



global witness

FINANCING A PARALLEL GOVERNMENT?

The involvement of the secret police and military in Zimbabwe's diamond, cotton and property sectors

Executive Summary

This report reveals how Zimbabwe's feared secret police, the Central Intelligence Organisation (CIO), appears to have received off-budget financing from Sam Pa, a businessman based in Hong Kong; and how members of the CIO are directors of a group of companies, Sino Zimbabwe Development*, registered in Zimbabwe, Singapore and the British Virgin Islands.

Several well informed sources have told Global Witness Sam Pa (AKA Antonio Famtosonghiu Sampo Menezes, Xu Jinghua and Sam King) holds leadership positions in a network of companies known as the Queensway syndicate. The syndicate was the subject of a detailed study by the Economist in 2011. This study concluded that syndicate has a track record of opaque 'resources for infrastructure' deals across sub-Saharan Africa. Despite the official sounding names of its companies, such as China International Fund and Africa Development Corporation, the syndicate is largely owned by private Hong Kong business interests. Until recently some of the key companies, such as China Sonangol International Ltd, were also partly controlled by a leading Angolan politician, Manuel Vicente, the former head of Angola's state oil company Sonangol. Finally, the Economist highlighted that two companies in the syndicate, China Sonangol International (S) Pte Ltd and CIF Singapore Pte Ltd, are noted for an ethically dubious deal with the Guinean military junta in 2009,

signed just weeks after security forces killed over 150 protestors and raped over 100 women in a stadium.

This briefing extends the Economist's analysis of the Queensway syndicate's activities in Zimbabwe. Several reliable sources within the secret police have passed information to Global Witness demonstrating how Sam Pa appears to have provided a significant sum of money, said by one CIO document seen by Global Witness to be \$100 million, to the CIO. The same sources, corroborated by another source with firsthand knowledge of the deal, also describe how Sam Pa provided 200 Nissan pick-up trucks to the CIO. In return, Sam Pa received diamonds and accessed business opportunities in the cotton and property development sectors. As figure 1 shows we also use company registry records and sources within the secret police to identify three Zimbabwean directors (Gift Kalisto Machengete, Pritchard Zhou and Masimba Ignatius Kamba) of Sino Zimbabwe Development in Zimbabwe, Singapore and the British Virgin Islands who are members of the CIO, and which we therefore believe to be companies which are controlled in part by members of the Zimbabwean secret police. Global Witness invited Sam Pa and the directors of Sino Zimbabwe Development to comment on our findings, and they have not done so.

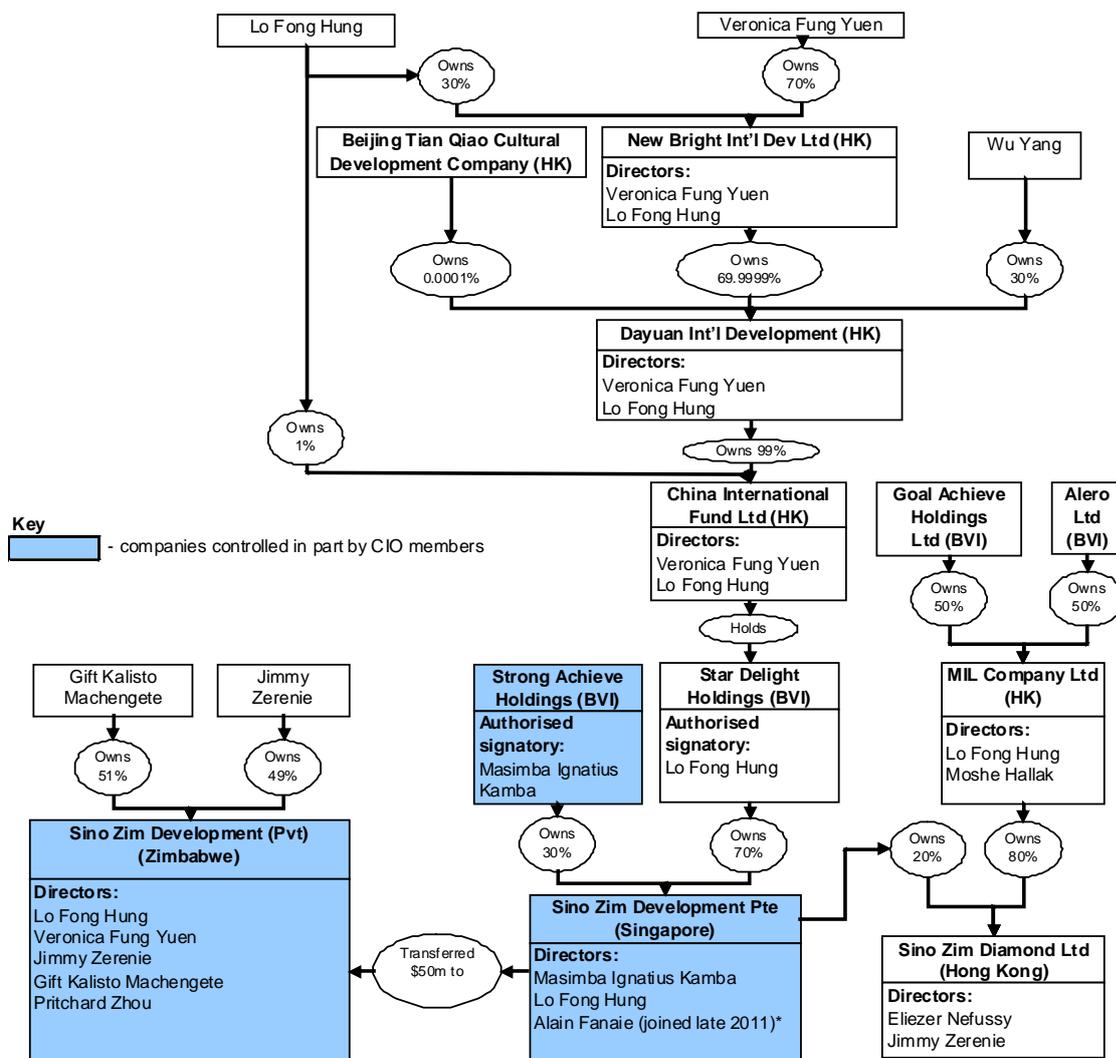
There are three reasons why these developments are of concern.

* In this document we refer to 'Sino Zimbabwe Development' as shorthand for three companies: Sino Zimbabwe Development (Pvt) Ltd, registered in Zimbabwe; Sino Zimbabwe Development (Pte) Ltd, registered in Singapore, and Strong Achieve Holdings Ltd, registered in the British Virgin Islands. In the Zimbabwean media and other public sources there are also occasional references to Sino Zimbabwe Holdings (Pvt) Ltd and Sino Zimbabwe Cotton Holdings (Pvt) Ltd, but there is no record of these companies at the Zimbabwean company register. We have been informed by reliable sources that these unregistered companies are in effect the same company as Sino Zimbabwe Development (Pvt) Ltd – assertions backed by the fact that Jimmy Zerenie, a known director of Sino Zimbabwe Development (Pvt) Ltd, represented Sino Zimbabwe Holdings (Pvt) Ltd in the media during a cotton dispute in 2010. Finally it should be noted that 'Sino Zimbabwe Development' is unrelated to other companies with similar names: Sino Zim Cement Company (SZCC), registered in Zimbabwe, and Sino-Zim Mining Corporation Ltd and Sino-Zim Mining Resource Company Ltd, both registered in Hong Kong. In this document any reference to 'Sino Zimbabwe' or 'Sino Zimbabwe Development' should be taken to mean companies with connections to the Queensway syndicate rather than SZCC, Sino-Zim Mining Corporation Ltd or Sino-Zim Mining Resource Company Ltd.

First, by its very nature any off budget financing for the secret police undermines democratic processes and institutions in Zimbabwe. Off budget funding subverts civilian and democratic control of the CIO, and allows the secret police to set, and fund, its own agenda. Second, Sam Pa's likely financial support for the CIO may undermine Zimbabwean democracy more directly. According to two sources, one senior Zimbabwean government official and one source within the CIO, the secret police is engaged in 'Operation Spiderweb', covert activities designed to discredit senior figures from the opposition Movement for

Democratic Change (MDC) including Prime Minister Morgan Tsvangarai, Finance Minister Tendai Biti, and Industry Minister Welshman Ncube. According to the single source within the CIO Sam Pa's money was allocated specifically to Operation Spiderweb. However, by their very nature, such claims about secret intelligence agencies are difficult to verify and should be treated with caution. Third, members of the CIO have been repeatedly identified as perpetrators of violence in the recent past, and therefore Sam Pa's apparent material assistance may fund future human rights abuses in the run up to the forthcoming election.

Figure 1: Ownership structure of Sino Zimbabwe Development group and Sino Zim Diamond Ltd (see annex 2 for details).*



* Alain Fanaie only joined Sino Zimbabwe Development Pte, and other companies in the Queensway syndicate, in late 2011, after the events described in this report.

Anjin is likely part-owned and part-controlled by the Ministry of Defence

This report also revisits earlier Global Witness research into a large diamond mining company, Anjin Investments (Pvt) Ltd. Our last report established the partial control exercised by figures from the Zimbabwean military, police and Ministry of Defence over the firm's executive board. This current briefing reports the results of research into Anjin's ownership. Zimbabwean company records reveal that a senior military lawyer in the Ministry of Defence holds 50 per cent of Anjin's shares. Together with factors such as the presence of the Permanent Secretary of the Ministry of Defence on Anjin's executive board, these company records have led Global Witness to conclude that half of a large diamond mining company is likely part-owned and part-controlled by the Zimbabwean Ministry of Defence, military and police.

The MDC Finance Minister has stated that the Treasury has not received any revenues from Anjin. Global Witness has received copies of receipts from Anjin for payments to other government bodies but not the Zimbabwe Revenue Authority and we conclude that the Finance Minister's claim is plausible. This leaves two possibilities: that Anjin has used revenues earned so far to recoup significant capital expenditure, or that revenues have been diverted to the company's part owners in the military and police. Anjin is a large diamond mining company. It claims to be the world's largest, and a well informed industry observer has told us that, in terms of size, Anjin could be "the next De Beers". If these claims are true, then one explanation is that significant sums of money could flow to the Zimbabwean military.

