

**REPUBLIC OF ZIMBABWE**

# **Draft Minerals Policy**

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**Ministry of Mines and Minerals**

**Harare, Republic of Zimbabwe**

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**Draft Mineral Policy**

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## **Towards a Zimbabwean Mining Vision for the 21<sup>st</sup> Century**

This Vision is based on the African Union’s “Africa Mining Vision” adopted by the Heads of State in 2009.

### **Vision Statement<sup>1</sup>**

***“Equitable and optimal exploitation of Zimbabwe’s mineral resources to underpin broad-based sustainable growth and socio-economic development”***

The shared vision will aim to achieve:

- A knowledge-driven mining sector that catalyses and contributes to the broad-based growth and development of, and is fully integrated into, an African market through:
  - Down-stream linkages into mineral beneficiation and manufacturing;
  - Up-stream linkages into mining capital goods, consumables and services industries;
  - Side-stream linkages into infrastructure (power, logistics, communications, water) and skills and technology development (HRD and R&D);
  - Mutually beneficial partnerships between the state, the private sector, civil society, local communities and other stakeholders;
  - A vibrant, environmentally friendly and socially sustainable artisanal and small-scale mining sector;
  - A comprehensive knowledge of its mineral endowment.
- A sustainable and well-governed mining sector that effectively garners and deploys resource rents and that is safe, healthy, gender and ethnically inclusive, environmentally friendly, socially responsible and appreciated by surrounding communities;
- A mining sector that has become a key component of a diversified, vibrant and globally competitive industrialising Zimbabwean and African economy;
- A mining sector that has helped establish a competitive Zimbabwean and African infrastructure platform, through the maximisation of its propulsive local and regional economic linkages;
- A mining sector that optimises and husbands Zimbabwe’s finite mineral resource endowments and that is diversified, incorporating both high value metals and lower value industrial minerals at both commercial and small-scale levels; and
- A mining sector that is a major player in vibrant and competitive national, continental and international capital and commodity markets.

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<sup>1</sup> These replicate the African Union’s “Mining Vision” of 2009

## **Introduction**

*“Countries with non-renewable natural resource wealth face special opportunities and special challenges. Used well, these resources can create greater prosperity for current and future generations; used poorly, they can cause economic instability, social conflict, and lasting environmental damage.”<sup>2</sup>*

The effective and efficient management of Zimbabwe’s natural resources is a critical element of the Government’s economic development programme<sup>3</sup> and will entail *“the crafting of an Exploration, Registration and Extraction Mining Policy which will form the basis for new comprehensive mining sector legislation.”*<sup>4</sup> Furthermore, *“To ensure full exploitation of mineral resources, [the government] is reviewing the framework for mining rights, pricing of minerals and surrender requirements. The Mines and Minerals Act will also be amended to facilitate review of surface rentals, discourage hoarding and speculating in Exclusive Prospecting Orders.”*<sup>5</sup>

This minerals policy document seeks to provide a framework for a minerals regime for the sustainable management of the country’s mineral resources and to guide interventions by government institutions as well as other stakeholders. It sets out the expectations for the sector to contribute not only to the revitalisation of Zimbabwe’s economy but more broadly to the development of its peoples, including future generations.

Mining in itself is clearly not sustainable, as it depletes finite national assets. However, mineral extraction can indirectly become sustainable in so far as it catalyses sustainable economic activity in other, sustainable, sectors, through maximising the economic “linkages” whilst the resource is still extant. Strategies to develop these complex and diverse linkages are seminal to this Minerals Policy.

A Zimbabwean Minerals Policy, to guide strategies, legislation and decision making, is all the more opportune and pertinent at the current global juncture of rapid and sustained growth in Asia, particularly China and India, that has dramatically increased mineral demand and prices. Given that the population of developing Asia is more than three times that of the industrialised (OECD) countries, it can be expected that this high mineral demand cycle could continue for some time yet. This provides a *unique a window of opportunity* for Zimbabwe to use its mineral resource endowment wisely, to underpin integrated and diversified national growth and development, and to avoid the pit-falls of the “resource curse”. Many resource-rich African states have failed to realise the earlier expectations of rapid development due to the negative impacts of resource booms, such as the strengthening of the national currency, the diversion of capital and skilled labour into the resource sectors, rendering other sectors uncompetitive, the subversion of resource rents by the political elites, and a low rate of reinvestment into economic growth due to colonial mining laws that permit the expatriation of the bulk of the resource rents.

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2 Natural Resources Charter (NRC), [www.naturalresourcecharter.org](http://www.naturalresourcecharter.org)

3 STERP 2009 “Getting Zimbabwe Moving Again”

4 STERP 2009, # 140

5 STERP 2009, #138

Mineral deposits embody a massive variation in *resource rents* (returns above those necessary to attract the investment, = average return on investment: ROI), much greater than any other sector except for hydrocarbons (oil and gas). These “resource rents” are combination of “differential rents” (deposit “richness” = grade, yield, etc.) and “scarcity rents” (limited global resources). Consequently it is difficult to design a one-size-fits-all minerals regime with generic fiscal (tax) and linkage conditions (local content, beneficiation, skills formation, *et al*, milestones) that will efficiently maximise the potential development impacts of all deposits over time (changing supply/demand periods). In general, any mineral regime will set *minimum* linkage development obligations in order to make investments into marginal deposits attractive.

