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IN the last decade Zimbabwe has discovered vast mineral deposits with enormous potential to turn around the flagging economic fortunes of the country, but political instability, opaque indigenisation regulations and prohibitive mining licence fees have scuttled projected growth.

Apart from the hyped discovery of diamonds in Chiadzwa, other precious minerals, including gold, emeralds, nickel, quartz and aquamarine have also been discovered in many districts in the country.

Zimbabwe is indeed endowed with vast mineral resources with a great potential to resuscitate the economy which stagnated in the last decade due to unfolding political tensions between Zanu PF and MDC-T.

Despite the discovery of gold and other minerals in Kwekwe, Tsholotsho, Mberengwa and Beitbridge, among other areas, the economy is still struggling.

The mining sector is still to realise its full potential because of skewed policies, although it's now the biggest contributor to the Gross Domestic Product with 13,1%. It also presently rakes in about 50% of the country's export earnings.

According to Mines minister Obert Mpofu, the Chiadzwa diamonds could generate about US\$2 billion annually.

Economists have continually argued that the unending political bickering between President Robert Mugabe and Prime Minister Morgan Tsvangirai was scaring away potential investors who are well resourced to extract the precious minerals.

The rampant smuggling of diamonds, platinum, gold and other precious metals was also stalling economic growth, according to prominent economist John Robertson.

About a fortnight ago, alluvial gold deposits were discovered in Kwekwe and there has since been a “gold rush” resulting in arrests of several illegal miners, including policemen.

As a result, the Sherwood area on the outskirts of Kwekwe has now been cordoned-off by police and state security agents in a similar manner Chiadzwa was barricaded after the discovery of gems.

Human rights watchdogs accused the army and state security apparatus of gross rights violations, including murder and torture.

Diamonds were discovered in Marange in 2006, but villagers are living in abject poverty amid allegations that only Zanu PF-connected individuals were feasting off the gems.

Diamonds revenues have been a source of contention between Zanu PF stalwarts and Finance minister Tendai Biti who has complained that part of the funds realised from sale of the gems never reached the national treasury.

Robertson urged the government to ensure a business-friendly environment to attract investors instead of threatening to seize mining firms. He also criticised the mining licencing fees and tax regimes, which he blamed for turning away potential investors.

“It requires serious investors to exploit minerals but the government is discouraging companies,”

said Robertson. "The nationalisation mantra is not helping the situation."

Robertson said mining companies were battling to raise licence fees while taxes were skyrocketing, rendering the environment hostile for flourishing business.

"Zimbabwe has enormous potential but the government has gone too far with its skewed policies which scare away international investors," Robertson said.

According to the Mines and Mining Development ministry, the sector has created 45 000 mainstream jobs as well as 16 000 downstream jobs.

Bulawayo- based economic commentator Eric Bloch said mining could be the biggest contributor to economic revival, but investors were fearful of political instability and the absence of law and order.

The push for nationalisation of mines, Bloch said, was contributing to crippling Zimbabwe's chances of economic recovery.

Bloch suggested that free and fair elections were likely to usher in a new government that would bring much-needed political stability to attract renowned investors.

Bloch said there was need to modify indigenisation laws and scrap the 51% stake for locals and design more attractive policies to help rebuild the country's battered economy.

The Indigenisation and Empowerment Act stipulates that foreign-owned companies should cede a 51% stake to locals. Mugabe has even gone further to say the 49% stake for foreigners was

generous because they would be “siphoning resources to their offshore bank accounts”.

Bloch said the inclusive government needed to modify tax laws to align with other regional countries.

“The government has made positive moves to contain smuggling but the policies and taxes remain prohibitive for potential investors,” Bloch said.

Since 2009, the mining sector has recorded constant growth due in part to a change in the institutional and regulatory framework introduced by the coalition government’s export-led growth strategy.

Some of the positive changes include the scrapping of stringent export regulations, which forced mining firms to sell minerals through the central bank, and decriminalising the gold sector by issuing trading licences.

Soaring mineral prices on the international markets are set to boost the country’s coffers, but it’s highly dependent on how the mineral resources are managed.