Key Recommendations

Global Witness believes that the activities of Sam Pa, Sino Zimbabwe Development (Pvt) Ltd and Anjin Investments (Pvt) Ltd should be investigated by relevant authorities to see if their actions undermine Zimbabwean democratic institutions or risk funding future human rights abuses and therefore meet the threshold for being placed on targeted sanctions lists.

The MDC Finance Minister, when discussing Anjin, feared that "there might be a parallel government somewhere in respect of where these revenues are going." This is a serious accusation, with profound consequences for Zimbabwe's Government of National Unity. The Southern African Development Community (SADC) plays an active role in mediating the political process in Zimbabwe. SADC facilitators should give the problem of off-budget financing of security forces a high priority in forthcoming negotiations, with the aim of securing democratic, civilian control over the budgets for the security services. It may also be necessary for SADC to appoint an expert panel to investigate these claims.

Reform of Zimbabwe's partisan security forces requires democratic and civilian control of their budgets. Zimbabwe's Government of National Unity (GNU) should pass legislation banning serving and recently retired members of the military, police, the CIO and other members of the security services from control over, or beneficial ownership of, mining companies.

Consumers should not buy diamonds originating from Zimbabwe's Marange mines until they can be certain they will not fund the Zimbabwean secret police, military and police. Companies should conduct due diligence investigations into the source of their rough diamonds. OECD member states should ask the OECD to work with industry and other interested parties to draw up supplementary guidance on how supply chain due diligence could operate in the diamonds sector.

1. Background

ZANU PF may use violence to win Zimbabwe's next election, due by 2013

ZANU PF, which for many years has been the governing party in Zimbabwe, has repeatedly used violence as a political strategy. The fear of dissent, whether real or imagined, lay behind the government's 'Gukurahundi' campaign from 1982 to 1987, which killed an estimated 10,000 to 20,000 people.¹ During the last dozen years partisan security forces and ZANU PF supporters used intimidation and abuses in the 2000, 2002 and 2008 elections. The violence in 2008 used against civil society and supporters of the opposition Movement for Democratic Change (MDC) was particularly intense. The organized campaign involved widespread and systematic abuses, which "led to the killing of up to 200 people, the beating and torture of 5,000 more, and the displacement of about 36,000 people," and was perpetrated by, among others, members of the ZANU PF-controlled security forces.²

Security forces sought off-budget sources of funding after the MDC took control of the Ministry of Finance

After the 2008 election, and following mediation by the Southern African Development Community (SADC), a Government of National Unity was formed. ZANU PF retained control of key security ministries such as the President's Office (responsible for the Central Intelligence Organisation), Defence, and the Ministry of Mines and Mining Development. The MDC took control of the Prime Minister's office and the Ministry of Finance. The loss of control of the Ministry of Finance set the stage for a behind-the-scenes struggle for sources of off-budget financing for partisan security forces, loyal to President Mugabe and ZANU PF.

For example, as can be seen from the letter below, in 2010 the Commissioner General of the Zimbabwe Republic Police (ZRP), using the name of Security Self Reliance Enterprises (Pvt) Ltd, applied for a concession in the diamond mining fields of Marange.³ While this particular request was not granted, two other joint venture companies were established:

- Sino Zimbabwe Development (Pvt) Ltd, with interests in diamonds, cotton and property, was established in 2009. Section 2 of this report sets out evidence to support our belief that this company was set up to provide off-budget financing for Zimbabwe's secret police, the Central Intelligence Organisation (CIO).
- Anjin Investments (Pvt) Ltd, a large joint venture diamond mining company, was established in December 2009. Although Anjin was the subject of Global Witness' last briefing⁴ on Zimbabwe, in section 3 we expand our analysis of the company and set out evidence to support our belief that Anjin was set up to provide off-budget funding for the Zimbabwean military and police.

Figure 2. Request for Marange concession for the Zimbabwean Police



2. Off-budget funding of the CIO?

This section first describes the organisational structure of the CIO, and its close relationship with the Office of the President. Second, we allege that three Zimbabwean directors of Sino Zimbabwe Development are members of the CIO. Third, we describe allegations that a Hong Kong businessman named Sam Pa provided a large sum of money, and two hundred vehicles, to the CIO. Fourth, we describe how off-budget financing undermines Zimbabwe's democratic institutions and we raise the possibility that any financial and material assistance provided to the CIO could fund future human rights abuses. Finally we argue that the information provided to Global Witness justifies the investigation of Sam Pa and Sino Zimbabwe Development (Pvt) Ltd to see whether they should be placed on international sanctions lists.

The Central Intelligence Organisation lies within the Office of the President

The Central Intelligence Organisation is Zimbabwe's intelligence agency - or 'secret police'. It is a violent organisation, loyal to the President rather than Zimbabwe's Government of National Unity. It has its roots in the colonial regime's police 'Special Branch'. The organisation is reported to have about 3,000 personnel, together with a network of informers and agents. In each of Zimbabwe's ten provinces the CIO is represented by a Provincial Intelligence Officer; with District Intelligence Officers and Ground Coverage teams providing local intelligence and internal security functions.

Centrally, the CIO is divided into five branches.⁵

- Internal branch. Responsible for internal security. This is the most politicised branch of the CIO and is

responsible for many of the human rights abuses attributed to the CIO;

- External branch. Responsible for external security, including the handling of CIO operatives attached to Zimbabwe's foreign embassies;

- Security branch. Responsible for VIP security and government installations;

- Economics branch. Responsible for advising the government on economic policy, divided into the Policy Planning Unit and the Economic Analysis Unit; and the

- Administrative branch. Responsible for finance, personnel, training and transport.

The CIO has no independent statutory basis and is instead established as a Department in the Office of the President.⁶ Indeed CIO operatives frequently identify themselves as members of the President's Office.⁷ Official CIO finances are obscured in the Zimbabwean Treasury's 2012 Blue Book by being amalgamated with other spending by the Office of the President and Cabinet. The estimates for this budget line are US\$121m in 2011, rising to US\$206m in 2014.⁸ This budget is not subject to audit by the Comptroller General or any parliamentary oversight.

Global Witness believes that members of the CIO set up a joint venture with Hong Kong businessman, Sam Pa

The CIO sought off-budget sources of funding after the MDC took control of the Ministry of Finance. In 2009-10 members of the CIO set up Sino Zimbabwe Development, with Hong Kong businessman Sam Pa. Together with his associates Ms. Veronica Fung Yuen and Ms. Lo Fong Hung, Mr. Pa runs an opaque network of companies known as the Queensway syndicate (see box 1).

Several well placed sources within the secret police have told Global Witness that Sam Pa provided large sums of funding to the CIO. This has been corroborated by a leaked CIO document, seen by Global Witness, which claims that by early 2010 Sam Pa had sent \$100 million to the secret police, and suggests that the money was paid into CIO accounts rather than to the Ministry of Finance. If true, this is a significant sum: in 2011 the budget of the CIO's parent department, the Office of the President and Cabinet, was US \$121m). Such a sum would free the CIO from having to seek funding from the Ministry of Finance, and would give the CIO considerable freedom to set its own agenda.

The same sources allege that Sam Pa delivered two hundred Nissan NP300 Hardbody pick up trucks to Zimbabwe. The delivery of Nissan vehicles was confirmed by separate sources with first hand knowledge of the delivery, interviewed by JR Warner of the Africa Center for Strategic Studies, author of a forthcoming report on the Queensway syndicate's exploitation of fragile states in Africa. There is also a

contemporaneous news report from February 2010 which reported that "The country's notorious Central Intelligence Organisation (CIO) is reported to have purchased an unspecified number of Nissan twincab trucks for as yet unexplained reasons. ... [O]ur correspondent in Bulawayo reports that each CIO 'district' was given 5 vehicles to use in their operations. ... 4 of these trucks (3 white and 1 grey), whose registration numbers start with ABM, are already in use and parked outside the CIO provincial headquarters at Magnet House in Bulawayo. Information remains sketchy but sources with links in the agency confirmed the vehicles were assembled in South Africa and the CIO took delivery of them in January."⁹

In return for this assistance, Sino Zimbabwe Development (Pvt) Ltd was granted opportunities in the diamond, cotton and property sectors. These business activities, and the structure of the companies, are detailed in the annexes to this report.

Figure 3: Sam Pa in Zimbabwe. Mr Pa is businessman who is reported to hold leadership positions in a number of companies within the Queensway syndicate.



Box 1: The Queensway syndicate

The Queensway syndicate is a network of over sixty companies led by private business interests in Hong Kong, many of which have their company address registered at 10/F Two Pacific Place, 88 Queensway, Hong Kong.¹⁰ The primary shareholders of the syndicate are two individuals: Ms. Lo Fong Hung and Ms. Veronica Fung Yuen. Mr. Sam Pa (AKA Antonio Famtosonghiu Sampo Menezes, Xu Jinghua and Sam King) is also widely reported to hold leadership positions in a number of the companies within the Queensway syndicate. Together these individuals and companies have collaborated with a number of different governments and entities across Africa and elsewhere, including most prominently, with the Angolan national oil company Sonangol.

The syndicate is known both for its opacity and, on occasion, its ethically dubious approach to doing business. In Guinea, China Sonangol International (S) Pte Ltd and CIF Singapore Pte Ltd, signed a multi-billion dollar resource-for-infrastructure¹¹ deal with the military junta on 10 October 2009, just weeks after government forces had killed over 150 protestors, and raped over 100 women, in a sports stadium.¹² While the contract had been in negotiation before the massacre, the signing of the deal, which the Economist reported included the subsequent transfer of US \$100 million¹³ to the junta, had the effect of giving material aid to a pariah regime which shortly afterwards was placed under African Union and European Union sanctions.

The syndicate specializes in resource-for-infrastructure deals in which the right to exploit natural resources are granted in exchange for the building of railways, housing, roads and public utilities. While much of its revenue comes from Angolan oil contracts, the syndicate has been known to operate in a number of other countries, including Argentina, Congo-Brazzaville, Guinea, Singapore, Tanzania, the United States of America, Venezuela and Zimbabwe.

Figure 4: The Syndicate's new office, at 89 Queensway, Hong Kong



Image courtesy of Tripadvisor.

