THE POLITICAL ECONOMY OF THE ILLICIT COLOURED GEMSTONE INDUSTRY IN ZIMBABWE
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This research study was supported by the Global Initiative Against Transnational Organised Crime.
Acronyms

EMA  Environmental Management Agency
MFFU  Mineral Flora and Fauna Unit of Zimbabwe Republic Police
MMCZ  Minerals Marketing Corporation of Zimbabwe
PST Act  Precious Stones Trade Act
SI  Statutory Instrument
ZEPARU  Zimbabwe Economic Policy Analysis Research Unit
ZMF  Zimbabwe Miners Federation

Classification of gemstones found in Zimbabwe

![Classification Diagram]

- Precious stones: emeralds, rubies, sapphire
- Semi-precious stones: aquamarine, chrysoberyl, tourmaline, alexandrite, euclase, bixbite, heliodor, topaz, agate, citrine, garnets
- Coloured gemstones
- Precious stones: diamonds
Executive Summary

Much of Zimbabwe’s coloured gemstones are smuggled out of the country while most of the gemstone dealers are unlicensed. The illicit mining and trade of gemstones is attributed to corruption and poor regulation of the sector which is governed under the Precious Stones Trade Act Chapter 21:06 and Statutory Instrument 256/2019. The Minerals Marketing Corporation of Zimbabwe, which is mandated to regulate marketing of gemstones has been far less efficient compared to gemstone marketing systems in neighbouring countries such as Zambia. The authorities have been reluctant to close the loopholes and review the regulatory framework as the current weaknesses benefit those with access to mining and export licences who are invariably the politically connected. The dealers, that are protected by politically connected miners with licences, supply foreign buyers who come through Zambia and Mozambique. These actors form part of the international syndicates that supply gemstones to destinations in Asian countries.

Despite an endowment of highly diversified mineral resources, with high commercial profitability, the economic and social development in Zimbabwe is still lagging behind. Among these mineral endowments are gemstones, comprising diamonds, emeralds and ‘semi-precious’ coloured stones, all which have enormous economic potential for Zimbabwe and worth over 20 billion dollars. Mining in Zimbabwe has now become one of the largest economic activity responsible for 60% of the country’s export earnings and 16% of the national GDP.

While Zimbabwe has set a USD12 billion mining industry target by 2023, the country is grappling with corruption illicit activities and leakages of minerals, which is feeding international organised criminal syndicates. Whereas a lot of focus has been on leakages of diamonds and gold, as precious minerals, the illicit trading in and smuggling of semi-precious stones has been going unchecked. Zimbabwe is losing millions of dollars in potential revenue through well-orchestrated international trafficking syndicates smuggling these semi-precious minerals or gemstones. The policy and security loopholes that characterise the mining sector have equally affected the gemstone industry.

The Centre for Natural Resource Governance conducted a study to investigate the existence, scale and nested nature of illicit coloured gemstone dealings in Zimbabwe in order to reveal the corruption and its links to international syndicates. Information gathered through the research informed the recommendations outlined herein, that are meant to curb leakages of coloured gemstones and illicit financial flows in the gemstone industry.
The study employed a mix of self-reporting approaches of primary data collection, observation and desk review as a form of secondary data collection for purposes of understanding the context and synthesizing existing information on Zimbabwe’s coloured gemstone industry. Physical visits and observations were made to Hurungwe, Mutoko, Mudzi and Mberengwa districts, where in-depth interviews targeting miners, dealers, households and community leaders were conducted. Discussions with key informants in the law enforcement and gemstones sectors also provided explicit details of some of the activities. The Covid19 Lockdowns restricted focus group discussions and any other interactions with large groups of people during data collection.

Based on the findings the study recommended the need for government to meaningfully liberalise gemstone trade and mining to allow ownership of these mineral resources by local communities who should appreciate the benefit of marketing the stones through formal channels. Accountability of mineral resources can be improved if data on mining and export revenues is accessible by all interested individuals and institutions.

Figure 1: Zimbabwe pegmatite, gemstone sites and flow of the gemstones out of the country
1.0 Introduction

Zimbabwe is endowed with a vast, highly diversified mineral resources base, with over 60 economic minerals that have high commercial profitability. Among these minerals are coloured gemstones, comprising emeralds and ‘semi-precious’ coloured stones, all which have enormous economic potential for Zimbabwe. The coloured gemstones are often found in pegmatites, which are ubiquitous in several geological environments across the country. These pegmatites are a source of emeralds, aquamarine, chrysoberyl, tourmaline, alexandrite and euclase, as some of the highly valuable coloured stones. The pegmatites are predominantly found on the eastern, north-eastern and western parts of Zimbabwe.

Pegmatites are ubiquitous in several geological environments across the country

In Zimbabwe mining has quickly become the largest economic activity with mineral exports responsible for 60% of the country’s export earnings as of October 2018, and the mining sector contributing around 16% of national GDP.

After two decades of economic downturn the Zimbabwe government is now making frantic efforts to resuscitate the economy based on mining revenue. The government has set a target of a US$12 billion economy by 2023, anchored on mining. In the past, the country has failed to reach set production and revenue targets (in real value terms) due to corruption driven by severe leakages and illicit trade in the mineral sector amounting to monthly losses of over US$100 million.
A lot of focus has been on diamonds and gold, as precious minerals, while severe illicit trading in and smuggling of coloured gemstones has been going unchecked. Organised crime in the gemstone sector is bleeding the sector of millions of dollars that should support social development in Zimbabwe. Child mortality of 69 per 1,000 live births and maternal mortality at 614 per 100,000\(^2\) is still high compared to neighbouring countries.

Zimbabwe is losing gemstones through well-orchestrated international trafficking syndicates that are smuggling the stones to overseas destinations. It is estimated that Zimbabwe has about 36 semi-precious stones\(^3\), all which have fallen prey to smuggling syndicates.

