

OF MINERAL RESOURCES IN ZIMBABWE

An analysis of opportunities and constraints

By

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February 2000

CENTRE FOR APPLIED SOCIAL SCIENCES

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TOWARDS LOCAL MANAGEMENT

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Abbreviations and Acronyms

CAMPFIRE Communal Areas Management Programme for Indigenous Resources

CASS Centre for Applied Social Sciences

CFU Commercial Farmers Union

DAB District Advisory Board

ICFU Indigenous Commercial Farmers Union

IMR Institute of Mining Research

MAB Mining Affairs Board

MC Mining Commissioner

MMET Ministry of Mines, Environment and Tourism

MMCZ Mineral Marketing Corporation of Zimbabwe

MMA Mines and Minerals Act

NGO Non-Governmental Organisation

NMAZ National Miners Association of Zimbabwe

RBZ Reserve Bank of Zimbabwe

RDC Rural District Council

UZ University of Zimbabwe

ZFU Zimbabwe Farmers Union

ZIMPREST Zimbabwe's Programme for Economic and Social Transformation

ZIMTEP Zimbabwe Mining Titles and Environment

ZINWA Zimbabwe National Water Authority

ZRP Zimbabwe Republic Police

EXECUTIVE SUMMARY

Context and Objectives of the Study

In Zimbabwe today, the State - through its various agencies - is the dominant player in the mining sector, from issuing prospecting licences right up to marketing. The Mines and Minerals Act (chapter 21: 05) vests authority to administer granting of prospecting rights, acquisition of mining claims and payments of levies in the Mining Affairs Board, a body appointed by the Minister of Mines, Environment and Tourism. The Mineral Marketing Corporation of Zimbabwe Act of 1982 resulted in the formation of the Mineral Marketing Corporation of Zimbabwe which is the sole marketing and selling agent for all minerals exported out of Zimbabwe, except gold and silver, which fall under the control of the Reserve Bank. The bulk of mineral revenue accrues to the government ahead of Rural District Councils (RDCs) who have responsibilities towards road maintenance and provision of other services, and local communities who bear the brunt of environmental damage due to mining activities. A study into the structure of revenue sharing showed that RDCs obtained less than 0.1 % of the revenue (Owen and Maponga, 1996). This revenue is from two main sources. In terms of section 96(10b) of the Rural District Councils Act, Chapter 29: 13, RDCs may charge levies to owners of mining locations situated on rural land in their areas. The levy is based on either the number of employees or output in tonnes in the case of precious metals. The levy is in the form of unit tax. Section 188 of the Mines and Minerals Act entitles RDCs to receive landowners' fees from mining activities in their areas. This is because, although RDCs are not the legal owners of the communal land under their jurisdiction (the land belongs to the state represented by the president in terms of section 4 of the Communal Land Act, Chapter 20: 04), sub-section (7) of section 188 specifically provides that they are regarded as the landowners for the purpose of receiving landowners' fees. The fees are pegged at \$1.50 per hectare for an operational mine and \$0.60 for a non-operational one. Mining royalties are not collected in Zimbabwe - they were last collected in 1975 as a measure to attract investment in the mining sector.

There has been a clamour to redress this scenario. The review of the Mines and Minerals Act currently under way presents a unique opportunity to address these concerns. This is a three-year programme that started in August 1998 with the first stakeholder workshop being held on 2-3 June 1999. However the direction of the review, as gleaned from the proceedings, does not augur well for local management of mineral resources. As it is currently conceived the review is about:

- Reviewing the regulatory, fiscal, policy and institutional framework for mining with the objective of attracting more private sector investment to the mining sector on terms that are of mutual benefit to the investor and to the people of Zimbabwe.
- Establishing an internationally competitive climate for private sector investment in mining so that mining can make a contribution to employment creation, export earnings and economic growth in Zimbabwe.
- Simplifying the regulatory regime in order to facilitate its enforcement and to streamline the administrative procedures.
- □ Enhancing the efficient delivery of the technical and promotional services that the Ministry provides to the industry.

An important component of the regulatory and policy framework for private sector investment in the mining sector is the Zimbabwe Mining Titles and Environment Project (ZiMTEP) which seeks to address: mining titles and rentals computerisation of mining titles systems cost recovery on some services provided by the Ministry environmental protection issues. If local management of minerals is to become a reality there is a need to: a) demonstrate the desirability of local management of minerals; b) suggest the required modalities to realise this; and c) effectively lobby central government. This study, commissioned by the Centre for Applied Social Sciences (CASS) at the University of Zimbabwe (UZ), sought to achieve this through an exploration of opportunities and constraints regarding local management of mineral resources in Zimbabwe. The study sought to provide a base for practical application and material for an advocacy campaign. The major question that the study sought to answer was whether the CAMPFIRE (Communal Areas Management Programme for Indigenous Resources) concept, as a means of ensuring local management of resources, in which a number of RDCs have experience, could be applied to mining. In this study four dimensions along which a review to promote local management could be constructed were identified. These were an assessment of: the rationale for bringing mineral resources under local management; whether a suitable policy environment exists; whether an appropriate legal framework does exist; and whether RDCs and local communities have the capacity to implement the desired changes. Consequently the objectives of the study were formulated to: a) assess the rationale for local management of mineral resources; b) assess and evaluate the policy and legal provisions as they relate to the relationship between the central government and local authorities as the appropriate authority vis-à-vis administration and management of mineral resources and the benefits accruing from mineral exploitation: c) collect views of the main stakeholders on the issues involved; d) analyse proposals from the stakeholders with respect to policy, financial, administrative,

management implications; and

e) draw up a set of recommendations.

Methodology

A number of steps were followed in data gathering. First a review of secondary information was undertaken which covered relevant pieces of legislation such as the Rural District Councils Act, Chapter 29: 13; the Mines and Minerals Act, Chapter 21:05; the ZINWA Act, Chapter 20: 25; and the Water Act, Chapter 20: 24. The latter two were for comparative purposes. This was complemented by tracing recent developments in the mining sector concerning local management of mineral resources. Second, views of relevant government departments, NGOs, user associations and RDCs (Mudzi, Mutoko and Guruve) were solicited (see Box below). Visits to the RDCs were meant to gain some insights into CAMPFIRE projects as examples of local management of natural resources as well as to assess the experiences of the local councils with respect to mining activities within their areas. Third, developments in two key sectors: land and water, were studied with a view to determine whether these could be used in the mining sector.

LIST OF ORGANIZATIONS CONSULTED:

Government/Quasi Government

Mudzi Rural District Council
Mutoko Rural District Council
Guruve Rural District Council
Minerals Marketing Corporation of Zimbabwe
Mining Commissioner 's office (Harare District)
Ministry of Local Government
Ministry of Lands and Agriculture

Non-Governmental

CAMPFIRE Association Zimbabwe Trust

User associations

Association of Rural District Council Chambers of Mines National Miners Association of Zimbabwe

The study was also limited by the fact that there is currently under way a review of The Environment Management Bill and the constitution of Zimbabwe. These may result in some fundamental changes, which may affect local management of mineral resources.

Findings

The findings of the study can be divided into the current realities, factors in favour of and against local management of mineral resources.

Current realities

The following points are pertinent:

- Rights to minerals are vested in the state through the president
- ☐ Tenure does not have any relationship with rights to minerals since there is no surface ownership of mineral rights in Zimbabwe
- There was limited scope for local community participation as there was not enough responsibility vested in RDCs as the appropriate authority (who could in turn delegate it) in the rural areas of Zimbabwe
- The discussion on local management of mineral resources cannot be discussed in isolation as this touches on the issue of governance which defines the (power) relationship between the centre (the state) and the periphery (local authorities and communities) Of the four types of decentralisation namely, deconcentration, devolution, delegation and privatisation, deconcentration was most evident (instead of devolution) where the state decentralised itself to local offices.
- ☐ Early stages of the Environment Management Bill were premised on the fact that the Ministry of Mines, Environment and Tourism would have the sole responsibility of administering the Act. For example a draft of the Bill had repealed those sections dealing with water pollution control in the Water Act. The major point here whether local management of mining activities will result in better management of the environment depends on how the Environment Management Bill is administered and how local participation is encouraged.

Factors in favour of local management of minerals

The following factors were identified as being in favour of local management of mineral resources:

- □ It was accepted that it was morally wrong and undemocratic to deny people a chance to participate in issues that affected their lives. This was enunciated in government's most authoritative policy document, the ZIMPREST document. There was demonstrable decentralisation in some sectors that promoted participation of local communities' e.g. in the water and land sectors.
- A centralised system compromised efficiency and effectiveness of managing mineral resources as the state could not effectively monitor all the mining activities (human and financial resources were said to be in short supply)
- Local people reduced the management costs of natural resource management
- □ Local management engenders local stewardship of natural resources, which, in the end results in a sustainable natural resource management
- The negligible benefits, less than 0.01%, that accrue to local authorities were neither enough to compensate for the losses suffered by local people or to generate interest in natural resource conservation.

- ☐ The enhanced revenue base would result in local authorities being able to better perform their functions.
- □ Prominent NGOs in CAMPFIRE were of the opinion that local management of mineral resources was the best option since this compensated local communities who bore the cost of living with the resources. Specifically they advocated that:
 - the appropriate authority be given to local communities;
 - (with the appropriate authority) local communities could negotiate directly with the mining concerns; and
 - central government and RDCs should be mere facilitators.

RDCs were agreeable to local management so that they could derive greater benefits. Specifically they:

- wanted a mechanism to be in place to enable them to get more revenue from mining; and
- did not specifically ask that the mineral rights system needed to be changed.

There has been some movement towards local management of minerals resources albeit in a limited way. The passing of the Mining (Alluvial Gold) Public Streams Regulations 1991, Statutory 275 of 1991 allowed some local participation in mining.

Factors against local management of mineral resources

The following factors were identified as being against local management of mineral resources:

- The technical capacity of RDCs was limited thereby making them unable to take over some of the specialised tasks that are currently being undertaken by the Ministry of Mines. Problems with regards to issuing gold permits are a case in point.
- Individual RDCs can find it expensive to set up administrative structures.
- RDCs lacked information about mining activities in their district.
- ☐ The Ministry of Mines was regarded as uncooperative.
- ☐ There was a problematic legal framework in place. Aspects that went against local management included:
 - centralised issuing of prospecting licences to the exclusion of RDCs and local communities
 - existence of EPOs which favoured large mining concerns
 - annual renewal of special grants
 - restricting RDCs to the collection of landowners' fees and unit tax
 - RDCs not allowed to share income tax
 - RDCs allegedly being barred from acting as gold traders.
- Government departments were not receptive to the idea of local management and emphasised that:
 - existing ownership of mineral rights would continue i.e. no surface ownership of mineral rights would be permitted. This was said to jeopardise investment in the mining sector and was rare in the world as revealed by the study the Ministry had undertaken;
 - local management had been shown not to work by the failure of RDCs to collect the revenues they were entitled to and the poor administration of gold panning permits; and
 - RDCs would continue to land appropriate authority.

- ☐ There were massive implementation challenges regarding:
 - collation of information on mining activities so as to come up with a proper mining register
 - enforcing rules and regulations of various miners e.g. protecting the environment
 - acquisition of mining output and labour data for purposes of determining revenue
 - liasing with MMCZ and RBZ on marketing of minerals

Recommendations

Local management of mineral resources can only become a reality if a number of steps are taken; in particular the policy and legal frameworks need attention. Once these are sorted out a suitable administrative framework can be instituted. Below are recommendations of how this can be achieved.

The recommendations are in two parts and of a general nature in that there is no recommendation on individual minerals. First is a presentation of recommendations for action at the local level. These are of a short-term nature and are mainly concerned with making local communities and RDCs exploit to the full opportunities that are present within the existing legislation. The CAMPFIRE Association can render assistance. Second to be presented are recommendations that pertain to the national level which can only be realised after changes to the legislation, as well as to policy. As such this deals mainly with issues of advocacy.

Action at the Local Level (CAMPFIRE Programme Level)

The evidence that has been presented provides a good basis upon which (CAMPFIRE) project interventions can be instituted. It has been shown that lack of information is the main hindrance. To this end capacity building of RDCs and local communities should centre on providing the information. The information required is of a general and administrative nature.

General

| RDCs and local communities need information on: | |
|---|--|
|---|--|

minerals and mining operations within their areas of jurisdiction
labour employed in the mining operations as well as the output which are critical to the determination of unit tax
revenue generated from the mining operations in the respective RDCs and how it is shared
landowners' entitlements and how the fees are paid and shared
environmental impacts of the mining operations and how they are being corrected
This exercise will result in an inventory of mining-related activities in different localities, which, in time, will form local mining databases.

Administrative

RDCs and local communities also need information on:

structure and functioning of the mining industry in general

- procedures concerning the determination of unit tax, how it is actually determined and how it can be reviewed
- procedures concerning application of special grants to issue gold panning permits
- representation in the District Advisory Board

There is also a need to provide information on how the changes proposed or contained in the Land policy, Traditional Leaders Act, the Water Act and Zimbabwe National Water Authority Act and the Environmental Management Bill will impact on local management of natural resources.

To this end it is proposed that (mining) district-based workshops be held at which these issues will be discussed. Such workshops are advantageous, as they will bring together the local actors. The table below contains some suggestions.

Suggestions for proposed mining district-based workshops

| TASKS | FACILITATORS |
|---|---|
| Convenors | CAMPFIRE Association and CASS |
| Venues | Masvingo, Gwanda, Harare, Bulawayo, Kadoma # |
| Workshop Attendants | Chief Executive of RDCs, Chairmen of RDCs, CAMPFIRE Project Managers, Provincial Administrators, District Administrators, Traditional Leaders (only chiefs), Ministry of Lands and Agriculture, Ministry of Environment and Tourism |
| Opening speeches | Provincial Governor(s) |
| ITEMS FOR DISCUSSION ³ | |
| ♦ Inventory of mining operations in the mining district and various RDCs | Mining Commissioner's office |
| How to apply for the special grant for the purpose of issuing gold permits | • |
| Determination and payment of landowners' fees | |
| Composition and functions of the district advisory board | Ministry of Mines, Environment and Tourism |
| Relationship between national and local environment management | |
| New institutions and their role in rural development | Ministry of Local Government |
| ♦ Determination and payment of unit tax | |
| Envisaged land management structures and their respective roles | Ministry of Lands and Agriculture |
| Challenges facing RDCs as facilitators of development | Provincial administrators |

These are the head offices of the mining districts where Mining Commissioners' offices are located.