Global Witness believes that three of the Zimbabwean directors of Sino Zimbabwe Development are members of the CIO

Members of the CIO are directors of three interlinked companies:*

- Sino Zimbabwe Development (Pte) Ltd, registered in Singapore on 12 June 2009, with directors: Lo Fong Hung, Veronica Fung Yuen, Jimmy Zerenie, Gift Kalisto Machengete and Pritchard Zhou;

- Strong Achieve Holdings Ltd, registered in the British Virgin Islands on 23 March 2009, with authorised signatory: Masimba Ignatius Kamba;

- Sino Zimbabwe Development (Pvt) Ltd, incorporated in Zimbabwe on 14 May 2010, with directors: Masimba Ignatius Kamba and Lo Fong Hung.

Global Witness, through information obtained from several sources within the CIO, has identified three of the Zimbabwean directors of these companies as members of the CIO.

The first, Gift Kalisto Machengete, is a director of the Zimbabwean company Sino Zimbabwe Development (Pvt) Ltd, and holds 51% of that company's shares, according to records held at the Zimbabwean company registry. Multiple sources from within the secret police identify Dr. Machengete as a Director of Finance and Administration in the CIO.¹⁴ Dr. Machengete is also currently a board member of the Grain Marketing Board (GMB), and on its website he has publicly listed his career history as including employment as a research economist in the President's Department (parent department of the CIO) from 1985-1991; Economic Councillor at the Zimbabwean

Embassy in China in the 1990s; Head of Coordination and Secretariat in the President's Department in 1998; Acting High Commissioner at the Zimbabwean High Commission in Malaysia; and from 2006 he was appointed as Deputy Director Administration and Finance in the President's Department.¹⁵

The second, Pritchard Zhou, is a director of Sino Zimbabwe Development (Pvt) Ltd, according to Zimbabwe's company register. Mr. Zhou has been identified as a CIO operative by several sources within the secret police. In 2005 he was a Minister Counsellor at the Zimbabwean Embassy in South Africa.¹⁶ He is presently Director of the Zimbabwe National Heritage Trust.¹⁷

The third, Masimba Ignatius Kamba, is identified by one source as holding a leadership position within the Zimbabwean company, Sino Zimbabwe Development (Pvt) Ltd, although he does not appear in the Zimbabwean company register. He is, however, listed as a director of Sino Zimbabwe Development (Pte) Ltd, registered in Singapore, and as the authorised signatory for Strong Achieve Holdings Ltd, registered in the British Virgin Islands. Several credible sources within the CIO identified Mr. Kamba as another CIO member.

In addition Mr. Kamba was named in the media as a senior member of the CIO when, in 2010, he was the beneficiary of the unlawful seizure of Silverton Estate, a commercial farm.¹⁸ During the seizure of the farm Kamba told the owners that he was Director of Finance in the President's Office. This claim was publicly repeated in 2010 in the newsletter of the office of the Zimbabwe Prime Minister (MDC), which alleged that Mr. Kamba is the Director of Administration in the CIO.¹⁹ In some of the court documentation surrounding the farm seizure Mr. Kamba is sometimes described as Ignatius Kamba, and once gives his address as

* Further, there is a company called Sino Zim Diamonds Ltd, registered in Hong Kong on 15 April 2010. This shares a director, Jimmy Zerenie, with Sino Zimbabwe Development (Pvt) Ltd, but Global Witness has no information to suggest that the CIO has any role in this Hong Kong company, nor that the directors or staff of Sino Zim Diamonds Ltd had any knowledge of any CIO involvement in 'Sino Zimbabwe Development'.

Private Bag 0095, Gaborone, the address of the SADC secretariat in Botswana.

There are also several public reports of men named Ignatius Kamba, Masimba Kamba or I.M. Kamba, who may be the same man, but Global Witness has not been able to confirm that they are one and the same person. In 1998 an Ignatius Kamba was a Counsellor in Zimbabwe's Mission to the European Union.²⁰ In 2004 in a list of the Reserve Bank of Zimbabwe's governing board an I.M. Kamba was publicly listed as Acting Director of Economics, in the President's Department.²¹ A man named Masimba Kamba was appointed to the board of the National Oil Company of Zimbabwe (NOCZIM) in 2006.²² Finally, in 2011, a Masimba Kamba attended, as a SADC representative, an 'ASEAN-EU High Level Expert Workshop on Preventive Diplomacy and International Peace Mediation', held in Indonesia.²³

Sino Zimbabwe Cotton Holdings, a company which Global Witness believes to be in effect the same company as Sino Zimbabwe Development (Pvt) Ltd, is accused of being represented by senior ZANU PF politicians and serving and retired CIO officers during a 2010 dispute over the company's behaviour in the cotton industry. In court documents²⁴ senior Zanu-PF government officials are alleged to have "spearheaded" the entry of the company into Zimbabwe. These officials include Hon. Saviour Kasukuwere, the Minister of Youth Development, Indigenization and Empowerment; Hon. Nicholas Goche, Minister of Transport; and Assistant Commissioner Martin Kwainona, a police officer and member of President Mugabe's personal bodyguard unit.²⁵ Mr. Goche and Mr. Kasukuwere are on both the European Union (EU) and United States sanctions lists, while Mr. Kwainona is on the EU sanctions list: all three are accused of sponsoring violence.²⁶

Global Witness interviewed some of the parties to the dispute. They alleged that during meetings between the parties, Sino Zimbabwe Cotton Holdings was represented by former members of the CIO. On one occasion, a currently serving senior member of the CIO represented Sino Zimbabwe Cotton Holdings.²⁷ At District levels also Global Witness interviewees identified local Sino Zimbabwe Cotton Holdings representatives as CIO officers, who were permanently based in the areas where they operated and were well known to locally based cotton companies.²⁸

Sam Pa's apparent financial support for the CIO undermines Zimbabwean democratic processes and institutions

By its very nature off-budget financing of the security sector undermines Zimbabwean democratic processes and institutions. The cross-party Government of National Unity (GNU) should decide its spending priorities through collective agreement in cabinet. Zimbabwe's National Security Council should set a national security strategy, and the GNU should raise taxes to fund these priorities. The process of managing expenditure and raising revenues should be carried out the Ministry of Finance, overseen by the cabinet of the GNU. These processes should be scrutinized by Parliament. Off budget financing undermines Zimbabwean democracy by allowing security forces to set, and fund, their own agenda.

However, Sam Pa's apparent support for the CIO may undermine Zimbabwean democracy more directly. According to a source within the organisation, the CIO has allocated funding from Sam Pa towards:

- the planned construction of a CIO training college. This is not to be confused with the Military Defence College being constructed by Anhui Foreign Economic Construction (Group)

and paid for with the profits from Anjin Investments (Pvt) Ltd;²⁹

- two covert operations termed Operation Black Hawk and Operation Spiderweb, designed to discredit Prime Minister Tsvangirai, Finance Minister Biti, and Hon. Welshman Ncube ahead of the next election;

- the training of CIO operatives jamming the radio stations Voice of America and SW Radio Africa. The jamming is said to take place from a location in Hillside, Harare, off the Chiremba Road;

- the training of South Sudanese intelligence operatives by the CIO at the CIO Training Academy in St Patricks Rd, Hatfield in Harare, and in Juba, South Sudan.³⁰

The existence of Operation Spiderweb has been independently confirmed by a senior Zimbabwean government official. We have not been able to corroborate the existence of other programmes, including Operation Black Hawk. Moreover, even if these programmes exist, it is difficult to directly link one source of finance with a particular programme as funding can be fungible. Further, even if true, there is no evidence to suggest that Sam Pa was aware of how his donation was spent, although he could have reasonably foreseen such expenditure, given the poor reputation of the CIO. Nevertheless, if it is true that the CIO is engaged in covert activities to discredit senior politicians from the Movement for Democratic Change, then this has the propensity to directly undermine Zimbabwean democratic processes and institutions.

Sam Pa's apparent financial support for the CIO could fund future human rights abuses

It is also possible that off-budget financing of the CIO could fund future human rights abuses in the run up to the next election. Local human rights groups have compiled detailed reports setting

out how members of the CIO were involved in organising the violence in the 2008 election, which focused on supporters of the opposition MDC. For example:

- in Muzarabani North and South and Mazowe North a CIO operative was allegedly in charge of local bases where victims were murdered;³¹
- in Mount Darwin South a senior CIO official is alleged to have part financed the Zanu PF district office which organised the violence in the district;³²
- in Makoni South a CIO operative was allegedly in charge of a local base at which an MDC supporter was beaten;³³
- in Nyanga North a CIO operative was in charge of the DDF Ruwangwe base from where MDC supporters were allegedly intimidated;³⁴
- a CIO official was sued by the Director of the Zimbabwe Peace Project, Jestina Mukoko, for his alleged role in her abduction and torture in 2008.³⁵

More recently, unconfirmed news reports have identified CIO agents using Nissan pick up trucks in a number of alleged human rights violations:

- In January 2012 a mechanic, Bornface Mvemve, was test driving an MDC owned vehicle in Msasa, Harare. It was reported that, as he was driving, a grey Nissan Hardbody double cab with no number plates overtook his car and suddenly blocked his way. Three men assaulted him, poured beer over him, smashed the MDC vehicle's windows and then left the scene.³⁶
- In January 2011 an MDC activist Julius Mutavira Gono of ward 10, Madzimure village, Chiredzi South constituency was reported to have been beaten in broad daylight by three members of the CIO who drove to his house in a Nissan twin cab with unmarked plates.³⁷
- In August 2011 three CIO agents who were reported to be intimidating MDC activists ahead of constitutional outreach meetings in the Chipinge, Chipinge South and Musikavanhu

constituencies used white Nissan double cabs with the registration plates ABM****, ABM****, and ABM****.

After the exposure of these registration details by SW Radio Africa the number plates were removed by the CIO.³⁸

While there are some similarities between these reports (for example, the ABM number plates seen in both Bulawayo and Chipinge – see page 7) it

is impossible to know whether these are the same vehicles donated by Sam Pa to the CIO.

The next election will inevitably lead to heightened political tensions. While abuses are not inevitable, ZANU PF's use of violence as an electoral strategy at past elections means that there is a risk that CIO agents will be deployed to intimidate and attack political opponents.