The informal mining and illicit trade of these gemstones have been attributed to poor regulation of the sector which is governed under the Precious Stones Trade (PST) Act Chapter 21:06. In 2017, the Zimbabwe Miners Federation (ZMF) in conjunction with the Minerals Marketing Corporation of Zimbabwe (MMCZ) noted that most rural communities, where coloured gemstones are found, were unaware of their value hence they tend to lose out from generating meaningful revenue from these stones by selling at very low prices to some unscrupulous dealers\(^4\). The PST Act and the Mines and Minerals Act are both silent on the mining of semi-precious stones; these two pieces of legislation identify precious stones in the narrowest sense as ‘rough or uncut diamonds, other than those suitable only for industrial purposes, or rough or uncut emeralds or any other substance which is declared to be precious stones’.

An important piece of legislation in the regulation of precious stones mining and trading is Statutory Instrument 256/2019, which was gazetted in 2019. This statutory instrument was adopted to provide powers to MMCZ to appoint gemstone sub-agents who are permitted to buy and sell coloured gemstones. To date, this is the only law that mentions the mining and trading of semi-precious stones to a significant level. The efficiency and effectiveness of all relevant legal instruments have been compromised from the start due to several factors, including archaic legislation, loopholes for corruption and patronage within the mining industry and several weaknesses in the outdated regulatory framework.

In addition to the SI 256/2019, the government has been making various announcements relating to regulations of semi-precious stones. For instance, in January 2020 the MMCZ revealed that it had come up with

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a strategy to parcel out licences to firms and small-scale buyers for purchasing gemstones (with exception of diamonds) across the country and sell them through the MMCZ. This, according to MMCZ, was supposed to unlock significant opportunities in an area that has been the forte of extensive smuggling by international cartels with local powerful political connections that benefit from the laxity in regulation.

Existing data on coloured gemstone production, exports and revenue in Zimbabwe is sketchy, and depicts coloured gemstone as a less valuable industry, while hiding critical illicit activities happening behind the scenes. A recent analysis by ZEPARU on Zimbabwe’s mining revenue and disclosure framework revealed that mining information by the government and its agencies is limited to statutory requirements only.

Like any other mineral found in Zimbabwe, coloured gemstones present an opportunity to eradicate poverty, creating gainful employment and foster local economic development. The sector presents strong developmental opportunities for women and young people due to less demand for sophisticated equipment and physical energy for mining. Mining of the coloured gemstones is also less damaging to the environment when compared to gold mining that uses mercury and cyanide. In spite of the opportunities, criminal actors take advantage of the scarcity of knowledge and inaccessibility of markets to exploit the miners.

This study was therefore conducted to investigate the existence, scale and nature of illicit coloured gemstone dealings in Zimbabwe, with a purpose to reveal any corrupt activities and their links to transnational syndicates. The research also established the impact of coloured gemstone leakages on communities that host these minerals and on the economy of Zimbabwe. Information gathered through the research informed the recommendations outlined herein, to curb leakages of coloured gemstones and illicit financial flows in the gemstone industry.

2.0. Methodology

The nature of the gemstone industry and its almost hidden view necessitated a mixed methodological approach. To that extent, the study employed a mix of self-reporting methods of primary data collection, observation and desk review as a form of secondary data collection for purposes of understanding the context and synthesising existing information on Zimbabwe’s coloured gemstone industry.

Self-reporting data was collected from selected coloured gemstone source communities (Hurungwe, Mutoko, Mberengwa and Mudzi) using in-depth interviews targeting artisanal miners, dealers, households and community leaders. Visits to the sites allowed for observations of the mining and trading activities. Informal discussions with identified key informants in the law enforcement and gemstones sectors also provided explicit details of some of the activities.

Data collection was restricted, and sometimes made impossible by Covid19 regulations that were enforced in Zimbabwe. These regulations restricted human movements and interactions, two key aspects of research.

3.0. Background to the study

3.1. The Zimbabwe context

Zimbabwe is a landlocked, low-income country located in Southern Africa. In 2021, Zimbabwe’s population was estimated at 15.1 million people, with 51.2% being females. The country has been plunged in a protracted economic downfall since 2000 after human rights violations perpetrated by then Mugabe’s regime during the land grab that saw former liberation war soldiers possessing farm land from white farmers. The former white commercial farmers were believed to be harbouring gemstone deposits on their farms from which they exploited and smuggled gemstones without much scrutiny. Although the departure of these white farmers allowed indigenous farmers who took over the land to access some of the gemstone deposits, the market of the gemstones that was predominantly created by these white farmers vanished.

Over the years, since 2000, the economic crisis worsened as intermittent droughts, global recession, mis-governance, and the recent Covid19 pandemic, took a toll. The crisis has pushed over 38% of the population of Zimbabwe into extreme poverty6, while an estimated 4 million people migrated to the diaspora. 7

The change of government that occurred in November 2017 was highly expected to usher in positive political climate and economic trajectory, but this has not happened. In reality, the economic dispensation that followed the November 2017 coup provided fertile opportunities for increased corruption and leakages of mineral resources. A payment of $3.3 billion by government to Sakunda Holdings for agricultural subsidies in 2018 under Command Agriculture programme saw inflation shooting to 838% by July 2018. This triggered a new cycle of the collapse of public health, education and other social service delivery systems that were already struggling to recover from the two-decade long recession. Unemployment rate, now arguably over 90% has pushed at least 2.7 million men and women and 85% of workers into the informal sector, making Zimbabwe one of the most informalised economy in the world. This informality has cascaded to virtually all economic sectors, and the mining sector has not been spared. The government has admitted to this informality reality, and has introduced several measures to reap revenue from the informal sector, while failing to establish mechanisms that incentivise informal actors to enter the formal sector.