^{3.} Some of the items can be assigned to consultants.

The outputs from such an exercise will be:

knowledge and skills acquisition by RDCs and local communities leaders;

local minerals and mining databases;

mapping out of "producer communities"; and

a position paper for input into the current review of the Mines and Minerals Act.

The national level

Local and national levels cannot be completely separated since local issues are affected by national policies. The point that flows from this is: since local issues are affected by national policies, whose responsibility will it be to spearhead advocacy regarding policy and legal changes to favour local management of mineral resources? It is suggested here that this responsibility be shared between the Association of Rural District Councils, CAMPFIRE Association and CASS. The first organisation should take the leading role.

A national workshop, after the proposed (mining) district workshops, is suggested. ARDC will be the main convenor with CAMPFIRE Association and CASS playing a supporting role. A number of issues that need to be addressed are presented hereunder. The main output will be a joint position paper to be presented to the Ministry of Mines for possible inclusion in the new Mines and Minerals Act.

Refining the policy framework

While an overall government policy of decentralisation does not oppose local management of natural resources (including minerals) it is not specific enough to promote it. To this end it is recommended that the government should be encouraged to be clear on this issue.

For example, with regard to resources, the ZIMPREST document says that, "central government is to accelerate the pace of decentralisation of responsibility and increase access to resources to the Rural District Councils (RDCs)...." (GOZ, 1998: 16) It is not clear whether this includes natural resources. Adding the words including access to natural resources may strengthen the case of local management of mineral resources. This would be in line with developments in the water and land sectors.

Legal changes

If local management of minerals is to be realised changes to the present Mines and Minerals Act will have to facilitate rather than frustrate it. However, as noted elsewhere in the main report, even under the present legislation local management of mineral resources can be accommodated. Given that the government is unlikely to countenance revising mineral rights (i.e. cede them to RDCs or local communities) it is suggested that there is no merit in lobbying for:

| mineral rights to be vested in a body other than the state | (which is in conformity | with international |
|--|-------------------------|--------------------|
| trends) | • | |

□ the appropriate authority in communal areas be moved from RDCs, as this goes against government's declared policy.

Thus, local management of mineral resources can proceed under a ministerial directive just as was done when CAMPFIRE was first launched. Once that principle is agreed to, secondary legislation can

be put in place (in the form of rules and regulations that lay out how local management of mineral resources is to be undertaken). Areas, which should be addressed by the secondary legislation, include:

- Special grants for minerals other than gold. The decision to issue special grants for minerals other than gold could be based on the relative abundance of the mineral in the locality. This should perhaps take into account the nature of the mineral itself e.g. minerals that are deemed to be of critical national importance can be excluded from the special grant. Interest from local communities and RDCs should also be a consideration. In this regard the suggestion by NAMZ that RDCs control gold, chrome and black (as well as white) granite can be used as a good starting point. [4]
- RDCs, as the appropriate authority in communal areas, should continue to issue the special grants.
- Special grants should be issued on 5-year rollover basis to avoid cases of the grant lapsing thereby jeopardising the issuing of permits. This means that after the first 5 years the special grant is automatically renewed unless otherwise decided against by the Ministry. This gives RDCs ample time to renew the special grant.
- Landowners' fees should be issued to RDCs, as is the present system with the provision that (part of) the money is given to local communities who are affected by the mining activities. The prospect of village certificates defining the boundaries of different villages makes this easy to administer.
- □ RDCs should continue to collect unit tax. This tax should primarily be used to repair roads damaged by mining activities.
- EPOs need to be revised to reflect the sentiments of local management of mineral resources.

Institutional arrangements

Local management of mineral resources cannot effectively occur under existing administrative arrangements since these make the Ministry of Mines the only meaningful player. If the principle of joint-management is accepted whereby both the state, RDCs and local communities play a role, administrative arrangements should reflect this. To this end the following need attention:

- An inclusive representative structure overseeing mining affairs is needed. The five mining districts presently designated in the country are a good base for local management. The current District Advisory Board should be expanded to take on board players other than the Ministry, CFU, big mining concerns and small scale miners that are currently represented. Other players that should be included are RDCs as the delegated land authority in the communal areas, (this can be through the Association of Rural District Councils); communal and resettlement farmers as another level of "landowners" (this can be through ZFU); and indigenous commercial farmers (through ICFU). It is open to debate whether this new look DAB should have the MC, a civil servant, as the Chairman. The MC's office would provide secretariat services to the DAB.
- The Ministry should in some instances have its staff relocated to appropriate locations, especially to those areas where there is a lot of mining activities. This will not only cut unnecessary travel. It will also enhance the effectiveness of monitoring as the officials can easily liase with RDCs and local communities.

⁴ Participation of RDCs and local communities should not, however, be confined to those minerals for which RDCs get a special grant.

Revenue sharing

It should be pointed out that the above suggestions will not result in significant gains for RDCs and local communities as far as revenue from mining is concerned. To increase the share of RDCs and local communities the following should be advocated for:

- □ Fees that are levied in the mining sector should be reviewed upwards as big mining concerns were being subsidised by government. The Ministry's suggestion that it should charge economic rates is a step in the right direction. However, it must not be applied across the board as this may disadvantage vulnerable groups.
- □ Landowners' fees should ideally reflect the opportunity cost of the land that can no longer be cultivated because of the mining activities. If this is adopted RDCs and local communities may be adequately compensated.
- ☐ Sharing of income tax as suggested by the ARDC, while it may increase the revenue of RDCs and local communities depends on a new law to be enacted
- Consideration should be paid to whether royalties should be levied and if so who receives them and how they will be shared. There is, however, a need to maintain a balance between increased revenue and investment in the mining sector. If, as suggested above, landowners' fees and the unit tax is raised, there is no need to charge royalties.

Hiring out equipment to miners by RDCs as well as participating in joint ventures is not recommended since this is likely to be complex and is liable to be mismanaged. As far as possible RDCs should stick to their core business of providing services.

1. Introduction

1.1 Focus of the study

This study, commissioned by the Centre for Applied Social Sciences (CASS) at the University of Zimbabwe (UZ), sought to explore opportunities and constraints regarding local management of mineral resources in Zimbabwe (see Appendix I for the full terms of reference). Specifically the study focused on how local communities and Rural District Councils (RDCs)^[5] could be directly involved in the management of minerals occurring within their areas of jurisdiction, so as to derive greater benefits therefrom. The negligible benefits currently accruing to RDCs, and practically nothing to local communities in the form of direct benefits, epitomises what is considered to be an unsatisfactory relationship between the state, local authorities and local communities in relation to the exploitation of mineral resources and sharing of benefits.

The first problem lies with the delegation of authority of management of mineral resources. The Mines and Minerals Act (chapter 21: 05) vests authority to administer granting of prospecting rights, acquisition of mining claims and payments of levies in the Mining Affairs Board (MAB), a body appointed by the Minister of Mines, Environment and Tourism (MMET). The result has been a centralised system in the administration and management of mineral resources. This centralised system can be said to be at a tangent to government's declared decentralisation policy as contained in the ZIMPREST⁽⁶⁾ document, government 's most authoritative policy statement (see GOZ, 1998). As can be seen from Appendices II and III, which give an overview of the mining sector in Zimbabwe^[7] and procedures for applying prospecting licences respectively, RDCs and local communities play no meaningful role in the management of mineral resources. The same situation obtains with respect to marketing of minerals (Appendix IV). The Minerals Marketing Corporation of Zimbabwe (MMCZ) controls all the marketing of minerals that are exported out of Zimbabwe with the exception of gold and silver which fall under the Reserve Bank of Zimbabwe (RBZ). The second problem relates to how the revenue accruing from minerals is shared. According to the Rural District Councils Act, No. 8 (Section 96), local authorities are entitled to collect a unit tax from all mining operations. The unit tax is defined differently for precious metals (gold and gemstones) and base metals (coal, coke and all such slimes: concentrates, slags, trailing and residues). Units for precious minerals are defined in terms of the number of people employed while units for base metals are defined in terms of the saleable output. It is important to note that RDCs are allowed to fix their own level of unit tax. Local authorities are also entitled to landowners' fees pegged at \$1.50 per hectare for an operational mine and \$0.60 for a non-operational one. Appendix V shows that this situation has resulted in a situation

⁵ According to the law, RDCs, the successors of district councils in communal and resettlement areas and rural councils in the commercial farming sector, are the appropriate authority (which means that they have the legal authority). In turn they can delegate authority to lower structures. In communal and resettlement areas, the question of legitimacy has been problematic. After Independence government effectively sidelined traditional leaders. Recently the government enacted new legislation, the Traditional Leaders Act of 1998, whereby both traditional and elected representatives are required to work together.

⁶ ZIMPEST, representing Zimbabwe's Programme for Economic and Social Transformation, is the second phase of the social and economic reforms initiated by the Government of Zimbabwe in 1991. ZIMPREST is intended to provide the Zimbabwean economy with a firm basis for sustainable growth, greater employment and equitable distribution of incomes.

⁷ It should be noted that mining in Zimbabwe is dominated by large multinational companies. In the event of appropriate authority in the mining sector being given to RDCs and local communities, which is the subject of this paper, the issue is: are local communities and local authorities in a position to negotiate with these big mining concerns?

where a negligible amount of money accrues to local authorities, less than 1 per cent in many cases. [8] This situation obtains because, although the Rural District Councils Act (chapter 29: 13) empowers the RDCs to manage and exploit natural resources within their areas of jurisdiction, minerals are excluded.

RDCs where mineral wealth is found feel that the money they get is not commensurate with the responsibilities they shoulder vis-à-vis infrastructure development and general service provision. Also there is no compensation for the environmental damage that is suffered by local communities. There has been a clamour to redress the prevailing situation. The review of the Mines and Minerals Act currently under way presents a unique opportunity to address these concerns. Accordingly, CASS, as part of its responsibilities, commissioned this study - to investigate how changes to the Mines and Minerals Act could accommodate the desire of the RDCs, so that the RDCs Act is in harmony with the Mines and Minerals Act.

The major question that this study sought to answer was whether the CAMPFIRE ^[9] concept, as a means of ensuring local management of resources, in which a number of RDCs have experience, could be applied to mining. CAMPFIRE seeks to place proprietorship of natural resources (particularly wildlife, in Zimbabwe's communal lands) with the local communities that are affected by the use of the resources. It is assumed that through direct benefits these "producer communities" find it worth their while to conserve the resources. CAMPFIRE has scored some successes as witnessed by decreased poaching of wildlife. Given that CAMPFIRE has been mostly about wildlife it is important to assess its relevance to other resources such as mining. This was the major reason for this study.

This study was intended to support advocacy work regarding changes to the Mines and Mineral Act. The idea was to find a basis for lobbying central government to change the existing situation, which is seen as disadvantaging RDCs and local communities. It must be said this proposed advocacy is a worthwhile exercise judging by the nature of the review that the Ministry of Mines, Environment and Tourism envisages (see Box 1) which, it can be seen, does not address the issue of local management of mineral resources.

1.2 Objectives of the study

The objectives of the study were formulated to:

- a. assess the rationale for local management of mineral resources;
- b. assess and evaluate policy and legal provisions as they relate to the relationship between the central government and local authorities and local communities *vis-à-vis* administration and management of mineral resources and the benefits accruing from mineral exploitation;
- c. collect views of the main stakeholders on the issues involved;
- d. evaluate proposals from stakeholders with respect to policy, legal, administrative and management implications; and
- e. draw up a set of recommendations.

⁸ A study by Owen and Maponga (1996) highlighted the fact that RDCs' benefit from mining is negligible. They estimated that of the 25 million dollars derived from mining in Mberengwa district, the council got \$11,000 representing 0.004%. For Bubi, out of a total of 12 million dollars, the council got \$5,000 representing 0.005%.

OAMPFIRE refers to Communal Areas Management Programme for Indigenous Resources. It was started in 1989 with two district councils: Nyaminyami and Guruve. By Statutory Instrument 313 of 1998 a total of 33 of the 57 district councils now execute CAMPFIRE programmes. The programmes have seen an increase in wildlife due to effective management and less poaching. All proceeds accruing from CAMPFIRE operations are returned to the community by the RDCs. The council has no right to impose its wishes on people. It is the community's responsibility to decide on what projects to carry out. CAMPFIRE now includes wild animals, trees and fish.

Box 1: Elements of the review of the Mines and Minerals Act as identified by the Ministry of Mines, Environment and Tourism

- Reviewing the regulatory, fiscal, policy and institutional framework for mining with the objective of attracting more private sector investment to the mining sector on terms that are of mutual benefit to the investor and to the people of Zimbabwe
- Establishing an internationally competitive climate for private sector investment in mining so that mining can make a contribution to employment creation, export earnings and economic growth in Zimbabwe
- Simplify the regulatory regime in order to facilitate its enforcement and to streamline the administrative procedures
- Enhance the efficient delivery of the technical and promotional services that the Ministry provides to the industry
- An important component of the regulatory and policy framework for private sector investment in the mining sector is the ZiMTEP which seeks to address:
 - *mining titles and rentals
 - * computerisation of mining titles systems
 - * cost recovery on some services provided by the Ministry
 - * environmental protection issues
- The Economic and Legal Advisory Services Division of the Commonwealth Secretariat is also assisting the Ministry on other aspects of the review. [10]

Source: MMET (1999)

1.3 Methodology

Four steps were used in data gathering. First a review of secondary information was undertaken. This review covered relevant pieces of legislation such as the Rural District Councils Act (chapter 29: 13) and the Mines and Minerals Act (chapter 21: 05). Highlighting recent developments in the mining sector complemented this.

Second, general views of the main stakeholders namely, Chamber of Mines, National Miners Association of Zimbabwe and Association of Rural District Councils were collected. Relevant government departments and NGOs were also consulted. Appendix VI lists the organisations that were consulted.

