



ZIMBABWE'S DISAPPEARING GOLD: THE CASE OF MAZOWE AND PENHALONGA



Acronyms

AAG	Affirmative Action Group
CCC	Citizen Coalition for Change
DTZ	Development Trust of Zimbabwe
EMA	Environmental Management Authority
ESAP	Economic Structural Adjustment Programme
FPR	Fidelity Printers and Refiners
IFF	Illicit financial flows
PRM	Prime Royal Mining
RBZ	Reserve Bank of Zimbabwe
RDC	Rural District Council
SADC	Southern Africa Development Community
USD	United States Dollars
Zanu-PF	Zimbabwe African National Union – Patriotic Front
ZMF	Zimbabwe Miners Federation
ZNA	Zimbabwe National Army
ZRP	Zimbabwe Republic Police

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Picture Credit: newsday

Executive Summary

Illicit financial flows (IFFs) in the artisanal gold mining sector in Zimbabwe are responsible for leakages of an estimated 3 tonnes of gold, valued at approximately USD157 million every month. The artisanal gold sector has transformed from being a traditional livelihoods option for local families to an anchor of gold smuggling cartels that are robbing the country of the precious metal. Artisanal mining has also spread its tentacles from alluvial gold deposits along rivers and dry riverbeds to large scale disused mines that are now patronized by ruling party officials. The capture of large-scale mines by ruling party officials who employ artisanal miners is contributing to both an increase in gold smuggling and mine accidents that have claimed at least 200 lives in the past 3 years.

Artisanal miners are, at law not recognized and neither are they defined or classified. This sector prominently emerged in the early 1990's as a result of economic structural adjustment program (ESAP) which massive retrenchment of labour by government to satisfy conditionalities imposed by IMF and World Bank. Some retrenched workers turned to artisanal mining. The growing number of artisanal miners, not only in Zimbabwe but the entire SADC region, culminated in the 1993 UN Interregional Seminar on the Development of Small and Medium-scale Mining in Harare which developed the Harare Guidelines on small-scale mining. However, these efforts did not yield much in Zimbabwe as political elites quickly moved to capture the sector and kept it informal for them to harvest the artisanally mined gold. This led to a "Godfather syndrome" which saw powerful individuals with political connections tightly controlling artisanal mining at district and provincial levels.

Today, the sector is now largely characterized by lawlessness, violence and blatant disregard for human rights and reigns of terror through marauding gangs known as MaShurugwi. The practice of artisanal mining is therefore illegal as it contravenes the Mines and Minerals Act [Chapter 21:05] which neither recognises nor defines an artisanal miner. Despite the illegality, in 2016 the Reserve Bank of Zimbabwe (RBZ) announced a policy of buying gold from artisanal miners on a “no questions asked” basis. This was meant to bolster and boost gold deliveries and to expand government’s revenue basket. Nevertheless, the RBZ’s Fidelity Printers and Refineries gold buying rates remain lower than black market rates, thereby fuelling side marketing and smuggling of gold. In addition, the unavailability of USD cash at FPR repels miners from delivering their gold to Fidelity. In some cases, miners go for 2 weeks without getting their cash after delivering gold. Organised syndicates comprising a few politically connected individuals who sponsor the miners, manipulate security channels, have unlimited access to national resources and privileges, and then carry the contrabands out of the country, through official ports of exit, sometimes in connivance with officials have now dominated the sector.

Illicit financial flows in the mining sector has been a growing concern since the 1990s but has now reached unprecedented levels since the discovery of diamonds in Marange in 2006. Marange introduced Zimbabwe’s ruling elites to international criminal networks that provided ready markets for smuggled diamonds. Smuggling is now rampant in both the formal and informal gold mining sector. This research focused on illicit gold mining and smuggling in Penhalonga and Mazowe gold mining sites.

Every year, unquantified amount of gold, running into billions of dollars flow through a parallel system, that is constructed for the purpose of efficiently smuggling the precious metal. The system is organised from the mining sites, the security and immigration system and to the ruling elite. Gold dealers, who are protected by the ruling Zanu-PF party officials use state apparatus to capture and control gold rich areas throughout the country. The gold dealers also abuse their gold buying licences to fight for control of artisanal miners and gold millers. Through the patronage system they also access cash for their illicit business from wealthy gold barons and Fidelity Printers and Refiners (FPR), the sole gold buying and 100% state owned gold trading, refining and exporting company. At Penhalonga, there are over 5000 gold pits that are controlled by about 5 gold dealers while thousands of gold pits in Mazowe are also controlled by a few gold dealers registered with Fidelity Printers and Refiners. The gold dealers submit less than 30% of the gold to FPR, while the rest finds its way to South Africa, United Arab Emirates and other Asian countries such as China and India. Smuggling routes have been identified as South Africa, Zambia and Mozambique. Most smugglers prefer to exit the country by road to South Africa where the gold is flown from. Sources told CNRG some of the gold is flown out of South Africa by private planes from Lanseria Airport.

Gold barons sponsor a tightly monitored patronage system that is recruiting artisanal miners through political offices. Artisanal miners earn a pittance while in return the gold baron gets lucrative rewards from the illicit trade. Although the gold smuggling syndicates ultimately boils down to a few gold barons and kingpins, the pyramid is very wide at the base with so many runners who operate numerous 'offices' for gold collection at the mines and in towns closer to the mines.

Gold leakages are rampant at the mining, milling and transportation levels of the supply chain. While there was no evidence to suggest smuggling of gold from FRP, this institution remains responsible for creating arbitrage opportunities for the gold dealers who then choose to sell gold outside the country where there are better offers. Section 17(2) of the Gold Trade Act mandates the Secretary of the Ministry of Finance, or any person authorized by him with issuance of gold buying / dealing licences. Previously the Ministry of Mines issued the licenses based on Gold Buying Regulations derived from the Gold Trade Act which states that the Minister of Mines may make regulations to further the effectiveness of the Gold Trade Act. However, in a statement issued by the Reserve Bank of Zimbabwe on 26 May 2020, the central bank stated that "Small scale gold buying agents will have to enter into an agency agreement with FPR which contract shall clearly spell out the terms and conditions under which the agents shall operate." The entry of small-scale gold dealers into the formal value chain has resulted in an opaque system of awarding these licenses without due process being followed and a system of patronage has arisen where only politically correct and connected individuals are awarded such licences as "fronts" for kingpins in the gold sector. Further, FPR has failed to proffer an efficient pricing mechanism to incentivize miners and maintain its regulatory role in gold trading in Zimbabwe.

This report looks at the political economy of illicit gold mining and trade in Zimbabwe and unmask the intricate and interlinked close relationship between partisan politics and access to gold mining rights by artisanal miners; acquisition of gold trading licenses and gold buying privileges; gold milling and smuggling. The report recommends political will to bring order at FPR, and for civil society to demand accountability in the artisanal gold mining sector in light of continued increase in cases of gold smuggling from Zimbabwe. The gold pricing system should be attractive to local gold producers and the trading platforms should be efficient in paying the gold producers. All producers should have equitable access to FPR gold trading platforms in order to protect artisanal miners from exploitation. FPR should develop a mechanism for accountability for its gold buying agents. They must have paper trail for their transactions. The government must expedite commissioning of the mining cadastre system that computerises allocation of and registration of all mining claims, inclusive of gold claims.

Introduction

Over the past four years, Zimbabwe has experienced an unprecedented increase in illicit financial flows. This problem dominates the mining sector in general but is more pronounced in the gold mining sector where artisanal mining is rampant. Artisanal gold mining, which has become a major mining activity in Zimbabwe, is fueling leakages of gold into a parallel system whose actors include those connected to the upper echelons of power in the country. The entire phenomenon reveals collapsed and captured state institutions that are expected to steward and account for national resources. An element of limited statehood has manifested itself in the mining sector. The state has voluntarily withdrawn from regulating particular policies, and as a result, criminal elements are not punished or held to account.



The country has become a huge gold mine with artisanal mining occurring almost everywhere. Incidences of gold-rushes are frequent, chaotic and well-immersed in informality. Gold money amounting to billions of dollars is flowing through a parallel system, outside the formal market, every year and consequently beyond the sanction of the law, whereby political and social elites deliberately keep state institutions weak in order to reap economic and political benefits or to increase rents. The past two decades have seen a sharp rise in artisanal gold mining (AGM) in the country.¹ Deteriorating economy has forced hundreds of thousands of citizens to venture into AGM, which is one of the few sectors still attracting United States Dollars. Whilst artisanal mining remains illegal in Zimbabwe, registered buyers are still allowed to buy gold from artisanal miners. Ironically, ownership of gold claims and buying licenses has remained the privilege of those connected to political and high offices in government. Further, artisanal miners can sell their gold directly to Fidelity Printers and Refineries, the sole gold buyer on a 'no questions asked' unwritten policy. Institutions like the Zimbabwe Miners Federation, a government initiative formed in 2003 to advance the interests of artisanal, small-medium miners have also come under spotlight after its President Henrietta Rushwaya was arrested at RG Mugabe International Airport in October 2020 on allegations of trying to smuggle 6kg of gold to Dubai.² In May 2021, a former

driver of Henrietta Rushwaya, Tashinga Nyasha Masinire was arrested by South African Police at O.R Tambo international airport with gold worth R11 million. The two cases might be a tip of an iceberg pointing to massive organized criminal activities in the sector.