Figure 5: CIO operative photographing Global Witness staff during Kimberley Process Review mission to Zimbabwe, 2010



Recommendation

Global Witness believes that the activities of Sam Pa, Sino Zimbabwe Development (Pvt) Ltd and Anjin Investments (Pvt) Ltd should be investigated by relevant authorities to see if their actions undermine Zimbabwean democratic institutions or risk funding future human rights abuses and therefore meet the threshold* for being placed on targeted sanctions lists.

* Executive Order 13469, setting out the basis for including someone on the U.S. sanctions list, includes those persons or entities determined "to be owned or controlled by, directly or indirectly, the Government of Zimbabwe or an official or officials of the Government of Zimbabwe ... to have engaged in actions or policies to undermine Zimbabwe's democratic processes or institutions ... to be responsible for, or to have participated in, human rights abuses related to political repression in Zimbabwe ... to be engaged in, or to have engaged in, activities facilitating public corruption by senior officials of the Government of Zimbabwe ... to have materially assisted, sponsored, or provided financial, material, logistical, or technical support for, or goods or services in support of, the Government of Zimbabwe, any senior official thereof, or any person whose property and interests in property are blocked ...".

EU Council Regulation 314/2004 includes Article 2 which states: "It shall be prohibited ... to provide financing or financial assistance related to military activities, including in particular grants, loans and export credit insurance, for any sale, supply, transfer or export of arms and related materiel, directly or indirectly to any person, entity or body in, or for use in Zimbabwe." Article 6 of the Regulation states "All funds and economic resources belonging to individual members of the Government of Zimbabwe and to any natural or legal persons, entities or bodies associated with them as listed in Annex III shall be frozen. ... No funds or economic resources shall be made available, directly or indirectly, to or for the benefit of natural or legal persons, entities or bodies listed in Annex III. ... The participation, knowingly and intentionally, in activities the object or effect of which is, directly or indirectly, to promote the transactions referred to [above] shall be prohibited." It is to Annex III, a list of sanctioned individuals and entities, to which we argue Sam Pa, Anjin and Sino Zimbabwe Development should be added.

3. Off-budget funding of the military by Anjin?

Global Witness previously wrote about Anjin Investments (Pvt) Ltd in our briefing *Diamonds: A Good Deal for Zimbabwe?* Here we restate some of the evidence setting out the extent of Zimbabwean military and police control of the company and introduce new evidence on the ownership of Anjin. This section first explains the controversy surrounding Marange diamonds. Second, we describe how Anjin is ostensibly a joint venture between a previously unknown Zimbabwean company and a Chinese construction firm. Third, we reveal that half of Anjin's shares are held by Zimbabwe's Judge Advocate General and set out our belief that these shares are held on behalf of the Zimbabwean Ministry of Defence. To conclude, we assess a new claim that Anjin has not paid any taxes to the MDC controlled Ministry of Finance.

The situation in the Marange diamond fields has evolved from small scale mining accompanied by violence, to large modern mining operations granted concessions in controversial circumstances

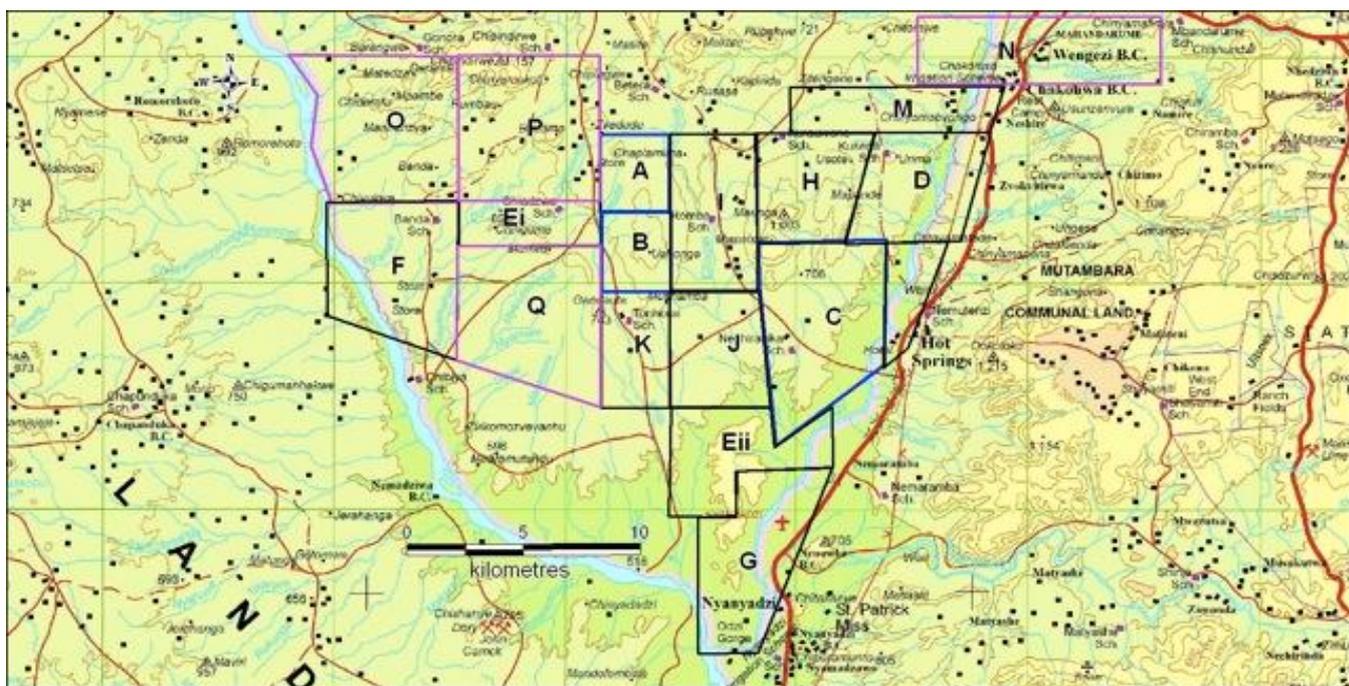
The discovery of diamonds at Marange in 2006 resulted in the arrival of many thousands of small scale miners. This period was characterized by violence, smuggling, corruption and intimidation of diamond diggers. In the autumn of 2008 the government launched Operation Hakudzokwi or 'You will not return' – designed to secure the Marange diamond fields for government control. Soldiers, police and helicopter gunships were deployed, resulting in the killing and wounding of many artisanal miners.³⁹

After Operation Hakudzokwi, the government began to grant concessions in Marange. The first to receive concessions were two previously unknown firms named Mbada Diamonds (Pvt) Ltd and Canadile Miners (Pvt) Ltd. Fifty percent of Mbada is owned by Grandwell Holdings registered in Mauritius, and 49.99 per cent of Grandwell is now owned by Transfrontier Mining, in turn owned by a network of companies registered in secrecy jurisdictions.⁴⁰ Canadile soon collapsed and its concession was taken over by Marange Resources (Pvt) Ltd, wholly owned by the parastatal Zimbabwe Mining Development Corporation (ZMDC). Press reports indicate that the new chair of Marange Resources is retired Colonel Tshinga Dube, head of Zimbabwe Defence Industries (an entity which is on the EU and US sanctions lists).⁴¹

More recent concessions include Sino Zimbabwe Development (Pvt) Ltd (who are reported to have left their concession, and whose activities are described in more detail in annex 1); Diamond Mining Corporation, a joint venture between the ZMDC and Pure Diam, a company registered in Dubai, United Arab Emirates; and Anjin Investments (Pvt) Ltd.⁴²

There are now four companies mining diamonds in earnest in Marange: Mbada, Marange Resources, Diamond Mining Corporation and Anjin. These are established operations using up-to-date technology, with modern security protocols.

Figure 6: Marange diamond fields, concession blocks



Key

- Anjin operates in block C and Eii.
- Mbada operates in block A, P, the top half of concession block I, and an area North of block A and I
- Diamond Mining Corporation operates in blocks Ei, and F.
- Sino Zimbabwe operated in blocks H and D.
- Marange Resources operates in block B, K, J and G, and the bottom half of block I.

Anjin is ostensibly a joint venture between Matt Bronze (Pvt) Ltd and a Chinese construction company

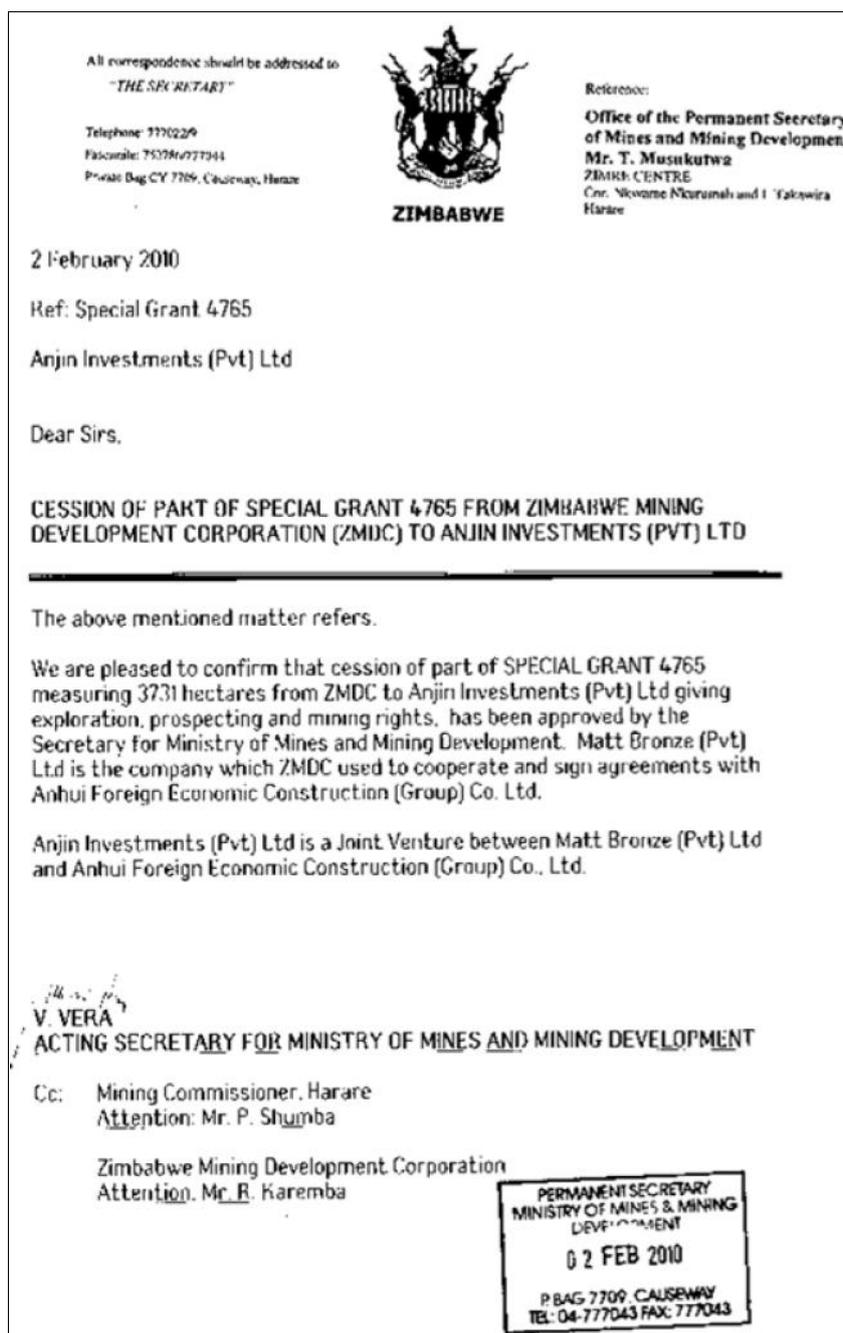
Anjin Investments (Pvt) Ltd is a joint venture between Matt Bronze (Pvt) Ltd, a previously unknown Zimbabwean firm, and Anhui Foreign Economic Construction Group (AFEC(G)), a large Chinese construction company.

