannam & Partners (49 %). Hannam and Partners is owned by Polish billionaire Ian Hannam and Jan Kulczyk. Hannam and Partners is represented by Chris Showalter, while Meikles Group is represented by its Group Financial Director Thempson Muzvagwandoga. Zanu-PF, using Mnangagwa & Sekeramayi Syndicate (M&S), is represented by Sekai Chikwava. According to the source who was part of the deal, Meikles Centar Mining (Pvt) Limited paid US\$2 000 000-00 to Zanu-PF and Matanhire before the Carzle Investments deal could even materialise.

The source added that US\$150 million was then mobilised for actual operations which involved the building of a chrome smelting plant. The source also revealed that the \$2 million was payment for Zanu-PF's "influence" and Matanhire's claims. The US\$2 million was reportedly paid in through two US\$1 000 000-00 instalments. The first instalment was paid in cash on 09 December 2013 and distributed as follows: US\$450 000 cash paid into a Zanu-PF CBZ account on December 12 2013 while US\$200 000 was shared

among a trio of Didymus Mutasa, then Acting Minister of Mines, Webster Shamu, Zanu-PF National Political Commissar and Sekai Chikwava, the Zanu-PF representative in Carzle. The Joint Venture Company was then issued with the only licence to export raw chrome in the country at that particular time.

The source added that the other US\$1 000 000-00 was paid in on 09 January 2014 but it could not be established how it was distributed. In return for the US\$2 million, the source revealed, Mutasa, who was Acting Minister of Mines, issued Carzle Investments with a chrome export licence although the country had banned the export of raw chrome at the time (The Herald of 14 February 2017 reported that all raw chrome exports were banned in April 2011).

The source revealed that the export licence was, however, later cancelled by then Minister of Mines, Walter Chidhakwa in February 2014 at the height of Zanu-PF internal fights but was reissued on 18 October 2019 after the 2018 elections. The question arises as to what had happened to warrant the reissuing of the licence? How much did Carzle shareholders, Hannam & Partners and the Meikles Group contribute towards the 2018 elections which warranted the reissuing of the licence that had been cancelled five years earlier? Of note was the written instruction in a letter from President Emmerson Mnangagwa to Zanu-PF Secretary of Finance, Patrick Chinamasa, dated 13 June 2019, shown to the researcher by the interviewee on this matter, imploring Mr. Chinamasa “to assist Mr Matanhire with his licence.” The question that begs for an answer is what had happened? How much was put into Mnangagwa’s election campaign which warranted his direct interest in the reissuance of the raw chrome export licence?

While the researcher could not establish the figures that Zanu-PF got from its 2018 election dealings with Carzle Investments, a senior Zanu-PF official availed figures in the arrangement that Zanu-PF entered with businessmen, Enock Kamushinda, Ozias Bvute and Rodreck Mlauzi, who the source says provided a total US\$12 million dollars for the Zanu-PF 2018 election campaign in exchange for government contracts, key government positions and protection from prosecution. The source added that the three businessmen’s US\$12 million dollars was used, among other things, to pay for all the campaign billboards for Mnangagwa that were dotted around the country and t-shirts (US\$7 million) that were bought from India.

Below is a picture of one of the billboards that the businessmen funded.



One of the many Mnangagwa campaign billboards funded by Bvute, Kamushinda and Mlauzi

The source revealed that Mnangagwa was not aware of this huge donation by the three businessmen which went through Minister of Local Government, July Moyo. The informant revealed that Mnangagwa only got to know about the donation when Bvute and Kamushinda were taken to meet Mnangagwa by a state residence employee only named as Maburutse. The source added that the businessmen then explained to Mnangagwa how they had funded his campaign and how they expected Bvute to be appointed Deputy Minister of Finance and to be protected from prosecution in the on-going National Social Security Authority (NSSA) corruption saga. Mnangagwa is then reported to have promised the businessmen land and government partnership in a “command housing scheme in preparation for the 2023 election campaign”. According to another senior official, Zanu-PF also used the quid pro quo strategy to raise funds for the purchase of 60 of the 210 double-cab vehicles that the party procured for its parliamentary candidates in return for the opportunity to front the party in the Great Dyke Investments (GDI) platinum project with Afromet JSC of Russia. The source alleged that Kudakwashe Tagwirei bought the 60 cars and was rewarded with an opportunity to buy into the GDI platinum project through his Landela Mining Venture which now controls 50% of the platinum venture. He added that the other 150 of the 210 double cab vehicles were bought by Zunaid Moti with Zanu-PF using the same approach of fundraising using the country’s mineral resources, this time, chrome minefields, that the party availed to Moti in return for the supply of the cars, among other financial donations.