3.2. The Political Economy of Coloured Gemstones Sector in Zimbabwe

Zimbabwe has a very wide assortment of coloured gemstones, estimated to be around 36 types, of which 12 are of critical economic value. Although gemstones are found all over the country, the majority are found in Hurungwe district (Mwami, Kazangarare and Makuti areas), hence this district has been labelled the home of gemstones. Emeralds are predominantly found in Sandawana (Zeus Mine) area of Mberengwa district, in Matabeleland South province, although there are also found in other smaller mines in Midlands, and deposits in Manicaland (Buhera and Mutare), Mashonaland West (Karoi) and Masvingo (Bikita and Masvingo districts). There has also been a rise in artisanal mining of emeralds in Gutu district, Masvingo. The Sandawana emeralds are among the most world’s most beautiful gemstones.

Before the land reform programme that began in 2000, coloured gemstones were not so popular in Zimbabwe such that some former commercial white farmers used to smuggle them abroad with government showing little interest. The farmers took advantage of limited knowledge about gemstones among the rural populace who picked the stones for them. A story is told of Jim Barker, a former commercial farmer who reportedly made a fortune from smuggling various gemstones from Karoi to the United Kingdom in the 1990s. Barker is believed to have used tobacco farming to cover up his operations and he would use his private jet to smuggle the stones out of...
Jim, a former Rhodesian policeman and pilot, was forcibly evicted together with his family from his farm in Karoi (Nyahoa Farm) in 2002 during the former liberation war veteran-led land grab. Jim, who has now authored a book, Paradise Plundered (2013), narrating his experiences as a farmer, police anti-terrorist officer and reserve pilot is believed to be staying in Harare anticipating to win back his farm. Whilst his case is the only publicly known example, he might have been a microcosm of a macrocosm, representing several persons who were able to take advantage of government ignorance and the opaque systems to enrich themselves from the country’s mineral wealth.

One of Zimbabwe’s biggest gemstone mine, Sandawana Mines, closed in 2012. According to former employees, the reasons for closure range from poor corporate governance to poor quality of emeralds. The closure of the mines had adverse implications on the livelihoods of people living in areas surrounding the mines. Sandawana had been an important producer of emeralds for 56 years. The mine used to produce around 2kg (10,000 carats) with prices that ranged between $10,000 and $30,000. According to a former geologist who worked at the mines for more than 20 years, the closure was precipitated by government takeover in 2006.

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Despite having much economic potential, the coloured gemstone sector has for long been relegated to the periphery of the mainstream economy. Much attention was given to other precious minerals, namely gold, diamonds and emeralds until 2019 when SI256/2019 was promulgated. In most cases, even the mining of these precious minerals is equally shrouded in opacity as players in the sector are usually politically connected.

Investors are now beginning to see greater value in coloured semi-precious stones. Globally, the diamond industry has been under threat from synthetics\(^\text{14}\). This is giving a market and value opportunity for the coloured gemstones.

Like any other economic sector in Zimbabwe, the mineral resources sector has been fraught with challenges ranging from political interference to slow-down supply. However, the ‘Second Republic\(^\text{15}\), (which is the period of the incumbent President Mnangagwa’s rule) has pledged to bring order and sanity in the sector through structured market and increased investments\(^\text{16}\). Over the past years, failure to recognise the potential of this gemstone sector has led to massive smuggling of semi-precious stones and along the way, losing millions of dollars.

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Diamonds may have dominated the global gemstone market for many years, but we believe coloured gemstones will be the key growth area in this space over the next decade.

Alison Turner, Edison mining analyst

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15. The Mnangagwa regime that took over power from Mugabe in November 2017. Apparently, Mugabe’s tenure was termed the first republic.
### 3.3. Types of coloured gemstones mined in Zimbabwe

<table>
<thead>
<tr>
<th>Types of coloured gemstone</th>
<th>Places</th>
<th>Mining operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amethyst</td>
<td>Nyamandhlovu, Hwange, Lupane, Hurungwe, Makonde, Chiredzi, Kariba</td>
<td>Artisanal mining</td>
</tr>
<tr>
<td>Emerald</td>
<td>Mweza Range (Mberengwa) Hurungwe, Gutu, Masvingo, Insiza, Hurungwe</td>
<td>Inactive (since 2012) large scale mining by Sandawana Mines company at Mberengwa, Artisanal mining</td>
</tr>
<tr>
<td>Aquamarine</td>
<td>Mt. Darwin, Mutoko Karoi (Mwami Mica fields)</td>
<td>Artisanal mining</td>
</tr>
<tr>
<td>Chrysoberyl</td>
<td>Karoi, Hurungwe</td>
<td>Artisanal mining</td>
</tr>
<tr>
<td>Iolite / cordierite (white sapphire)</td>
<td>Makuti, Beitbridge, Chimanimani, Rushinga</td>
<td>Artisanal mining</td>
</tr>
<tr>
<td>Alexandrite</td>
<td>Novello claims in Masvingo</td>
<td>Artisanal mining</td>
</tr>
<tr>
<td>Tourmaline</td>
<td>Mutorashanga, Hurungwe</td>
<td>Artisanal mining</td>
</tr>
<tr>
<td>Heliodor</td>
<td>Hurungwe, Mt. Darwin</td>
<td>Artisanal mining</td>
</tr>
<tr>
<td>Goshenite</td>
<td>Karoi, Mt. Darwin</td>
<td>Artisanal mining</td>
</tr>
<tr>
<td>Sapphire</td>
<td>Mudzi</td>
<td>Artisanal mining</td>
</tr>
<tr>
<td>Topaz</td>
<td>Hurungwe, Gweru, Mutare</td>
<td>Artisanal mining</td>
</tr>
<tr>
<td>Agate</td>
<td>Mutorashanga</td>
<td>Artisanal mining</td>
</tr>
<tr>
<td>Euclase</td>
<td>Karoi (Mwami – Last Hope Mine, St Anns Mine)</td>
<td>Artisanal mining</td>
</tr>
<tr>
<td>Citrine</td>
<td>Marondera, Goromonzi</td>
<td>Artisanal mining</td>
</tr>
<tr>
<td>Garnets</td>
<td>Buhera, Mutare, Bindura, Mazowe, Mutoko, Karoi, Mudzi, Chivi, Bubi, Hwange, Beitbridge, Somabula</td>
<td>Artisanal mining</td>
</tr>
</tbody>
</table>
3.4. The Zimbabwe Coloured Stones Regulatory Framework