In Zimbabwe AFEC(G) is building a new National Defence College. The deal is financed by a US\$98 million loan from the Chinese state-owned Exim Bank⁴³ and it has been reported in the press that

the terms of the loan include a provision for repayment of the debt using revenues from Anjin.⁴⁴

The letter below from the Zimbabwean Ministry of Mines describes Matt Bronze as the company “which the Zimbabwe Minerals Development Corporation (ZMDC) used to cooperate and sign agreements with Anhui Foreign Economic Construction (Group)”.

Figure 7. Letter from Ministry of Mines to Anjin, 2010



Global Witness has visited the Zimbabwean company registry to look at the records for Matt Bronze (Pvt) Ltd. The directors there are listed as Mr. Shelton Wandai Kativhu and Ms. Pernelope Rujeko, two individuals who have no public profile in the mining sector. The company was incorporated on 24 April 2008, and records its address as the 9th Floor, Travel Centre, Corner of 3rd St and Jason Moyo Avenue, Harare.

Other directors, shareholders and beneficial owners of Matt Bronze are not recorded. The following paragraphs set out the reasoning for our belief that Matt Bronze is a front company for the Zimbabwean Ministry of Defence, military and police.

Half of Anjin's shares are held by a Zimbabwean military lawyer...

The company records for Anjin itself are revealing. Anjin Investments (Pvt) Ltd's directors are listed at the registry as Jiang Zhaoyao, Chen Qing, Peng Zheng, Li Zhongqi, Huang Xianjue, all with Chinese nationality. The only Zimbabwean director listed is the company secretary and principal officer, Brigadier-General Charles Tarumbwa. An affidavit records a resolution making Anjin a joint venture between Matt Bronze (Pvt) Ltd, the principal officer of which is Tarumbwa, and Anhui Foreign Economic Construction (Group). The agreement was signed by Peng Zheng on behalf of AFEC(G) and Tarumbwa for Matt Bronze. The company register also states that Anjin's share capital is made up of US\$2,000, consisting of 2,000 ordinary shares, which are shared equally between Tarumbwa and Zheng.

So who is this Brigadier General Charles Tarumbwa, who owns half of Anjin? In 2006 the United Nations listed Tarumbwa as Judge Advocate General at the Ministry of Defence.⁴⁵ In 2011 the International Committee of the Red Cross records his identity as a military lawyer at the Ministry of Defence.⁴⁶ Tarumbwa is listed on the current EU sanctions list because he was "directly involved in the terror campaign waged before and during the elections" in Manicaland and Mutare South.⁴⁷

Tarumbwa played a role in a past attempt to set up a military owned joint venture. He is also the company secretary for Russzim Mining, a company registered in 2006. Company records for Russzim Mining includes correspondence from Zimbabwe Defence Industries (ZDI) registering Russzim as a joint venture, and appointing retired Colonel Tshinga Dube (head of ZDI) to sign articles of association with Russzim. The records also include a letter from T.K. Maphosa, the Permanent Secretary at the Ministry

of Defence at the time of Russzim's incorporation, advising that a waiver of registration fees has been granted.

...and Anjin's executive board is partly controlled by the Zimbabwean police, military, and Ministry of Defence

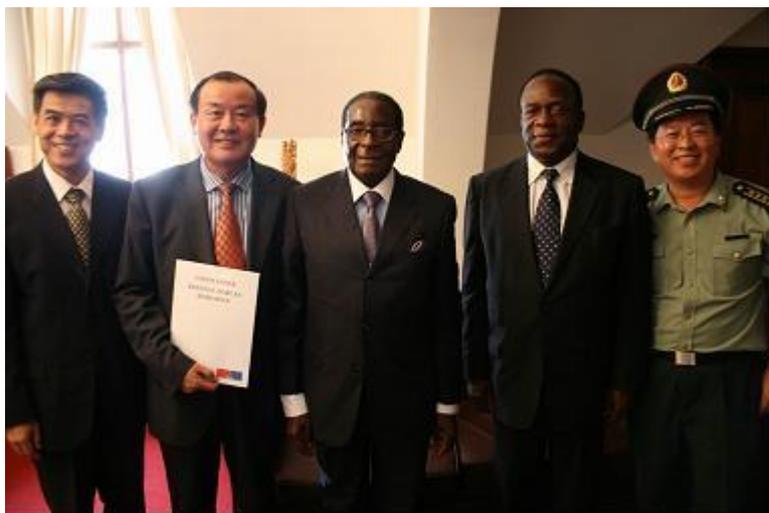
The Chinese members of the executive board Mr. Jian Qingde, Mr. Jiang Diaru, Mr. Tian Shiyue, Mr. Jiang Zhaoyao, and Mr. Li Renfu, Mr. Zhang Shibin and Ms. Lu Qingxia.⁴⁸

The Zimbabwean executive board members of Anjin are:

- Mr. Martin Rushwaya, the permanent secretary in the Ministry of Defence;⁴⁹
- Mr. Oliver Chibage, a commissioner in the Zimbabwe Republic Police (ZRP);⁵⁰
- Ms. Nonkosi M. Ncube, a commissioner in the ZRP;⁵¹
- Mr. Munyaradzi Machacha, a ZANU PF director of publications;⁵²
- Mr. Mabasa Temba Hawadi, a director of Marange Resources (Pvt) Ltd, a subsidiary of the ZMDC;⁵³
- Mr. Morris Masunungure, a current or retired officer in the Zimbabwe Defence Forces (ZDF);⁵⁴
- Mr. Romeo Daniel Mutsvunguma, a retired colonel in the ZDF alleged by Human Rights Watch to have participated in violence in 2008.⁵⁵

We wrote to Anjin Investments to give them a chance to comment on the makeup of their board. Anjin's (Chinese) General Manager replied that "Zimbabwean members of the executive board of Anjin Investments (Pvt) Ltd are appointed by Zimbabwean government. Chinese side [sic] pays close attention to the operation management and partner's cooperation of the company, as for the status and political background of Zimbabwean members, it is not reasonable for us to investigate or research. Please kindly understand."⁵⁶

Figure 8. At the occasion of the granting of the mining licence Anjin executives meet President Robert Mugabe and Minister of Defence Hon. Emmerson Mnangagwa.



It is possible that the Marange concession was granted to Anjin by the Defence Minister Emmerson Mnangagwa, a front-runner to succeed President Mugabe

It has been alleged by an MDC parliamentarian that Anjin's mining concession was granted by Defence Minister Emmerson Mnangagwa when the minister of mines was on leave and Mnangagwa was acting Minister of Mines.⁵⁷ Mnangagwa is one the front runners to succeed 88 year old President Robert Mugabe as the leader of ZANU PF, and recently declared that he was "ready to rule".⁵⁸ Global Witness has not been able to independently confirm that it was Mnangagwa who granted the licence but, as can be seen from the photo above, he was present when Anjin was granted its mining licence.

Global Witness put this allegation to Anjin Investments, who said instead that President Mugabe granted the concession: "We hereby explain that Anjin Investments (Pvt) Ltd was awarded a concession in the Marange diamond fields, the concession was issued by Ministry of Mines and granted by His Excellence President Mugabe personally by legal procedures."⁵⁹

Global Witness believes that Anjin is part owned and part controlled by the Zimbabwean military, police and Ministry of Defence

It is possible, just, that Matt Bronze is a genuine mining company which owns half of Anjin. It is also possible that Brigadier General Tarumbwa owns half of Anjin's shares in a personal capacity, or on behalf of well connected individuals. However, Global Witness believes that it is more likely that Matt Bronze is a front for the military and police as corporate entities. Factors such as Tarumbwa's formal role as a senior law officer at the Ministry of Defence, the involvement of Tarumbwa and the former Permanent Secretary of the Ministry of Defence in the incorporation of Russzim, the presence of the current Permanent Secretary on Anjin's Executive Board, and the possible role of Defence Minister Mnangagwa in granting the mining licence, lead us to conclude that Anjin is likely to be part-owned and part-controlled by the Zimbabwean military, police and Ministry of Defence.