The recent fallout between President Mnangagwa and Moti, reported by an online publication, *ZimLive*, on 23 September 2019, has provided a window to understanding the extent to which Zanu-PF sold vast chrome mining concessions to fund its 2018 election campaign. It was also the same case as the relationship between NSSA and Metbank in which allegations on abuse of the pension fund by Bvute and his other co-directors have led Bvute, Kamushinda and Mlauzi to divulge the amounts they availed to the Zanu-PF 2018 election. Equally, the fall-out between Moti and President Mnangagwa has led to both parties letting out details on the deal that saw Moti getting around 300 hectares of chrome fields in an area between Shurugwi and Zvishabane, in return for buying the 150 election campaign vehicles for Zanu-PF.

Moti’s recent public criticism of President Mnangagwa’s governance and economic policies, that he believes are inimical to operations of businesses, have resulted in his chrome mining licences being cancelled by the government resulting in his public outbursts about how much he lost through donations to Zanu-PF and investments into his chrome minefields. (*Zimlive* 23 September 2019).

Donations from extractive industries are an integral part of ZANU PF’s election funding architecture. Because most extractive industries acquire mining rights through ZANU PF, they are required to pay back in cash towards party functions and activities. Fund raising dinners are frequently held by the party where extractive industries are ‘invited’ to doante. They are also expected to provide transport and food for rallies. One CEO of a mining company complained that at times they are forced to build classroom blocks far away from their areas of operation because a provincial political heavyweight is campaigning in that constituency. He added that extractive industries find it unnecessary to pay their tax obligations to the government as they would have already paid substantial amounts of money to ZANU PF. A strong patron-client relationship exist between all extractive industries and the ruling ZANU PF.

Recently a Chinese company, Beifa Investments set out to explore for coal in Dinde communal lands, Hwange. The company was resisted by the locals who argued the project undermines their environmental, cultural, economic and social rights. Beifa Investments wrote a letter to ZANU PF Hwange District, not the government of Zimbabwe, complaining that a ZANU PF faction, allegedly linked to the speaker of

Parliament was inciting the community to resist their activity.

Equally perplexing is the case of Anjin Investments. In 2016 former President Robert Mugabe accused diamond mining firms, including Anjin Investments, of robbing Zimbabwe of an estimated \$13 billion. Mugabe said of a possible \$15 billion, only \$2 billion had been realized. To cure that haemorrhage, Mugabe formed the Zimbabwe Consolidated Diamond Company (ZCDC) and unsuccessfully tried to force the companies to merge into one. When they refused Mugabe forced them out of Marange, claiming that they had 'robbed us'. Mugabe's claims were barely surprising given that it was a public secret that Zimbabwe's diamond revenues were not entering treasury. Global Witness, a British not-for-profit natural resources watchdog reported in 2012 that Zimbabwe's diamonds were funding a parallel ZANU PF government to undermine the work of the Inclusive Government. Former Finance Minister Tendai Biti repeatedly stated that Anjin Investments was not remitting anything to treasury during his tenure in the Inclusive Government. However, barely a year after he ascended to the Presidency, President Mnangagwa reinstated Anjin Investments in Marange. Anjin has been secretly mining and has not declared any statistics or production or revenues generated. It is equally unknown where Anjin sells its diamonds and account to.

From the information gathered, it can be concluded that funding for Zanu-PF election and political activities chiefly comes from state companies and corporations, private companies, especially in the extractive sector and organisations linked to ZANU PF, wealthy individuals and other private entities operating in Zimbabwe, Southern Africa or beyond.