The gemstone sector of Zimbabwe is regulated by the Precious Stones Trade (PST) Act Chapter 21:06 and Statutory Instrument 256/2019 (Minerals Marketing Corporation of Zimbabwe (Gemstones Subagents) Regulations, 2019). With reference to the PST Act, “precious stones” are defined as rough or uncut diamonds and emeralds. Local dealers have to be licensed by the Ministry of Mines and Mining Development through the issuance of Precious Stones Licences, to trade in precious stones as defined by the PST Act.

Although the PST Act includes emerald which is a coloured stone, it leaves out other coloured stones of economic value precisely because they are considered as ‘semi-precious stones’. The trading or dealing in semi-precious stones was not regulated until 2019 when the government gazetted Statutory Instrument 256/2019. This instrument provided for the appointment of MMCZ gemstone sub-agents. The agents are empowered to buy coloured gemstones from small scale miners within Special Grants as defined in the SI and sell the gemstones through MMCZ. Subagents must trade through formal markets, with traders being held accountable for leakages that may occur.

Minerals Marketing Corporation of Zimbabwe is the sole regulatory agency governing coloured gemstone industry in the country. Section 20 of the MMCZ Act outlines the functions of the organisation, which are to act as the sole marketing and selling agent for all minerals; to investigate or cause to be investigated marketing conditions, whether inside or outside Zimbabwe, for minerals in general or for any particular mineral and to purchase and acquire any minerals for its own account and to sell or dispose of such minerals.

According to the SI 256/2019 the General Manager of MMCZ issues licences to subagents at his or her discretion. The General Manager may refuse to grant authority, to renew licence, or chose to alter the conditions of a permit as he or she thinks fit. The registered gemstone subagents must submit to MMCZ, monthly returns outlining volumes of gemstones purchased in the prior month.

There are several provisions that criminalise certain conduct in the mining sector. These provisions relate to production, possession, trading and dealing with certain minerals or gemstones or precious stones. Within the Zimbabwe Republic Police, under the Criminal Investigations Department, there is a Minerals, Flora and Fauna Unit (MFFU) responsible for monitoring the application of laws in the minerals and wildlife sectors, arresting offenders and conducting investigations where necessary.
3.5. Actors in coloured gemstone industry in Zimbabwe

The coloured gemstone industry of Zimbabwe comprises both formal and informal players, who in some instances collaborate to smuggle the stones outside the channels prescribed by the law (SI 256/2019). The formal players are,

a) MMCZ regulates trading of the gemstones, and not mining. Besides being a regulator, this institution is also a buyer, which trades or exports the stones on behalf of small scale miners and subagents. In 2020, MMCZ had started an exercise of visiting gemstone producing areas to buy the stones but the exercise was stopped due to Covid19.

MMCZ also parcel out licenses to firms and small–scale buyers for purchasing gemstones across the country and re–sell them through MMCZ (the formal markets). Although MMCZ has been inviting interested individuals and companies to be licensed as MMCZ sub-agents most applications have been unsuccessful because the potential dealers failed to meet the financial requirements17. At the time of the research the processing of subagents or trading licenses for coloured gemstones had been suspended.

b) MMCZ Sub–agents buy coloured gemstones from artisanal miners and small scale miners with Special Grants and sell the coloured gemstones through MMCZ. Interested Zimbabwean citizens and corporates can be MMCZ subagents. Subagents are supposed to trade through formal markets, with traders being held accountable for leakages.

Currently, at mining level, it is difficult to differentiate the registered subagents from informal dealers because anyone, registered or not, can deal in gemstones without legal consequences.

c) Zimbabwe Miners Federation (ZMF) was established by local indigenous miners to promote the growth of small–scale miners. Its leadership has been arraigned in mineral smuggling scandals. In October 2020, the president of the Federation, Ms. Henrietta Rushwaya, was nabbed at RG Mugabe International Airport ready to leave for Dubai with 6kg of gold worth about $333,000. In May 2021, a former employee of the Federation, Tashinga Masinire, was arrested at OR Tambo Airport with 23 pieces of gold worth about $700,000. The organisation has been closely associated with a Pakistan businessman, Ali Japan786 (Ali Muhammad) who was contracted to supply 200 vehicles for the Federation members and implicated in Ms. Rushwaya’s gold smuggling case. Based on its involvement in mineral leakages, the Federation has generally been construed as a convenience for the elites to control ASM and have access the minerals.

d) Miners: There are small-scale miners that are licensed by the Ministry of Mines to mine any of the 36 coloured gemstones. Small scale mining activities are currently invisible as they have been subdued by artisanal mining operations, which seem unregulated.

Large-scale miners and exporters have become dormant due to viability issues, hence leaving the space to artisanal miners. Gemstone mining companies have always been few in Zimbabwe due to risks and cost-benefit analysis issues associated with gemstone mining. Large scale mining requires skilled labour and huge capital outlay which increase cost of production. Most gemstones are mined through open-cast method which requires machinery such as excavators. Production per mine is also difficult to predict because the miners resort to hit-and-miss mining since gemstone exploration processes are expensive. The gem-bearing pockets or deposits are usually small and widely dispersed hence making it unworthy huge investments. This leaves a lot of room for artisanal miners who dig the ground by hand or light tools in search for the stones.