In addition three rural district councils, namely Mudzi, Mutoko and Guruve were visited between 9 and 10 August 1999 to solicit their views on the issues. The first two are in Mashonaland East province while Guruve falls under Mashonaland Central province. The visits had two aims. The first was to gain some insights into CAMPFIRE projects as examples of local management of natural resources. The second was to assess the experiences of the local councils with respect to mining activities within their areas. In each district chief executives, CAMPFIRE officers and financial officers were interviewed.

Fourth, developments in two key sectors - land and water - were studied with a view to determine whether these can be used in the mining sector. The Water Act, Chapter 20: 24 and the Zimbabwe National Water Authority Act, Chapter 20: 25 were analysed.

^{10.} There was no information available on this.

1.4 Deviations from the terms of reference and limitations of the study

During the study it became clear that proposals to bring mineral resources under local management involved answering a lot of practical questions. As such the study concentrated on these practical aspects and did not venture into a theoretical discussion on tenure, natural resource management, local governance etc as required by the second activity of the terms of reference. However, the practical aspects are discussed in the context of these issues.

It is also important to note that the study was compromised by the fact there are a number of relevant laws that are still to be finalised e.g. the Environment Management Bill, and others that have been passed but are yet to be operationalised e.g. the Traditional Leaders Act of 1998. The other limitation was that the review of the Mines and Minerals Act is in its infancy. Consequently, there were no stakeholder views that could be evaluated as requested by the terms of reference. Furthermore, the current review of the constitution of Zimbabwe, could yield some fundamental changes that may affect the discussion being undertaken here.

1.5 Structure of the report

The next section of the report, section 2, identifies the key elements/dimensions along which the subject at hand is analysed. These dimensions will be captured through an assessment of:

- □ the rationale for bringing mineral resources under local management;
- □ whether a suitable policy environment exists;
- □ whether a conducive legal framework does exist; and
- u whether the capacity of RDCs and local communities to implement the desired changes exists.

Section 3 presents the main findings of the study. Sections 4 and 5 present the conclusions and recommendations respectively.

2. Critical Issues in Local Management of Mineral Resources

2.1 Rationale for local management of mineral resources

There are a number of reasons in favour of local management of mineral resources. CAMPFIRE projects seem to point to the fact that local management is the most appropriate way of managing natural resources for a number of reasons. First, local ownership of resources is engendered, which makes local communities identify with the natural resources occurring within their areas. This fosters good stewardship of the resources. For example, in CAMPFIRE projects the poaching of wildlife was reduced. But is it not just for altruistic reasons that local management is beneficial. There are tangible economic benefits. Management costs are reduced as local communities take over some of the responsibilities, which are normally done by public institutions. Also, real economic benefits accrue to the local people, which in turn encourage effective management of natural resources. This is all the more important given that it is the local communities that bear the brunt of mining activities within their areas. Local people can also act as cost effective watchdogs against flouting of laid down rules.

The benefits extend to those local institutions that provide services to local communities. In this discussion this refers to RDCs. Currently RDCs operate under provisions of the Rural District Councils Act (chapter 29: 13). This gives the parameters within which RDCs can raise revenue for the general development of the areas under their jurisdiction and how that money should be expended. Basically, RDCs raise their revenue through the collection of rates, license fees and various levies, e.g. development levy. The central government also provides a grant. Makumbe (1996) notes that district councils, which used to operate in the communal areas, got as much as 80 % of their annual budget from central government. With the amalgamation of rural and district councils, central government, in some cases substantially reduced the grants it gave, depending on the revenue base of the new RDCs. Because of economic problems, the grants have dwindled over years. Parallel to this has been the decentralisation drive whereby RDCs are called upon to take up more responsibilities without corresponding financial resources. Many RDCs feel that minerals can provide the much-needed financial resources.

It can be concluded that there is a case for local management of mining resources. The issue is what form it will take. This is the focus of this study. The question is, can the CAMPFIRE concept be used in the mining sector? Below is an examination of some of the relevant issues.

2.2 The policy environment

Policy can be understood as a statement of intent enunciated by central government (through its various institutions). Before addressing the details of local management of mineral resources a beginning point is to assess whether there is a suitable policy environment. If the policy does exist, what remains is to devise appropriate legal and administrative frameworks.

Local management of minerals is to some extent a political question as it touches on the general question of governance dealing with the relationship between the centre (state) and the periphery (RDCs and local communities). It is therefore critical to examine how the GOZ defines this relationship, by looking at government's policy of decentralisation. According to the ZIMPREST document, the government recognises the importance of decentralisation:

Consistent with its policy of having the decisions that affect people's lives made by the people themselves, central government is to accelerate the pace of decentralisation of responsibility and increase access to resources to the Rural District Councils (RDCs) and urban local authorities during the [ZIMPREST] programme

An overall planning framework is to be established which will allow adequate financing of RDCs with proper accountability. Over the ZIMPREST period, government is giving full support to the RDC Capacity Building Programme, the objective of which is to develop the capacity of RDCs to plan, implement and manage their own development programmes and to provide and maintain essential services for the rural population on sustainable basis.

It appears, however, that this decentralisation does not include control of mineral resources. To quote the ZIMPREST document again:

During 1997, government is to conduct a comprehensive review of taxation of mining activities. The objective is to ensure that the tax system captures an appropriate share of the returns from exploiting mineral resources, while continuing to offer a competitive environment for mining investment... In the regulatory sphere, particular attention is to be given to ensuring environmentally sustainable mining practices... incentives to encourage the local beneficiation of mineral products are to be provided, including the manufacture of gold and other jewellery, in order to enhance export and earnings and provide employment. (Emphasis added).

It is important to note that the *local* refers to the state. A conclusion could be made that there is some degree of ambivalence regarding decentralisation process in the mining sector since the current legal framework negates the general decentralisation policy that is envisaged by the government.

Box 2 (next page) gives some characteristics of decentralisation. Evidence will be provided in this report, to the effect that there has been more deconcentration in the mining sector in that the Ministry of Mines has set up local offices in the form of a Mining Commissioner's office. Devolution, which is the ideal, is minimal - it is only evident in the relaxation of gold panning regulations. Suggestions of how devolution can be achieved are given in later sections. One important thing to note is that devolution carried too far, becomes a disadvantage.

2.3 The legal framework

Under the current legal framework, RDCs do not have the right to control mineral resources in their areas. This right is vested in the state through the President in terms of section 2 of the Mines and Minerals Act (Chapter 21: 05). (While this situation is not positive, it is worse for local communities who do not have any say whatsoever into how mining activities are conducted in their area). However, the law makes few concessions to the local authorities. RDCs have some say into how gold panning is conducted in their areas of jurisdiction and receive some revenue from mining activities (see below).

Section 188 of the Mines and Minerals Act entitles RDCs to receive landowners' fees from mining activities that are undertaken in the communal areas under their jurisdiction. This is because, although the RDCs are not the legal owners of the communal lands under their jurisdiction (the land belongs to the state, represented by the President) in terms of Section 4 of the Communal Land Act, (Chapter 20: 4). Sub-section 7 of Section 188 specifically provides that they are regarded as the landowners for the purpose of receiving landowners' fees. This is pegged at \$1.50 for an operational mine, and \$0.60 for a non-operational mine. These fees are, however, not passed to local communities by the RDCs since there is no legal requirement to do so.

¹¹. It needs to be said that government's decentralisation policy remains largely unelaborated.

Box 2: Characteristics of decentralisation

The principle

Decentralisation occurs when national governments share some of their power with other groups, particularly those that are either geographically dispersed, or are responsible for specific functions, or are given jurisdiction over specific physical locations. It is, however, no panacea for underdevelopment, poverty, disease etc.

Key elements of the decentralisation process

Power, authority and responsibilities are diffused in such a way that they flow from the centre to the periphery, or to sections of the periphery, in a manner deliberately decided upon by the centre

Types of decentralisation:

- **Deconcentration** is the transfer of adequate authority for the carrying out of specified functions from central ministries and their agencies to staff of the same ministries or agencies situated outside the national headquarters
- **Devolution** is the transfer of legally defined elements of political power from local government units to specialised or functional authorities
- **Delegation** is the transfer of managerial responsibilities for functions that are specified from central government to public corporations or parastatals which normally lie outside the regular bureaucratic structure
- Privatisation occurs when central government divests itself of responsibility for certain functions or the provision of certain goods and services and transfers them to be performed or provided by voluntary, private or non-governmental organisations

Advantages of decentralisation

- Excessive centralisation of state power and authority compromises good governance
- Achieves higher level of participation in decision-making, development planning and implementation which may result in political stability
- Ensures equity due to democratic participation
- Allows better communication for relevant development
- Reduces workload on central bureaucracy resulting in an improvement in the quality and quantity of services
- Enhances speed of delivery of services
- Facilitates better information gathering

Disadvantages of decentralisation

- Can be divisive and separatist thereby negating national unity
- Reinforces narrow sectional interests, hence it is anti-egalitarian
- Tends to benefit certain classes of people at the expense of the generality of the people
- Can result in the creation of effective institutions of public control at the local level
- Results in the provision of inferior services due to absence of education and skills at the local level

Source: Makumbe (1998)

In terms of Section 96:10(b) of the Rural District Councils Act (Chapter 29: 13) RDCs may charge levies to owners of mining locations situated on rural land within their areas. The levy is based on either the number of employees or the output in tonnes, depending on the type of mineral (see appendix III). RDCs complained of encountering problems with the calculation formulae. The formula, based on the number of employees, was said to be unworkable because the companies subcontracted some of their operations to other companies. The sub-contracted companies employ

temporary or casual labour who it was claimed, were not eligible for inclusion in the calculation, [12] Moreover the output from the mine can be under-declared.

Under the Mining (Alluvial Gold) Public Streams Regulations, 1991 (Statutory Instrument 275, of 1991), RDCs can apply for special grants from the Ministry of Mines to enable them to licence gold panners. The RDCs are allowed to charge the panners licence fees. The rate of the unit tax varies from council to council. Some of the RDCs have not applied for special grants because they are unaware of the procedures involved or the procedures were unnecessarily difficult and cumbersome. Those who have applied indicated that the Ministry of Mines was not very co-operative. For example, one had to keep making follow-ups if the special grant is to be issued timeously. The situation was worsened by the fact that the special grant was renewed annually.

Currently RDCs do not access revenue from prospecting and licensing activities. This revenue is collected by the state. RDCs are also not receiving any of the royalties' payable under section 244 of the Mines and Minerals Act since these are not collected (see below). The income from prospecting and licensing is however, not that significant.

Another source of revenue from the mining sector, which RDCs do not access, is income taxes - both individual and company taxes. In terms of section 101 of the Constitution of Zimbabwe as read with the Income Tax Act (Chapter 23: 06) all taxes are payable to the state unless there is an Act of Parliament to the contrary. At present there is no Act of Parliament, which authorises the payment of income tax to a body other than the state.

2.4 Implementation capacity

The proposal to bring local control of mineral resources assumes that there is enough capacity within RDCs and local communities to implement the proposed changes. This does not seem to be the case. As can be noted in Appendices II, III and IV, there are challenges relating to technical, administrative and managerial capacity. Technical issues relate to compiling and interpreting a large database upon which to base the issuing of prospecting licences. There is also a need for someone with a technical understanding to be able to supervise the mining operations. In terms of administration, the challenges relate to:

- setting up a simple and effective licensing system;
- enforcing the rules that miners should follow;
- organising an effective marketing system for various minerals; and
- collection of what is due to both central and local government.

It is important to note that currently many of these responsibilities are undertaken by central government. Changing to local management may mean parallel structures at the national and local level. For example, the work that is currently being done by the MC's office would have to be taken over by RDC staff. The work of MMCZ and the Reserve Bank would somehow have to be duplicated if complete autonomy in mining is envisaged. However, a compromise can be arrived at whereby local councils co-operate with these institutions. This seems the best way forward given that currently RDCs do not have enough capacity. This will be covered in more detail under the section on recommendations.

¹² This is not true at all because, according to Section 1(3) of the Third Schedule to the Rural District Councils Act, the employees of the sub-contracted companies are to be regarded as employed by the owner of the mine for the purpose of the levy.

2.5 Of rights and the environment

Proposals to bring minerals under local management raise the issue of rights. In this discussion the issues relate to ownership of minerals and its relationship to tenure. This, in turn, is related to the general issue of governance as hinted in section 2.2. One of the important responsibilities of relevance here is management of the environmental damage caused by mining.

First, as already discussed in section 2.3, all minerals are vested in the President (there is no surface ownership of minerals). From an ownership point of view this means that the rights that the farmer has to land bears no relationship with ownership of minerals. This basically means that the minerals found in a locality do not belong to the local authority or local communities. As such claims of local ownership, at least as defined in the law, do not arise. What is at stake is how the central government defines that usage. In the case of water, where the reforms have been duly completed, the central government sets out the modalities of the usage and also determines how the generated revenue is to be used.

There is no question that mining does damage the environment. The question is how this can be remedied. Early stages of the Environment Management Bill were premised on the fact that the Ministry of Mines, Environment and Tourism would have the sole responsibility of administering the Act. For example, a draft of the Bill had repealed those sections dealing with water pollution control in the Water Act. The major point here is whether local management of mining activities will result in better management of the environment. This depends on how the Environment Management Bill is administered and how local participation is encouraged. It is important to state that the review is still ongoing.

As hinted in section 1.3 the current review of the country's constitution may change the existing situation. A dramatic change in the constitution regarding, say, the type of local government and its structure can change how mining is conducted. For example a federal type of government would allow local government to levy taxes on mining activities, which under the current constitution only the central government can.

2.6 Concluding remarks

There are many motives in favour of local management of mineral resources in Zimbabwe, which hitherto has not been the case. This was due to a legal framework that did not promote this at all. It was shown, however, that this unfavourable framework tended to go against government's declared goal of decentralisation in all spheres of the politico-socio-economic aspects of Zimbabwe. In the following section, evidence in support of this is given. In the same section are views that point to the desirability of local management of mineral resources as well as some steps that have been taken in this direction. Views to the contrary are also given. All this evidence will be used as a launch pad for the recommendations given in that section of the report after the conclusions in section 4.

3. Findings of the Study

The findings presented in this section are a mixture of primary and secondary data. Presentation of the secondary data relates to recent developments in the mining sector vis-à-vis those in local management. First to be discussed is an elaboration of recent developments in the mining sector vis-à-vis local management of mineral resources. This is followed, in the second instance, by the general views of the different stakeholders. Thirdly is a presentation of brief case studies of three selected districts.