This claim is denied by Anjin who wrote to us: "Anjin Investments (Pvt) Ltd has never been controlled by Zimbabwean military or police. It is AFECC and Matt

Bronze (Pvt) Ltd that benefits from Anjin Investments (Pvt) Ltd.”⁶⁰

Global Witness wrote to Anjin Investments to ask for their response to claims that they provide money to the Ministry of Defence, military and police. They denied the allegation and wrote “Such a phenomenon has never been found during the operation of Anjin Investments (Pvt) Ltd.” When confronted with the statement that the Ministry of Defence, military and police are the real beneficial owners of Matt Bronze they wrote that “As for how the government-related company Matt Bronze (Pvt) Ltd distributes its benefits, Chinese side knows nothing at all.”⁶¹

Finance Ministry reports non-payment of taxes by Anjin

In Zimbabwe's 2012 national budget the MDC-controlled Ministry of Finance set out expenditure totalling US\$3.4 billion, and specified that additional spending that would occur only if the Treasury received US\$600 million from diamond revenues promised by the ZANU PF-controlled Ministry of Mines.

However, to date diamond revenues have yielded little. In May 2012 the MDC Finance Minister stated that the Treasury had only received \$30.4 million from diamond companies for the period 1 January to 21 March 2012, and that Anjin had paid nothing to the Treasury since it began trading:

““ We have not received a single cent from Anjin, yet Anjin is seven times bigger than some of the other (diamond) companies. Clearly, we fear as the ministry of finance that there might be a parallel government somewhere in respect of where these revenues are going, and are not coming to us. There is opaqueness and unaccountability surrounding our diamonds.”⁶²

Global Witness put this complaint to Anjin Investments. They responded that the allegation was “pure rumour” and provided copies of payment vouchers to Global Witness. The vouchers indicate that Anjin conducted four sales between February and May 2012 totalling US \$93.2 million, and used those revenues to pay US\$14.9 million in royalties and commissions to the Minerals Marketing Corporation of Zimbabwe (MMCZ) and \$2.7 million in resource depletion fees to the Zimbabwe Minerals Development Corporation (ZMDC). There was no indication that any taxes had yet been paid to the Zimbabwe Revenue Authority. It may be that the MMCZ or ZMDC have not yet passed on proceeds to the Zimbabwean Treasury. It is possible that early revenues are being used to recoup significant capital expenditures incurred by Anjin, said by Kimberley Process monitors to be \$380m by late 2011 (for more on the Kimberley Process see box 2).⁶³ However, it is clear that, while payments have been made to the MMCZ and ZMDC, the claim - that Anjin has not yet paid any taxes to the Zimbabwean Ministry of Finance - is plausible.

Anjin is a large operation and should generate significant profits for its owners

Kimberley Process monitors have noted that at present five independent processing plants are in operation at Anjin, with a further two plants under construction.⁶⁴ Rapaport research, an industry analyst, reported that “the concession owned by Anjin has production of 750,000 carats a month that is expected to rise to approximately 1.2 million carats a month after the implementation of two new processing units.”⁶⁵ A director of Anjin is reported to have claimed that it is now the world's largest diamond company:

“ We are now the largest diamond company in the world and this has been confirmed by KPC [Kimberly Process Certification scheme]. We are the largest diamond mining company in the world because we have surpassed the KPC minimum requirements. We are the largest in terms of the size of our area of operation and the amount of ore we are capable of processing every day. We are also large in terms of the field, we have got the largest deposits in the world.”⁶⁶

Global Witness initially dismissed such claims as bombastic, but one informed industry observer has told us that, in terms of size, Anjin could be “the next De Beers.” If we are right in our analysis, then the Zimbabwean military, police and the Ministry of Defence part-own and part-control half of a large and potentially very profitable diamond company.

Recommendations

Global Witness believes that the activities of Anjin Investments (Pvt) Ltd should be investigated by relevant authorities to see if their actions undermine Zimbabwean democratic institutions or risk funding future human rights abuses and therefore meet the threshold for being placed on targeted sanctions lists.

The MDC Finance Minister’s allegation that “there might be a parallel government somewhere in respect of where these revenues are going” is a serious accusation, with profound consequences for Zimbabwe’s Government of National Unity. The Southern African Development Community (SADC) plays an active role in mediating the political process in Zimbabwe. SADC facilitators should give the problem of off-budget financing of security forces a high priority in forthcoming negotiations, with the aim of securing democratic, civilian control over the budgets for the security services. It may also be necessary for SADC to appoint an expert panel to investigate these claims.

Box 2: Regulation of the diamond industry

The Kimberley Process (KP) is a certification scheme for rough diamonds set up in 2003 to prevent diamond-fuelled conflict and human rights violations. Global Witness invested over ten years in establishing the scheme and attempting to make it effective. However, the scheme is no longer fit for purpose and Global Witness left the KP in 2011. Among the reasons for our withdrawal are: first, the definition of conflict diamonds is asymmetric – only applying to rebel groups, not governments such as Zimbabwe which commit human rights abuses. Second, the KP only applies to part of the supply chain, covering rough diamonds not polished gems. Third, the scheme has failed to enforce its own rules and deals, including not dealing effectively with conflict diamonds from Côte d'Ivoire, and rule breaking by Venezuela. While the United States has taken the chair of the Kimberley Process promising reform, we remain sceptical that a club which includes states such as Zimbabwe, and which requires unanimous agreement on any rule change, will implement effective reforms.

The most egregious failure of the KP over the past three years relates to Zimbabwe. The scheme has given the green light to diamond exports from several opaque joint venture companies operating in the area, including Anjin, Marange Resources, Diamond Mining Corporation, and Mbada. (Sino Zimbabwe Development never went into full production and so was never certified.) Kimberley Process monitoring inspectors investigated security and anti-smuggling procedures at firms such as Anjin, but never asked about the true beneficial owners of these companies, nor about revenue flows. This blind spot allows KP members, for example, to permit exports from Anjin, a company part-controlled, and part-owned, by the Zimbabwean military and police.

Global Witness believes that diamonds should be brought into the supply chain due diligence frameworks applicable to other conflict minerals. Such frameworks could cover the whole supply chain, could engage industry in the process, and would not be restricted to the narrow KP definition of a conflict diamond. Due diligence frameworks would encourage and require companies to know: who their suppliers are, under what conditions diamonds are mined and processed, and who benefits financially from their production and sale. Such a framework would require diamond companies to have a conflict minerals policy; to conduct supply chain risk assessments, including on-the-ground checks on suppliers; to take remedial action to deal with any problems identified; to commission independent third party audits of their due diligence measures; and to publicly report results.

Recommendation:

Consumers wanting clean diamonds should not buy gems originating from the Marange mines until they can be certain they will not fund the Zimbabwean secret police, military and police. Companies should conduct due diligence investigations into the source of their rough diamonds. The Organisation for Economic Coordination and Development (OECD) has drawn up voluntary supply chain due diligence guidance for companies working in conflict-affected or high-risk areas. It has also drawn up 'supplements' setting out how such a framework should apply in the gold, tantalum, tungsten and tin sectors. For diamonds too OECD member states should ask the OECD to work with industry and other interested parties to draw up a 'diamonds supplement'.

4. Conclusions and recommendations

The violence perpetrated by ZANU PF and partisan security forces in the 2008 election followed similar outbreaks during the elections of 2000, 2002 and 2005. Global Witness fears that the next election, due by summer 2013, may also be accompanied by violence. The role of the military, police and CIO in past violence underscores the need for security sector reform. A crucial part of any reform must be civilian and democratic control of the budgets of security organs. Off-budget financing allows security forces to set their own agendas and fund operations from their own resources.

The cabinet of a democratically elected Zimbabwean government should exercise control of the Central Intelligence Organisation's budget, via the Ministry of Finance. This would allow the government to have oversight of the CIO's strategic direction and to ensure that its activities match the priorities set by Zimbabwe's National Security Council.

The likely part-ownership and part-control of Anjin by the Ministry of Defence, military and police and the apparent part-ownership and part-control of Sino Zimbabwe Development, by the CIO, create vehicles for off budget financing of the security sector and by its very nature this undermines Zimbabwean democracy.

Sam Pa appears to have provided a significant amount of money, which according to a CIO document was US\$100m, to the secret police (this is a large sum: in 2011 the budget of the CIO's parent department – the Office of the President and Cabinet – was US\$121m). Together with the apparent provision of vehicles for use by the CIO, these actions undermine Zimbabwe's democratic processes and institutions. The CIO may have used this money to actively undermine senior MDC politicians through covert activities under the codename "Operation Spiderweb".

Recommendations to the international community

The activities of Sam Pa, Sino Zimbabwe Development (Pvt) Ltd and Anjin Investments (Pvt) Ltd should be investigated by relevant authorities to see if their actions undermine Zimbabwean democratic institutions or risk funding future human rights abuses and therefore meet the threshold for placing them on targeted sanctions lists.

1) The processes by which Sino Zimbabwe Development and Anjin Investments were awarded their Marange concessions were opaque. The ZMDC has claimed in public to be the joint venture partner for Sino Zimbabwe Development and Anjin (see annex 2 for more details).⁶⁷ By falsely portraying itself as the joint venture partner in these deals, the ZMDC deliberately obfuscates the true beneficiaries of the Marange concessions currently held by Anjin and previously held by Sino Zimbabwe Development and intentionally provides cover for the Zimbabwean CIO, police and military. The ZMDC should be retained on targeted sanctions lists.

2) The Southern African Development Community (SADC) plays an active role in mediating the political process in Zimbabwe. SADC facilitators should give the problem of off-budget financing of security forces a high priority in forthcoming

negotiations, with the aim of securing democratic, civilian control over the budgets for the security services. It may also be necessary for SADC to appoint an expert panel to investigate these claims of a parallel government.

3) The widespread use by the Queensway syndicate of companies registered in the British Virgin Islands, a secrecy jurisdiction, is designed to obscure the beneficial ownership of companies such as Sino Zimbabwe Development. In the case of Strong Achieve Holdings Ltd, Global Witness believes that the company is controlled by a member of the Zimbabwean secret police. The Financial Action Task Force, which is the intergovernmental body that sets the global anti-money laundering standards, should adopt a standard that requires every jurisdiction to collect and list publicly the beneficial ownership information for any company incorporated in that jurisdiction.