Artisanal miners, who are commonly local people, dominate the mining of gemstones in Zimbabwe. This group of miners sell their gemstones to both local and foreign buyers depending on who is available and offering an attractive deal. Some of the artisanal miners’ costs are covered by ‘sponsors’ in the case of a sponsorship arrangement. At Sandawana Mines, artisanal miners sneak into the mine claims with the assistance of the former employees of the mine who know the set-up of the mine tunnels.

<table>
<thead>
<tr>
<th>Mining / Export Company name</th>
<th>Shareholding</th>
<th>Location</th>
<th>Variety of gemstones</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sandawana Mines Pvt Ltd</td>
<td>ZMDC (90%), Kuvimba Mining House</td>
<td>Harare</td>
<td>emerald</td>
</tr>
<tr>
<td>2. ZMDC</td>
<td>Government of Zimbabwe</td>
<td>Harare</td>
<td>gemstones</td>
</tr>
<tr>
<td>3. Aurora</td>
<td>Indians</td>
<td>Bulawayo</td>
<td>gemstones</td>
</tr>
<tr>
<td>4. Blueberry Holdings</td>
<td>Data not available</td>
<td>Harare</td>
<td>amethyst, bloodstone, cat’s eye, etc.</td>
</tr>
<tr>
<td>5. Crystal Global Group</td>
<td>Data not available</td>
<td>Harare</td>
<td>gemstones</td>
</tr>
<tr>
<td>6. Dibon Mines</td>
<td>Data not available</td>
<td>Gweru</td>
<td>gemstones</td>
</tr>
<tr>
<td>7. Mansworld Mining Co.</td>
<td>Data not available</td>
<td>Harare</td>
<td>amber, amethyst, chrysoberyl, chrome diopside, etc.</td>
</tr>
<tr>
<td>8. Samplestone Mining Ltd</td>
<td>Data not available</td>
<td>Harare</td>
<td>gemstones</td>
</tr>
<tr>
<td>9. TaTo</td>
<td>Data not available</td>
<td>Harare</td>
<td>agate, amethyst, beryls, etc.</td>
</tr>
<tr>
<td>10. Klinbury Resources</td>
<td>Data not available</td>
<td>Kwekwe</td>
<td>gemstones</td>
</tr>
<tr>
<td>11. Lavemack Investments</td>
<td>Data not available</td>
<td>Harare</td>
<td>gemstones</td>
</tr>
</tbody>
</table>

Source: Gemstone companies in Zimbabwe (business1.com/gemstone-companies/Zimbabwe)
According to MMCZ, flow of production from registered companies is erratic and supplies are not consistent, despite several companies having been registered as dealers or marketers of gemstones in Zimbabwe. The operations of some of these companies in terms of their supply chain activities have been unclear. The following are some of the Zimbabwe-registered companies, some whose beneficial ownerships are secretive, that trade in gemstones.

e) **Sponsors**: These are individuals that contract artisanal miners to dig for gemstones at a given claim. They supply the tools for digging and food for the workers (artisanal miners). They also broker any arrangements with the owner of the claim for permission to mine. They get all gemstones picked and pay the workers a daily wage. This arrangement can be illegal if there are no mining licences. Sponsors usually offload the stones to big buyers with large sums of money.

**Unregistered local buyers or dealers**: These are local individuals who buy the coloured gemstones from either artisanal miners or small scale miners and later offload to foreign illegal dealers such as the Chinese, Mozambicans and Congolese who have been cited as major culprits\(^\text{18}\). Each community that hosts gemstone deposits has local level dealers who buy from local community members and resell in towns and cities. Some of the local level buyers are business people from the same communities.

Local buyers form the largest group of buyers who access the gemstones from the miners because of their proximity to the miners and are also known by the miners. Although their capital is usually small, local buyers are usually sponsored by foreign buyers to source gemstones from the miners. The buyers gather the stones and either wait for bigger buyers to appear or travel to Harare and Bulawayo to supply the bigger buyers with the stones.

Before the land grab and land reform programme of the early 2000s which displaced white farmers, there were well known organised markets in areas were gemstones were found, dominated by white farmers, where the dealers would offload the stones. Since these white farmers have disappeared from the scene, local dealers are now relying on foreign buyers. The locals who took over the former commercial farms are still picking the gemstones from the fields but wait for buyers or dealers to appear. These locals are usually price-takers in the transactions.

f) **Foreign buyers**: According to information gathered from local gemstone dealers, foreign buyers include nationalities of Zambia, Tanzania, DR Congo, India, Pakistan, Singapore and China who come and trade with local miners through informal arrangements. These buyers engage local individuals to buy stones from artisanal miners on their behalf. They also make arrangements for their protection.

with security agents who in turn organise for their ease exit from the country with their contrabands. Generally, foreign buyers buy the stones to supply jewelry manufacturers.

Foreign illegal dealers have been targeting unaware communities and buy at a price far below the international market price. These gemstones dealers are organised with networks from the communities, borders, and up to the final destination despite the existence of online companies who are registered under the Global Online Suppliers.

One known Chinese dealer called Mr. Zhu has been reportedly fleecing gemstone miners by giving them plates of local meals, beer or loaves of bread before taking over their mines. Chinese nationals in Zimbabwe enjoy extensive immunity from police arrest and protection from their embassy.

Indians, some who have settled in Zimbabwe, have opened backyard workshops for beneficiating, cutting and polishing as well as jewelry making in Zimbabwe. Most official informants pointed that the Chinese are the majority smugglers, coming through Zambia, while individual Zimbabweans are exporting to Tete in Mozambique. In Zambia, close to the Zimbabwean border is Kagem (the world’s largest coloured gemstones mine) owned by Gemfields. The Kagem belt extends into Zimbabwe and foreign buyers who are attracted by the Kagem also find their way into Zimbabwe. Once in Zimbabwe these buyers hunt the gemstones and smuggle them back into Zambia.