Consequently the best way to flush out the maximum development impacts (linkages development) that any specific mineral deposit, embodying specific resource rents, could support, would be to get a market response through the public tender of the property against linkages development commitments (a form of developmental “price discovery”). However not all prospective properties are at a resource confidence level that would allow for viable competitive leasing (public tender).

This policy document seeks to give adequate indications to the investment community (both national and foreign) of a competitive mineral regime that is informed by African and international trends, is grounded in local conditions and is accountable to national common interests. Further, this policy focuses on advancing the interests of both present *and future* generations of Zimbabweans (inter-generational equity) in the context of attracting private investment to facilitate the development of mineral resources, but in an optimal manner that husbands the resource and maximises the economic linkages for sustainable local and national growth and development.

## **Mineral Policy Principles**

The founding values and principles of the new Constitution of Zimbabwe cover “...*the principles of good governance, which bind the State and all institutions and agencies of government at every level [and] include... (j) the equitable sharing of national resources*”<sup>6</sup>. Furthermore, the new Constitution affirms the principle of “...*equitable access by all Zimbabweans to the country’s natural resources*”.<sup>7</sup>

Mineral resources are vested in the President on behalf of the nation in the Mines and Minerals Act of 1960: “*The dominium in and the right of searching and mining for and disposing of all minerals, mineral oils and natural gases, notwithstanding the dominium or right which any person may possess in and to the soil on or under which such minerals, mineral oils and natural gases are found or situated, is vested in the President.*”<sup>8</sup>

In terms of procurement and other government contracts, including mineral leases, the new Constitution stipulates that:

- (1) “*An Act of Parliament must prescribe procedures for the procurement of goods and services by the State and all institutions and agencies of government at every level, so that procurement is effected in a manner that is transparent, fair, honest, cost effective and competitive.*”

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<sup>6</sup> Constitution of Zimbabwe, Final draft, January 2013

<sup>7</sup> Constitution of Zimbabwe, Final draft, January 2013, #289

<sup>8</sup> Mines and Minerals Act, [Chapter 21:05]. #2

(2) *An Act of Parliament must provide for the negotiation and performance of the following State contracts-*

- a) *joint-venture contracts;*
- b) *contracts for the construction and operation of infrastructure and facilities; and*
- c) ***concessions of mineral and other rights;***

*to ensure transparency, honesty, cost-effectiveness and competitiveness.”<sup>9</sup>*

Consequently this Mineral Policy is governed by the constitutional requirement for the transparent, fair, honest, cost effective and competitive acquisition of exploration services, through the issuing of exploration licenses, and the leasing of mining properties, through the issuing of mining leases by the State.

The new Constitution further states that “*...every person has a right to an environment that is not harmful to their health or well-being to have the environment protected for the present and future generations, through reasonable legislative and other measures that-*

- (i) prevent pollution and ecological degradation;*
- (ii) promote conservation; and*
- (iii) secure ecologically sustainable development and use of natural resources while promoting economic and social development.”<sup>10</sup>*

Consequently the Mineral Policy should balance economic and social development with ecologically sustainable minerals development.

Other mineral policy principles contained in “*Getting Zimbabwe Moving Again*”<sup>11</sup> include:

1. The facilitation greater exploration to identify and develop new national mineral assets, both by the state and the private sector;
2. The elimination of resources hoarding and speculation, and the efficient extraction of resources;
3. The maximisation of value addition in Zimbabwe, both through increased beneficiation and local content;
4. The implementation of a mineral fiscal regime that optimises returns to the asset owner (the state) whilst still remaining attractive for investments by the operators;
5. The facilitation of small and medium scale mining, including support for mechanisation.

Zimbabwe has a rich and diverse minerals resource base that should be an important contributor to sustainable growth and development. The sector has rebounded dramatically from the hyperinflation economic crisis and with “dollarisation”, the value of mineral production has increased several-fold. However, if this increased mining activity is to ultimately result in more than just “holes-in-the-ground”, the crucial mineral economic linkages need to be realised whilst the resources are still extant.

## **Mineral Endowment**

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<sup>9</sup> Constitution of Zimbabwe, Final draft, January 2013, #315

<sup>10</sup> Constitution of Zimbabwe, Final draft, January 2013, #73

<sup>11</sup> STERP 2009 “Getting Zimbabwe Moving Again”, section on “Mining”, p43

Zimbabwe has a long and illustrious mining history: There are over 4000 ancient gold mines and workings in southern Africa<sup>12</sup>, predominantly in Zimbabwe. Although Great Zimbabwe is not close to the local gold seam, its power derived from controlling the trade in gold. In the 1,200 years preceding European colonisation, it is estimated that about 4000 ancient mines produced between 600 and 800 tonnes of gold "...with a normal production during their heyday of about 20,000 oz. a year"<sup>13</sup> and "the gold trade was directly responsible for the rise of the Zimbabwe state"<sup>14</sup>. During this period mine shafts were sunk to a depth of 100 feet and complex mining methods were used including ventilation shafts and fracturing the rock face with fires.