MDC- Alliance Funding

While Zanu-PF can easily exchange the country's mineral resources for election funding, the situation is not the same with the MDC-Alliance. As stated earlier, MDC-Alliance qualifies for the statutory funding under the Political Parties (Finance) Act since it polled more than the minimum requirement of five percent of the total votes cast in the last (2018) elections. The amount they get from treasury, however, is insignificant considering the huge cash demands that election campaigns need.

In 2018, MDC-Alliance got US\$1.8 million according to the party's then Secretary General, Douglas Mwonzora. According to Mwonzora in an interview published by the Zimbabwe Independent on June 8 2018, this amount was insignificant considering an undisclosed party budget for the 2018 elections.

Policy documents provided by key party interlocutors also reveal that, like Zanu-PF, MDC-Alliance is prepared to dangle national mineral resources in exchange for funding by foreign business interests.

In a 2012 paper titled "Cultivating relations with China and Russia" the MDC Research and Policy Development Department makes an argument that the then MDC leader, Morgan Tsvangirai, was supposed to leverage on Zimbabwe's vast mineral resources and the threat of depletion of the same minerals, especially in Russia, to cultivate mutually beneficial relations with the Kremlin and Russian business interests in exchange for both political and financial support.

The department observed that

Both Russia and China are currently pursuing their national economic interests vigorously on the global arena. Russia is anxious to re-assert itself as an influential power in

international politics. In the aftermath of the disintegration of the Soviet Union, Russia pursued a policy of redefining its ties with the West (and the US). During this period, Russia did not cultivate close ties with Africa. As its stature has grown internationally, Russia has begun casting an eye on Africa and its vast natural resources. A number of African countries (Zimbabwe included) are Russia's historical allies having benefited from the Soviet Union's global ideological fight with the US and her allies. Russia has sought to re-invigorate those ties for both political and economic reasons.

The MDC makes the argument that “on the economic front, Russia realises that its economic growth is linked to its access to natural resources” and that “the depletion of its own resources are one of the reasons for its new focus on the African continent (see Depletion Time-line below)” hence the need for the party to capitalise on its projection that Russia will “look to Africa to provide the natural resources that are becoming scarce within its own borders.”

Depletion Timeline of Russia's Mineral Reserves

Year	Economically Viable Reserves	All Reserves
2011	Zinc	
2013	Chromium Ores; Diamonds; Quartz	Quartz
2015	Tin; Uranium; Gold; Oil	
2016	Copper; Nickel; Tungsten	
2018	Platinum; Graphite	
Beyond 2025	Coal; Phosphate; Potash; Bauxite; Iron Ores; Natural Gas; Vanadium; Fluorspar; Salt	Zinc; Chromium Ores; Diamond; Tin; Uranium; Gold; Oil; Copper; Nickel; Tungsten; Platinum; Graphite; Coal; Phosphate; Potash; Bauxite; Iron Ores; Natural Gas; Vanadium; Fluorspar; Salt

Source: Russian Federation; US Geological Survey (USGS) Quoted by the MDC Research Department to its President's office in 2012.

From the policy paper, it is evident that the MDC is prepared to mortgage the mineral resources that it believes are becoming scarce in Russia for a “mutually beneficial relationship in the best interests of all parties concerned.” The party argues that it is “clear that Zimbabwe is endowed with some of the minerals that are projected to have been significantly depleted in Russia within the next decade or so (gold, chrome, diamonds)”; therefore it can leverage on their availability to enlist the support (financial and political) of Russia in exchange for the minerals. There is no explanation in the document on how Zimbabwe will benefit by opening up its mineral wealth to Russia. The MDC position reflects the position of most African governments and politicians with regard to their minerals. They use minerals to gain political solidarity and resource rents which help them finance civil wars, political campaigns and /or tighten their grip on power. While there was no immediate evidence linking the MDC-Alliance to the use of the country's mineral resources in its 2018 election campaign, a key informant interviewed revealed that the party received US\$2 000 000-00 for its presidential campaign from Switzerland and the money was used for Nelson Chamisa's more than 80 rallies although insiders say the money was supposed to help the party's parliamentary election candidates as well.