Access to mineral resources has followed political trends. It has been patronised by the ruling party, Zanu-PF, which parcels out gold claims to its support base of youths, women and senior political actors. New gold discoveries in Zimbabwe are quickly brought to the attention of, and consequently under the control of powerful ruling party officials under the guise of restoring order. It has been difficult to account for gold produced by artisanal miners due to the illegality and secrecy that surrounds that sector as well as lack of regulation. Finance Minister Mthuli Ncube estimated that between 30 and 34 tonnes of gold produced in Zimbabwe is smuggled to South Africa annually,³ translating to USD1.8 billion. Home Affairs Minister Kazembe placed the figure at US\$100 million loss every month⁴.

Artisanal miners remain poor and live from hand to mouth. These miners produce gold in small quantities and sell to dealers and middlemen on-site. A new trend emerged since 2018 whereby gun-toting and machete-wielding armed robbers launched acts of terror against artisanal and small-scale miners, robbing them of their gold and cash. Another development that has characterised the sector is the subcontracting of artisanal miners by powerful elites who exploit them by paying them as little as \$10 per ton of gold ore. Once artisanal miners hand over the gold ore to the middlemen, dealers or claim holders, the route then becomes mysterious.

CNRG conducted a study to investigate and conceptualise the illicit economy of artisanal gold mining (AGM) sector in Zimbabwe, using cases of two selected sites namely Mazowe (Mashonaland Central Province) and Penhalonga (Manicaland Province). The study was meant to elicit evidence of criminality (smuggling, corruption, organised crime, and exploitation) within the AGM sector necessitated by 1. gold mining and trading policy loopholes, and 2. absence of AGM policy framework in Zimbabwe. The findings of the study will inform advocacy around AGM policy formulation, promotion of responsible, ethical governance and extraction of gold in Zimbabwe.

Information was collected from artisanal miners, gold dealers and runners who are actively participating in gold dealings. Some informants are close to the major gold smugglers and influential politicians, and they provided evidence to support claims that have already been in the public domain. CNRG also reviewed information already in the media and triangulated with information gathered from the key informants.

1. Mkodzongi, G and Spiegel, S. 2019. Artisanal Gold Mining and Farming: Livelihood Linkages and Labour Dynamics after Land Reforms in Zimbabwe, *The Journal of Development Studies*, 55:10, 2145-2161

2. <https://www.herald.co.zw/breaking-rushwaya-arrested-at-r-g-mugabe-international-airport-for-gold-smuggling/>

3. <https://www.newsday.co.zw/2020/11/zim-loses-30-tonnes-gold-to-smuggling/>

4. Sibanda, M. 2021. Decrypting illicit gold trade in Zimbabwe. *Southern Africa Resource Watch*

Nature and scope of AGM in Zimbabwe

The character and status of artisanal gold mining in Zimbabwe is complex. Although artisanal mining has been a form of subsistence livelihood, it has now evolved into a more privatized, commercialized syndicate shaped by the interests of those who are sponsoring this activity and ultimately benefiting from the proceeds of artisanal gold mining.

Artisanal gold mining plays a crucial role in the national economy. It now contributes an estimated 60% of gold produced annually in Zimbabwe and has now surpassed production by established medium and large-scale miners. Artisanal miners do not hold title to the mines and do not have legal rights to trade in gold. One mining engineer described artisanal miners as the best “prospectus and scanners of underground minerals for very small financial requirements”⁵ depicting their ability to identify new gold deposits at low costs. Due to their deficiencies, artisanal miners are contracted to work for claim holders, to whom they submit their share of gold, or middlemen and buyers who ship the gold to established gold markets that offer better prices.

In Zimbabwe, artisanal gold miners are found in places where there are gold deposits; from Chimanimani, Penhalonga, Odzi, Mazowe, Mutoko, Mudzi, Nyanga, Kwekwe, Kadoma, Shurugwi and Gwanda. According to Pact, a global NGO with interest in poverty eradication, the artisanal and small-scale mining sector is estimated to provide a direct livelihood for more than a million Zimbabweans and presumed to support several million dependents⁶.

Zimbabwe’s legislation considers artisanal mining as illegal because the miners are unregistered or unlicensed. Despite calls to organise the artisanal miners and to formalize the sector, the government has not been forthcoming. However, the current Mines and Minerals Amendment Bill, has been anticipated to close this legal lacuna so that the sector can be properly regulated to harness leakages. Prior to the Mines and Minerals Amendment Bill, the Ease of Doing Business in the mining sector sought to address this anomaly but, unfortunately the initiative did not gain any traction. There have been sporadic police operations to arrest artisanal miners in selected areas. However, despite the arrests, artisanal mining has continued to expand and gold trading policies, although unwritten, have also embraced gold produced by artisanal miners.

Artisanal mining is being driven by several factors that include high unemployment and poor economic conditions that are limiting livelihood choices and pushing young people into artisanal mining. Incessant droughts, as a result of climate change, have caused a major shift from farming to resilient non-farming economic activities such as mining. As several gold mining companies closed due to economic challenges, disused mine shafts have attracted artisanal miners who rush in to take over the mining. Gold is attractive, not only to artisanal miners, but to law enforcers and senior political leaders who now collude in establishing corrupt networks that harness gold from the artisanal mining sector.

5. Mining Zimbabwe, June 2021. Understanding Artisanal miners as an economic tool
6. A Golden Opportunity: Scoping study of artisanal and small-scale mining in Zimbabwe. <https://www.pactworld.org/a%20golden%20opportunity>



Penhalonga

Penhalonga is a gold mining community in Manicaland Province of Zimbabwe, close to the border with Mozambique. The area is located in the Mutare Greenstone Belt, which is one of the richest gold belts in Zimbabwe with potential of 122kg Au/km². The mountains of Penhalonga are the watershed of several rivers such as Mutare, Imbeza and Tsambe, that are currently swarmed with artisanal miners searching for alluvial gold.

Although gold mining in Penhalonga started in the pre-colonial era, the coming in of Europeans (Portuguese, Germans and British) in the 1890s ushered a new form of extractivism with opening of Penhalonga Mine (now Redwing Mine) in 1895 and setting up of plantation and farms in the same area. The mine was later placed under judicial management in 2018.

In 2007 another company called DTZ-Ozgeo, which was a joint venture between Development Trust of Zimbabwe and Russia's Econedra came into mine alluvial gold along Mutare River until it was stopped by the Environmental Management Agency in 2013, for violating environmental regulations.

In 2019, Redwing Mine entered into a contract with Prime Royal Mining (PRM). Prime Royal Mining engaged over 1000 artisanal and small-scale miners to extract gold within the Redwing Mine concession. Under the agreement, Redwing Mine and Prime Royal Mining get 30 percent each while artisanal miners get 40 percent. Prime Royal Mining set up a milling plant at Redwing Mine and artisanal miners take the ore from their pits dotted around the mine area to the mill. Prime Royal Mining is the sole gold buyer of the gold produced by artisanal miners at this site. It was established that artisanal miners produce a total of about 4-5 kg of gold every month.

In December 2019, Betterbrands Mining Company illegally took over 132 mining claims in the area⁷. This happened after another company called Probadek had already deposited US\$300,000 to Redwing Mine for a US\$3 million tag to take over the mine. Betterbrands Mining Company is owned by Pedzisai 'Scott' Sakupwanyanya, popularly known as Scott, a grand gold buyer who uses his proximity to high political offices and loyalty to President Mnangagwa to manoeuvre his gold dealings. Scott, who is also the Chairperson of Gold Buyers Association of Zimbabwe, controls over thousands of pits (artisanal mining shafts) at Redwing⁸. He allegedly works in partnership with son of a powerful politician. Another of Scott's company, Betterbrands Jewellery, is also associated with notorious diamond activities in Zimbabwe. In illicit business, a runner is a person responsible for day-to-day errands of

7. <https://www.thezimbabwenewsline.com/top-gold-dealer-scott-sakupwanyanya-grabs-penhalonga-mine-grab/>

8. Interview with an employee of Pedzisai Sakupwanyanya

getting cash to the producers and receiving commodity for handing over to the dealer. A runner serves to conceal the face of the dealer.