3.6. Value chain analysis for coloured gemstone in Zimbabwe

When compared with gold, gemstones are difficult to value at community or mine level because their value is based on perception; the price is negotiable depending on stone quality, market and the buyer. Artisanal miners, who dig for the stones, have little knowledge on grading of the stones. Valuing requires expertise, and this is lacking among the people who pick these stones.

Buyers exploit those who pick these stones by buying at very low prices, for instance US$3 per kilogramme of aquamarine. Some buyers offer $500 for a cupful of gemstones. One key informant revealed that once there was a coloured gemstone which was bought for $50 in Karoi and

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resold for $12000 in Mozambique. However, MMCZ has been paying more money to the miners than the illegal buyers and even licensed sub-agents.

Artisanal emerald miners indicated that they can mine up to 300 carats a fortnight and sell to middlemen after sharing the finding with the Sandawana Mines security. Average cost per carat is between $20 to $100 depending on the quality of the emeralds.

Just as diamonds, coloured gemstones are ultimately value-added to form adornments or decoration jewelry and artefacts. In the Zimbabwean setting, the value-chain starts from extraction, through trading of rough gemstones to dealers or through MMCZ. The gemstones find their ways, both legal and illicit, to foreign merchants and intermediaries who sell to cutting and polishing technicians before getting to jewellery manufacturers. From the miners, the coloured gemstones are passed from one value-chain participant to another at varied profit margins.

Despite hosting deposits for more than 90% of coloured gemstones found in the regions, Zimbabwe has not been able to establish a robust market for the stones. Some of the agents withhold the stones and sell to illegal dealers who provide immediate cash. Dealers avoid MMCZ because it is inefficient and slow. It was revealed that it takes more than two weeks for a sample of gemstone to be approved for export by MMCZ.

During illicit dealings, the valuing of the stones at extraction level is not standardised as artisanal miners and community members who pick the stones lack knowledge of the value of the gemstones. In the end, local economies greatly lose out from generating significant revenues as miners under-price the stones.

Fig. 1: The supply chain of coloured gemstones in Zimbabwe

Whilst the local market of coloured gemstones is close to non-existence, the global demand of these stones has been steadily growing. Zimbabwe’s official marketing channels are underexploited and are avoided by gemstone players. Ultimately, gemstones find their unofficial ways to destinations such as China, India and Thailand, via Mozambique and Zambia.

One dealer revealed that they take the stones to Harare before smuggling them to Mozambique, which is the avenue guaranteeing their export to Asian countries. Mozambique provides an easy route for smuggling because there is an open market for gemstone traders which is popular with foreign buyers from Asian countries. It is easy to smuggle the stones because they are non-metallic, hence cannot be detected at the borders.

Zambia is also an easy route because there are so many buyers who swarm the gemstone rich southern region of Zambia along the Kagem belt. Dealers revealed that it is much faster to export gemstones from Zambia to Asia than from Zimbabwe.

In terms of data on official exports from Zimbabwe over the past 10 years, there has been a deep dive in value of coloured gemstones after 2010, ironically during low production stint of about 518kg. Value remained subdued throughout, only increasing to $384,941 in 2014 when exports increased to 584,412kg. In 2019, only 3kg was exported at a value of $5,478.

Almost 90% of Zimbabwe’s gemstones do not find their way to official MMCZ marketing channels.

—MMCZ Official
Information gathered from the artisanal miners and the traditional leaders revealed that the coloured gemstone industry in Zimbabwe is shrinking. According to the miners, many people have withdrawn from searching for the gemstones because of the unpredictability of the sector, i.e. low demand and inconsistent markets, as well as poor tools to dig and blast rocks to extract the deep gemstones. Gold panning and the availability of alternative livelihoods options for the artisanal miners, e.g. tobacco farming, have also pushed gemstone artisanal miners out of the trade.

3.7. Factors causing leakages of coloured gemstones

There is glaring evidence of leakages of coloured gemstones from the official marketing channels. These leakages feed in the smuggling networks and there are a number of factors that have sustained these leakages and smuggling. The following are some of the factors.

i. Difficulties in obtaining licences:

In order to trade in gemstones through the official channels of MMCZ, the dealer should produce a claim certificate and an inspection certificate of the source of the gemstones. Most miners and dealers do not have these certificates so they will never approach or carry their stuff to MMCZ. It is however difficult to obtain the licences from MMCZ and Ministry of Mines. Despite the existence of SI256/2019, MMCZ has not been issuing licences to gemstone agents.
ii. Difficulties in regulating mining and possession of gemstones and interference of elites with vested interests, including corruption

It is easy for unregistered and unlicensed dealers to travel and traverse the gemstone sector without being arrested because the law on gemstones is difficult to apply in practice. Handlers of gemstones are always related with licensed miners such that when arrested they claim that the gemstones belong to the licensed miner. Due to poor remuneration of police personnel, it is always easy to bribe the police. Some of the big dealers engage in the trade with strong protection from high ranking officials in the security sector or powerful politicians. These politicians own the mine claims and they use their licences to protect the dealers and even foreign buyers. Some of the claims in which the coloured stones are found are of other minerals such as gold, chrome or platinum. This gives the claim owners some privileges to control the mining and trading of these stones.

iii. Inefficient marketing system in Zimbabwe compared to the Zambian system:

Despite hosting wide gemstone deposits, Zimbabwe has not been able to establish a robust market for the stones. The only official markets are secured through MMCZ. MMCZ appoints subagents who buy from miners but some of the agents withhold the stones and sell to illegal dealers who provide immediate cash. Dealers avoid MMCZ because it is inefficient and slow. It was revealed that it takes more than two weeks for a sample of gemstone to approved for export by MMCZ.