Most of the money that the party used for the parliamentary and local government candidates' campaigns,

according to a member of the National Council Members interviewed; “was contributed by the candidates” while “no party t-shirts were provided by the party even for Chamisa’s rallies”. She revealed that “party supporters bought their own t-shirts for Chamisa’s rallies from individuals who made and sold the regalia without a cent going to the Treasurer General’s coffers.”

There are unsubstantiated reports, corroborated by a senior MDC official, that Chamisa received a huge cash injection from Kudakwashe Tagwirei, the business mogul who also supported President Mnangagwa’s campaign as already revealed. The MDC official revealed that Tagwirei is alleged to have given Chamisa, in excess of US\$1 000 000-00 for his campaign “in an obvious case of not putting one’s eggs in a single basket.”

Another key contributor to MDCA election funding were individual donors, particularly the Zimbabwe diaspora. Some of these chose to remain anonymous whilst others hoped to be rewarded with top government positions in the event of a Nelson Chamisa victory. A key informant revealed that the party also got funding through some local NGOs.

In conclusion, MDC-A’s funding comes from state entitlement under the Political Parties (Finance) Act, private donations from non-governmental organisations and individual contributors. In the run up to the 2023 elections, the MDCA’s financial challenges are likely to continue given the controversial Supreme Court ruling which resulted in Douglas Mwonozora’s MDCT claiming ownership of the MDCA legislators thereby making MDCT the recipient of the political parties funding disbursed by treasury annually to parties that exceeded 5% of the vote in 2018.

The National Patriotic Front (NPF) ○

The National Patriotic Front, formed in January 2018, by mostly former Zanu-PF officials who had been expelled from the party after the November 2017 military coup, was touted as a potential game-changer in the run-up to the July 30 2018 harmonised elections. Therefore, its entry into the political fray was expected to be backed by a very strong war chest.

Key figures in the party who were interviewed for this research provided information to the effect that the late former President Robert Mugabe “promised to source funding to the tune of US\$30 million if the party could form strong and viable structures capable of unseating the junta”. One of the key informants revealed that “President Mugabe promised us that his ‘friends’ were willing to fund the party provided that (Saviour) Kasukuwere, Jonathan Moyo and (Patrick) Zhuwawo were not part of the executive.” She added that “the three were supposed to remain advisors and part of a strong think-tank that the party was building to unseat Zanu-PF.”

She however said that “once the party seemed to gather momentum”, the three, Kasukuwere, Zhuwawo and Moyo began to be actively involved in the day-to-day running of the party which irked Mugabe leading to him “turning off the taps on the party”.

The informant, however, revealed that about US\$460 000-00 had “already been sourced through Zimbabwean businesspeople based in South Africa who bought 11 single cab trucks and about 25 000

t-shirts for the campaign. A further US\$120 000 was availed to 80 parliamentary candidates who each received US\$1 500-00 for their campaigns.

It is, however important, here to point out that another senior NPF National Executive Council (NEC) member revealed that “Kasukuwere is alleged to have received about US\$250 000-00 from General (Constantino) Chiwenga to destabilise the NPF campaign in exchange for his freedom and return to Zanu-PF as a politburo member”. The official added that, “Kasukuwere received the money and had an immediate task to scuttle the NPF-MDC-Alliance electoral pact through sponsoring discord in the party including the press conference organised to disparage Mugabe and his wife.” He added that “the press conference had an immediate effect” resulting in the South African based Zimbabwean businesspeople withdrawing the 11 cars they had donated to the party since “they were afraid of being exposed as financiers of the party.” As a result, the interviewee argues, “NPF went into the 2018 elections with very little financial support” and this resulted in the party winning just one parliamentary seat.

In summary, the funding for NPF is very limited; the party has to rely on few donations but lacks state entitlement under the political party financing laws.