Scott Sakupwanyanya, according to one of his several runners in Penhalonga, is receiving millions of dollars from rich people and the Reserve Bank of Zimbabwe to buy gold for them. He in turn gives the money to his army of runners throughout the country. CNRG spent time with one of Scott's runners in Mutare who was buying gold from as early as 6am till midnight. The gold was coming from all directions and in various quantities. Some of the artisanal miners were coming from as far as Chimanimani and Nyanga, though majority were operating from within the vicinities of Mutare.

In the case of Penhalonga, accessibility to the pits has turned political as powerful Zanu-PF politicians in Mutasa and Mutare districts are now partly responsible for granting access. These include the party youth executives, chairpersons and losing councilors of the party who were reported to be writing letters to Redwing instructing them on who should get the mining pits. 'No one gets a pit without proving their Zanu-PF membership', claimed one source. Some officers from Penhalonga Police Station either own or sponsor mining pits at Redwing Mine. The involvement of various players in grabbing and allocating mining rights has created chaotic scenes as no one seems to be in charge of the operations anymore.

At some point in 2020, Scott was reportedly being pushed out of Penhalonga by his rivals, although he continued buying gold in other parts of the country. Private security personnel interviewed by CNRG at the time revealed that Scott last visited the mine several months back. One of the runners said the activities in Penhalonga were likely to be stopped by government anytime soon due to high levels of criminality and environmental degradation. This anticipated intervention appears to be driving the gold rush as each syndicate wants to maximize before the curtain comes down. However, Scott managed to revive his operations in Penhalonga and as of March 2022, the operations have returned to peak levels. His company is dominating most of the gold mining operations despite protest from the Penhalonga community.

In Penhalonga, gold leakages are happening discreetly. It involves artisanal miners contracted by PRM, mine workers, local community buyers, unregistered millers, registered buyers and also officers from the Zimbabwe Republic Police (ZRP) and the Zimbabwe National Army (ZNA) as everyone wants a piece of the cake. Some artisanal miners in Penhalonga sell their gold to local community buyers who are often working for registered buyers based in the major cities. There is no paperwork to ensure traceability of the gold when it is produced and sold by artisanal miners to anyone. The so-called 'Masters' or 'Bosses' who lead the buying syndicates either do have registered mines or are they registered gold buyers. They are just politically connected individuals who then effortlessly smuggle the gold out of the country. For artisanal miners, there is an advantage in selling the gold to local buyers who provide 100% ready cash in foreign currency, that is United States Dollars on a no-question-asked basis. Fidelity Printers and Refiners does not always have hard cash when their agents are buying the precious yellow metal and, also the question of retention thresholds has proven to be unattractive. Fidelity Printers and Refiners' policy, though employing the no-questions-asked basis, is largely

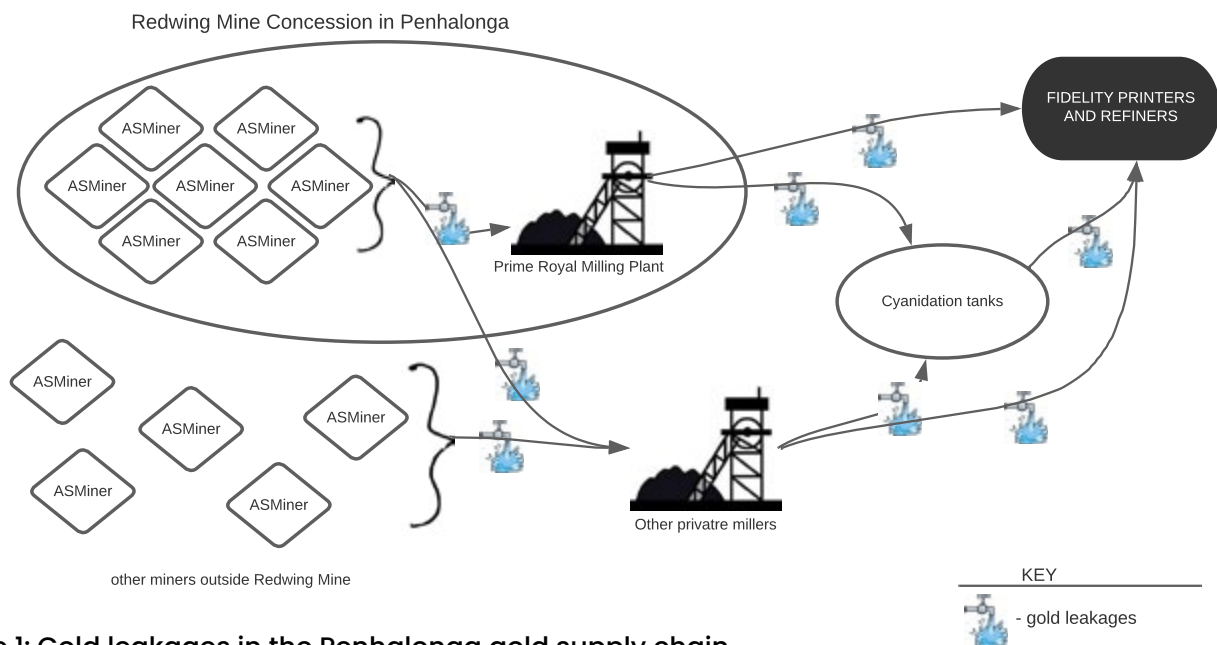


Figure 1: Gold leakages in the Penhalonga gold supply chain

unattractive in that part of the payment is in local currency at the largely understated bank rate. The pricing structure is therefore largely discounted and sub-economic when contrasted with that of the “runners”. Selling the gold to local buyers also helps artisanal miners to evade possible arrest should they be found in possession of the precious metal. The issue of unlawful possession of gold is problematic in that the Gold Trade Act [Chapter 21:03] is archaic and successful prosecution has proved to be a hurdle. It is for this reason amongst many others that there is an ongoing review of the Act with a view to amend it and arrest the rampant illegal possession and trade in gold.

It was also established that some of the local buyers sell their gold in Mozambique. Local buyers travel to Manica in Mozambique through illegal routes in the forests and ‘seek’ authority to pass from ZNA officers manning the border area. The soldiers are paid between US\$2 and US\$5 per person for the “pass”. The same applies on the Mozambican side where the gold dealers also bribe the Mozambican police who are known to the locals as ‘Matembeyas’. This trend reflects another discreet involvement of security agencies in gold leakages at the lowest level.

It also emerged that there are unregistered millers processing gold in and around Penhalonga who are using hammer mills. Hammer mills are unregulated mobile mills that can be packed up and easily moved to new points. Research has shown that these are enabling artisanal mining phenomenon, unlike custom milling plants that are registered with the Ministry of Mines and regularly monitored. The unregistered millers serve artisanal miners and also small scale mine workers who steal highly concentrated ore from their employers. Some of the unregistered millers also buy the gold after processing but some hand it back to the artisanal miners or small scale mine workers to sell to buyers of their choice. Artisanal miners working for individuals who were granted mining rights by Redwing Mine also smuggle gold ore to unregistered millers, thereby diverting the gold to lucrative parallel market. Unregistered buyers also reprocess the residue from the tailing dams to recover the remaining gold. Once gold is recovered, it is sold on the parallel market because the sellers do not have the requisite paperwork to sell the gold in the official market. It also emerged that at law, millers are expected to record all the gold processed at their mills. However, the millers only submit about 30% of their production while the rest is diverted to the parallel market. CID Minerals, Flora and Fauna officer and FPR officer, present at the mill, also solicit bribes (US\$100 each) to allow millers to take some of the gold to the illegal market.

Prime Royal Mining Company

Prime Royal Mine (PRM) is a company owned by Prime Royal Africa Investments and is currently managing mining and running milling operations at Redwing Mine. This company has a contract that has since been extended by 7 years after the initial 1-year contract expired in December 2020. The company's board is chaired by Mr. Stanley Motto and linked to Scott Sakupwanyana, a well-known politically connected gold dealer.

In this arrangement, the company contracts artisanal and small-scale miners (ASMiners) to dig for gold in the mining area and surrender the ore to the company. This has become a new model of mining adopted by registered gold mining companies as they seek to reduce operational costs and to make it difficult for any form of audit to trace gold production accurately.

While PRM has become the sole gold buyer and returns only 50% of the gold proceeds to artisanal miners, the diggers now steal the ore and reach out to unregistered millers outside the mine to get the ore processed at higher returns. The artisanal miners include some former Redwing mine workers and some syndicates that came from Shurugwi, Gweru, Kwekwe and Kadoma areas in the Midlands and Mashonaland West Provinces.

Figure 2: One of the private, unregistered gold mills (diesel-power grinding machine) on the boundary of Redwing Mine claim. ASMiners take their ore to these mills (Zviguruguru) where the gold produced is hardly accounted for.