Zimbabwe is endowed with a wide variety of mineral resources, which are mainly found in the following geological formations and bodies:

- **The Greenstone Belts:** Gold and silver, as well as considerable resources of iron ore, nickel, copper, cobalt and podiform chromite, also chrysotile asbestos (Mashaba Igneous Complex), limestone, pyrite and antimony;
- **The Great Dyke:** PGMs<sup>15</sup> and gold with associated copper, nickel and cobalt. Also, chromium (chromite seams), as well as minor asbestos and magnesite;
- **The Magondi Supergroup:** Copper and silver (Dewera Group);
- **The Karoo Basins:** Considerable bituminous coal, coking coal, anthracite, coal-bed methane (CBM) and shale gas resources;
- **The Carbonatite Igneous Complexes:**, phosphate (Dorowa, Showa);
- **Kimberlite pipes:** diamonds (Morowa, River Ranch);
- **Pegmatites:** Lithium minerals, columbite-tantalite, cassiterite, et al;
- **Recent alluvial and placer deposits:** Gold and diamonds (possibly from reworked Umkondo conglomerates).

The Government is committed to attracting and enabling private sector investments for the development of mineral deposits and to promote new investments in exploration and development of mineral deposits. Geological information and mineral data will be made readily and widely accessible to both small and large scale prospective investors through a user-friendly minerals cadastre information management system (MCIMS).

In order to enhance the attractiveness of the minerals sector the Government will rebuild its capacity (Geological Survey of Zimbabwe) to undertake modern geological mapping and will dramatically increase funding for geo-survey activities. The viability of reinvesting a portion of mineral revenues into systematic geo-survey will be explored in conjunction with tax incentives for private sector exploration. The long term future of the Zimbabwean minerals sector and its linkage industries is fundamentally dependent on on-going investments into geo-survey and exploration today.

## **Mineral-based Development**

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<sup>12</sup> Summers, R, "Ancient Mining in Rhodesia and Adjacent Areas", National Museums of Rhodesia Memoir No 3. Salisbury, The Trustees of the National Museums of Rhodesia, 1969.

<sup>13</sup> Summers, 1969, p218

<sup>14</sup> Huffman 1974, p241

<sup>15</sup> PGMs: Platinum Group Metals (Pt-platinum, Pd-palladium, Rh-rhodium, Ru-ruthenium, Ir-iridium, Os-osmium)

In order to optimise the economic linkages the current “colonial” minerals governance regime (“free mining”), based on a “free entry” claim, needs to be fundamentally overhauled to both encourage the discovery of new mineral deposits and to maximise the developmental impact of known mineral assets through transparent and competitive public tender against developmental outcomes.

Zimbabwe will use its finite mineral resources endowment to catalyse wider national economic growth and development through the maximisation of the seminal mineral economic linkages. These include:

- 1) *Fiscal linkages*- mineral resource rents will be captured, through the introduction of a resource rent tax on returns in excess of the return required to attract investment (average national return of investment). These revenues will be reinvested into building long-term physical and human (knowledge) infrastructure, to underpin future national competitiveness, and into minerals development (exploration and technology development) to prolong the life of mineral resources. Taxes, tariffs and fees that add to the cost of mining will be minimised to encourage the optimal extraction of the resource and to discourage “high-grading”.
- 2) *Backward linkages* – the minerals inputs sectors (capital goods, consumables, services) need to be grown, to take advantage of the expanding local demand, through measures to optimise the local content of mining purchases. The realisation of the backward linkages opportunities could seed wider national industrialisation (capital goods).
- 3) *Forward linkages* – minerals could provide critical feedstocks for other job-creating sectors provided that they are beneficiated into appropriate intermediate products such as iron/steel, polymers and base metals for manufacturing; nitrogenous and phosphatic fertilisers for agriculture; cement, steel and copper for infrastructure and fossil fuels for power. However, mineral beneficiation may require state facilitation through incentives and disincentives, such as a small export tax if the next value addition step is clearly viable. The use of producer power, together with other countries, will be explored to facilitate local value addition, where viable.
- 4) *Knowledge linkages* – the maximisation of human resource development (HRD) and R&D opportunities is essential for realising full benefit from the backward and forward linkages. No resource-based state has industrialised without significant investment in human and technology development. Joint strategies with the private sector will be pursued (through PPPs), including the reinvestment of resource rents into knowledge development.
- 5) *Spatial linkages* – high rent minerals are often able to finance major infrastructure (transport, power and water) which could underpin the development of other sectors such as agriculture, forestry and manufacturing, provided that the mineral leases provide for excess capacity and third party access at non-discriminatory prices. The huge Mwanesi iron ore resource could possibly underpin a low-cost logistics corridor to the coast which could substantially reduce the cost of trade (imports/exports) for the national economy.
- 6) *Scale*: All of the linkages would be greatly enhanced through access to larger markets and in this regard configurations for equitable regional integration will be investigated and pursued (e.g. COMESA, SADC and SACU).

Through these channels, Zimbabwe’s minerals endowment could catalyse wider economic development and industrialisation, but only if the minerals regime is overhauled and effectively



administered to maximise all of the developmental opportunities associated with mineral extraction and processing.