3.1 Some recent developments vis-à-vis local management of mineral resources

There have been some changes in the mining sector vis-à-vis changes in local control of mineral resources. These changes are best illustrated with regards to mining of black granite in Mutoko and alluvial gold panning along rivers. The two cases illustrate different fortunes as far as local management of mineral resources is concerned. The first case shows a reversal of the situation while the second case shows some progress towards that goal. The cases show that information availability and simple administrative procedures are a key to meaningful local participation in the mining sector.

3.1.1 Black granite

The case of black granite illustrates what is generally considered negative as far as local management of mineral resources. In 1990, the classification of granite was changed from a stone to a mineral. This effectively transferred regulatory powers to the state. The RDCs of Mutoko, Mudzi and Uzumba Maramba Pfungwe (UMP) have complained bitterly about the loss of revenue from quarrying operations ever since black granite was declared a mineral. As a consequence, it is claimed, miners were no longer obliged to pay royalties [13] to the host RDCs.

Apart from the loss of revenue it is claimed that the environment suffered since there was no effort to protect it. For example, heavy vehicles and an increase in the volume of traffic resulted in the deterioration of the road infrastructure. The ravaged landscape of barren gullies and holes filled with water has become a breeding ground for mosquitoes (see below). It was not clear to researchers whether the environment was better protected then, than compared to the present?

3.1.2 Alluvial gold panning

Gold panning provides alternative employment and also contributes to the national economy. The Herald [14] estimated that over 2 000 small-scale miners accounted for 5% of the country's annual gold production. By 1995 there were over 500 registered small-scale miners with over 60% being fully employed. The 1991/92 drought resulted in a significant increase in the number of people involved in gold panning. Retrenchments have had similar effects. But gold panning has disadvantages especially if it is unregulated. The Financial Gazette [15] stated that as of 1987 gold panning resulted in Zimbabwe losing between 10 to 15 million dollars in foreign currency earnings. Environmental damage has been observed. For example the Department of Natural Resources expressed concern about siltation caused by gold panners.

¹³ It would appear that Councils were getting leasing fees rather than royalties since royalties were last collected in the mid-1970s.

^{14.} Herald, 12 November 1997.

^{15.} Financial Gazette, 29 April 1998.

In an attempt to bring order to alluvial gold panning activities the government, by Statutory Instrument 275 of 1991 Mining (Alluvial Gold) (Public Streams) Regulations, Chapter 165, Section 247 of the Mines and Minerals Act, legalised gold panning. By this statutory instrument, "council" means a rural council established in terms of the Rural District Council Act. A "resident" refers to a person who is entitled in terms of any law to reside permanently in council areas.

Under Statutory Instrument 275, only the Ministry of Mines can issue special grants to councils [16]. Every council is required by law to identify public streams in its council area where gold deposits are found. Upon identification of the public streams the council applies to the Secretary of Mines in terms of Section 274 of the Act for the issue of a special grant for the working of alluvial gold deposits in respect of those identified stretches of public streams. An application for the issue of a special grant may be obtained from the Mining Commissioner. A fee of \$40 is payable in respect of the issue of a special grant. The Secretary of Mines consults the Natural Resources Board (NRB) when issuing the special grant. A special grant is renewed annually which administratively is a problem.

For a public stream in respect of which a special grant has been issued, it has to be beaconed in accordance with the directions of the Mining Commissioner. The council has to maintain all beacons in good order until a quittance certificate is issued by the MC. The council demarcates streams by means of pegs in such a manner as the MC may direct into stretches not exceeding 50 metres each.

To be eligible for an alluvial gold panning permit, one must be over 18 years, a resident of the council area and of good character. Vetting for good character is usually done by Criminal Investigation Department (CID) and other state security agents. The permit can be issued to a co-operative society or any form of partnership provided they are residents of the district and of good character. As of 1991 an annual fee of \$20 was paid for each 50-m stretch. Nowadays, each council issued with a special grant determines the annual fee. Other requirements of the permit are the need to always have it on site and that the people employed must be fit and responsible. Residents and any person who breaches any condition of his permit are guilty of an offence. This may result in the permit being cancelled. In an attempt to conserve the environment, it is a requirement of the law that a public stream that has been mined shall be rehabilitated by backfilling as mining operations progress.

RDCs are supposed to maintain an up-to-date register of all permit holders in their areas. Councils must also maintain all records of alluvial gold obtained in terms of these regulations. All records obtained by the RDCs have to be forwarded to the MC on a monthly basis. The gold so obtained must be disposed to a holder of a gold dealing licence. Due to the absence of an organised marketing system, most gold is sold through non-official channels. What would be ideal is for the market to be close by thereby removing the temptation to sell gold to illegal dealers.

Officers of RDCs, MC inspectors or mines, police officers, any agent of the Reserve Bank, any officers of the Department of Natural Resources (DNR) and Department of National Parks may enforce the regulations. They have powers to give direction to the permit holder as to the proper working of alluvial gold deposits, terminate operations and obtain the cancellation of the permit by the council.

The above shows the experimental role the RDCs have had in local management of mineral resources. There have been two major weaknesses with this system. First RDCs are hardly aware of the procedures involved. Second this is not complemented by an efficient market system for the gold. Though people with gold dealing licences are on the increase, illegal gold dealers still continue to play a major role in buying the precious metal.

¹⁶ RDCs, which have been provided with the authority to issue gold panning permits among others, include Mwenezi, Mudzi, Chivi and Guruve.

3.2 Views of stakeholders

3.2.1 Ministry of Mines, Environment and Tourism (MMET)

MMET is in the process of reviewing the Mines and Minerals Act. This is a three-year programme that started in August 1998 under the Zimbabwe Mining Titles and Environment Project (ZiMTEP). The project is aimed to gather the views of stakeholders so as to come up with an Act, which is simple to administer, and is efficient. The first stakeholder workshop was held on 2-3 June 1999. Box 1 (see section 1) summarises the proceedings of the workshop. The views of the Ministry on a number of topics were also solicited. These are reported hereunder.

a) Charges/levies: It was explained that there were a number of charges/levies that are paid/collected in the mining sector (see Table 1.).

Table 1: Charges in the mining sector

| Charge/Fees | Paid and Received by | Purpose |
|----------------------------|--------------------------|---------------------------------|
| Prospecting | miners to government | administration of applications |
| Inspection | miners to government | monitoring of mining activities |
| Royalties | not being paid | payment for rights to mine |
| Landowners | government to landowners | compensation for loss of land |
| Unit tax | miners to RDCs | servicing of roads |
| Personal and corporate tax | miners to government | government revenue |

Source: Research notes

The various fees paid were said to be sub-economic. For example the application for a prospecting licence pegged at \$150 and the certificate itself at \$300 were said to be a fraction of the administrative costs. Similarly, landowner's fees were low at \$1.50 per ha for an operational mine and \$0.60 for a non-operational one.

It was communicated that royalties were not being collected in Zimbabwe. They were last collected in 1975. The collection was stopped so as to attract investment in the mining sector when the country was isolated during the Unilateral Declaration of Independence (UDI) years. The GOZ has not revoked this rule. The Ministry was said not to be in a position to undertake its monitoring role because of lack of human and financial resources. There was now a campaign that, instead of the money going to treasury, some of it would be retained - say 25% - to finance the monitoring of mining activities.

- b) EPOs: EPOs were said to be necessary to attract huge investment in the mining sector. The Ministry was aware that small-scale operators considered this unfair. Although these claimed unfair treatment is was noted that they could apply for authority to mine from the holder of the EPO. (This was however, no real consolation as the holder of the EPO could deny permission.) It was stressed that EPOs could not be used for speculative purposes because holders were required to submit six monthly progress reports. Besides an EPO could not be held for more than 5 years.
- c) Mineral rights: There was no prospect of the government changing the current status of ownership of mineral rights in the country. Therefore the suggestion that communities or RDCs be given rights to minerals (or change to surface ownership of minerals) was said to be unlikely to be accepted. This was because of three main reasons. First investors do not commit themselves to

investing their money where mineral rights do not belong to the government. Governments provide security. A study undertaken by the Ministry exploring a number of African and non-African countries confirmed this fact. The study found that where local ownership had been tried no meaningful investment was attracted e.g. in Canada. The same was reported in South Africa where areas of local ownership, carved out during the apartheid era, did not attract investment. The new democratic government in South Africa was said to be finding ways of reversing this. Second, some communities may reject investment for no good reason. Third, the experience with gold panning shows that local authorities may not have the capacity to assume the immense responsibilities local management of mineral resources entails. Training may alleviate this.

- d) Local participation: It was also noted that although local authorities had failed in the discharge of their duties vis-à-vis gold panning there was a need and scope for local participation. It should, however, be borne in mind that this local 'failure' was in circumstances where:
 - there was little to no co-operation from the Ministry
 - virtually no resources were made available for this new role
 - there was little incentive in the light of benefits accruing to RDCs.

Further the annual renewal of the special grant was a problem. Although the renewal could be started 2 months before this extended beyond that.

3.2.2 Mining Commissioner's office

The MC's office, it was said, provided yearly information to RDCs on labour and production data. This information, based on returns submitted by mines, formed the basis of determining the unit tax. It was, however, conceded that there was a chance of under-declaring by mining concerns. The MC had also a duty to compute landowners' fees. The landowners' fees were sometimes not paid on time resulting in many complaints. The fees were also said to be too low.

Local participation was said to be assured through the District Advisory Board, which was chaired by the MC. Government departments e.g. Geological Services and Metallurgy, were represented. There were also three representatives from CFU, Chambers of Mines and the National Miners Association of Zimbabwe (it is significant that ZFU, ICFU and RDCs were not represented on this board). This board deliberated on issues affecting mining. For example it had authority to declare some areas reserved (from mining activities) e.g. where mining operations would jeopardise the environment.

3.2.3 Ministry of Local Government

The Ministry ruled out local ownership of mineral resources on the grounds that local authorities were failing to make maximum use of the current responsibility they were entrusted with. For example RDCs had the right to fix the unit tax and yet they collected very little revenue. In some cases there was no collection at all. No application to increase the rate of unit tax was ever received by the Ministry. Also the authority to administer gold panning was not being used to the full. It was also argued that the unit tax was the "environment tax", hence the complaints that the environment was damaged and nothing was being done was baseless.

It was stressed that RDCs were the appropriate authority in the communal areas that could delegate authority to lower levels. There was, therefore, it was claimed, no chance that government would allow communities to be the appropriate authority. Furthermore the community was a very dicey concept which was difficult to operationalise.

3.2.4 Mineral Marketing Corporation of Zimbabwe (MMCZ)

An official from MMCZ maintained that MMCZ's monopoly should continue if government is to get the most revenue from mining. The fear was expressed that if mining companies conducted their own business government will be financially prejudiced.

3.2.5 Chamber of Mines

The Chamber of Mines argued that MMCZ is not necessary especially for big mining organisations. It was suggested that large companies be allowed to deal directly with outside customers. The new MMCZ role would be to monitor prices and assist small-scale miners who might not have the capacity to produce and export directly.

3.2.6 National Miners Association of Zimbabwe (NMAZ)

NMAZ was of the opinion that RDCs should have input into the management of minerals. They should also benefit from the mining activities. Those mining activities, which RDCs could have a say in, include gold panning, black granite, and chrome along the Great Dyke.

The same sentiments were echoed by RDCs that were visited (see next section). Basically these called for the amendment of the Mines and Minerals Act so that they could benefit more. It was claimed that this would allow them to fight environmental degradation due to mining.

3.2.7 Association of Rural District Councils (ARDC)

ARDC was in favour of RDCs getting a fair share of the mineral resources in their areas. ARDC referred the researchers to the study done by Owen and Maponga (1996) as representing their views (they commissioned the study). This particular study suggested that RDCs could get more revenue from mining through:

- setting up joint ventures with mining companies
- ☐ hiring out mining equipment to miners
- □ sharing corporate tax with the government.

3.2.8 Mudzi District

It was said that the Council gets some money from central government. This was, however, said to be too small and erratic.

a) CAMPFIRE activities: CAMPFIRE activities in the district are concentrated in two locations under the auspices of the Natural Resource Committees. The idea of a CAMPFIRE project in the district dates back to 1984 when there was a proposal to set up a joint venture with Nyanga RDC in the Rwenya area. This area had a variety of animals such as kudu and elephant. In 1986 Nyanga RDC pulled out of the project due to unavailability of funds. Because Mudzi did not have an area big enough to set up a CAMPFIRE project, it went into partnership with Rushinga and Uzumba Maramba Pfungwe (UMP). The CAMPFIRE programme started in 1993 and a safari operator was appointed who pays a concession fee of US\$10 000 per annum.

In 1993 a total of\$60 000 was collected. In 1998 the figure reached \$150 000. The revenue was said to be split equally among the three councils. Out of the total share paid to the council, 30% went to the council for administrative purposes. The remaining 70% went to the affected communities who decided what to do with the money. CAMPFIRE proceeds have been used to buy stationery for school children, construction of classroom blocks and acquisition of cattle for draught power. However, the Chief Executive thought that the CAMPFIRE projects were not doing particularly well.

b) Mining: Gold panning is mainly concentrated along the Rwenya, Mazowe and Manyuchi rivers in the Makaha area. Mudzi was among the first of few councils who applied for a special grant so that it could issue permits for gold panning. It was during the inception phase between 1994 and 1995 that people were issued with permits. The permit was pegged at Z\$50. As of 1999 the permit attracted a fee of Z\$520. A single person was currently reported to have paid for it. Part of the problem was that the Ministry took a long time to renew the special grant.

The pegging and monitoring of grants is the responsibility of the council and other agencies as provided for in the statutory instrument. The council currently employs three ward promoters and six resource monitors. A promoter earns \$1200 per month while a resource monitor earns \$690.

Some members of the community are responsible for pegging the grants and ensuring that the legal requirements of undertaking mining activity 30 m from the bank hold. It was agreed that these sometimes colluded with villagers thereby causing illegal gold panning. Illegal gold panning is said to be perpetrated mainly by people coming from outside the district. The council, together with the ZRP, does their best to control illegal gold panners. This, however, met limited success because of limitations in manpower resources, poor co-operation from other agencies such as the Ministry of Mines and the fear that they may somehow breach the law.