The MDC-T

The MDC-T, led by Dr Thokozani Khupe as of 2018, is a faction of the MDC-T that was led by Former Prime Minister, Morgan Tsvangirai until his death in February 2018. It is important to note that the MDC-Alliance officially existed as the MDC-T until the nomination court sat on the 14th of June 2018 to register for the July 30 2018 elections. However, for the purposes of the Political Parties (Finance) Act funding for the period before June 14 2018, the MDC-A had received the funding as MDC-T led by Tsvangirai. According to a senior official in the Khupe’s MDC-T, when Khupe registered MDC-T for the purposes of the 2018 elections, treasury funds had already been disbursed to the MDC-T (now MDC-A) hence the court application by Khupe trying to force the MDC-A to reimburse ‘her party funds’ availed to the MDC-A by treasury. By the time of the research, the MDC-T interviewee claimed that the party’s lawyer, Professor Lovemore Madhuku, was still seized with the court application.

The senior MDC-T official interviewed claimed that his party received “substantial funding” from Econet Wireless founder Strive Masiwa although he refused to disclose the amounts involved.

A Zanu-PF official also revealed that President Mnangagwa availed US\$120 000-00 to the MDC-T for the 2018 election, a claim which was, however, dismissed as disinformation by the senior MDC-T official interviewed. Ultimately, it cannot be escaped that the MDC-T is now the preferred opposition party of choice by the government and will continue to receive funding from treasury to ensure it effectively occupies the opposition space.

Conclusion

The research found out that elections in Zimbabwe have become very expensive for both political parties and individuals to run, thus campaigns are more and more funded by money from external donors. The situation is worsened by the current economic environment where very few Zimbabweans have disposable income from which they can set aside a fraction to finance political parties of their choice. The collapsed private sector has also made it very difficult for political parties other than ZANU PF to get funding from local business sector.

As noted earlier, annual member subscriptions are also insignificant even for the biggest political parties like Zanu-PF which cannot raise US\$800 000 annually. The current economic challenges also affect business investments even in cases where political parties have ventured into business to raise funds, hence most parties end up relying on illegal external funding.

Using the country's vast minerals resources as bait, the incumbent Zanu-PF lures potential funders with mining concessions while their serious challengers, the MDC, in its various formations, use the same modus operandi though with little success. They both promise to avail economic opportunities to friendly funding partners to secure funding for their campaigns in some quid pro quo arrangements with potential funders.

It can be concluded that prior to these arrangements, no proper evaluations (geological surveys) of the mining concessions were done to establish their actual value before they are sold out to potential election funders hence most of the concessions are sold for a song. A case in point is that of Bokai mine, which Zanu-PF, through the ZMDC, sold for \$100 000 000-00 to Rautenbach who immediately passed the same mine to CAMEC for a total \$175 000 000-00. CAMEC, in turn, after just a month of its purchase of the mine, valued the same for US\$1 billion, an increase of US\$825 000 000-00 in a space of 30 days.

The same can be said of the deal between Zanu-PF and Moti's African Chrome Fields where the South African businessman is reported to have bought 150 double cab vehicles for Zanu-PF's 2018 election campaign in return for 300 hectares of chrome fields whose actual value was never disclosed to the public. In 2010, a US\$100 000 000-00 donation to Zanu-PF and its proxy, Robert Mhlanga, unlocked 7540 hectares of diamond mining fields in the Marange communal area without proper evaluation of how much the concession was worth in terms of the diamond mineral resources and how much the Zimbabwe public stood to lose from the transaction.

Immediately after the US\$100 million was released for the purposes of the Zanu-PF election campaign (at the time of the deal, elections were said to be due in 2011 according to the Global Political Agreement between Zanu-PF and the MDC formations) the Mbada concession area, which was initially 1100 hectares of land, was extended by 6440 hectares to a total of 7540 hectares without any plausible explanation for the expansion except for the US\$100 million availed to Zanu-PF for its election campaign (Funnekotter letter to IMF 05 December 2013).

The research shows that resources are being plundered by politicians who mortgage them in lieu of financial support for their next election campaigns. Massive advocacy work, therefore, could be done around the depoliticization of the minerals sector to arrest the phenomenon. This will ensure Zimbabweans, both

current and future generations, benefit from their vast mineral endowment.