## **Minerals Governance.**

The current “free-mining” (FIFA<sup>16</sup>) colonial mineral regime based on claims is inappropriate for using national mineral assets to underpin wider development and industrialisation. A new minerals regime will be configured to:

- 1) Establish an internationally competitive, stable and conducive business climate to attract and sustain foreign and local investment, whilst ensuring equitable distribution of benefits from mining activities to meet both current and future needs;
- 2) Encompass a mineral fiscal regime that assures the country of fair value from the depletion of its resources, whilst offering equitable rewards to private investors;
- 3) Incorporate instruments to ensure the realisation of the mineral linkages, recognising that FDI, in serving foreign shareholders, is less likely to develop these without the requisite incentives and disincentives;
- 4) Establish mechanisms for the arbitration of competing land use options;
- 5) Enhance the participation of indigenous Zimbabweans in mining and related linkage industries and facilitate equitable access to the sector by all Zimbabweans with the requisite capabilities, irrespective of gender or ethnicity;
- 6) Minimise adverse social conditions and environmental degradation due to mining activities and enhance the health and safety regime for workers in this intrinsically dangerous activity;
- 7) Support and enable sustainable artisanal and small scale mining activities to create employment, generate income and help reduce poverty in the rural areas;
- 8) Ensure consultation of all stakeholders and affected people, from exploration through mining and post- mine closure;
- 9) Establish an effective administration and management of the mineral sector;

The new Constitution commits Zimbabwe to maximise the returns from the lease of mineral assets through *transparent, fair, honest, cost effective and competitive* concessions/contracts. Consequently, all known deposits and all lapsed or abandoned properties will be publically tendered to optimise the development impact through maximum linkages development. A developmental Mineral Policy will cater for the varying levels of resource confidence of potential mineral properties by only permitting exploration (prospecting) licenses over areas that have no known mineral occurrences, by auctioning all known properties and by reserving partially known deposits for further exploration by state agencies.

The following actions on the administration of national mineral assets will be progressed:

- The development of a new Minerals Development Act (MDA) to cater for a hybrid of FIFA (claims) and a public tender system, for “unknown” and “known” mineral resource terrains, respectively, and to include viable backward (local content) and forward linkages (beneficiation) milestones and

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<sup>16</sup> FIFA: first-in-first-assessed

a minimum corporate spend on knowledge formation (skills formation and technology development);

- The new law will cater for exploration licenses and ASM (Artisanal and Small-scale Mining) prospecting licences, ASM leases, and Mining Leases on a use-it-lose-it principle. The detailed procedures and modalities will be promulgated in the attendant Regulations;
- The establishment of a functional and user-friendly national mineral cadastre information management system (MCIMS);
- The rebuilding the ASM support “golden triangle” of finance, marketing and technical support;
- The new law will also cater for a resourced and representative Minerals Development Board to advise the Minister on minerals development issues and to assist in mineral related disputes resolution.

This policy will also ensure that mineral sector development takes advantage of initiatives and collaboration at regional, continental and international levels to assure best practices and good governance for accelerated growth and development.

## **Regulatory Framework**

The Government of Zimbabwe is committed to the creation of a stable and conducive business climate. In the context of the legal and regulatory framework for the mineral sector, this involves:

- an open, transparent and competitive auction procedure for known mineral deposits
- a predictable exploration licensing system for terrains with unknown deposits,
- a secure mining licence (lease) term (max 25 years) against CRIRSCO<sup>17</sup> compliant reserves and work-plan, and clear procedures on the granting of an amended licence if further reserves are delineated,
- clearly defined rules and regulations that:
  - Set out simple and transparent procedures for the allocation of rights,
  - Stipulate the conduct of exploration activities,
  - Define the transition from exploration to mining rights and the transfer of these rights,
  - Regulate the conduct of mining,
  - Define local content and value-addition obligations.
  - Stipulate local skilling and technology development commitments.
  - Guarantee security of tenure and the orderly carrying out of business, and
  - Ensure exclusivity of specified mineral rights over licensed areas.

Government has resolved to overhaul the Mines and Minerals Act and introduce a new state-of-the-art Minerals Development law that will maximise the impact of mineral assets on growth and development, whilst remaining attractive for private sector investment. The mineral title system will encourage active mineral exploration and exploitation but discourage sterilisation for speculative and/or other purposes. Disputes relating to mineral rights will be addressed in a timely and fair manner by government and, if no settlement is reached, the courts of Zimbabwe.

An accessible web-based mining cadastre information management system will be established that will enhance transparency in the award and monitoring of mineral rights. The principle of First-In-First-

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<sup>17</sup> CRIRSCO: Committee for Mineral Reserves International Reporting Standards (e.g. SAMREC, JORC)

Assessed (FIFA) will form the basis for conferring mineral exploration rights over areas where there are no known state mineral assets and a transparent and competitive auction system will be used to concession all known mineral deposits, in accordance with the new Constitution. To ensure coherence in decision-making, the new Minerals Development Law will be harmonised with other statutes administered by other institutions that directly or indirectly affect the development of the mineral sector.

The allocation of resources to strengthen the institutions with oversight responsibilities is a critical part of Government's development program. The relevant institutions will be encouraged to consult and develop understanding between them as to their respective roles in and contributions to decision-making that impacts on the minerals sector.