Illicit Financial Flow at Redwing Mine in Penhalonga

There are various routes or pathways through which gold is diverted from reaching Fidelity Printers and Refiners (FPR). These routes are described below:

At production level: Gold leakages occur when the ASMiners contracted by PRM do not ferry all the ore to the company mill but divert some of the ore to unregistered mills.

It was observed that there are more than 30 mills in the Penhalonga – Tsvingwe valley where the miners take the ore to at night. These mills are mostly diesel-powered grinding machineries or hammer mills called *zviguruguru*. Artisanal miners revealed that they use these mills to test samples as they exploit the reefs. They periodically sample the reef to determine if the ore still bears gold or to check the richness of the ore before ferrying to the PRM mill. This gives the miners an opportunity to crush ore on site, especially the highly concentrated ones, and sell the gold to local buyers or the mill owners at around \$40/gram although some prefer selling in Mutare town to a prominent gold smuggler identified as Harry who is a competitor to Scott. Artisanal miners outside the Redwing Mine area and along Mutare River are virtually not accountable to anyone. They ferry their ore to mills of their choice and the gold produced from these miners goes direct to unregistered buyers. At the intersection of Mutare River and Nyanga Road at Old Mutare where hundreds of artisanal miners are digging along the river, CNRG observed

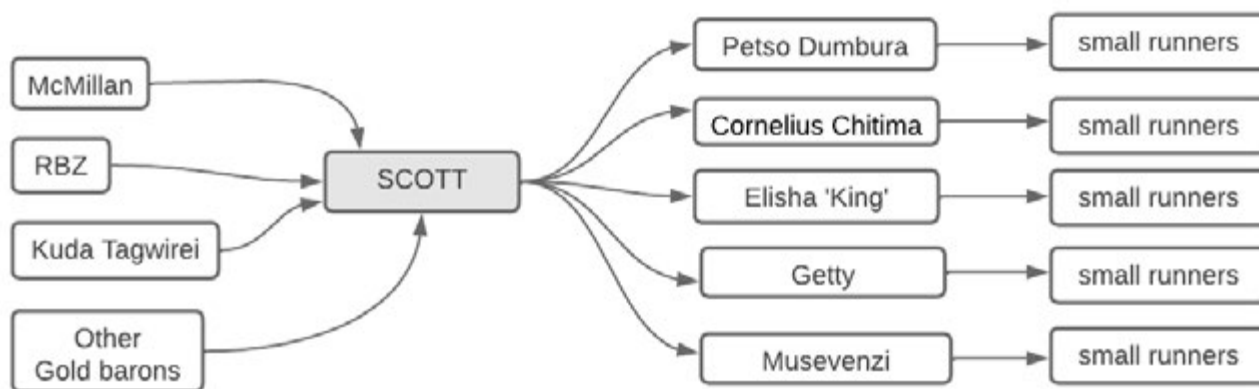
Figure 3: Artisanal miner scoops ore from a pit into sacks or bags in Penhalonga mountains within the Redwing Mine claims. The bags are carried either to PRM mill or other private mills.



Zanu-PF branded vehicles stationed in the bush among several vehicles belonging to gold buyers.

It is reported that Scott buys gold at 'less 4 but he sells to FPR at less 1'⁹. Less 4 refers to 4% less than the price offered at world markets. He also employs runners who buy the gold on his behalf. At each pit 50% of the gold automatically goes to Scott whilst the owner of the pit remains with 50%. Scott also buys the 50% that remains with the miner. The rule of controlling the pits is that if any owner of the pit is caught trying to steal the

Figure 4: The architecture of IFF in Penhalonga involving a well-known licensed buyer and several known illegal buyers, all designed to mop up gold from ASMiners



ore to send to other millers, the pit will automatically be forfeited. Scott has therefore hired security personnel who are known as 'bouncers' in local street parlance.

Scott's Better Brands Jewellery company is responsible for buying gold whilst prime Royal Investments Africa is involved in organizing artisanal mining syndicates at Penhalonga. At Redwing, the management comprises of both Redwing officials and Better Brands personnel. They jointly allocate gold pits to artisanal miners, who also pay kickbacks to be awarded favourable pits. It was noted that the top management at Redwing Mine also owns mining pits. Reliable sources said even Police Officers at Penhalonga Police Station also own pits.

Despite competition from Harry, Scott uses both coercion and fair pricing as tools of trade. Those permitted to mine at Redwing are forced to sell their gold to Scott. Attempts to smuggle the ore out of Redwing mine to other millers are met with violence by Scott's security. Scott buys gold processed at his mill at \$33 per gram. However artisanal miners say if they take the ore to external mills, they sell their gold at \$36 - \$40 per

9. According to the dealers, 'less 4 or 1' is the percentage subtracted from the world markets.

gram. If the gold is concentrated, Scott buys at \$52/g, which is way above other average gold buyers who buy at \$42/g. On a good day he allegedly buys as much as 5kgs of gold. There are about 20 gold barons in Mutare, most of whom are employed by him.

There is a rising scourge of violence by Better Brands against artisanal miners. Several artisanal miners told CNRG that they are forced to surrender their ore to the Better Brands mill where they receive 50% of the value. However, they are not sure whether they actually receive 50% as everything is done in their absence. They also argue that 50% is too low considering the labour they put into the mining process. They also bring their own tools from home - picks, shovels and the Jack hammers (pam pam). Consequently, some of the artisanal miners now prefer to take their ore to external mills dotted around Penhalonga. If caught by the Better Brands security, they are subjected to severe beatings. In March 2022 a video emerged from Penhalonga where security guards in plain clothes were using rods to viciously attack an artisanal miner who was begging for his life. They were accusing him of illegally entering a pit to harvest their ore. Some informants have alleged the use of machetes in assaults. Violence is also being used to dispossess artisanal miners of their pits, especially if it's proven that the pits have significant gold deposits. CNRG interviewed a number of artisanal miners who confessed to have either been dispossessed of their pits or knew someone who was dispossessed. The security personnel sometimes wear Zanu-PF t-shirts which they use to intimidate artisanal miners. Sources told CNRG that violence against artisanal miners is now a daily occurrence.

Figure 5: An artisanal mine within the Redwing mine registered gold claims.



Transportation of gold ore to millers:

The gold ore leaves the mining site for either Prime Royal mills or to zviguruguru. Ideally, the ore is supposed to be delivered to PRM mills, where the artisanal miners will get 40% of the proceeds after the milling. However, some is diverted to zviguruguru for higher returns.

At milling level:

Although there are measures to ensure that the volume of gold ore received at PRM mill is recorded and accounted for, gold output from the mill is always difficult to determine. It was revealed that, for records purposes, the company sells part of the gold production to FPR and retains some for smuggling to external markets where they are offered cash and not bank transfers.

According to the research published by CNRG in 2020¹⁰, thousands of tonnes of gold ore are processed by Prime Royal Mining at Redwing Mine premises. It however emerged that the gold ore is easily smuggled out of the plant as well. The security guards at one of the mills alluded that security at the mills is difficult to tighten because there is no fence. Some of the guards at the mills work in groups and they do not know each other as these groups are brought in by several politicians who operate pits or are buyers. The guards also told CNRG that the entire Penhalonga - Tsvingwe valley is a hive of activity at night as people smuggle gold ore to various mills dotted around the valley. Artisanal miners also said some PRM officials also stole ore which they took to mills outside Redwing.

At cyanidation or elution plants:

Cyanidation of gold is the process of recovering gold from ore through the cyanide process. Cyanide process is a method of extracting gold from its ores by dissolving it in a dilute solution of sodium cyanide or potassium cyanide. This practice is widely prevalent in Zimbabwe because of its high effectiveness. However, cyanide is a toxic environmental contaminant. Cyanidation is the most environmentally hazardous part of the gold value chain. In Penhalonga several farmers have lost entire herds of cattle after drinking water contaminated with cyanide.

Gold tailings from PRM mill are transported for cyanidation at specialized plants in Kwekwe. According to the miners, about 30 percent of the gold is recovered through cyanidation and PRM recovers more gold by sending the tailing dumps to elution plants (some as far as Kwekwe) than from crushing the ore at the mill in Penhalonga.



Figure 6: A pile of gold ore in bags from the ASMiners' pits at PRM mill site ready for milling (Credit: CNRG)

10. <https://www.cnrzim.org/penhalonga-gold-rush-leaves-a-trail-of-destruction/>

Submitting gold to FPR:

Once gold has been recovered from ore and refined, PRM and other millers have a choice to sell the gold to FPR or to other buyers in Zimbabwe. The other buyers, some of whom possess gold buying permits, are expected to sell all the gold to FPR. However, these buyers divert the gold to external foreign markets that pay USD cash.