Foreign buyers such as Chinese, arrive into Zimbabwe with cash and go straight to the artisanal miners where they negotiate for lower prices. Because these buyers will be having cash they are able to easily mop up the stocks and smuggle them into Zambia. In Zambia, it is easier and quicker to export to Asian countries than in Zimbabwe where an exporter should produce mining and exporting licences. In Zimbabwe, sending a sample costs around ZW$2,000 or more, taking about 2 weeks for the exporter to obtain the permit. The paperwork passes through eight offices, including the Deputy Minister’s office.

iv. Porous borders and absence of technology to detect coloured stones:

The ports of exit are not watertight. There are numerous unmanned routes used by people to cross into neighbouring countries such as Mozambique and South Africa. Even through official border posts, travelers and their luggage are rarely scanned. Because these coloured stones are simply rocks which possess no obvious detectable characteristics, it has been difficult to detect by use of the current scanning equipment at the ports of exit.
3.8. Impact of illicit coloured gemstone activities

**Economic Impact**

Despite the huge mineral resources endowments, Zimbabwe has not been benefitting from the extraction and widespread trade in coloured stones. The illicit trade in coloured stones is prejudicing the national purse of revenue for economic and social development. Ultimately, the gemstone sector has widened inequality gaps in society as the politically connected are privileged to access the minerals and craft smuggling routes in connivance with security agencies. The existing trading mechanisms deprive the rural folks of the value of their stones as the buyers under-price the stones.

Every year, Zimbabwe is losing US$1.8 billion through illicit financial flows in the mineral sector. The country receives above US$8 billion in grants and donations from development partners to support various sectors annually. As of Sept. 2021 the country owed external lenders US$13.2 billion. If managed well, the mineral resources have potential to offset external debt and reducing the country’s high dependence on foreign aid.

**Environmental Impact**

Unregulated mining of coloured stones has left a trail of environmental damage on the landscape. Artisanal miners remain unaccountable to the authorities as they open pits in search of the stones. The local leaders such as village heads who are the custodians of ancestral lands from which these coloured stones are extracted have also joined the miners.

*Figure 3: Patches of environmental damage left after artisanal miners scoured the land in search of gemstones in Mudzi*
in search of livelihoods. The Environmental Management Authority, a government agency with mandate to protect the environment and arrest offenders has been hamstrung by shortage of transport to reach rural areas and also intimidated by political interference in the mining sector. This was revealed during key informant interviews with EMA officials and is evidenced by several cases observed in the artisanal mining sector in general. One example is the case of a Zanu-PF legislator, Vongai Mupereri, who mobilised Zanu-PF youth to illegally mine gold at Gaika mine in Kwekwe in 2019 in contempt of a court order to vacate that mine.

3.9. Efforts by local communities, local civil society, government and other agencies to curb illicit gemstone dealings in Zimbabwe

The Government of Zimbabwe through the Minerals Marketing Corporation of Zimbabwe has moved to curb the leakages caused by the illicit trade in coloured gemstones. In 2019, a gemstone policy, SI 256/2019, was gazetted and it empowered MMCZ to appoint sub-agents to buy the minerals on behalf of the country’s minerals marketing body. Although the move has glaring loopholes, it has been hailed as the first step to reconfiguring coloured gemstone mining in Zimbabwe.

The Zimbabwe Miners Federation (ZMF), a lobby group on the interest of miners in Zimbabwe has been working with the MMCZ to assess the coloured gemstone industry. The association has also been advocating for streamlining of coloured gemstones into the main mining sector.

Civil society in Zimbabwe has been slow in watchdogging the policies regulating the coloured gemstone industry and keeping corruption and leakages in check. This research is a ground-breaking investigation into the coloured gemstone industry of Zimbabwe.

3.10. Major Observations

Political will

There is no official statistics about the volumes of gemstones that Zimbabwe is losing but stakeholders concur that most of the country’s gemstones are not channelled to MMCZ and that gemstone dealers are unlicensed. The marketing system is too bureaucratic and inefficient, turning miners and dealers to side-marketing that feeds gemstone smuggling channels. There is deliberate reluctance by authorities to update the marketing and licencing systems as the existing loopholes provide opportunities for looting of mineral resources, which benefit the elite and those connected to the systems.
Although there is a perception that the mining of the gemstones has declined over the years, anecdotes and official data on export of coloured gemstones indicate that there are massive leakages of the minerals.

**Mine ownership and operations**

The few formal mining companies that existed are inactive and are gradually smothered by artisanal miners. In terms of ownership, most claims are owned by individuals based in big cities such as Harare and Bulawayo, who are either politicians or related to the ruling elites. These formal miners have stopped mining but allowing artisanal miners access to their concessions for a fee. Some of the gemstones are found in mine claims of other mineral and the claim owners do not account their gemstone production.

Like in other parts of the world, artisanal miners are proving to be better placed to extract the coloured gemstones because they use low-tech methods that are less costly and artisanal mining is a low-risk investment. Unlicensed buyers or dealers also approach mine owners seeking permission to extract the gemstones through their own hired labour in an arrangement called ‘sponsorship’.

The absence of tight policing of gemstone regulations allows easy entry and exit of unregistered players such as artisanal miners and dealers into the sector. Ultimately this creates unrestricted channels for smuggling of the coloured gemstones.

**Licencing of gemstones mining and trading**

Although MMCZ has been appointing gemstone dealers in terms of SI 256/2019, it is not known how many agents have been appointed to date. Obtaining a licence from MMCZ is not easy because of the requirements such as evidence of financial capacity of the potential dealers to buy the gemstones. This financial requirement has not been made public but there are indications that it could be too high. The bottlenecks in obtaining licences repel potential dealers who resort to pursue the illicit route that feeds smuggling networks.