The Government of Zimbabwe recognises the need for special procedures to regulate mining of construction materials and to this end will develop mechanisms to ensure sustainable mining of minerals for construction and traditional purposes.

## **Equitable and Competitive Mineral Fiscal Regime**

The fact that minerals constitute a non-renewable resource makes it necessary for the country to maximise the economic linkages, particularly the fiscal linkages, through the collection of economic rents in compensation for the forgone benefit. Unlike other concessions where the state asset is returned at the end of the lease with an enhanced value, mineral assets are depleted by the concessionaire and the state is left with a hole in the ground. The substantial impacts that mineral operations can have on the environment, society and future generations warrant that appropriate policy prescriptions be developed by the government to provide a mechanism for compensation as well as incentives to encourage sustainable development of its mineral resources, through the facilitation of sustainable ancillary economic activities.

The substantial contributions to growth and development that can be realised by mineral resources require significant investments. Discovering a commercial mineral deposit and developing it into a mine is a risky business, as there is no guarantee of finding a deposit that can be mined profitably. There is often a long lead-time between expenditure on exploration and development and revenue generation from mining. In addition, the fact that major mineral deposits often occur in remote areas with poor social and physical infrastructure raises the capital costs of the project, but could also increase the positive collateral impact. There are currently limited skills and financial resources and services available within the country, necessitating the attraction of foreign capital and skills in the short to medium term.

The Government of Zimbabwe recognises the need to devise a fiscal regime that assures the country of fair value for its resources while offering sufficient incentives that will ensure fair and reasonable return to private investors. Such a regime should allow the investor to recover exploration and development outlays in a timely manner, to achieve an acceptable rate of return commensurate with risk and to meet financial obligations to creditors and suppliers. The government will institute a well-designed fiscal regime that encourages investment, optimises economic linkages, exemplifies transparency, and captures reasonable and sustained revenue for the Zimbabwean people, within the confines of achieving national fiscal and regulatory economic uniformity.

Mineral deposits often embody significant “resource rents” which are profits in excess of the normal rate of return, arising from the particular above average nature of the deposit (grade, yield, location, etc.) or scarcity of the mineral/s. Such excess windfall rents need to be equitably shared between the asset owner (Zimbabwe) and the asset exploiter. An equitable Resource Rent Tax (RRT) will be introduced that will replace the current Additional Profits Tax (APT). Other taxes that add to the cost of mining, such as royalties and fees, will be reviewed in the light of the RRT, recognising that these raise the mining cut-off grades and consequently sterilise national mineral resources.

Mining companies with annual revenues above a threshold (to be determined) will be required to carry out a periodic tax self-audit, using recognised independent auditors, to assist the state in combatting transfer pricing and other forms of tax avoidance. The efficacy of permitting investments from tax havens will be reviewed, given the inherent strong incentive for these companies to shift profit from Zimbabwe to such jurisdictions through transfer pricing.

The goal is to establish a fiscal regime which:

- (1) optimises the inherent value of the nation’s mineral resources;
- (2) regulates the rate of extraction and domestic pricing of critical strategic mineral feedstocks for economic growth and development;
- (3) minimises instruments that add to the cost of production and thereby sterilise resources;
- (4) is efficient in encouraging optimal extraction and avoids selective mining of high grade ore;
- (5) garners an equitable share of the resource rents for the nation and the developer;
- (6) allows for reasonable stabilisation of specific taxes for defined periods (debt repayment);
- (7) uses internationally best-practice instruments;
- (8) is coherent and simple to administer,
- (9) minimises non-standard instruments for specific rights holders, and
- (10) provides mechanisms to ensure the establishment of the seminal economic linkages, including:
  - (a) local processing (value addition),
  - (b) the development of local supplier industries (local content),
  - (c) increased training and employment of locals,
  - (d) local technology development (R&D) and
  - (e) the integration of mining with other economic sectors.

## **Strategic Minerals**

The new Minerals Development Act will set up clear and transparent guidelines for the designation of select “strategic minerals” that are critical feedstocks into other sectors of the economy, including:

- *manufacturing* - iron/steel (ferrous ores), polymers (fossil fuels) and base metals ;
- *agriculture* - fertilisers (NPK) and conditioners;
- *infrastructure* – cement (limestone), steel and copper;
- *power* - fossil fuels.

Where appropriate, the State will regulate the extraction rates of these strategic minerals to ensure long-term availability for domestic supply and will, if necessary, regulate the pricing of these minerals into the domestic economy. Such pricing will reflect a reasonable rate of return to private investors. In addition, in this regard the ZMDC will be tasked with developing such critical mineral feedstocks to be

supplied into the domestic economy at developmental prices (utility returns) to facilitate downstream economic activity.

The designation of “strategic minerals” will be assessed by an inclusive Minerals Development Board that will motivate any such designation in a fair, objective and transparent manner, within the legal guidelines as contained in the new Minerals Development Law.