Fidelity Printers and Refiners has been issuing gold buying licenses to individuals. According to sources privy to the gold smuggling cartels, Scott is the only person with a FPR license to buy gold in Penhalonga. He gets huge sums of money from a number of rich people to buy gold for them. These include a local businessman who has been accused of creating a business empire through corruption and acquisition of state assets and a number of white gold barons who include one McMillan. Some sources claimed Scott is directly linked to President Mnangagwa whom he calls Sekuru (uncle) and addresses him by his totem, Shumba, though the nature of family relationship is not clear. At Redwing Mine, Scott reportedly partnered Sean Mnangagwa although they are said to be both fighting to control the mine. Some sources said Scott is a gold dealer working for a very powerful politician who assisted him get the FPR licence and acquisition of Redwing Mine.

In 2018, Scott was the losing Zanu-PF councillor candidate for Ward 21 in Mabvuku. Back then he was still a novice in the illicit gold sector. However, through the FPR licence and the subsequent grabbing of gold rich assets such as the Redwing Mine concession, Scott has risen to the apex of the gold smuggling cartel within a space of four years. His tentacles have also spread to the political circles. He was named in the recently unveiled Zanu-PF Resource Mobilization Committee responsible for fundraising for the



party's 2023 campaign. One source suspects gold smuggling is central to the party's fundraising strategy – hence appointment of Scott.

Scott finally won the Mabvuku Ward 21 Council seat in the March 26 by-elections amidst allegations of massive vote buying. During the run up to the election, Zanu-PF announced on its twitter handle that Scott had donated goods worth \$200,000 to the needy in Mabvuku¹¹. Shortly after winning the Mabvuku by election, he bought garbage trucks for Mabvuku and Tafara. He was also unilaterally declared the new President of the Affirmative Action Group (AAG) by its founding president Philip Chiyangwa. The AAG is a shadowy Zanu-PF-aligned business forum that was founded by controversial businessman Philip Chiyangwa and the late Peter Pamire in 1994.

The link between illicit gold mining activities in Penhalonga and Zanu-PF fundraising campaign for 2023 was further confirmed by Zanu-PF Politburo Member Patrick Chinamasa who said in February 2022 that government was going to repossess Redwing Mine and give it to artisanal miners linked to the ruling party because the owners had allegedly failed to run it¹². This is despite the fact that government of Zimbabwe criminalizes artisanal mining. The remarks, made during the launch of the Zanu-PF campaign for the 26 March 2022 by-election in Mutasa South where Zanu-PF candidate Misheck Mugadza eventually beat the CCC candidate and former Member of Parliament for the area Regai Tsunga, gave a glimpse of the political economy of artisanal mining in Zimbabwe. The artisanal mining sector, one of the fastest growing economic sectors in Zimbabwe, goes beyond just enriching the politically connected gold barons, but is also assuming a huge political role. Politicians are controlling artisanal mining sites where they use their political and economic muscle to organize artisanal miners to vote for the ruling party during elections. The illegality and informality of artisanal mining creates a fertile ground for exploitation and manipulation of the artisanal miners by those who control the mining sites.

Some artisanal miners in Penhalonga alleged that the smuggling of gold ore at PRM is happening with the full knowledge of the Redwing Mine management. Most of the artisanal miners who are part of the smuggling syndicates are closely linked to the management of the company. The practice started when Redwing put the company under care maintenance without paying workers their outstanding salaries and severance packages. Out of desperation, those in management started allowing artisanal miners into the shafts for a fee. Police at Penhalonga have also been named as participating in the illicit digging and smuggling of gold at Redwing. Some senior police officers at Penhalonga and Mutare now have their own pits where they sponsor artisanal miners to dig for them.

A worrying trend has since emerged with not just the issuance of gold buying licenses but also the skewed and opaque way in which state-controlled assets are being parceled off to individuals who are closely linked to the ruling party. One is Kuda Tagwirei who was awarded a gold buying licence through his company, Landela Mining Venture. Landela buys the gold through CBZ Bank, in which Tagwirei has 30% shareholding through Akribos Wealth Managers (Pvt) Ltd¹³. This arrangement is designed to mop up gold from the largely illegal, informal and undocumented artisanal miners.

11.<https://gambakwe.com/2022/03/01/scott-sakupwanya-donates-goods-worth-us200-000-in-mabvuku-to-celebrate-his-birthday/>

12.<https://www.newzimbabwe.com/zanu-pf-threatens-to-seize-lucrative-gold-mine/>

13.<https://www.zimlive.com/2020/06/22/tagwireis-landela-and-cbz-get-green-light-to-buy-gold-could-eclipse-fidelity/>

Occupational Hazards

Unregulated mining at Redwing is leading to occupational hazards that have claimed several lives whilst leaving many seriously injured. Due to the informality of Better Brands operations, the company has not adopted safety and health measures to protect artisanal miners from hazards. There are no mining engineers on site to ensure that the pits are developed in a manner that minimizes the possibility of collapse.



Picture Credit: africanews.com

Consequently, due to the unsafe mining practices, accidents have become a regular occurrence. A source told CNRG at least 3 people are trapped to death every month at Redwing. As CNRG was finalizing this report, on the 16th of April 2022, two women were trapped at Redwing, and one died whilst the other was rescued. Whilst majority of women carry ore from the pits to the mills, some have ventured into panning. Another artisanal miner was also trapped and killed on the 24th of April.

Better Brands does not take responsibility for the mishaps that occur within its operations. There is no contract signed between Better Brands and the diggers or their sponsors. Thus, in times of death and injuries the company does not give compensation to the victims. In the past, Redwing Safety, Health and Environment (SHE) officers used to inspect the pits to check on safety. However due to the current impasse between Better Brands and Redwing over sharing of proceeds, the later has withdrawn its SHE officials. This has resulted in an increase in mining accidents at Redwing. Lack of action by the Ministry of Mines and the Environmental Management Agency has allowed such unsafe mining practices to continue unabated.

Mazowe



Figure 8: Aerial view of white constellations of artisanal mine pits in Masase area of Mazowe

Mazowe, located about 50km from Harare in Mashonaland Central Province, is one of the gold-rich areas in Zimbabwe. The Mazowe gold fields have several mines, with the parent mine being Mazowe Mine owned by Metallon Corporation Ltd whose owner is South African citizen Mzilikazi Khumalo. Mazowe Mine, which also comprises Jumbo Mine, is currently under care and maintenance after Metallon Corporation was forced to close the mines in 2018 due to 'unsustainable costs of running them without proper compensation for its proceeds from the Government of Zimbabwe'¹⁴. The mine has 247 claims covering 2939 ha. Metallon Corporation Ltd, which was also running Redwing Mine, Shamva Mine and How Mine, claims that of the \$132 million it lost between 2016 and 2019 due to RBZ controversial forex retention policy, \$82 million was on Mazowe Mine.

Artisanal gold mining in Mazowe

Since the closure of Mazowe Mine in 2019, the area has been swamped by artisanal miners in the Jumbo, Masase, Manzou and Satellite claims. Jumbo Mine was once one of the epicentres of Machete gangsters, also known as MaShurugwi, who terrorised artisanal miners and communities as they robbed gold and USD cash from the artisanal miners and community members.

Artisanal miners have continued to take advantage of Mazowe Mine's lack of capacity and thronged the area in search of gold. Gold buyers too have camped in Mazowe to wipe whatever is produced by artisanal miners.

14. <https://miningdataonline.com/property/1253/Mazowe-Mine.aspx>



Figure 9: One of the camps where over 50 small gold mills are located. Firewood merchants sell firewood for drying the gold ore before crushing (Picture Credit – CNRG)

In Mazowe, there are systematically organised networks of actors, from miners to buyers, forming a conglomeration of activities on one site. Although the entire mining field belongs to Mazowe Mine, each site has a 'manager' to which these actors register and get approval and space to carry out their operations.

Starting with mining, there are thousands of pits and holes over the 2939 hectares of land and hills of Mazowe from which artisanal miners extract gold ore. The miners are either 'sponsored' by dealers who provide tools and food for their upkeep or they self-sponsor. Ore from the pits is sent to the mills that are located at convenient sites or camps where the gold will be won. The tailings from the mills are carried to cyanidation tanks within Mazowe area where more gold is recovered. As a rule, all tailings from all the mills within Mazowe mine belong to the mine owner.

A man known as Kedah is the main buyer in Mazowe. He mops up gold from artisanal miners. He buys at US\$55/gram. He is followed by Mai T (Mai Theresa) who also buys a significant amount, then followed by several small buyers who buy small quantities which range from a point to a few grams. Kedah, whose real identity remains a mystery, has



established offices in most artisanal mining sites around Mazowe. Kedah is said to be using three names – Crispen, Rungano and Fungai Mafara. He has set up offices in Matola area, New Stands in Mazowe residential area and Masase artisanal mining site.