There was also a conflict between those with prospecting permits and those gold panning permits issued by RDCs. Holders of prospecting licences, who by law could not be supervised by councils, frequently encroached on the 30m limit. Complaints to the Ministry yielded nothing. The council has no say over the marketing of gold, and the RDC's application to be a gold trader was turned down. Panners are legally supposed to sell to the Reserve Bank but this did not happen, and therefore the illegal sale of gold was rife.

Mudzi has minerals other than gold. However, there was insufficient information about mining in the district. It was said that the council got land ownership fees and in the 1997/98 year it was claimed that some \$97 000 was obtained via the Ministry. However, the council did not manage to collect unit tax because of a lack of co-operation from the Ministry and the miners themselves.

3.2.9 Mutoko District

Ever since black granite was classified as a mineral in 1990 the council is said to have lost a lot of money (no figures were offered). The unit tax system is said not to work as false information can be given. For example the tonnage and number of employees cannot be verified.

Researchers were told of a conflict between the communities and the quarry operators. This was because of wanton opening up of roads and dumping of rocks in arable lands by miners. There was no rehabilitation of the environment. The Ministry (of Mines) was said not to want to do anything. This has frustrated some people to the point of barricading roads. Some companies were, however, said to have contributed towards road maintenance and the construction of schools.

Black granite extraction was different to gold panning in that it was a capital-intensive venture, and therefore locals could not participate. Only joint ventures could be used where local people or council could enter into partnerships.

3.2.10 Guruve

Guruve is the pioneer CAMPFIRE district. The programme started in 1989. It was targeted at elephant, buffalo, cheetah, leopard and lion. Out of 31 wards in the district, 14 wards were involved in CAMPFIRE projects.

In 1997 \$4m was realised from CAMPFIRE projects. In 1998 the realisation was \$10m. Out of the total revenue the council got 17% as an administrative fee. The balance was given to the communities where the animals were killed.

Illegal gold panning is rampant in the district. The council has not applied for a special grant. This is because of their lack of knowledge, by the RDCs' own admission. The council has, therefore, been compromised in terms of revenue and exercising control over mining activities. There was no consolidated information available on mining activities in the district. Just as in the case of Mudzi, the council felt that it was prejudiced of revenue from mining activities in the district.

3.2.11 CAMPFIRE Association

The first observation was that the existing legislation, in the form of the Mines and Minerals Act, did not facilitate community participation in the management of minerals. The CAMPFIRE Association believes that communities should own the resources that occur within their neighbourhood and that they should have a voice in the management of their resources. The idea is to let communities manage their own resources. As the appropriate authority, RDCs should merely be facilitators.

It was submitted that local ownership of minerals may be based on the size of operations, with bigger operations falling under the national government. Land tenure was also an important part of the equation as under the present Act the landowner loses control over what happens once minerals are discovered. It was also recognised that local communities could be ripped off if left to negotiate their own contracts. They could also turn away investors.

Some specific proposals for changes to the Mines and Minerals Act were that some minerals needed to be de-classified so that local people could benefit from them; and also that appropriate authority should be given to these local communities.

3.2.12 Zimbabwe Trust

The challenge was to get the government to accept local management of mineral resources (given the substantial revenue that the government gets from the mining sector). Mutoko is an ample demonstration of that fact - the re-classification of black granite into a mineral was because central government saw that the Mutoko Rural District Council was deriving substantial revenue.

It was understood that the Ministry was having a second look at the Mines and Minerals Act with a view to affording councils more benefits from the mining sector. How councils will pass on the benefits to communities is open to question especially if there is no legal framework. Legally, councils - as the appropriate authority - can appropriate the benefits. However, under CAMPFIRE, councils accepted to share the benefits under a Minister's directive as a strategic compromise for the pragmatic reason that local communities would poach the wildlife.

A viable alternative to the current situation would be to have mining companies pay royalties to the RDCs with specific instruction to turnover (part of) the proceeds to local communities. Another way was to ensure that local communities negotiated with mining concerns. For example, there could be an understanding by the mining concerns that: a) local people should be employed; and b) instead of providing amenities to concentrated settlements for their workers, they could provide electricity, piped water, good roads and other facilities to the neighbouring villages from where the majority of their workers would come. Some of the services could even be made available at a cost.

3.3 Comparison with developments in other sectors

3.3.1 Water

The legal frameworks in the water sector are now in place in the form of the ZINWA Act (Chapter 20: 25) and the Water Act (Chapter 20: 24). The major points that are important to highlight for this discussion include the fact that the country is divided into seven catchment councils (CCs). These CCs are the equivalent of mining districts. The CCs are constituted by elected representatives from the subcatchment councils. SCCs are in turn made up of representatives from water user associations who in turn are composed of water point committee representatives. The ZINWA Board is the overall overseer of water resources in the country. On the ZINWA Board sit representatives of water users. It needs to be pointed out that the lowest level of appropriate authority is the SCCs who have powers to collect levies. The CCs are the planning authority. Figure 1 presents a simplified organisational structure in the water sector. It can be seen that local communities will be involved. It is clear that an inter-sectoral approach was adopted (which was a realisation that sustainable natural resource management is best not confined to sectoral boundaries).

3.3.2 Land

The Ministry of Lands and Agriculture provided information to the effect that:

- in the communal areas no titles to land will be given to communities; communities will be issued a certificate which acknowledges the existence of that entity as a village;
- a communal areas will continue to be state land with RDCs being the appropriate authority; and
- there was a strong possibility that land boards will be formed according to the format shown in Figure 2.

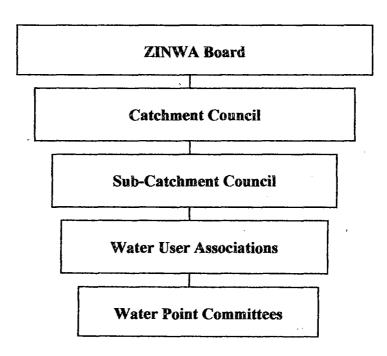


Figure 1: Simplified organisational structure in the water sector

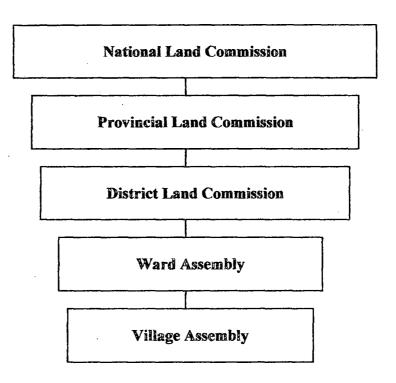


Figure 2: Possible structure of land boards

4. Conclusions

The findings contained in section 3 lead us to make major conclusions regarding local management of mineral resources in Zimbabwe. The conclusions that are made here are more or less according to the dimensions that were posed in section 2 as the general analytical framework.

4.1 A case for local management of mineral resources

It was clear that currently mining activities in Zimbabwe are centralised in the state from prospecting right to marketing. This situation was described as unfortunate as the efficiency and effectiveness of managing mineral resources was compromised because:

- the State, however well meaning, was not in a position to effectively monitor all the mining activities (human and financial resources were said to be in short supply);
- □ local people could not help (and thus reduce management costs) because of the legal position; and
- □ local management engenders local stewardship of natural resources, which, in the end results in a sustainable natural resource management.

The situation was worsened by the fact that it was the local people who suffered the environmental consequences. In some cases this directly affected the livelihoods of the people. For example in Mutoko arable land was lost because of mining activities.

With regards to benefit sharing it was revealed that:

- the negligible benefits, less than 0.01%, that accrue to local authorities were neither enough to compensate for the losses suffered by local people nor to generate interest in natural resource conservation;
- a number of RDCs were not aware that they could apply for a special grant with which they could regulate gold panning within their areas;
- those that were aware were compromised by the administrative bottlenecks that required them to apply annually; and
- there was an alleged problem with the collection of unit tax; the contention of the RDCs was that the formula was complex which was not entirely true. The real problem was lack of adequate information, a situation that was not helped by the alleged lack of co-operation from the Ministry of Mines.

The question therefore was not whether local management of mineral resources was desirable but what form it will take, hence the investigation into whether the concept of CAMPFIRE could be used. Some of the possibilities are discussed under the section of recommendations.

4.2 A generally supportive policy environment

An examination of the ZIMPREST document, the most authoritative government policy statement, revealed that there was in general a supportive policy, in the form of decentralisation, into which local management of mineral resources could be located. It could thus be concluded that the absence of decentralisation in the mining sector was an anomaly because:

| a | government had a well enunciated decentralisation policy designed to allow people to participate in decisions that affect their lives; | | | | |
|---|--|--|--|--|--|
| a | there was demonstrable decentralisation in some sectors that promoted participation of local communities e.g. the water and land sectors; and | | | | |
| | the enhanced revenue base would result in local authorities being better able to perform their functions, which is also what the government seeks to achieve. | | | | |
| of l | It is, therefore, important for RDCs and local communities to lobby government to allow management of local resources to come under local control so that the current policy gaps are plugged. However, it is recommended (see section 5) that joint management, where the state retains some influence, is the best option because: | | | | |
| Q | the technical capacity of the RDCs is not high enough to equip them to take over some of the specialised tasks that are currently being undertaken by the Ministry; | | | | |
| 0 | central government does invest in research and development of the mining sector which emphasises the fact that the state has a role to play in the sector; and | | | | |
| D | co-ordination is necessary – as individual RDCs would find it expensive to set up administrative structures. | | | | |
| 4. | Problematic legal framework | | | | |
| The evidence presented showed that local management of mineral resources was currently impeded by a problematic legal framework, which did not promote local management. Aspects that went against local management included: | | | | | |
| | centralised issuing of prospecting licences to the exclusion of RDCs and local communities; | | | | |
| D | existence of EPOs which favoured large mining concerns; | | | | |
| 0 | annual renewal of special grants; | | | | |
| | restricting RDCs to the collection of landowners' fees and unit tax; | | | | |
| a . | RDCs not allowed to share income tax (personal and corporate); and | | | | |
| | RDCs (allegedly) being barred from acting as gold traders. | | | | |

Coupled to the above was inadequate information on the part of RDCs, which was not helped by an uncooperative Ministry of Mines. Later in the report are proposals about what steps should be taken if local management of mineral resources is to become a reality.

4.4 Divergent views of stakeholders

The views of stakeholders were presented. These can be categorised along the lines of government departments, NGOs and RDCs.

a) Government departments

These were:

- categorical regarding the desirability of the existing ownership of mineral rights, that is to say
 no surface ownership of mineral rights as this was said to jeopardise investment in the mining
 sector and was generally unprecedented in the world as revealed by the study undertaken by
 the Ministry;
- opposed to local management, which had been shown not to work by the failure of RDCs to collect the revenues they were entitled to and the poor administration of gold panning permits;
 and
- determined that RDCs would continue to be the appropriate authority in communal areas.

The lack of interest in local management of mineral resources on the part of government departments was perhaps epitomised by MMET 's direction of review of the Mines and Minerals Act which gave no room for local management (see Box 1).

b) NGOs

NGOs were of the opinion that local management of mineral resources was the best option since these compensated local communities who bore the cost of living with the resources. Specifically they advocated that:

- appropriate authority be given to local communities;
- with the appropriate authority local communities could negotiate directly with the mining concerns; and
- central government and RDCs should merely be the facilitators.

c) ARDCS

The ARDCs were of the opinion that RDCs could get more revenue from the mining sector through:

- hiring out equipment to miners;
- · participating in joint ventures; and
- sharing income tax with government.

d) RDCs

Submissions from RDCs could be summarised thus:

- RDCs were concerned with the negligible benefits they received from mining activities;
- they wanted a mechanism to be in place to enable them to get more revenue from mining;
- they did not specifically ask that the mineral rights needed to be changed;
- they did not believe that joint ventures in mining would work as this would not be a
 partnership of equals; and
- they also acknowledged on their part that they lacked information, which was not provided by the Ministry.

The challenge is to have for a where there can be an exchange of views so as to find a way forward. Some suggestions are made in the next section.

4.5 Implementation challenges

The evidence presented showed that local management of mineral resources entails a number of implementation challenges. The challenges were made all the more demanding because of poor information on the part of RDCs who are supposed to champion this local management. Without adequate information implementation cannot be effective. Areas where capacity building is needed included:

collation of information on mining activities so as to come up with a proper mining register

| _ | awareness of procedures of applying special grains |
|---|--|
| O | enforcing rules and regulations of various miners e.g. protecting the environment |
| Q | acquisition of mining output and labour data for purposes of determining revenue |
| | liasing with MMCZ and RBZ on marketing of minerals e.g. RDCs being designated gold traders to reduce illegal gold marketing. |

4.6 Wider issues at play

The discussion on local management of mineral resources cannot be discussed in isolation as it touches on the issue of governance, which defines the (power) relationship between the centre (the state) and the periphery (local authorities and communities). It was noted that there was little devolution in the mining sector. This was not a recipe for empowerment of local communities and RDCs. The point was also made that rights are a critical element of this relationship. With regard to the mining sector it is important to note that:

- rights to minerals are vested in the state through the president;
- tenure does not have any relationship with rights to minerals since there was no surface ownership of mineral rights to Zimbabwe; and
- there was limited scope for local participation vested in RDCs as the appropriate authority in the rural areas of Zimbabwe.

It was also noted that there were a number of laws in the making or yet to be operational which have a significant bearing on the local management of mineral resources. Also the current review of the constitution could significantly alter the debate on local management of mineral resources.

5. Recommendations

From the preceding sections it is clear that local management of mineral resources can only become a reality if a number of steps are taken. In particular the policy and legal frameworks need attention. Once these are sorted out a suitable administrative framework can be instituted. Below are recommendations of how this can be achieved.

The recommendations are in two parts and of a general nature in that there is no recommendation on individual minerals. First is a presentation of recommendations for action at the local level. These are of a short-term nature and are mainly concerned with making local communities and RDCs exploit to the full opportunities that are present within the existing legislation. The CAMPFIRE Association can render assistance in this regard. Second to be presented are recommendations that pertain to the national level. These can only be realised after changes to the legislation as well as to policy. As such this deals mainly with issues of advocacy.