## **Disputes Resolution and Advisory Capacity**

The proposed Minerals Development Law will build on the Mining Affairs Board in the current Act to cater for a Minerals Development Board, comprised of representatives from government, industry labour and universities, as well as select appropriate experts. The key functions of the proposed Minerals Development Board will include:

- Advising the Minister on the allocation of exploration and mining licenses/leases;
- Advising the Minister on reasonable value addition, local content, skilling and technology development targets (milestones);
- Advising the Minister on the designation of select “strategic minerals”;
- Determining appropriate extraction rates and domestic pricing of such “strategic minerals”;
- Advising the Minister on the suspension and/or cancellation of mineral rights that fail to comply with the national minerals regime and/or their license/lease conditions;
- Dispute resolution on competing mineral property rights and domestic mineral pricing;
- Developing medium to long-term national minerals development strategies; and
- Advising the Minister on improvements to the Mineral Regime including amendments to the prevailing legislation;

The Minerals Development Board will be suitably resourced to carry out its duties through the national budget and/or a judicious mining levy with a minimal impact on the cost of production.

## **Minerals Marketing**

The State of Zimbabwe reserves the right to market the people’s mineral assets, but undertakes to recompense the miner at fair and transparent market prices for mineral exports. This will be undertaken in compliance with the Minerals Marketing Corporation of Zimbabwe Act [Chapter 21:04] of 1982 for all minerals except for precious metals. Gold and the platinum group metals (PGMs) will be marketed through an Authorised Dealer, designated by the Ministry of Finance under the Gold Trade Act [Chapter 21:03 12] of 2006, which will be amended to include the PGMs.

Government will ensure that miners get fair value for the minerals produced and that marketing commissions are internationally competitive. In this regard Government will undertake a review of the MMCZ 0.875% commission to ensure that it is cost reflective and does not prejudice the minerals sector.

## **State Minerals Development Company**

The Zimbabwe Mining Development Corporation (ZMDC) was established by The Zimbabwe Mining Development Act” [Chapter 21:08] of 1982. Its mandate is to: invest in the mining industry in Zimbabwe on behalf of the State; to plan, coordinate and implement mining development projects on behalf of the State; to engage in prospecting, exploration, mining and mineral beneficiation

programmes; to render assistance to persons engaged in and about to engage in mining; to advise the Minister on all matters connected with corporate investments in the mining industry and make recommendations for the proper coordination of all investment programmes; to review the general economic conditions and prospects of the mining industry and make recommendations for the proper co-ordination of all investment programmes.

Government undertakes to review this mandate in the light of this Minerals Policy, with a view to it becoming a key state institution for facilitating both strategic minerals development and the development of the crucial mineral economic linkages. Government will also assess the efficacy of giving the ZMDC a three month first-sight widow on all new state financed geological data (geo-survey maps and data), to enable it to reserve potential deposits of designated strategic minerals.

## **Transparent Benefits from Mining**

The Government of Zimbabwe is committed to transparency through the provision information on revenue flows and other benefits obtained from mining. To this end, it will progress the accession of Zimbabwe to the Extractive Industries Transparency Initiative (EITI) and will adhere to the principles and procedures of the EITI Standard and EITI Rules.

The Government of Zimbabwe will ensure that communities that are or could be adversely affected by mining operations derive regular and significant benefits from those operations. A predictable formula shall be put in place to determine such benefits, which shall include but not be limited to revenue allocation, access to employment, the provision of infrastructure for local use and resources for local education and skills formation. Mining companies will be encouraged to develop local supply chains for their purchases, thereby integrating themselves into the local economy.

The Government of Zimbabwe will also strive to maximise the wider benefits from mining on the regional and national economies, in a transparent and equitable manner.

## **Indigenisation**

Prior to the European colonial invasions minerals were generally extracted by Zimbabweans for Zimbabwe, but during the 20<sup>th</sup> Century Zimbabwe's minerals were predominantly mined by Europeans for Europe and its offshoots. The medium to long term goal of the Government of Zimbabwe is that the nation's natural resources will be predominantly be exploited by indigenous Zimbabweans. Many successful mining countries reserved mineral exploitation for their citizens, such as some European states (in the past) and several Asian states (currently). However, given the current capital, skills and technology constraints facing the sector, the Government of Zimbabwe seeks to encourage equitable partnerships between local and foreign investors that overcome these impediments and to progressively build local capital, skills and technological prowess.

Local content obligations will be configured to privilege indigenous suppliers and the Chamber of Mines will be encouraged to establish a Venture Capital fund, in partnership with Government, to support indigenous enterprises to effectively supply the mining industry with the requisite quality and quantity goods and services.

## **Competing Land Rights and Land Use Options**

Mining involves intensive use of land and can adversely affect other uses. The Government of Zimbabwe shall establish a framework for the evaluation and management of competing land use options with a view to maximising the sustainable developmental potential for the nation and future generations. This will involve recognition of the rights of other land users, the development of procedures for identifying and consulting potentially affected communities and persons as well as appropriate compensation principles, including criteria for considering resettlement options. Adequate administrative mechanisms and procedures shall be put in place to mitigate conflicts arising from competing land use.