Artisanal miners in Masase told CNRG that Kedah took advantage of the mine closure and appropriated large portions of land and sponsored some miners who sell the gold to him. He has also set up several bush gold milling machines with several improvised elution pits. Kedah is said to be working with Henrietta Rushwaya and Scott. Whilst Kedah is said to be linked to some political heavyweights in the ruling party, CNRG could not establish these individuals.

According to artisanal miners, Kedah supplies FPR, while others intimated that not all gold that goes to Kedah, let alone other buyers, finds its way to FPR. The informal nature of the operations of Kedah makes it impossible for FPR to trace whether all the gold he acquires is remitted. The acquisition of a gold buying licence is largely a cover to mop up gold for resale on more lucrative international markets. Most of these buyers remit a bare minimum to FPR to justify the continued renewal of the licence whilst diverting the bulk to lucrative international markets. The licences are also a guise to divert and justify gold possession to law enforcement agents.

Figure10: Crushing gold ore using diesel-powered grinding machinery at Masase, Mazowe. Over 50 privately owned gold mills are located at Masase camp (Picture Credit: CNRG)



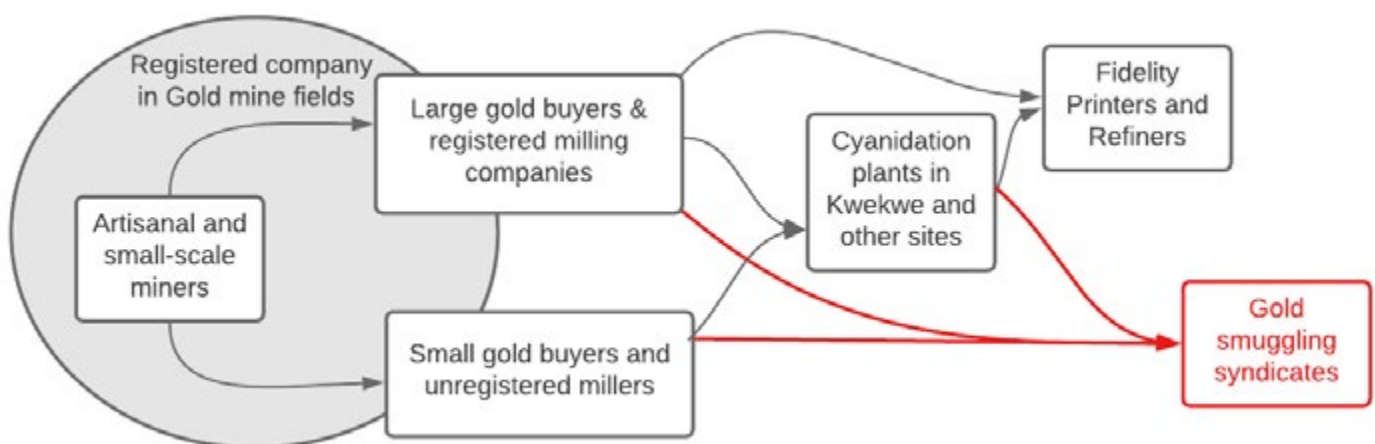


The supply chain

The modus operandi at Redwing and Mazowe gold mines, both owned by Metallon Corporation and now partially taken over by Zanu-PF officials, is the same. Several other closed mining companies in Zimbabwe have also adopted the same model. These mines have been leased to Zanu-PF officials or politically connected businesspeople who employ artisanal miners for provision of cheap labour. The companies have avoided operational costs and possibly statutory obligations as well as regulation and compliance that come with properly operating a gold mine in Zimbabwe. The companies have subtly evaded full accountability of the gold production from mines.

The broader pathway of gold supply to gold smuggling syndicates uses its registration with FPR to access gold from artisanal miners and millers. The pathway is fraught with corrupt nodes that manipulate the security systems and documentation through the abuse of privileges and power. It was discovered that most of the gold is pillaged,

Figure 12: The flow of gold from artisanal and small-scale miners to the hands of gold smuggling cartels



concurring with Hunter et al (2021) findings that only 30 – 40% of the gold gathered by large gold buyers is submitted to FPR for the purpose of maintaining trading licenses¹⁵ while the rest is offloaded onto the cartel platforms.

It was also observed that for one to get a gold buying license, he or she has to be deeply allegiant to Zanu-PF. Zanu-PF has also been using artisanal mining as a carrot to attract political support from youths. Youths obtain 'political' approval to engage in artisanal mining by being a Zanu-PF member and the party has openly indicated that artisanal mining is part of its strategy to economically empower youths. Thus, youths have to go through Zanu-PF to access mineral resources.

Most gold from Mutare and Mazowe is smuggled to Johannesburg (South Africa) by road and less by air. Mutare is also a transit city for gold smuggled from Mozambique on its way to Johannesburg.

The regulatory system and its weaknesses

Gold mining is regulated in terms of Mines and Minerals Act (Chapter 21:05) which provides general, management and safety, health and custom milling regulations. The Gold Trade Act (Chapter 21:03) regulates trading in gold, prohibiting possession of gold by unauthorised persons. The Gold Trade Act does not have provision for an Export Permit for gold, meaning all gold must be traded to FPR. The Ministry of Mines and Mining Development is responsible for administering the Act. Provincial Mining Directors, besides implementing mining policies and programmes, facilitate the registration and recording of mining claims, sites and mining leases, and recommend issuing of prospecting licenses.

Whereas the Gold Trade Act prohibits unauthorised possession of gold, it allows anyone who can prove that he or she is an employee of an authorised agent to possess gold. Most gold dealers work in connivance with registered agents or mines for protection against arrests. There are no standard official registers for mine workers and such registers are always forged and presented to law enforcement agents when requested. Holders of gold trade licenses are expected to keep a register of their transactions including the names of the parties to the transactions. This is difficult to monitor and to account when these gold buyers are dealing with artisanal miners. Quantities of gold submitted, received or dispatched can easily be falsified because there is no close monitoring and standard measurement.

Political interference and lack of proper equipment in the gold sector has made it difficult for law enforcement agents to conduct their duties diligently. Politicians with vested interest in gold buying syndicates tend to intimidate the police, the Environmental Management Agency (EMA) monitors and Rural District Council (RDC) officers when they appear to apply the law. Pertinently, both the Mines and Minerals Act (1961) and the Gold Trade Act (1940) are old pieces of legislation and do not provide best practices and contemporary mechanisms aimed at addressing IFFs in the gold mining sector. There has recently been an attempt to bring both pieces of legislation into the modern era through proposed amendments. There is currently a Mines and Minerals Amendment Bill that seeks to define and recognise small-scale miners whilst principles to amend the Gold Trade Act [21:03] have been drafted. Both laws criminalise artisanal mining, despite government pronouncing an unwritten policy position of dealing with the artisanal mining sector as if it is legally regulated.

15. Hunter, M., Sibanda, M., Opala, K., Kaka, J and Modi, L. P. 2021. Illicit Gold Markets in East and Southern Africa, Global Initiative Against Transnational Organised Crime.

The Gold Smuggling Actors

Non-operational registered gold mining companies

It was observed that much of the illicit gold mining that contributes to gold leakages is happening in registered gold mine fields that have since closed due to economic challenges. Redwing Mine in Penhalonga, owned by Metallon Corporation, stopped operating in 2018 and went into agreement with Prime Royal Mining a year later (2019) to set up a gold mill at Redwing Mine premises. The agreement allowed PRM to mine and mill gold at the Redwing Mine concession. Prime Royal Mining contracted artisanal and small-scale miners to dig the gold ore and ferry the ore to its mill for a 40% share of the proceeds. Prime Royal Mining and Redwing Mine share the remaining 60%.

In Mazowe, the same model is used where Mazowe Mine has let out the gold field to over a thousand artisanal and small-scale miners. However, the difference is that in Mazowe there are several small mills (zviguruguru) strategically located at Masase and Jumbo where the miners bring the ore for crushing and get their share. This is different from the closely controlled Redwing Mine where artisanal miners are expected to take all their ore to PRM mill. These mining methods are illegal and not recognised at law. The mere fact that these mining licenses have not been cancelled due to their contravention of the provisions of the Mines and Minerals Act [Chapter 21:03] means that the authorities are turning a blind eye to these infractions. There has also been resumption of the much touted and much ado about nothing “use it or lose it” policy and these assets have not been included on that list as they clearly fall under this ambit. The “use it or lose it” policy has been politicised and weaponised as a tool to wrestle and grapple targeted productive mining assets by envious and greedy political heavyweights. It has so far failed dismally due to the stringent requirements as laid out in the Mines and Minerals Act [Chapter 21:05]

Mazowe new processing plant. Picture Credit: Metallon Limited.





Gold miller with a 'chiruguru'. Picture Credit: Mining Technology.