5.1 The local level

The evidence that has been presented provides a good basis upon which CAMPFIRE project interventions can be instituted at the local level. It has been shown that lack of information is the main hindrance. To this end capacity building of RDCs and local communities should centre on providing the information. The information required is of a general and administrative nature.

a) General

RDCs and local communities need information on:

- minerals and mining operations within their areas of jurisdiction;
- labour employed in the mining operations as well as the output which are critical to the determination of unit tax;
- revenue generated from the mining operations in the respective RDCs and how it is shared;
- landowners' entitlements and how the fees are paid and shared; and
- environmental impacts of the mining operations and how they are being managed.

This exercise will result in an inventory of mining-related activities in different localities, which in time will form local mining databases.

b) Administrative

RDCs and local communities need information on:

- structure and functioning of the mining industry in general
- procedures concerning the determination of unit tax, how it is actually determined and how it can be reviewed
- procedures concerning application of special grants to issue gold panning permits
- representation in the District Advisory Board.

There is also a need to provide information on how the changes proposed or contained in the Land Policy, Traditional Leaders Act, the Water Act and Zimbabwe National Water Authority Act and the Environmental Management Bill will impact on local management of natural resources.

To this end it is proposed that (mining) district-based workshops be held at which these issues will be discussed. Such workshops are advantageous as they bring together the local actors. Table 2 (below) contains some suggestions. The outputs from such an exercise will be:

knowledge and skills acquisition by RDCs and leaders of local communities
local minerals and mining databases
mapping out of "producer communities"

position paper for input into the current review of the Mines and Minerals Act.

Table 2: Suggestions for proposed mining district-based workshops

| TASKS | FACILITATORS | | | |
|---|---|--|--|--|
| Convenors | CAMPFIRE Association and CASS | | | |
| Venues | Masvingo, Gwanda, Harare, Bulawayo, Kadoma | | | |
| Workshop attendants | Chief Executive of RDCs, Chairmen of RDCs, CAMPFIRE project managers, Provincial Administrators, District Administrators, traditional leaders (only chiefs), Ministry of Lands and Agriculture, Ministry of Environment and Tourism | | | |
| Opening speeches | Provincial Governor(s) | | | |
| ITEMS FOR DISCUSSION[17] | | | | |
| Inventory of mining operations in the mining district and various RDCs How to apply for the special grant for the purpose of issuing gold permits Determination and payment of landowners' fees | Mining Commissioner's office | | | |
| Composition and functions of the district advisory board Relationship between national and local environment management | Ministry of Mines, Environment and Tourism | | | |
| New institutions and their role in rural development Determination and payment of unit tax | Ministry of Local Government | | | |
| * Envisaged land management structures and their respective roles | Ministry of Lands and Agriculture | | | |
| * Challenges facing RDCs as facilitators of development | Provincial administrators | | | |

These are the head offices of the mining districts where Mining Commissioners' offices are located.

¹⁷ Some of the items can be assigned to consultants.

5.2 The national level

It is important to note that local and national levels cannot be completely separated since local issues are affected by national policies. The point that flows from this is: since local issues are affected by national policies, whose responsibility will it be to spearhead advocacy regarding policy and legal changes to favour local management of mineral resources? It is suggested here that this responsibility be shared between the Association of Rural District Councils, CAMPFIRE Association and CASS. The first organisation should take the leading role.

A national workshop after the proposed (mining) district workshops is suggested. ARDC will be the main convenor with the CAMPFIRE Association and CASS playing a supporting role. A number of issues that need to be addressed are presented hereunder. The main output will be a joint position paper to be presented to the Ministry of Mines for possible inclusion in the new Mines and Minerals Act.

a) Refining the policy framework

While an overall government policy of decentralisation does not oppose local management of natural resources (including minerals) it is not specific enough to promote it. To this end it is recommended that the government be encouraged to be clear on this issue.

For example, with regard to resources, the ZIMPREST document says that, "central government is to accelerate the pace of decentralisation of responsibility and increase access to resources to the Rural District Councils (RDCs)..." (GOZ, 1998: 16) It is not clear whether this includes natural resources. Adding the words including access to natural resources may strengthen the case of local management of mineral resources. This would be in line with developments in the water and land sectors.

b) Legal changes

If local management of minerals is to be realised changes to the present Mines and Minerals Act will have to facilitate rather than frustrate it. However, as noted elsewhere in this report, even under the present legislation local management of mineral resources can be accommodated. Given that the government is unlikely to countenance revising mineral rights (i.e. cede them to RDCs or local communities) it is suggested that there is no merit in lobbying for:

- mineral rights to be vested in the body other than the state (which is in conformity with international trends)
- the appropriate authority in communal areas to be moved from RDCs as this goes against government's declared policy.

Thus, local management of mineral resources can proceed under a ministerial directive just as was done when CAMPFIRE was first launched. Once that principle is agreed to secondary legislation can be put in place (in the form of rules and regulations that lay out how local management of mineral resources is to be undertaken). Areas, which should be addressed by the secondary legislation, include:

• Special grants for minerals other than gold: The decision to issue special grants for minerals other than gold could be based on the relative abundance of the mineral in the locality. This should perhaps take into account the nature of the mineral itself e.g. minerals that are deemed to be of critical national importance can be excluded from the special grant. Interest from local communities and RDCs should also be a consideration. In this regard the suggestion by

NAMZ that RDCs control gold, chrome and black (as well as white) granite can be used as a good starting point.^[18]

- RDCs, as the appropriate authority in communal areas, should continue to issue the special grants
- Special grants should be issued on five-year rollover basis to avoid cases of the grant lapsing and thereby jeopardising the issuing of permits. This means that after the first five years the special grant is automatically renewed unless otherwise decided by the Ministry. This gives RDCs ample time to renew the special grant
- Landowners' fees should be issued to RDCs, as is the present system with the provision that (part of) the money is given to local communities who are affected by the mining activities.
 The prospect of village certificates defining the boundaries of different villages makes this easy to administer.
- RDCs should continue to collect unit tax. This tax should primarily be used to repair roads damaged by mining activities.
- EPOs need to be revised to reflect the sentiments of local management of mineral resources.

c) Institutional arrangements

Local management of mineral resources cannot effectively occur under existing administrative arrangements since these make the Ministry of Mines the only meaningful player. If the principle of joint-management is accepted whereby both the state, RDCs and local communities play a role, administrative arrangements should reflect this. To this end the following need attention:

- An inclusive representative structure overseeing mining affairs is needed. The present five mining districts in the country are a good base for local management. The current District Advisory Board should be expanded to take on board players other than the Ministry, CFU, big mining concerns and small scale miners that are currently represented. Other players that should be included are RDCs, as the delegated land authority in the communal areas (this can be through the Association of Rural District Councils), communal and resettlement farmers as another level of "landowners" (this can be through ZFU or indigenous commercial farmers through ICFU). It is open to debate whether this new look DAB should have the MC, a civil servant, as the Chairman. The MC's office would provide secretariat services to the DAB. The proposed structure is shown in Figure 3, which is in line with inter-sectoral approach to managing natural resources.
- The Ministry should in some instances have its staff relocated to appropriate locations, especially to those areas where there is a lot of mining activity. This will not only cut unnecessary travel, but it will also enhance the effectiveness of monitoring as the officials can easily liase with RDCs and local communities.

¹⁸ Participation of RDCs and local communities should not, however, be confined to those minerals for which RDCs get a special grant.

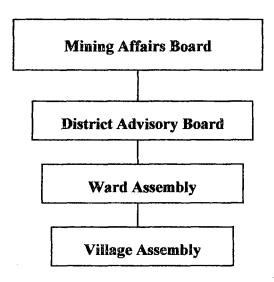


Figure 3: Proposed institutional structure for overseeing mining affairs

d) Revenue sharing

It should be pointed out that the suggestions in Section 5.1 would not result in significant gains for RDCs and local communities as far as revenue from mining is concerned. To increase the share of RDCs and local communities the following should be advocated for:

- Fees that are levied in the mining sector should be reviewed upwards as government is subsidising big mining concerns. The Ministry's suggestion that it should charge economic rates is a step in the right direction. However, it must not be applied across the board as this may disadvantage vulnerable groups.
- Landowners' fees should ideally reflect the opportunity cost of the land that can no longer be cultivated because of the mining activities. If this is adopted, RDCs and local communities may be adequately compensated.
- Sharing of income tax, as suggested by the ARDC, may increase the revenue of RDCs and local communities; although it depends on a new law to be enacted
- Consideration should be paid to whether royalties should be levied and if so who receives them and how they will be shared. There is, however, a need to maintain a balance between increased revenue and investment in the mining sector. If, as suggested above, landowners' fees and unit taxes are raised, there may be no need to charge royalties.

Hiring out equipment to miners by RDCs as well as participating in joint ventures is not recommended since this is likely to be complex and is liable to be mismanaged. As far as possible RDCs should stick to their core business of providing services.

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TERMS OF REFERENCE

1. Introduction

The Centre for Applied Social Sciences (CASS), under the USAID funded Natural Resource Management Project to the Communal Area Programme for Indigenous Resources (CAMPFIRE), is tasked with the responsibility of research and analysis of policy issues that affect the programme. As part of its on-going responsibilities, the Centre wishes to recruit a consultant to undertake a study to analyse proposals that are being brought in for changes to the Mines and Minerals Act.

2. Background

The act vests authority to administer granting of prospecting rights, acquisition of mining claims, payment of levies to hold claims within the Mines and Minerals Board. The RDCs Act vests authority within the RDCs to manage and exploit natural resources within its jurisdiction, except minerals. As RDCs begin to consider looking beyond magafauna in CAMPFIRE, one of the resources they will want to control and derive benefits from are minerals.

An interesting case is the granite mining in Mutoko. Private companies are mining granite in Mutoko and delivering it to Harare through roads maintained by this RDC. The District does not benefit from the levies paid by the private companies to Government to meet maintenance costs for its roads. Also RDCs do not have the mandate to control gold panning in their areas and yet the destruction of the biodiversity directly affects them. Gold panning is a livelihood for most landless and unemployed rural Zimbabweans, but this exercise is causing massive destruction to the environment. Government is now being called upon to revisit this piece of legislation so as to: 1) ensure that this legislation is in harmony with the RDCs Act; and 2) ensure RDCs obtain more benefits from mining activities in the District.

The major question is what are the possibilities of including in CAMPFIRE programmes so that RDCs and communities can benefit. Several proposals have been put forward by various interested parties and the Ministry of Mines and Tourism is currently in the process of consulting stakeholders on the way forward.

The study aims to produce a set of recommendations to CA on actions required to enhance lobbying of the proposals, and understanding of the proposed or actual changes.

3. Outputs:

- Report
- Policy brief
- Seminar

4. To achieve this aim a number of activities are planned:

- Review the relevant Acts, Bills and existing arrangements
- Review related studies on tenure, community and local governance, community based Natural Resources Management and other relevant studies
- Consult with NGOs, Rural District Councils and Government Departments actively participating in the CAMPFIRE Programme to get their views on the bills and acts.
- Highlight both negative and positive impacts of the bills on CAMPFIRE.

5. Qualifications of the consultant

A minimum of a Masters degree in social sciences, geography, mining or law. The incumbent should have more than 5 years working experience in the field of natural resources management policy development and analysis. The incumbent should have superior writing and analytical skills.

6. Reporting

The consultant will report to the Chairman, Centre for Applied Social Sciences, through the responsible officer, Ms. B. Sithole. The consultant should consult with Ms B. Sithole during preparation of the proposal and conducting the study.

7. Proposals

Interested candidates should submit proposals on how they intend to undertake the study, estimated time per activity, CVs and fees (daily fees at local rates). CASS will meet the cost of travel to and from research sites (3-4 RDCs: a driver and vehicle can be booked at CASS)), field per diems (\$450.00 per day, unproved up to a maximum of 10 days) and costs for production of final report. \$500 will be paid to the consultant on signing of the contract to meet telephone, faxing, e-mail and stationary costs. CASS will also provide a full set of camping equipment, if requested.

8. Proposals should be submitted to the Chairman, Centre for Applied Social Sciences, P. O. Box MP 167, Mt Pleasant, not later than February 15, 1999.

AN OVERVIEW OF THE MINING SECTOR IN ZIMBABWE

The mining industry has been a major earner of foreign currency. In 1993 it earned the country Z\$3,5 billion, 4,8 billion in 1997 and 17 billion in 1998. The sector over the years has maintained its 5% contribution to GDP [19]. The foreign currency is mainly derived from sale of metals, minerals and mineral related products. Over 40 different metals and minerals are produced in Zimbabwe. The total earnings come from mainly large-sector miners. This is because most small-scale producers make use of simple technology thereby limiting production. In addition what they get is usually sold to large companies.

Major minerals produced in Zimbabwe include gold, asbestos, nickel, copper, coal and chrome. About 90% of Zimbabwe's mineral production is exported, mostly in a semi-processed form. Major export minerals by value are gold, nickel, asbestos, ferrochrome and copper.

Main institutions

- a) Ministry of Mines, Environment and Tourism (MMET): Oversees mining activities in the country.
- b) Minerals Marketing Corporation of Zimbabwe (MMCZ): deals with marketing of minerals except gold and silver.
- c) Reserve Bank of Zimbabwe (RBZ): Has exclusive rights to gold and silver purchases
- d) Zimbabwe Mining Development Corporation (ZMDCU): Main operations are in gold, copper and silver. The corporation runs a research and development laboratory in Harare. This carries out fire assays and wet chemical determinations and provides technical assistance and advice to cooperatives.
- e) Institute of Mining Research (IMR): Financed by an annual grant from MMET supplemented by income from research contracts. IMR undertakes research and consultancy work on almost any aspect of mining. IMR works in close liaison with the mining industry in rock mechanics, economic geology, applied quo chemistry, applied mineralogy, mineral processing and mineral economics. The main focus has been concentrated in the field of economic geology and extractive metallurgy. Advances in these fields have resulted in considerable economic advantages to the mining industry. Contributions have been made to import substitution schemes through the Institute's use of skills in determinative mineralogy and chemical analysis.
- f) Chamber of Mines: Represents interests of big mining concerns
- g) Small Scale Miners Association of Zimbabwe (SSMAZ): Represents interests of small-scale miners

Importance of the mining sector to the nation

- a) Offers both primary and secondary employment:
 - Contribution to total formal employment was 3.85% in 1993 compared to 5.16% in 1985 mainly due to drought (and hence worker retrenchment due to mine closures).
 - Informal sector, represented by illegal gold panners, directly employs an estimated 150,000 people with an additional 100,000 being indirectly dependent on it.

