



RESOURCE NATIONALISM IN ZIMBABWE

Mining Fiscal Regime, Productive Linkages, Artisanal & Small-Scale Mining

KEY MESSAGES

- ◇ While the Zimbabwe government has pursued elements of a strident resource nationalism in the 2000s, its actions have been undermined by weak state capacity, elite interference, the power of large-scale miners
- ◇ Government slowness to reform, formalize and empower the increasingly important artisanal and small-scale mining sector has opened spaces for revenue leakage, criminality and violence, notably in gold mining
- ◇ Fiscal and industrial mining policies aimed at improving revenues and productive linkages have been weakened by low state capacity, weak consultation, and the absence of consistently applied mandates

INTRODUCTION

Zimbabwe's diversified mineral sector, which includes world-class deposits of platinum group metals, diamonds and lithium, has historically been dominated by large-scale foreign-owned companies. Since the economic crisis of the 2000s three key trends have emerged together. First, mining's contribution to export earnings grew in importance while its impact on local economic activity and community development diminished, underscoring the deepening of a minerals 'enclave' economy in the large-scale sector. Second, artisanal and small-scale mining (ASM) experienced rapid growth in response to rising formal unemployment and strained rural livelihoods. As a result, a large portion of gold production now takes place on the margins of formal regulation and government oversight. Third, declining state capacity undermined coherence in policy-making, generating inconsistency in the mining fiscal regime (MFR) and weakening the impact of local content policies.

Despite an attempt at structural transformation of ownership and community participation in mining in the 2010s through a far-reaching indigenisation programme, foreign actors continue to dominate large-scale mining. Initiatives aimed at boosting local content and industrial linkages to mining were hesitant and largely unenforced. And while government promised regulatory reforms enabling formalisation and inclusion of ASM in a broader mineral development strategy, legislative initiatives have repeatedly stalled and the ASM sector remains marked by informality, inconsistent incorporation into trading networks, and localised outbreaks of violence.

KEY FINDINGS

The Mining Fiscal Regime

Zimbabwe's MFR has been largely unstable and unpredictable, undermined by weakened state capacity and political interference during periods of fiscal and political crisis. In the early 2000s critical changes to the MFR included the introduction of royalties, VAT and measures enabling foreign exchange retention of mineral export revenues. In subsequent years, royalty rates experienced dramatic and frequent fluctuations driven by government's short-term fiscal needs, fuelling uncertainty, especially in the gold and platinum sectors. Throughout this period, MFR reform processes were hampered by several structural constraints, including an outdated and incompletely elaborated policy and legal framework, state capacity constraints, and lack of reliable and consistent data to support regulatory oversight. In this context, allegations of elite predation, significant criminal smuggling and illicit financial flows have persisted, especially with regard to the gold, diamond and platinum sector. Despite these challenges, large-scale miners continued to view the MFR as mostly industry-friendly and manageable.

Although government has drawn heavily on the vocabulary of participation and inclusion in mining sector reforms, its consultation of diverse stakeholders has been halting. Policy processes have been heavily dominated by government's voice and those of its political allies. While well-capacitated civil society organisations (CSOs) work extensively on taxation transparency, efficiency, decentralisation and redistribution, their participation in policy-making has

frequently been impeded by government's sensitivity to critical voices and perceptions of alternative political agendas. By extension, representative mining associations, leading mine operators and some mining communities have maintained distance from advocacy CSOs out of concern for being seen unfavourably by government. Therefore, despite an emerging consensus around the need to achieve greater stability, equity and inclusion through MFR reforms, capacity and political obstacles in the state have impeded the way forward.

Artisanal and Small-Scale Mining

State intervention in the ASM sector has focused on formalisation. However, these efforts have been limited in scope, and mostly restricted to questions of registration, environmental monitoring, and tax capture. Little sustained support for capital finance, skills training, and marketing was provided, and underscored gendered inequities among ASM players; for example, a gold initiative fund managed by the Reserve Bank of Zimbabwe mainly benefited already established and politically connected ASM actors. State resources for ASM extension services remain inadequate. Progress on formalisation has been stalled by contradictory incentives: government aims of boosting revenue and securing legitimacy among ASM actors have competed with claims by politically-linked actors to derive income privately from the sector.

Local Content, SMEs & Gender

The strengthening of local upstream and downstream supply chain linkages to the extractives sector are a hallmark of many contemporary resource nationalist strategies. Upstream linkages especially are seen as creating opportunities for the incorporation of non-traditional actors, including SMEs and women-led businesses. In Zimbabwe, recent research demonstrated the potential benefits of strengthened local supply chains, with government seeing them as integral to its plans for a \$12 billion minerals economy. However, the Local Content Strategy of 2019 fell short in charting a path forward for mining. It placed emphasis on less viable downstream linkages, and

stopped short of a mandate for local content quotas and provisions for state enforcement. The principal legislation governing the sector, the Mines and Minerals Act, remained silent on the prioritization of indigenous actors in supply chains and the question of quotas for encouraging greater local participation. As a result, large-scale miners continued to set the terms of local procurement for a wide range of upstream services, with little incentive to invest in value-added mining services.

Our research found significant inequities and lost potential in its study of the SME mining services sector. Diverse actors cited a lack of meaningful consultation by government in the development of its local content strategy, and weak investment in its implementation. Women SME operators in particular faced numerous challenges and barriers. In addition to issues of gender stereotyping, sexual and other rights discriminations, they reported lack of access to capacity training and finance, and highlighted that local content initiatives were not gender sensitive or equity-promoting.

RECOMMENDATIONS

- ◇ Greater coherence and consistency in MFR management is required to stabilise revenues and encourage investment in new mining projects. MFR policy reform processes require the more effective participation and oversight of diverse sector constituencies.
- ◇ The Formalisation of the ASM sector remains a priority of mining sector reform. Delays in formalisation and weakened oversight have impeded access to capital and support services, and created opportunities for criminality and significant revenue leakage.
- ◇ Government's Local Content Strategy requires strengthening by drawing on recent evidence-based research, and the closer consultation of key actors and marginalised players, notably women miners and women-owned SME mining services.

Resource Nationalism in Southern Africa is a research partnership of African and Canadian universities, non-governmental organisations and research units, and researchers working in Tanzania, Zambia and Zimbabwe on themes of ASM, taxation and industrial policy reforms in the extractives sector. The project is supported by funding from the Social Sciences and Humanities Research Council of Canada and contributions from partner organisations. For further information on the project please visit us at <https://resourcenationalism.ca/>



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