Pricing model

The absence of a set pricing model for coloured gemstones raises suspicion of involvement of cartels bent on harvesting the gemstones for export, while fleecing the locals. Export companies and dealers with export licences are able to negotiate with gemstone producers for low prices and these producers have limited knowledge on the prices. These companies and dealers enjoy the privilege of accessing the export market while the producers are limited by lack of export, mining and inspection licences. These companies and dealers also abuse their licences to access gemstones which they channel to smuggling networks that provide ready cash. Although MMCZ had been conducting periodic gemstones ‘mopping exercises’ that entails buying gemstones from producers in all gemstone mining areas, Covid19 prevention measures stalled that exercise.

Effect on socio-economic development

The Illicit gemstone trade highly compromises the country’s economic development by crowding out legitimate economic activities. Illicit gemstone trade deprives the nation of revenues to invest in public services such as education, health and social welfare that would benefit poor communities in Zimbabwe. Illicit trading of gemstones can be viewed as a form of unfair competition to formal trade and therefore undermines private sector contributions to economic growth and employment.
Although artisanal mining of gemstones provides alternative livelihoods for young men and women who are unemployed in rural communities, the huge exploitation due to under-pricing or under-valuing of the gemstones at the mining level disempowers these young people. It was observed that artisanal miners have little to show as benefits from their mining activities while some dealers have cars and houses in towns.

Illicit gemstone industry

There is clear evidence that much of Zimbabwe’s gemstone wealth is mined and traded illicitly. The high level of corruption in the country has not spared the coloured gemstone industry where dealers, mine owners and law enforcers form a close web for smuggling the minerals. The dealers and mine owners exploit their proximity to power-holders to manipulate the security systems and push their contrabands out of the country to Zambia and Mozambique. The sector is awash with cases of foreign buyers from China who are able to export the coloured stones with ease while local exporters are hindered by policy and structural bottlenecks.

The illicit trading of gemstones results in off-shoring value-adding because it involves selling of uncut and unpolished gemstones at the expense of local mineral beneficiation which comes with numerous benefits to local people and industries.

Illegal trading of gemstones fuels illegal mining practices which disregard health and safety of miners and the environment. Disregarding of mining regulations by miners engaging in illicit gemstone activities leads to inefficient use of natural resources and worsen destruction of environment due to pollution and land degradation.
Regulation

In general, the mining sector is not effectively regulated in Zimbabwe. The over-arching law, the Mines and Minerals Act was passed in 1961, and covers the acquisition of mining licences, the conduct of mining activities and other aspects of the mining value chain. It is an old law, and its inapplicability to gemstone mining and trade was admitted by government through the passage of SI256/2019. However, the implementation of SI256/2019 has not been transparent. The Precious Stones Trade Act is a 1979 law; it is limited in application and scope and has not been regularly amended to incorporate strategies to deal with gemstone trading.

In specific terms, both the PST Act and the Mines and Minerals Act are both silent on the mining and trading of semi-precious stones. The efficiency and effectiveness of SI256/2019 have been compromised from the start due to loopholes for corruption and patronage within the mining industry and law enforcement. According to the SI256/2019, gemstones subagents are appointed at the discretion of the MMCZ General Manager, and can lose their licences at the discretion of the MMCZ General Manager.

The law on possession of gemstones has been difficult to police because of corruption. Those caught with unlawful possession of gemstones usually seek protection from licenced miners and ultimately masquerade as workers of the licenced miners. There is no official format for mine-workers registers so mine owners can print a fake workers’ register overnight to present to police when required.
4.0. Recommendations

Zimbabwe needs more exports in order to earn much needed foreign currency. With the abundance of under explored coloured gemstone deposits the country has the potential to realise more economic benefits from these gemstones. While gemstone mining is going on, the government should review the current laws to tighten security at borders to curb illicit outflows of gemstones. The PST Act should also include all semi-precious stones or a separate Gemstones Act should be crafted.

The government should meaningfully liberalise the gemstone sector by awarding mining rights to host communities. This would provide opportunities for communities to benefit from gemstones in their localities and own these resources as their endowments. Some of the coloured gemstones are found in the alluvium, hence can be mined with less sophisticated equipment which local communities can afford to invest in. Local ownership reduces chaotic mining, which has been sustaining smuggling, and helps to improve accountability.

Creation of local markets can help in widely formalising this gemstone sector and reducing leakages. Currently Zimbabwe has no existing open markets of coloured gemstones in the areas or provinces where these gemstones are found. To widen the market and attract foreign buyers into the official market, the government should establish a gemstone centre in Zimbabwe that would become a one-stop-shop for local and international buyers of rough and polished stones and of other value-added products such as jewellery.

Zimbabwe has to make gemstone marketing processes, including export, more attractive and flexible than in Zambia and Mozambique. MMCZ should reduce the turnaround time for issuing export permits for producers. MMCZ should also limit restrictions for subagents licences and the subagents should be closely monitored.

There is conflict of interest in MMCZ as the regulator, marketer and buyer of coloured stones. In order to liberalise mining and selling of coloured stones in the country, MMCZ should stick to the role of regulating while allowing independent private buyers and miners to interact in a free market.

Data on production and gemstone players should be publicly available to allow for capable institution to conduct audits on production and revenue from this sector. Accordingly, mineral revenue transparency is key. This would help to improve accountability and plugging the loopholes of mineral leakages.

There is need to educate artisanal miners on grading of the stones as well sustainable mining to curb environmental degradation caused by gemstone mining. The nature of mining in general is damaging to the environment; relevant government departments such as EMA must effectively enforce and implement regulations on environmental rehabilitation to protect the environment. Strategies to combat environmental damage must be practised by actors in both formal and informal sectors.
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