4) Diamonds traded by Sino Zimbabwe Development (Pvt) Ltd or Sam Pa may have financially benefited the Zimbabwean secret police. Similarly, Anjin diamonds may benefit the Zimbabwean military and police. Companies in the diamond supply chain should conduct due diligence investigations into the source of their rough diamonds and, if concerned, refuse to purchase diamonds sourced from Anjin, Sino Zimbabwe Development or Sam Pa's Marange diamond buying operation.

The Organisation for Economic Coordination and Development (OECD) has drawn up voluntary supply chain due diligence guidance for companies working in conflict affected or high risk areas. It has also drawn up supplements setting out how such a framework should apply in the gold, tantalum, tungsten and tin sectors. For diamonds too OECD member states should ask the OECD to work with industry and other interested parties to draw up a supplement on diamonds.

Consumers should not buy diamonds originating from the Marange mines until they can be certain they will not fund the Zimbabwean secret police or military.

Recommendations for Zimbabwe's Government of National Unity

5) Zimbabwe's Government of National Unity (GNU) should pass legislation banning serving and recently retired members of the military, police, the CIO and other members of the security services from control over, or beneficial ownership of, mining companies.

6) The GNU should publish all mining concession contracts and other relevant agreements. The government should also immediately review all other contracts in the Marange diamond fields, and audit concession allocation procedures and operations conducted so far, to see whether they represent a good deal for Zimbabwe.

7) The GNU should design new transparent and fair concession allocation procedures designed to maximize public benefit.

Annex 1: Activities of Sino Zimbabwe Development

In this section we set out the Zimbabwean business activities of Sino Zimbabwe Development (Pvt) Ltd, which Global Witness believes to be a joint venture between the CIO and Sam Pa of the Queensway syndicate.

Sino Zimbabwe Development (Pvt) Ltd has a small but not insignificant presence in Zimbabwe. The Queensway syndicate's arrival in 2009 saw reports⁶⁸ of an US\$8 billion deal involving:

- the construction of a railway line between Harare to Chitungwiza;
- improved electrification and signalling on the Harare-Gweru rail line;
- improvements to Harare's airport;
- an investment to restart gold mining at the Connemara mine;
- an US\$500m partnership with the Reserve Bank of Zimbabwe, with its subsidiary Fidelity Printers and Refiners, to purchase gold from local miners.⁶⁹

However, while Memoranda of Understanding were signed, few, if any, of these projects materialised and reports of US\$8 billion deals are overblown. In practice the Queensway syndicate's presence in Zimbabwe centres around three activities: diamonds, cotton, and property deals. The following sections detail these business activities in turn.

Diamonds

Several reliable sources have told Global Witness that Sam Pa has been involved in two diamond-related operations: a buying programme, and a mining concession in the Marange fields. At the time of publication, in June 2012, Sino Zimbabwe Development still employs at least six individuals in Zimbabwe who describe themselves as involved in the diamond industry, including as cutters and polishers, indicating that the company may still be involved in the diamond trade in some way.⁷⁰

CIO documents seen by Global Witness reveal that Sam Pa has been buying high quality diamonds sourced from Marange diamond mines from 2008 until at least summer 2011.⁷¹ This was reported on contemporaneously in 2009 by Africa-Asia Confidential: "China International Fund moved to set up a purchasing operation at the Marange diamond mines, which have been controlled by soldiers and bosses of the ruling Zimbabwe African National Union-Patriotic Front, in another example of its brashness and political insensitivity."⁷² The CIO documents describe how he signed a two year contract to buy diamonds in exchange for providing funding for both the Zimbabwe Defence Forces and the CIO⁷³ and would arrive at monthly intervals at Harare airport in a white Airbus A319CJ private jet (registered as VP-Bex) and depart with diamonds. The presence, but not the frequency, of this plane at Harare airport can be corroborated using public sources.⁷⁴

In a concession allocation process involving no open bidding or transparency Sino Zimbabwe Development (Pvt) Ltd was awarded a concession in the Marange diamond fields in early 2011, after which it embarked on a short period of exploration.⁷⁵ This phase, involving sampling of the concession area was led by Samicor (the trading name for Sakawe Mining Corporation (Pty) Ltd, a company registered in Namibia, and 76% owned by Samicor BVI, which is in turn owned by LL Mining Corporation, registered in Israel. In an interview with Ha'aretz, an Israeli newspaper, LL Mining is described as controlled by Lev Leviev, a diamond magnate.⁷⁶ Samicor personnel Grant Rau (Chief Geologist)⁷⁷ and Eli Sher (Mine Manager)⁷⁸ were active in the Sino Zimbabwe Development concession in the Marange diamond fields.⁷⁹ During

this phase Zimbabwean cutters and polishers were recruited by Sino Zimbabwe Development, and sent to Namibia⁸⁰ to be trained by LLD Diamonds, another company owned by Lev Leviev.⁸¹ Global Witness has seen no evidence to indicate that Mr. Leviev, Mr. Sher, Mr. Rau, Samicor, LL Mining Corporation, or LLD Diamonds or their directors or beneficial owners knew of the role of the CIO in Sino Zimbabwe Development.

By April 2011 however Sino Zimbabwe Development had ceased operations and filed an application for a new concession.⁸² By January 2012 the company was reported to have left the concession and claimed that its sampling showed that mining was not economically viable in that zone. The parastatal Zimbabwe Mining Development Corporation has taken over the concession area.⁸³ It is not known whether Sino Zimbabwe Development (Pvt) Ltd has been granted a new concession.

Cotton

In June 2010 the Zimbabwean Cotton Marketing Technical Committee (CMTC), a statutory body under the Ministry of Agriculture, granted a license to Sino Zimbabwe Cotton Holdings (Pvt) Ltd to purchase cotton.⁸⁴ Interviews with several sources have confirmed that this firm is in effect the same company as Sino Zimbabwe Development (Pvt) Ltd; Sino Zimbabwe Cotton Holdings (Pvt) Ltd also have been represented in the media by Jimmy Zerenie (also a director of Sino Zimbabwe Development (Pvt) Ltd). However, we have not been able to locate the documents listing directors for Sino Zimbabwe Cotton Holdings (Pvt) Ltd at the company registry.

In court documents several senior Zanu PF government officials are alleged to have "spearheaded" the entry of the company into Zimbabwe.⁸⁵ Under the

terms of license Sino Zimbabwe Cotton was obliged to comply with a number of conditions, including to operate within the common buying system and not to buy seed cotton that had already been contracted to other farmers. The company was quickly embroiled in a legal dispute with the Cotton Ginners Association Zimbabwe (CGAZ), the organization which represents the Zimbabwean cotton industry. In July 2010, CGAZ filed a case⁸⁶ at the High Court, in which they accused Sino Zimbabwe Cotton of purchasing cotton already contracted to other companies and violating the terms of their license. Sino Zimbabwe Cotton denied the allegations entirely. In a media report Jimmy Zerenie, described as Sino Zimbabwe Holding's director, stated that the company had not "induced any contracted farmers to breach the law" and that the application had misled the court.⁸⁷ In the case against Sino Zimbabwe Cotton, the judge ruled that the case had been brought in the wrong forum. CGAZ then made an application to the Cotton Marketing Technical Committee, asking them to withdraw Sino Zimbabwe Cotton's license. During meetings between the parties, Global Witness was told that Sino Zimbabwe Cotton was represented by former (and one serving) members of the CIO.⁸⁸

The dispute was settled out of court and Global Witness has seen no further evidence to suggest impropriety or improper behaviour by Sino Zimbabwe Cotton Holdings in the cotton sector.

Property

Sino Zimbabwe Development are reported in the press and in Zimbabwean government documents seen by Global Witness to have bought Livingstone House, Gecko Gardens hotel and conference centre, Highlands Park Hotel, the Pangolin Lodge, and Imba Matombo Lodge, all located in Harare.⁸⁹

Figure 9: Sam Pa is reported to travel in this private jet: A319 Airbus VP Bex



Photo courtesy of Jerome K via Flickr, Creative Commons license

Annex 2: Structure of Sino Zimbabwe Development

In this section we describe the corporate structure, directorships and shareholdings of related companies – first in Zimbabwe, then in Hong Kong, and finally in Singapore and the British Virgin Islands. Through this analysis we identify which companies are controlled wholly or partially by members of the Zimbabwean secret police.

Zimbabwe: Sino Zimbabwe Development (Pvt) Ltd

The Zimbabwe Mining Development Corporation (ZMDC) has claimed that Sino Zimbabwe Development is established as a joint venture with the ZMDC.⁹⁰ However, in reality this claim merely provides cover for the involvement of CIO members.

Sino Zimbabwe Development (Pvt) Ltd was incorporated in Zimbabwe on the 14th May 2010. Its offices are at the 3rd Floor Livingstone House, Samora Machel Avenue, Harare and 14 Selous Avenue, Harare. The Zimbabwean directors of Sino Zimbabwe Development (Pvt) Ltd are Gift Kalisto Machengete and Pritchard Zhou (see section 2). The non-Zimbabwean directors of Sino Zimbabwe Development (Pvt) Ltd are:

- Lo Fong Hung, a Chinese citizen. Ms. Lo is a director of at least sixty other companies in the Queensway syndicate;
- Veronica Fung Yuen, a Chinese citizen and director of at least thirty other companies in the Queensway syndicate;
- Jimmy Zerenie, with Singaporean citizenship.

All of the non Zimbabwean directors record the same residential address, in Chisipite, Harare in company records. One source told Global Witness that Masimba Ignatius Kamba (see section 2) holds a leadership position in the company, however, it has not been possible to confirm this.

Jimmy Zerenie holds 49 per cent of the share capital of Sino Zimbabwe Development (Pvt) Ltd while Gift Kalisto Machengete, owns the other 51 per cent.⁹¹ Global Witness believes that Machengete holds these shares on behalf of the CIO rather than for his personal benefit, given his senior role in the CIO, the presence of other CIO members as directors, and the funding which sources say Sam Pa gave to the CIO.

Hong Kong: Sino Zim Diamond Ltd

Jimmy Zerenie is also a director of Sino Zim Diamond Ltd, registered in Hong Kong. The other director of this Hong Kong company is Eliezer Nefussy, an Israeli citizen resident in Namibia.⁹² Mr. Nefussy is also director of Orient Treasure International Trading Ltd, which is registered in Hong Kong and owned in turn by Samicor, registered in Namibia.⁹³ Mr. Nefussy is also the Chief Executive of Samicor.⁹⁴ The registered address of Sino Zim Diamond Ltd is 27/F, 8 Queen's Road Central, Hong Kong.