While it is difficult to legislate against these corrupt tendencies by political parties in power since they control the legislature, cohesive state apparatuses and the judiciary, the research concludes that civil society groups, other political parties not involved in the scams and the media, can do a lot to expose these shady deals for the benefit of the country and its people.

There should be a political price which political parties that plunder the country's mineral resources for their campaigns should pay. The electorate can be primed to vote against such plunderers if proper advocacy campaigns are structured in ways that make the electorate aware of the scams and their effects on national economic growth, the livelihoods of the general public, infrastructure development and general national security and economic stability.

It can be noted that opposition political parties do not premise their political messaging, during campaigns, around the need for Zimbabweans to guard jealously their mineral resources that Zanu-PF and its political elites parcel out in exchange for election campaign funding. No research leading to proper discourses around natural resource exploitation, beneficiation and usage have been observed in political party messaging even during campaign periods. This has resulted in those plundering the resources doing it with very minimum public scrutiny and condemnation, if at all.

Further, the lack of interest in pushing for good governance in the mineral sector on the part of the MDC-A and their desire to pursue the same rent seeking policies of ZANU PF has resulted in lack of parliamentary debate on the subject. As a party in parliament the MDC-A has not used its privilege and positionality to investigate corruption by ZANU PF in the mining sector. The MDC-A party must be exposing one scandal after another and use the same information to develop alternative policies to sell to the electorate.

Another alarming development is the attitude of some MDCA parliamentarians to demand resource rents from extractive industries. This then explains why some MPs who represent mineral rich constituencies never speak in parliament about the resource looting and environmental crimes taking place in their constituencies. Extractive industries in such constituencies are never exposed as MPs are bribed to be silent. MPs can use their parliamentary privileges to investigate how extractive industries acquire mining rights, how they treat locals employees and the environment and also what they remit to treasury.

This research can thus be the beginning of many such studies on how Zimbabwe's mineral resources have been plundered for the sole purpose of keeping Zanu-PF in power. A lot needs to be done to establish how much the country is worth in terms of the different mineral resources buried under its soils and how much of those resources have been used to benefit and uplift the lives of the general citizens.

This study is not exhaustive in exposing the way political parties have been plundering the country's mineral resources to fund their election activities, but it provokes debate for citizens to demand transparency and accountability in the manner the natural resources are being exploited. Such debate is critically essential in a nation that has been recording diminishing social and economic development outcomes.

A new national discourse has to be introduced as far as political parties funding is concerned. The ability of a political party to account to the public how it will use the country's national resources for the benefit of its citizens should be the minimum requirement for a party to win a ticket to lead the nation. If the right

kind of information is availed to the public, starting with empirical geological reports with quantified and bankable mineral deposits studies, it can be easy for the electorate to demand political parties to give them convincing blue-prints informing how their governments will manage the country's vast mineral resources if voted into power.

Once citizens begin to demand such blueprints and strategic plans on how political parties and individual politicians would manage the country's mineral resources if voted into power, it becomes easier for them to demand accountability and transparency once the same political parties are in government.

References

Bertaux, D. (Ed). 1981. *Biography and Society: The life history approach in the social sciences*. Beverly Hills, CA: Sage Publications.

Deacon, D., Pickering, M., Golding, P. and Murdock, G. 1999. *Researching Communications: A Practical Guide to Methods in Media and Cultural Analysis*. London: Arnold.

Falguera, E., Jones, S. and Ohman, M. 2014. *Funding of Political Parties and Election Campaign: A Handbook on Political Finance*. Stockholm: International Institute for Democracy and Electoral Assistance.

Rubin, H. J. and Rubin, I. S. 1995. *Qualitative Interviewing: The Art of hearing Data*. London: Sage Publications.

Siedman, I.E. 1991. *Interviewing As Qualitative Research: A Guide for Researchers in Education and the Social Sciences*. New York: Teachers College Press.

MORTGAGING THE FUTURE IN RETURN FOR POWER:

Zimbabwe's Natural Resources and the 2018 Election

 Centre for Natural Resource Governance
10 Fenella Drive, Monavale
Harare

 +263 715387417/+263 718365908
 info@cnrgzim.org
 www.cnrgzim.org
 @CNRG_ZIM