¹⁹Business Herald, 3 June 1999

- b) Earns the country foreign currency
 - Over a third of the country's foreign currency earnings is derived from mining activities.
- c) Source of revenue:
 - For government from company taxes and personal income taxes and service charges levied by the Ministry of Mines for the services it offers.
- d) Contribution to the GDP:
 - Averaged slightly over 7% in the period of 1980 to 1993.
 - Lags behind that of manufacturing and agricultural sectors, which contribute 24% and 10% respectively to GDP in 1992.

Costs of mining

- Degradation of the environment
- Exhaustion of the minerals

Prospects of the mining sector

Poor because of:

- high production costs; and
- falling commodity prices.

PROCEDURES FOR APPLYING MINING CONCESSSIONS IN ZIMBABWE

Getting a prospecting licence

For mining administration purposes Zimbabwe is divided into five mining districts. These are Harare, Bulawayo, Gweru, Kadoma and Masvingo. A Mining Commissioner (MC) is stationed at each district. In addition, there are two sub-districts in Mutare and Gwanda headed by Assistant Mining Commissioners (AMCs). Within their respective district the, MCs or AMCs are responsible for issuing prospecting licences, registration, transfer, settlement of pegging disputes, collection of revenue and the maintenance of records of mineral production among other things.

A prospecting licence is issued in terms of the Minerals and Mines Act, Chapter 21.5. Prospecting licences are basically issued to two categories of users/miners. First, they can be issued to individuals. Second, they can be issued to a syndicate not exceeding six members, a company or to a partnership. It is only people who are over 18 years and resident Zimbabwean citizens who are entitled to obtain a prospecting licence. For foreign investors a prospecting licence is only issued when they are in partnership with locals. For a syndicate there is need to appoint one person who is regarded an accredited agent. The accredited agent must reside in Zimbabwe and must be formally registered before any claims are registered in the name of a company, syndicate or partnership. A prospecting licence can either be an ordinary prospecting licence which gives the holder the right to prospect for any mineral in Zimbabwe or a special prospecting licence which gives the holder the right to search for base minerals only ^[20]. An ordinary prospecting licence attracts a fee of Z\$150 while a special prospecting licence costs Z\$1 000. Large companies in the mining sector make use of Exclusive Prospecting Orders (EPOs).

The rights conferred by a prospecting licence may only be exercised by an approved prospector. If the holder of the licence is not an approved prospector, there is need to appoint an approved prospector in writing as a representative before any pegging is done under the licence. This appointment needs to be endorsed on the back of the licence. The Act defines an approved prospector as a person for the time being registered in the Approved Prospectors Register. All approved prospectors are free-lance. They, however, need to be trained, tested and registered with the Ministry of Mines, Environment and Tourism. The amount charged by each proven prospector varies depending on how they negotiate with their client(s).

The process of acquiring a prospecting licence is a simple one. One must approach the Mining Commissioner's office in any mining district and complete an application form. This form requires the applicant to furnish the MC with his full name, permanent address, date of birth, nationality and indicate whether one is a civil servant or not. For female applicants there is need to state their marital status. If married, they are required to state whether they are married in or out of community of property. Furthermore, the husband's address and name is required. Provided the applicant has his/her identity card or passport or driver's licence, and the required fee for the licence, they want they can get it in a matter of minutes.

²⁰ Definitions of a base mineral appear below.

Entitlements of a prospecting licence

The right of prospecting and pegging conferred by the licence is the right to peg/block precious metal, precious stone and base mineral claim. Land which is open to prospecting includes state, communal and private land in the title to which it has been served either to the British South African Company or the Zimbabwean government. Reservations against prospecting and pegging may be by the MC, instructed by the Secretary of Mines on the authority of the Minister. Reservations are made possible by notice posted on the MC's office of any area against prospecting or pegging and all rights possessed by the holder shall cease.

Certificate of registration

Having obtained a prospecting licence there is need to acquire a certificate of registration which allows an individual or company to start mining and legally market the produce. Three stages need to be followed for one to be given a certificate of registration. The application for the certificate needs to include: (a) a prospecting notice; (b) a discovery notice; and (c) a registration notice. The above forms need to be attached to a claims plan.

Before any prospecting is done there is need to give a notice of this intention. This can be done in various ways. For instance, if a portion of townland is to be used, there is need to give notice in writing by registered letter addressed to the local authority. This applies to private land also. For communal land there is need to give notice to the district council. Failure to comply with the above renders the outcome of the pegged mines invalid. The prospecting notice is followed by a discovery notice. This is marked by a peg "DP". The notice shows that a particular mineral has been discovered in that area. According to the Act a registration notice is issued within 31 days of 24 hours from posting of the prospecting notice. The holder of the licence, who has discovered within the area covered by such notice any one mineral or deposit, may peg a block. Within the same period the holder of any mining location upon which a registration notice has been posted may, on application to the MC within a period of 31 days after date of posting such notice and on payment of the prescribed fee, obtain a certificate of registration.

With the certificate of registration, one can start drilling or extracting on the ground open to prospecting. The above mentioned three notices need to be attached to a claims plan to avoid instances of overpegging. It is the responsibility of an approved prospect to demarcate mine claims. A claim is equivalent to one hectare. For precious metals one can be allocated a maximum of 10 ha and for base minerals a maximum of 25 ha.

Details on a certificate or registration include a registration number for precious metals (it is written in blue while for base minerals it is written in red). The name of the mine is usually issue by the Ministry based on location of the mine. The certificate gives also the number of a holder's claim(s). The information on the certificate supplies Ministry officials with information, which enable them to embark on field trips for inspection purposes. It also helps in solving disputes between those in the mining sector and surrounding farmers. The certificate is of paramount importance if the individual is to access the market when selling mineral resources.

There are a number of circumstances under which a prospecting licence can be cancelled. Overpegging of claims results in cancellation. It is common in areas where owners of such claims have gone for a long time without developing their sites. A prospecting licence can be cancelled when improperly allocated claims are developed. For instance, Boka Investment Pvt. (Ltd.) claims of base mineral scheelite were cancelled due to improper pegging ^[21]. A duplicate prospecting licence can be issued by any MC upon forwarding a letter stating the loss of a licence, its licence number and from which MC's office it was originally issued.

²¹ Business Herald, 3 September 1989.

Exclusive Prospecting Orders deny holders of prospecting licences authority to start mining without conditionalities. Those who mine in such areas need to apply to the holder (of E.P.O.) and in most cases they are forced to sell their produce through the holder of the Exclusive Prospecting order.

One main problem highlighted by Mining Commissioner officials is the need to educate those members of the public holding prospecting licences i.e. that the licence does not mean ownership of a mine but only gives them the right to mine mineral resources in these areas.

MARKETING OF MINERALS IN ZIMBABWE

The marketing of minerals in Zimbabwe is governed by three acts of parliament, namely the Base Minerals Export Control Act of 1949, the Gold Trade Act and the Minerals Marketing Corporation of Zimbabwe (MMCZ) Act of 1982. The last Act resulted in the formation of a public enterprise, Mineral Marketing Corporation of Zimbabwe, which began to function in March 1983. MMCZ is concerned only with the export of minerals. Prior to independence a Chamber of Mines official indicated that mining companies used to deal directly with their customers abroad. However, gold and silver were sold to the Central Bank. Under sanctions the government after UDI supported the formation of a private company Universal Export (Univex) to promote the export of minerals.

In order to understand how the marketing of minerals is done in Zimbabwe there is need to highlight the provisions of the Act on this subject. Furthermore, there is need to explain the functions, structures, power and mandate of MMCZ.

Gold and silver

The Base Mineral Export Control Act defines a base mineral to mean coal, coke and all such slimes (concentrates, slags, trailing and residues). Excluded under base mineral definition are precious metals, stones, mineral oils and natural gas. Precious stones include beryls, diamonds, emeralds, rubies and any other substance that the President declares to be a precious stone. According to this Act the Minister of Mines has the right to prohibit export of all base minerals. The Minister can direct that all base minerals or any specified base mineral may only be exported from Zimbabwe. An order may prescribe the quantity of the base minerals that may be exported, the period and the place from consumers of the base mineral. Failure to compile with the demands of this law attracts a penalty fine not exceeding Z\$1 000 or imprisonment for a period not exceeding two years or both.

The trade in gold is governed by the Gold Trade Act. According to this Act holders of gold dealing licences should deliver gold to the Reserve Bank not later than the 10th of every month. Under this Act three types of licences exist:

- (a) Gold Dealing Licence allows the holder to buy, sell, barter or exchange gold;
- (b) Gold Recovery Works Licence entitles the holder to buy and receive gold which is not in the form of alluvial or amalgam; and
- (c) Gold Assaying Licence allows the holder to receive gold for purposes of analysis or testing and to sell any gold resulting from such operations only to a holder of a gold dealing licence.

The Secretary of Mines, or any person authorised by him, issues the above licences. There is need to receive written authority of the Minister of Finance in issuing these licences. They are valid for a year and a licence fee has to be paid for issue or renewal of a licence. The Minister may fix such a fee by notice in a statutory instrument. Gold that has been confiscated becomes state property in possession of the Ministry of Mines.

All bullion produced in Zimbabwe is processed by Fidelity Printers and Refineries (Pvt) Ltd, a company wholly owned by the Reserve Bank. The refinery has a capacity of 50 tonnes of gold per year, refined to a purity of 99.5%. Silver for domestic use and export is also processed at the refinery. The refinery only processes approximately 19 tonnes meaning its operating far below its capacity [22].

^{22.} Chamber of Mines, 1994 prospectus.

Fidelity Printers is not prepared to purchase amounts of gold less than fifty grammes. A study funded by government and United Nations Development Fund (UNDF)^[23] recommended that panners could be issued with permits from local authorities so that they can sell gold to the appointed agents.

Other minerals

Having discussed how gold and silver are marketed effort is now directed at how the other minerals are marketed. To do this there is need to give information pertaining to the functions, powers, duties, financial provision and conditions of sale and export of minerals by MMCZ. MMCZ was established by a 1982 Act of Parliament. It is controlled by a body known as the Minerals Marketing Board (MMB). The body is headed by a chairman appointed by the Minister, the general manager of MMCZ and seven other members appointed by the Minister.

According to the Act, MMCZ is the sole marketing and selling agent for all minerals except gold and silver. It is empowered to investigate or cause to investigate conditions, whether inside or outside Zimbabwe, for sale of minerals in general or any particular mineral. MMCZ is responsible for the purchase and acquisition of any mineral for its own account and sell or dispose such minerals. It also must encourage the local beneficiation and utilisation of any mineral and advise the Minister on all matters connected with marketing of minerals. The company has 5 sales divisions which are: (1) metal division - ferroalloys, nickel and copper by-products; (2) asbestos; (3) steel and granite; (4) gemores, graphite, emeralds, lithium ores and diamonds; and (5) new products - coke, coal and platinum group metals.

When performing its duties, the Corporation at all times acts in such a manner as to promote the efficient marketing, export and sale of minerals. This is done, taking into account the national interest of Zimbabwe, the interest of any producer and in order to keep expenses as low as is consistent with the provisions of efficient services to producers and sellers of minerals. The Corporation must be self-sufficient. Money not directly required by the Corporation may be invested in such a manner as the Minister acting on advice of the Minister of finance may approves.

The control of sale and export of minerals is governed by a particular section of the MMCZ Act. Under this section no person other than the corporation shall sell any mineral outside Zimbabwe except to the corporation or in terms of a contract negotiated by the corporation on behalf of the seller or when authorised to do so by the corporation. Any person who sells or exports any minerals in contravention of provisions of the Act shall be guilty of an offence and liable to: a) a fine not exceeding \$2,000; b) imprisonment for a period not exceeding ten years; or c) both fine and imprisonment.

Any person who wishes to sell any mineral either in or out of Zimbabwe needs to provide the Corporation with particulars of its type, quantity, grade and location; including details of proposal if any for the sale or export of the mineral. The Corporation has the right to negotiate on behalf of the seller the sale of the mineral concerned. The Corporation can purchase the mineral concerned from the seller on such terms and conditions as may be agreed between it and the seller. MMCZ can grant the authority to sell or even export the mineral concerned, subject to such terms and conditions as the Corporation may impose. The MMCZ by notice in writing served upon the person concerned can fix the maximum quantity of any mineral that any person may own, or have in their possession. The authority to sell or export is valid for a period not exceeding 12 months.

With the above information, it is evident that MMCZ has a monopoly in the marketing of Zimbabwe minerals. MMCZ operates by charging a commission of 0.875% of the gross value of the mineral. This is considered a small charge considering that private agents might charge between 3-4%. In 1996 the Corporation collected Z\$46m in commissions from sale of minerals, the bulk of which comprised

^{23.} Business Herald 1998

ferroalloys (nickel and asbestos). It made a profit of 18 million dollars and paid a dividend of 8 million dollars to the state^[24].

The Deputy Divisional Manager of the metal division at MMCZ stated that the corporation does not trade in minerals but acts as a middleman. The corporation, therefore, usually functions either by purchasing goods for resale or by acting as an agent on behalf of the producer. In both cases, MMCZ arranges transport and insurance of goods.

Two major companies have been exempted from exporting their minerals through MMCZ. These are Hartley Platinum mine in Norton (a joint venture between Australia Delta Gold and BHP Minerals) and Africa Resources Limited, producers of asbestos at Shabani Mine in Zvishavane and Gaths Mine in Mashava. These mines negotiate and agree on prices on their own with their customers and advise MMCZ on the terms of reference with the market. Before they can export anything they have to seek approval from MMCZ.

The view of members of Chamber of Mines is that MMCZ is an unnecessary establishment for the mining giants. They argue there is need to change the marketing strategy with large companies having to deal directly with their customers without having to go through MMCZ. The MMCZ must remain responsible to monitor prices and or assist small scale miners who might not have the capacity to produce and export directly to their outside customers. The Minerals Marketing Board of MMCZ has had commercialisation proposals but this has been turned down by the Ministry according to MMCZ officials.