Gold millers

Registered gold millers are stationed within or around gold fields. These millers are meant to serve artisanal miners outside the big mine concessions. However, ore from the big mines always finds its way to these millers who offer higher rates than the mills within the big mining companies. Corruption between the artisanal miners and the company security guards allows for the smooth movement of ore to the external gold millers.

Not all gold mills that are operating in and around the mines are registered. The law (Statutory Instrument 329/2002) requires that every milling plant (custom milling plant) be registered with the Ministry of Mines and issued with a registration or renewal certificate valid for 5 years, before it operates. The mills are also expected to operate with an Environmental Impact Assessment (EIA) certificate issued by EMA. The mill should be inspected by Regional Mining Engineer, Regional Surveyor and Regional Metallurgist approved by the Director for Metallurgy. These cumbersome and exorbitant prerequisites deter millers from registration and motivate their preference to operate outside the precincts of the law.

Unregistered mills benefit from gold ore smuggled by the contracted artisanal miners from the registered mines and from other small-scale mines as they employ a 'no questions asked' approach. It was observed that contracted artisanal miners also possess grinding machinery which they use to crush ore samples before sending the ore to the big mills. The miners argue that sampling serves two purposes: it provides an estimate of the amount of gold in the ore as well as guiding the miners to gold belts, known as bande reGold. Owning and operating unregistered gold mills require one to follow 'local' protocols that include paying a fee to the claim owner and being politically allegiant.

Artisanal Miners

This group has become the main player in gold mining in Zimbabwe largely because of the closure of large-scale mines, increased informality of the economy and corruption. In addition, artisanal miners exploit small gold deposits that are not economically profitable to invest large equipment and technology as required by large mining companies. The other reason has been the use of artisanal mining by Zanu-PF to capture the unemployed youth and ultimately persuade them to subscribe to the ideology of the party. Under the party's youth empowerment paradigm, all youths should register with Zanu-PF to benefit from economic programmes. Zanu-PF has recruited several rank marshals from Mutare who are now providing security at Redwing Mine. Rank marshals are often violent unemployed youths who control bus termini whilst illegally charging bus crews a fee for every trip, claiming to have loaded passengers. They are notorious for harassing travellers.

63%
of Zimbabwean
gold produced by
artisanal miners

Artisanal gold miners are responsible for an estimated 63%¹⁶ of Zimbabwe's gold production. Although artisanal mining is illegal in Zimbabwe, the law enforcement agencies have failed to contain this activity due to the political interference and vested interests in the artisanal mining sector. Law enforcement agents are also now benefiting from the sector through extortion and illicit trade. However, since around 2018 the dynamics have changed as some artisanal miners are now operating under registered mining

companies or licensed dealers who protect them from arrests. Associates of politicians and national leaders have used their political links to access gold from artisanal miners, hence forming symbiotic relationships. However, the government has also partially recognised artisanal miners despite their illegality at law by accepting their gold on a no-question-asked policy.

Although artisanal miners have been requested to submit their gold production to FPR at 'no-question-asked' basis, they still sell to other buyers or submit to millers for an agreed rate of payment. Artisanal miners feel safer dealing with buyers than FPR. It is also more convenient for them to deal with buyers who come to their mining sites compared to travelling to an FPR registered agent.

Landowners – A1 farmers

From the year 2000 the Government of Zimbabwe parceled out agricultural land to small holder farmers under the Fast Track Land Reform Programme. The majority of the beneficiaries of the programme were veterans of the liberation struggle who earned small plots called A1 farms. Some farmers in gold-rich areas such as Premier which is close to Penhalonga have started leasing their land to artisanal miners on an arrangement of sharing the gold recovered from their fields. These farmers also have ties with illicit gold buyers. The activity has extended down to Mutare River for a stretch of more than 3 kilometres and crossed over to the other side of the river owned by a farmer called Franklin. CNRG observed the presence of marked Zanu-PF political party vehicles at the site, indicating involvement of politicians in the illicit activity.

16. <https://www.theafricareport.com/53429/zimbabwe-losing-millions-from-illicit-gold-mining-trade/>

Gold buyers

There are a few names of big buyers mentioned in both Penhalonga and Mazowe. The large buyers have access to huge sums of cash, and they set the buying prices, which range from US\$40 - US\$55. The large buyers either possess gold buying licenses or they use their proximity to political power to evade arrest. A gold buying permit is obtained from FPR for free but large buyers should be able to supply at least 50kg of gold to FPR every month.

The first scandal was his [Scott] acquisition of the RBZ permit to buy gold – making him a competitor with Fidelity [Fidelity Printers and Refiners] since his gold is largely for smuggling and not accounted for to Fidelity. He then locked everyone else out. Roughly, more than 70% of gold mined by small scale and artisanal miners ends up with him. He is everywhere where there is gold in Zimbabwe. He calls the President directly.

Mutare gold dealer informant

Gold buyers are located in Mutare (for Penhalonga) and Harare (for Mazowe) but have established 'offices' at every site where gold is processed, at the mines. The so-called offices are manned by their runners. In Penhalonga, Scott uses both coercion and fair pricing. He buys gold at \$52/g, which is way above other gold buyers who buy at \$42/g. He gets large sums of money from gold barons, RBZ, including politicians and some established smuggling barons such as McMillan. It was noted that this buyer has 35 security guards who are all armed with AK47 rifles. He has several offices around the country with headquarter in Borrowdale suburb of Harare. He has influence in the main gold producing areas of Zimbabwe, having initially worked for a local famous prophet as an ordinary gold buyer till end of 2017, before moving to work for a high-powered politician in the country.

There are several small-scale buyers, some who operate as 'runners' for the big buyers. Other small buyers exist but their cash is limited such that they only buy small quantities. These small buyers buy at lower prices and supply the big buyers. CNRG spent a day with one of Scott's runners and gathered that he and his partner had received an initial sum of \$300,000 from Scott to buy gold. He said some of the established buyers receive as much as \$2-3 million, adding that if anyone were to disappear with the money, they risked losing their lives.

Big buyers also buy from large gold millers and elution plant owners. Although all buyers claim that they deliver all their gold to FPR, their illicit transactions are even known by the artisanal miners in their respective areas. All large buyers either seek political backing as they get established or emerge from political circles.



Cyanidation or Elution Plant Owners

It was observed that PRM sends their tailings to Kwekwe for cyanidation, while Mazowe Mines has a cyanidation plant in the locality. Miners send their tailings to cyanidation plants for further recovery of gold using an electrolytic process. According to Section 3 of SI 178/2005 all plant owners are automatically FPR gold buying agents. All the gold from the plant is supposed to be submitted to FPR.

Fidelity Printers and Refiners

Fidelity Printers and Refiners, a subsidiary of the RBZ, enjoys the monopoly of buying, refining and exporting gold largely through South Africa's Rand Refinery. It issues gold buying permits to agents that are expected to submit the gold to FPR every month. Due to tight security and accountability measures at FPR, there are zero chances of gold leakages at this institution except if it involves RBZ and senior government officials. However, FPR remains responsible for creating a gold trading system that promotes gold leakages. First, the retention of forex for gold mining companies, through RBZ, resulted in the closure of several gold mines that have now become the major sources of smuggled gold. Second, gold producers who submit gold to FPR are paid 80% in USD and 20% in local currency, all of which is deposited in bank accounts. The 80% USD is paid into Nostro accounts, and the 20% local currency is paid into the Zimbabwean Dollar (ZW\$) bank account. This has been unattractive to gold producers who opt for foreign markets that pay 100% USD cash.

Fidelity Printers and Refiners licensed individuals and companies to buy gold on its behalf but the mechanisms to monitor these buyers are poor. The buyers have space to abuse the gold-buying facility by falsifying records, under-declaring the gold and diverting the gold to parallel markets.

17. <https://www.herald.co.zw/breaking-rushwaya-arrested-at-r-g-mugabe-international-airport-for-gold-smuggling/>

18. <https://allafrica.com/stories/202010290304.html#:~:text=THE%20state%20has%20withdrawn%20its,stashed%20in%20her%20hand%20luggage.>

19. <https://www.herald.co.zw/rushwaya-bounces-back-as-zmf-president/>

Zimbabwe Miners Federation

Institutions like the Zimbabwe Miners Federation, a government initiative formed in 2003 to advance the interests of artisanal, small-medium miners have also come under spotlight after its President Henrietta Rushwaya was arrested at RG Mugabe International Airport in October 2020 on allegations of trying to smuggle 6kg of gold to Dubai¹⁷. According to State Prosecutor Garudzo Ziyadhuma when Rushwaya reached the exit point at the airport, 'the CCTV in that area was switched off and her clearance took around four minutes from the time she arrived at the airport to the time she was cleared¹⁸.' It is now almost 20 months since her arrest but the case has not yet been heard before the courts. Although Rushwaya has not yet been cleared by the courts, she was reinstated to her position as President of ZMF in February 2021.¹⁹ In May 2021, Tashinga Nyasha Masinire was arrested by South African Police at O.R Tambo international airport with gold worth 11 million rands. Masinire is former driver of Henrietta Rushwaya. The two cases might be a tip of an iceberg pointing to organized crime on a massive scale. It indicates the accused were acting in concert with airport officials and with approval of powerful government officials

Destination of smuggled gold

Gold smuggled from Zimbabwe is ultimately destined for South Africa, Dubai or China, with Dubai accounting for almost 60kg every month²⁰. Mozambique, Zambia and South Africa have also been used as routes to China and Dubai. It has been very easy for smugglers to transport the gold from sources to the borders and across the borders into neighbouring countries because the security is amenable to bribes and the borders are porous. It was also recorded that, for syndicates, which usually deal with huge contrabands, the smuggling pathways are pre-arranged and well-organised with the involvement of high-ranking politicians. Junior security officers take orders from their superiors to let go if ever they intercept the contrabands.