## **Minerals Knowledge Formation**

Minerals Knowledge Formation (STEM<sup>18</sup> skills and technology development) is critical to growing and indigenising the minerals sector as well for developing the seminal minerals economic linkages, particularly the backward (inputs) and forward (beneficiation) linkages. In this regard Government will:

- Commission a survey to identify the critical minerals technical skills needs and develop of a national minerals (and linkage industries) HRD strategy;
- Develop a strategy to re-attract skills from the diaspora through interventions to locate skilled Zimbabweans, to assist in their relocation and on remuneration for critical scarce skills;
- Introduce a minimum knowledge corporate spending target of a percentage of payroll to fund local STEM skills formation and technology development for the minerals sector and for the back/forward linkage industries;
- Assess the efficacy of converting tertiary state tertiary technical training costs into *notional* student loans to be worked off over 15 years by working in-country, which will convert into a pro rata commercial loan if the graduate exits Zimbabwe before 15 years;
- Rebuild mineral technology development institutions (Institute for Mining Research, Government Metallurgical Laboratory, Bulawayo School of Mines);
- Use of a portion of the proposed RRT to fund knowledge formation, in partnership with the industry, for the training and remuneration of Maths and Science teachers to upgrade school education, to fund free engineering and science tertiary education at state intuitions, to support Engineering and Science Faculties, including post-grad programmes; and to fund grants for engineering and technician/artisan learnerships.
- Investigate the establishment of a dedicated Minerals Technology Fund (MTF) and a Minerals Skills Fund (MSF), as a Public-Private Partnerships (PPPs) with the mining industry, pedagogical institutions and state enterprises (ZMDC) and institutions.

## **Environmental Stewardship and Social Responsibility**

Among the key principles set out in Zimbabwe’s environmental policy are that development should be based on sustainable natural resource use and sound management and also that full environmental and social costs or benefits foregone should form part of public and private sector planning. The policy will also develop an integrated and multi-sectoral systems approach to resource and environmental planning. The application of this approach and these principles to decision-making relating to and the conduct and supervision of mineral operations requires compliance with the environmental protection

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<sup>18</sup> STEM: science, technology, engineering and mathematics

laws of Zimbabwe and international best practices in the sustainable use of the natural resources. The Environmental Management Act [Chapter 20:27] of 2002 and the Environmental Management Agency (EMA) are central to the formulation and implementation of relevant principles and guidelines and in this regard customised environmental protection guidelines for mineral exploration and exploitation will be formulated jointly by the EMA and the Ministry of Mines.

No significant mineral operation will be permitted without an environment and social impact assessment having been conducted, evaluated and approved by the Zimbabwe Government. Plans for managing environmental and social impacts must be incorporated into the assessment reports. These must, right from the inception of the operation, include plans for redressing physical impacts upon closure of the mine as well as for sustaining community livelihoods thereafter. The conduct of impact assessments must involve early consultation with the potentially affected public and open hearings will generally constitute a part of the evaluation.

## **An Integrated Mining Sector**

Whilst the development of Zimbabwe's mineral resources will in the short term generate revenue and provide materials for reconstruction, in the longer term mining must be fully integrated into the national economy in order to maximise the multiplier effects. In this regard, opportunities for fostering up- down- and side-stream value addition will be pursued. As industrial minerals sometimes have a greater potential for linkages with other sectors of the economy, attention will be paid to encouraging their development, particularly by indigenous entrepreneurs. The development of local small, micro and medium-scale enterprises (SMMEs), especially in the procurement of goods and services, will be encouraged.

The concept of Spatial Development Initiatives (SDIs, also known as "Development Corridors") was developed in southern Africa and is based on using high-rent resource exploitation projects as anchors for the development of infrastructure that can then underpin the development of other sustainable economic potential such as agriculture (and agro-processing), forestry (and processing), tourism, manufacturing, etc. and other related and ancillary industries in the area. The promotion of such integrated Spatial Development Initiatives, to unleash the full growth and development potential, will form an important feature of Zimbabwe's resources development policy.

The government will encourage greater infrastructure linkages -considering that many mining projects require substantial infrastructure from mine to port and consume large amounts of electricity and water. The government will ensure that infrastructure needs of large-scale mines are integrated into national and regional economic planning with an appropriate regulatory framework to ensure open access at non-discriminatory prices, for the infrastructure to benefit as many people and sectors as possible. These linkages will be optimised through integrated spatial planning and the formulation of appropriate economic incentives and disincentives that will encourage the mining companies to deepen their economic footprint within Zimbabwe.

The Government of Zimbabwe will look for possibilities for promoting forward linkages (beneficiation). Studies will be undertaken to explore the potential for such forward linkages in the ferrous, base and precious metal sectors, amongst others. Judicious export taxes will be imposed on crude mineral exports where the next beneficiation step has been independently shown to be commercially viable. Mining licenses for the export of crude ores, concentrates, alloys or minerals will be conditional on a feasibility study being undertaken by an independent agency within a stipulated time period. If the



feasibility indicates that the beneficiation project is viable (gives a reasonable return on investment), then the Government will reserve the right to impose an equitable export tax on exports of the crude form.

Government will also facilitate and encourage strong linkages into the local knowledge infrastructure (skilling, technology transfer and development, universities, colleges, etc.) through a judicious basket of incentives and disincentives. In this regard the rapid development of STEM<sup>19</sup> skills will be prioritised through a minimum corporate spend on skilling, to be set at a reasonable percentage of pay-roll.

Government will work with the private sector and other agencies in locating skilled Zimbabweans abroad in the diaspora, and develop strategies to attract this valuable resource back to the country.