²⁴ Financial Gazette, 16 January 1997.

BREAKDOWN OF MINING REVENUE BETWEEN CENTRAL AND LOCAL GOVERNMENT

This appendix is based on a study, Mining Revenue - Who Gets What?, commissioned by the Association of Rural District Councils and the Friedrich Ebert Foundation. The report covered an analysis of mineral revenues in the national economy and analysis of mineral revenue for two rural district councils (RDC) - Bubi and Mberengwa. The report cautioned that since Bubi district had 654 mines and Mberengwa 290, and many of these mines had their head-offices outside the districts, a district financial survey would be a large, difficult and complex undertaking. To this end the report claimed that estimates could not be considered exact as they were of the correct order of magnitude.

Purpose and objectives of the study

The study was concerned with obtaining data on the comparative distribution of benefits from the mining sector such as taxes, levies and incomes between central government and local authority, the RDCs. It was observed that this comparison needed to be interpreted with reference to the stated government policy that RDCs should become financially independent and that the RDCs should mostly be responsible for financing development of this district. The study had these specific objectives:

- To illustrate the role played by minerals and mining in the national economy in terms of the contribution to GDP, employment creation, foreign currency earnings and to support industries
- To quantify revenue that accrues from mining and minerals sector in the form of company tax, income tax levied on employees, levies, licence and service feeds that accrue to the Ministry of Mines from the lease of mining properties and claims
- To quantity the income accrues to RDCs in each district from mining activities
- To consider the relative distribution of tax incomes from mining and to compare the share accruing to the RDCs and the state.

Research Methodology

The project was executed at two levels:

a) Micro economic analysis

This was basically desk research, which relied on published data. In cases where it was judged as being inadequate visits to relevant ministries, government departments and company offices were undertaken.

b) District based research work

This involved visits to mining district offices in Masvingo and Bulawayo within which the two RDCs under study were located. Visits were made to the RDC offices and a selection of mines in each district. The purpose of the survey visits was to document any sources of revenue data that the RDC maintained and collect data from the mines on production employment, company taxes paid, personal tax paid and any levies or tax paid directly to the RDC.

Public data was obtained from or through Central Statistical Office (CSO), Ministry of Mines (head office) Mining District Offices, Institute of Mining Research Database and company annul reports. Two sets of questionnaires were designed, namely district council and mines questionnaire.

Direct government revenue from mining

Minerals generate income for the state in three main ways, revenue from registration and services, revenue from mining, corporate and personal taxes and employee tax.

a) Revenue from registration and services

The central government, through the Ministry of Mines, receives revenue from mining companies and individuals engaged in mining in the form of prospecting licences, inspections, registration fees, rents, duplicating certificates and other fees such as blasting licences. The amount received by the Ministry has been increasing each year as collection methods improve and fees are increased. The amount of service charges received rose from Z\$464 900 in 1989 to Z\$3 475 800 in 1993, an increase of 640% in the five year period.

b) Revenue from mining, corporate and personal taxes

Government derives the greatest share of its tax revenues through corporate taxes and personal income taxes. Data published by CSO shows that the mining sector makes variable contribution to total government tax revenues.

c) Employee tax

Government receives revenue in the form of PAYE from employees of mining companies.

d) Conclusion

It can be concluded that there is enough evidence to show that mining is an important sector in the Zimbabwe economy. It accounts for an average 7,21% of GDP, export earnings (31,9%) employment (3.85%), gross fixed capital formation and government revenue through company taxes (5.41%) and personal taxes (4.785).

Minerals revenue analysis for two pilot districts

The macro-economic analysis indicates the importance of mining to the whole country but it is unable to clarify the effect of mining at local level. It is at district level that the minerals are mined, the environment damaged, employment generated and district revenues collected. The district-based study of Mberengwa and Bubi aimed to quantify the revenue that mining contributes to each RDC.

a) Mberengwa

The district has 289 registered mines producing a wide range of minerals such as gold, emeralds, diamonds and base metals. Since mining districts differ from administrative districts revenue information is not directly relevant to the administrative district of origin.

Data was obtained for the first 5 months of 1995 and used in the analysis to indicate the revenue levels. The total of Z\$129 294 collected from Mberengwa was retained by the Ministry of Mines and represented 60% of revenue collected for the whole of Masvingo mining district. This money was collected on behalf of the Ministry and does not accrue to the RDCs at all. It may be considered as revenue that accrues directly to the central state.

The revenue collected by Mberengwa RDC comes from gold panning

Until September 1991, RDCs were not empowered to collect revenue from panning as the activity was illegal. Mberengwa RDC started collecting revenue from gold panners in 1993. There are four rivers (Biri, Shande, Mondi and Mwenezi) along which massive panning is currently taking place. For the fiscal year 1992 – 1994, the council collected Z\$11 000 from panning registration fees for 550 panning licences. During the period July 1994 to April 1995 it collected only Z\$21 900 through issues of 145 panning licences.

According to the Rural District Councils Act No. 8, 1999 (Section 96), RDCs are entitled to collect a unit tax from all mining operations. Previously RDCs were not entitled to this tax. For unit tax collection purpose, a unit is defined differently for precious metals (gold and gemstones) and base metals. Precious minerals units are defined in terms of people employed while base metals units are defined in terms of the number of saleable output. According to the regulations each council fixes its own fee per unit. Mberengwa has set the fee at Z\$850 per unit. Using the definition of a unit (Appendix 6) there were 182 units which the council could have charged for and generated revenue to the tune of Z\$154 700, at the current charge. In 1993 the various base metals produced resulted in 329 chargeable units for the district. Using the current Z\$850 per unit the council could have raised venue of Z\$279 743.50 per year. The total revenue amounted to Z\$430 000 for the year 1993. However, the RDC did not collect unit tax in 1993.

Mberengwa RDC has proposed to levy unit tax in the 1995/96 fiscal year. However, revenues from unit taxes are still an extremely small proportion of the total value of the minerals mined out from the district.

b) Bubi

Not much data could be extracted from the MC's office in Bulawayo under which Bubi district falls because of the pathetic state of records. There are very few registered mines in Bubi because large tracts of land are taken up by numerous EPOs in the area. From available records at Bulawayo mining district office the Ministry collected little revenue. In 1994 the Ministry collected only Z\$15 530 from mine inspections, Z\$1 900 from the issue of prospecting licences and \$1 800 in 1995.

The council started collecting revenue from mining companies in 1990 in the form of the Land Development Levy or unit tax. However, the council does not have a full list of the mining companies operating in the district. The Bubi RDC raised its unit tax from Z\$100 in 1990 to Z\$250 in 1995. The council collected \$20 066.25 as unit tax between 1991 and 1995, an average of Z\$4000 per year.

Using the definition of a unit given in the RDC Act, the council could have charged for 66 units in 1993. Using their charge of Z\$154 per unit in 1993 the total unit tax was Z\$10 164. However the council only collected Z\$8 540.72 for 2 financial years. This indicates inefficiency in the current system of revenue collection.

Despite the legalisation of gold panning the council has not registered any claim. The argument they have is that it does not have enough manpower to monitor the activities of the panners and to enforce laws related to panning. Council also feels registration might encourage more people to go into panning thus further devastating the environment.

Conclusions

The report presents a comparison of revenue that accrued to the central treasury and value of revenues from the two pilot districts (see table below).

Mineral Derived Income Comparison - Central Government vs. RDC

| District | State Income | RDC Income |
|-----------|---------------|---------------------|
| Mberengwa | Z\$25 million | Z\$11,000 (0.0004%) |
| Bubi | Z\$12 million | Z\$5,000 (0.0004%) |

From the above it is obvious that RDCs are receiving a highly inequitable share of their mineral wealth as shown by the fact that:

- RDCs receive less than 0.001% of the tax revenue generated by the minerals industry in their districts
- Central Treasury received on average MZ\$6.6 per RDC from derived taxes (1993/95).
- District natural resources are permanently depleted by mining and the brunt of the environmental damage is borne at district level
- Employment opportunities are generated preferentially for local populations.

Since the permanent loss of mineral resources, the environmental degradation associated with mining and the use and depreciation of established infrastructure is at the expense of locals and their RDCs, it would appear that there is a strong case for re-examining the split of the tax income between the RDC and the state. The revenue data is insufficiently comprehensive for clear, indisputable financial analysis of the disbursement of district mineral taxes between the RDC's and the Central Government.

Recommendations

a) Distribution of tax income

The report did not claim to present a comprehensive view of all possible opinions of all possible stakeholders. However, it suggested that RDCs share of levy/tax from mining was unacceptably low and was a major impediment to the more rapid development of district economics. It was noted that if 30% of tax income from mining was devolved to the RDCs this would not prejudice the state unduly since the tax income to the state from this sector is 5% of its total tax income.

The ARDs will need to mount serious high level political campaign in order to get parliament to consider and debate the issue of the distribution of mineral revenue. ARDs are recommended to formulate a detailed district mineral policy regarding distribution of tax income, mobilise and campaign for public support for such policy both in parliament and at district level.

b) Other recommendations

All mines must register with their local RDC including those with EPO and claims. The Ministry of Mines must provide information pertaining to annual production, value of sales, national taxes and local levies paid to RDC. The district minerals databases can form the basis of a system for RDCs to ensure that all mining activities in the district are registered and that due levies are collected.

RDCs can expand their revenue base by introducing levies on all pegged claims and EPOs. This will discourage claim holders from holding dormant claims to the detriment of RDC development.

The RDC Act on mining unit tax and development is inequitable since revenue collection is not based on mine profits. A tax or profits is much more likely to provide an equitable distribution.

RDCs should be legalised to buy gold in small quantities of even less than 20 grammes thus reducing the losses from illegal gold being taken out of the country and district while providing revenue for the RDC. Such measures appear to be highly successful in Tanzania

c) Support to local mining activities

- The Geological Survey and Ministry of Mines provide much needed support to small scale miners but, due to under-funding they have not been able to provide this service. This has led to bad investments and environmental damage.
- RDCs can assist by the helping to co-ordinate and improve the dissemination of geological, technical and management and advice to small-scale miners.
- EPOs appear to be in the interest of large mining companies. RDCs can campaign for changes to the mining laws so those claims are pegged for specific minerals and are not exclusive.
- Most mine operators would welcome a closer relationship with the RDC in order to lobby for better infrastructure and assist with dispute settlement especially between landowners and miners
- Environmental degradation due to mining and gold panning is common but there is no recompense to the host district. Environmental damage take the form of siltation of dams/rivers deforestation, open trenches, mine shafts, mercury and cyanide pollution of water and ground water supplies
- There is a general shortage of equipment among small-scale mines and RDCs can assist by providing and selling such services. Ventures such as operations of milling plants, the hiring of transport and provision of blasting services among others will enhance the small-scale miners while generating revenue for the RDCs
- RDCs can get involved in joint ventures with local miners particularly in sourcing finance for mining development
- District mineral resources can fit into the CAMPFIRE framework and the ARDs should explore ways of co-operating with CAMPFIRE which has both skills in the development of local rural enterprises and also has the experience for a reassessment of the way in which the revenue derived from the district mineral resources are distributed
- The central state often pays for major access roads and power supplies to be brought to distant mining communities. This factor needs to be considered in negotiations over district mineral revenue.

Appendix VI

LIST OF ORGANIZATIONS CONSULTED

Association of Rural District Councils

CAMPFIRE Association

Chambers of Mines

Mudzi Rural District Council

Mutoko Rural District Council

Guruve Rural District Council

Minerals Marketing Corporation of Zimbabwe

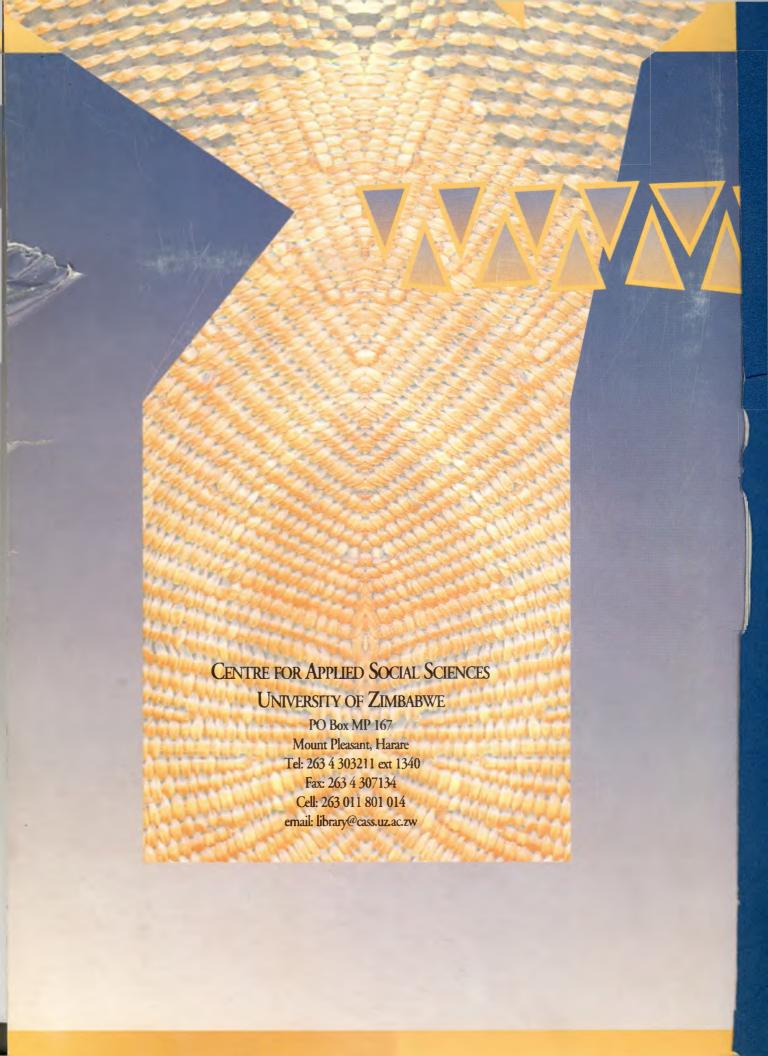
Mining Commissioner's office (Harare District)

Ministry of Local Government

National Miners Association of Zimbabwe

Ministry of Lands and Agriculture

Zimbabwe Trust





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