Drivers of smuggling: Gold prices and mode of payment

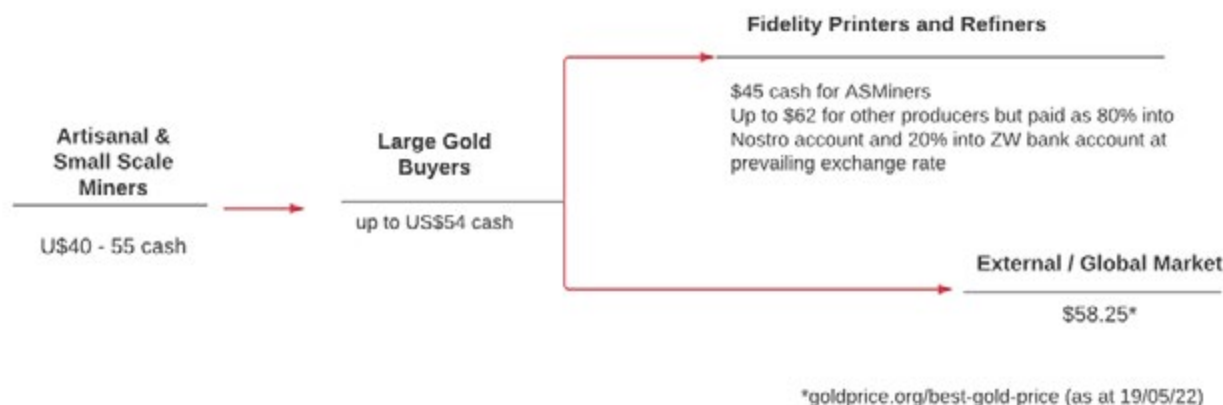
Gold smuggling in Zimbabwe is induced by arbitrage and the quest for USD cash. Actors in the smuggling rings are motivated by differences in prices between the sources and the destination markets as well as the real value of the currency of payment. Prices at the sources in Zimbabwe start from US\$40 per gram to \$55. From May 2020, FPR has been paying small-scale and artisanal miners a flat price of US\$45 per gram in cash²¹ on 'no-question-asked' basis. Other gold producers have been paid under the 80:20 payment rate²². The funds are deposited in bank accounts with limited cash withdrawals permitted. The chart below shows the value of gold at each stage of the supply chain.

20. http://www.xinhuanet.com/english/2021-01/25/c_139696667.htm

21. <https://www.fpr.co.zw/operations/gold-buying-and-gold-refining-operations/>

22. <https://www.fpr.co.zw/operations/gold-buying-and-gold-refining-operations/>

Gold smugglers prefer to sell gold in external markets where they are guaranteed cash payments and not bank transfers. In Zimbabwe, hard cash has more value than bank balances.



Efforts by local communities, government and other agencies to curb gold smuggling

There have been little efforts by local communities to curb gold smuggling apart from stopping the mining from encroaching into their fields. In Penhalonga, artisanal mining has spread into agricultural land depriving local farmers of space to grow crops. Farmers along Mutare River ultimately allowed the artisanal miners to dig in their fields for a fee or share of the gold proceeds. In Mazowe, gold activities have provided opportunities for local economic activities for the community as some local community members have joined in the illicit activities.

The government has also done little to curb gold smuggling, especially due to involvement of senior politicians in the underground activity. Formalization of artisanal mining will starve the gold barons of cheap gold. The conflation of the state and the ruling party has allowed Zanu-PF to override government policies and systems, thus obliterating the rule of law.

There is evidence of involvement of government officials and law enforcement agencies in illicit gold buying and smuggling. Mining and gold dealings in Penhalonga and along Mutare River happens very close to Police stations. In Mazowe, police officers were seen strolling through the camps of artisanal miners and millers.

In addition, while the media has been raising alarm over gold smuggling, government has not demonstrated seriousness in punishing offenders. The few statements of condemnation by the ZRP and Home Affairs Minister were devoid of practical action to address the problem and bring the culprits to book. In Jan. 2021 the Prosecutor General, Kumbirai Hodzi was quoted saying an inter-agency was set up to work on preventing smuggling of gold, and that the government was training investigators and prosecutors in India and Italy²³.

Suspects of the recent high profile smuggling cases, namely Henrietta Rushwaya and Tashinga Masinire, were arrested and released on bail. These arrests have not deterred smuggling.

Long-term development impact of gold smuggling on communities and Zimbabwe's economy

A loss of over US\$100 million per month for Zimbabwe is disastrous to the country's revenue flows. The envisaged US\$12 billion economy in which gold production is expected to contribute US\$4 billion by 2023 will remain a pipedream if gold smuggling is not nipped. In 2020, gold was the second major forex earner for Zimbabwe after nickel matte. Gold has the potential of reaching 100 tonnes per year if all challenges are addressed²⁴.

Smuggling of gold means reduced revenue for health, education, transport, energy, agriculture and infrastructural development in Zimbabwe. Zimbabwe is experiencing protracted economic difficulties that have seen a disgruntled civil service workforce, impoverished health delivery system and under-resourced education system which are now heavily dependent on external donor support. The country is lagging behind in terms of all socio-economic development indicators. According to WHO, Zimbabwe loses 462 mothers per every 100,000 live births, and about 32 neonates die for every 1,000 live births²⁵.

The prevalence of gold smuggling cartels involving young people and national leaders will create a syndrome of thievery and lawlessness in the society. Recruiting young people into illicit mining and trading of gold creates a generation of outlaws with a poor working culture in the long run. Finally, the rank marshals recruited into the lawless gold mining and smuggling activities are likely to be used as political weapons in future elections.



23. Xinhuanet, 25 Jan. 2021. Zimbabwe steps up fight against gold smuggling. www.xinhuanet.com

24. The Herald, 02 Jun. 2021. Gold miners optimistic of 100 tonnes per year. www.herald.co.zw

25. WHO, Africa. 01 Dec. 2020. Health workers gain new knowledge to help reduce maternal and perinatal deaths in Zimbabwe. www.afro.who.int

Recommendations

Based on the findings of this research, below are recommendations for various stakeholders.

- If producers are to freely sell their gold to FPR, then the gold pricing system should be competitive and attractive as well as benchmarked against international prices. The government must liberalise gold buying and break FPR monopoly
- The FPR 80:20 payment arrangement has proved to be inefficient because of the bottlenecks involved in securing the cash and RTGS currency risk. FPR must therefore align prices with global markets and pay producers 100% in USD cash.
- Fidelity needs to review the suitability of some of the entities granted gold buying licenses. Those abusing the licenses must forfeit them. Fidelity must also carry out proper due diligence when granting the licences without fear, favour or undue influence.
- Fidelity to employ strict monitoring mechanisms for its agents.
- Gold smuggling offenses should be given high priority by the courts and culprits should get deterrent sentences. The legislature should fast-track the amendments to the Gold Trade Act [Chapter 21:03].
- The government should pass a law that recognizes and defines artisanal miners to ensure that they are protected. Such a law can go a long way in curbing illegal activities and will help artisanal miners operate within the confines of the law. Their current informal status exposes them to exploitation by buyers and criminal networks.
- Government should immediately revoke the mining permit it gave to Better Brands and halt its operations at Redwing on account of the environment and restoration of normalcy to the Penhalonga community. In 2014 government stopped DTZ Ozgeo from further mining in Penhalonga due to environmental concerns. The environmental crimes being committed by Better Brands have far surpassed the levels reached by DTZ Ozgeo.
- The government must fast track commissioning of the mining cadastre system that computerises allocation of gold claims. With such a system in place, the owners of gold claims will be properly documented and no changes in ownership can take place secretly. Currently, the pilot project of the Cadastre system is reportedly underway in Manicaland, and despite massive resistance by senior powerful elites, there is every reason to believe that the cadastre system can go a long way in addressing double or multiple gold claims ownership.



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