To pursue viable policies for integration, there is a need to take account of not only the Zimbabwean economy but more broadly the economies of the SACU, SADC, COMESA and the African Union. In order to achieve viable markets and critical economies of scale Zimbabwe will progressively integrate into the larger African markets, on an equitable basis, in terms of both mineral inputs and outputs.

## **Artisanal and Small-Scale Mining (ASM)**

The artisanal and small-scale mining (“ASM”) sector has the potential to create employment, generate income and help to reduce poverty in rural areas and to stem migration from the rural areas to urban areas. However, it also has the potential for significant environmental degradation, negative social and health and life-threatening pollution of bio systems (e.g. mercury from ASM gold recovery).

An integrated approach is required in addressing ASM issues. Since ASM is largely a rural activity, any programme for it needs to be linked with rural development plans and designed based on a clear profile of who are engaged in the activity, when they mine and what else they do.

The pre-existing ASM support system of extension services (DMC<sup>20</sup>, regional geologist, GML<sup>21</sup>), finance (DMC equipment hire-purchase pound), and marketing/quality (GML and MMCZ) will be rebuilt and reinforced. Government will encourage the creation of an ASM Venture Capital Fund (VCF) as a PPP between the state, the Chamber of Mines, DFIs<sup>22</sup> and donors. These three components – extension services, financing, and marketing/quality assistance – constitute the institutional “Golden Triangle” for successful ASM development. To enable artisanal and small-scale miners to obtain financial facilities, consideration shall be given to enhance the creditworthiness of their operations and license tenure.

Given the historical role of women in ASM, support systems to facilitate the entry of female entrepreneurs into this sector will be configured, such as a special window in the ASM VCF and customised short training courses under the Bulawayo School of Mines.

The artisanal and small-scale mining sector could be strengthened by the miners organising themselves into associations, syndicates and, in some instances, cooperatives, in order to improve economies of scale, of creditworthiness and opportunities for mechanisation.

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<sup>19</sup> STEM: science, technology, engineering & mathematics

<sup>20</sup> DMC: District Mining Commissioner.

<sup>21</sup> GML: Government Metallurgical Laboratory

<sup>22</sup> DFI: Development Finance Institution (e.g. the AfDB, the IFC, the IDC)

The relationship between large-scale mining enterprises and the ASM sector need not necessarily be an antagonistic one. The smaller-scale miners can benefit from technical inputs and advice from the large-scale operators who could provide markets for further processing (the “out-grower” concept). Such forms of cooperation could help the large scale miners reduce policing costs and gain acceptance and credibility in the community.

## **Developing with Broad Participation**

The Government of Zimbabwe policy shall encourage broad and more direct participation of all stakeholders which shall promote critical social acceptance of mineral projects. Thus both project sponsors and Government have responsibilities for developing and disseminating procedures to enhance effective consultation and participation. The facilitation of local equity participation in mining ventures could also help in enhancing acceptance.

## **Building Capable Institutions**

The Government of Zimbabwe shall allocate a portion of revenue derived from mineral resources to strengthen the capacity of relevant state monitoring and promotion institutions, particularly geological survey. The Government of Zimbabwe acknowledges the weak state of its institutions, whether of governance, facilitation, promotion or training. Securing funding to strengthen them is a major challenge to which it shall devote attention. In addition the Government of Zimbabwe will seek to facilitate the establishment and growth of private sector entities to underpin a vibrant mining sector in areas such as finance, services, training/skilling, suppliers to and consumers of minerals.

## **Investing for the Future (Sustainable Investment)**

Mining resources are finite. The wealth generated from mineral resources has to be harnessed to provide a platform for development and growth well after they are exhausted. Revenue accrued from the nation’s mineral resources shall also be invested in other forms of capital, especially human and social infrastructure, as well as social assets. It calls for prudence in investment decisions, fiscal discipline and the effective monitoring of disbursements and expenditure. We must build the capacity to predict and manage our revenues even as they fluctuate because of commodity price changes. In this regard the advisability of ring-fencing of RRT revenues will be investigated with a view to establishing a fiscal stabilisation fund.

Furthermore, we need to ensure that mineral extraction creates the maximum local economic linkages whilst this temporal window of opportunity is still open, as these linkage industries can continue post-mining.

## **Expected Outcomes**

In addition to growth in mineral sector and its linkage sectors, the overall goals can be expressed in terms of broad-based inclusive development, growth and poverty reduction and significant improvement in the governance capabilities of the country. The impact of the minerals sector on the broad national development goals will be assessed in terms of its contribution to:

- (1) national revenue and foreign exchange earnings,
- (2) gross fixed capital investment,

- (3) the creation of inclusive sustainable indigenous employment,
- (4) the provision of raw materials for downstream industries and national reconstruction,
- (5) the provision of markets for local supplier industries (local content),
- (6) the improvement in social and physical infrastructure,
- (7) the stimulation of new economic activity through the provision of the requisite infrastructure;
- (8) the development of indigenous capital and entrepreneurship,
- (9) positive impacts on the environment and local communities;
- (10) the development of sustainable ASM operations and communities,
- (11) the improvement of mining health and safety indices, and
- (12) the improvement in national knowledge infrastructure (STEM skills formation and technology transfer and development).

A scorecard will be configured with appropriate indices to enable government to monitor these contributions.