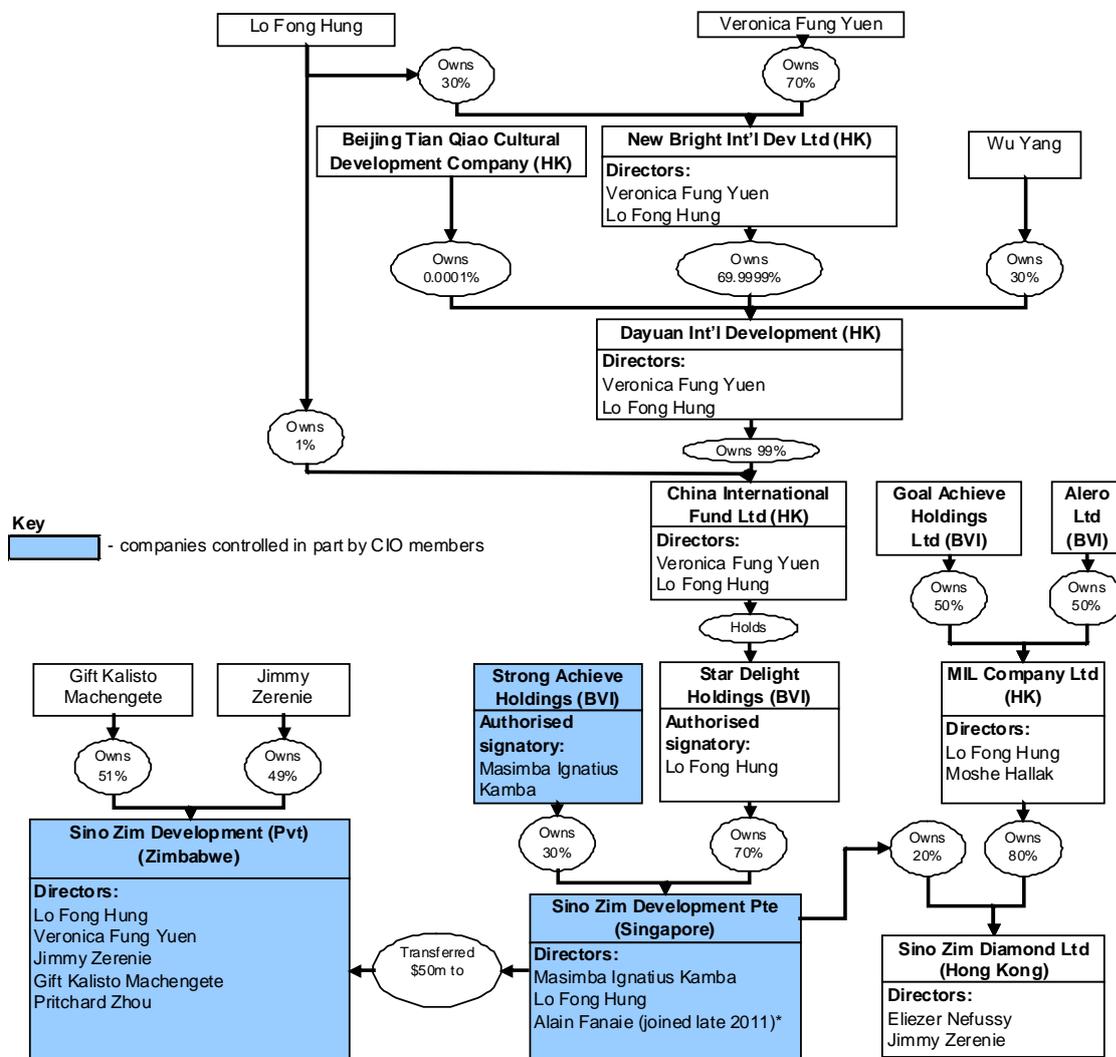
Global Witness has seen no evidence to suggest that the CIO has any role in this Hong Kong company, Sino Zim Diamond Ltd, nor that the beneficial owners, directors or staff of Sino Zim Diamonds Ltd, Orient Treasure International Trading, or Samicor had any knowledge of any CIO involvement in 'Sino Zimbabwe Development'.

As can be seen in figure 10, 80 per cent of Sino Zim Diamond Ltd is owned by MIL Company Ltd, also registered in Hong Kong at 27/F, 8 Queen's Road Central, Hong Kong. The two directors of MIL Company Ltd are Lo Fung Hong of the Queensway syndicate and Moshe Hallak, an Israeli citizen.⁹⁵ Mr. Hallak is also a director of five other companies registered in Hong Kong: Moshe International, Worldpro Development,

Shine Star, Time Express, and LLD Asia. Four of these are owned by a variety of BVI-registered entities.⁹⁶ The fifth, LLD Asia, is wholly owned by LLD Diamonds Ltd, registered in Israel. The other director of LLD Asia is Moshe Leviev, Lev Leviev's brother.⁹⁷ Global Witness has seen no evidence to suggest that Moshe Hallak, Moshe Leviev or Lev Leviev, or any staff or directors of their companies, were aware of the role of the CIO in Sino Zimbabwe Development.

MIL Company Ltd is in turn owned by two companies registered in the British Virgin Islands: Alero Ltd and Goal Achieve Holdings Ltd. The registered address for Alero Ltd is Drake Chambers, Tortola, British Virgin Islands. The registered address for Goal Achieve Holdings Ltd is PO Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.⁹⁸ Goal Achieve Holdings Limited's company number is 1511954, and it was incorporated on 28 November 2008, by Offshore Incorporations Limited, a company formation agent.

Figure 10: Figure 1: Ownership structure of Sino Zimbabwe Development group and Sino Zim Diamond Ltd.*



* Alain Fanaie only joined Sino Zimbabwe Development Pte, and other companies in the Queensway syndicate, in late 2011, after the events described in this report.

Singapore: Sino Zimbabwe Development (Pte) Ltd

The other 20 per cent of Sino Zim Diamond Ltd (Hong Kong) is owned by Sino Zim Development Pte Ltd, registered in Singapore. The directors of this Singaporean company are:

Masimba Ignatius Kamba, Lo Fong Hung, and Alain Fanaie. Mr. Kamba gives his registered address as the 7th Floor, Chester House, Corner of 3rd Street and Speke Ave, Harare. Alain Fanaie is CEO of China Sonangol, another of the Queensway syndicate companies. It should be noted that Mr Fanaie joined in late 2011, after the events described in this report.⁹⁹ There is nothing to suggest that Mr. Fanaie was aware that Masimba Ignatius Kamba was a member of the CIO, or aware of the role of the CIO in Sino Zimbabwe Development Pte Ltd or Sino Zimbabwe Development Pvt Ltd.

There is one record of a financial transfer between the Singaporean and Zimbabwean companies, further evidence of a link between the two companies. According to the 2009 accounts of Sino Zim Development Pte Ltd on 16 November 2009 US\$50 million was deposited into the Zimbabwean bank accounts of Sino Zim Development Pte Ltd (the Singaporean company), to be held in trust for Sino Zimbabwe Development (Pvt) Ltd, the Zimbabwean company. This sum of money is not mentioned in the 2010 accounts of Sino Zimbabwe Development Pte Ltd. Otherwise the Singaporean company was dormant in 2010.¹⁰⁰

British Virgin Islands

Sino Zimbabwe Development Pte Ltd is owned by Strong Achieve Holdings Ltd (30 per cent) and Star Delight Holdings Ltd (70 per cent), both registered in the British Virgin Islands, also at PO Box 957, Offshore Incorporations Centre, Road Town, Tortola. The memorandum of

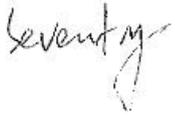
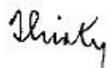
association for Sino Zimbabwe Development Pte Ltd states that Lo Fong Hung is the authorised signatory for Star Delight Holdings, and Masimba Ignatius Kamba is the authorised signatory for Strong Achieve Holdings (see figure below). Strong Achieve Holdings has company number 1525656, and was incorporated on 23 March 2009 by Offshore Incorporations Limited. The fact that Masimba Ignatius Kamba, someone who Global Witness believes is a member of the CIO, is the authorised signatory leads us to believe that the company is partially or wholly controlled by the Zimbabwean CIO.

Star Delight Holdings is ultimately owned by companies in the Queensway syndicate (China International Fund, Dayuan International Development, New Bright International Development) and Lo Fong Hung and Veronica Fung Yuen.¹⁰¹ Star Delight Holdings has company number 1532737, and was incorporated on 21 May 2009, again by Offshore Incorporations Limited.

Recommendation

Representatives of the CIO are directors in Sino Zimbabwe companies registered in Zimbabwe, Singapore, and the British Virgin Islands. The Financial Action Task Force, which is the intergovernmental body that sets the global anti-money laundering standards, should adopt a standard that requires each jurisdiction to collect and list publicly the beneficial ownership information for any company incorporated there.

Figure 11: Extract from Memorandum of Association for Sino Zim Development Pte Ltd (Incorporated in the Republic of Singapore)

Names, Addresses and Descriptions of Subscribers	Number of Shares taken
<p>Lo Fong Hung Rm 1011 Two Pacific Place, 88 Queensway, Hong Kong</p>  <p>Company Director</p> <p>Authorised Signatory for and on behalf of Star Delight Holdings Limited P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands</p>	<p>Seventy</p> 
<p>Masimba Ignatius Kamba 7th Floor, Chester House, Cnr 3rd Street/Speke Ave, Harare, Zimbabwe</p>  <p>Company Director</p> <p>Authorised Signatory for and on behalf of Strong Achieve Holdings Limited P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands</p>	<p>Thirty</p> 
<p>Total number of shares taken ...</p>	<p>One Hundred</p>

Dated this 12th day of June 2009

Box 3: Lev Leviev and the Queensway syndicate

Lev Leviev is a diamond magnate well known for helping to break De Beers' hold on the diamond market, particularly through his interests in the Angolan and Namibian diamond sectors. The US-China Economic & Security Review Commission's report on the Queensway syndicate, describes how Lev Leviev's companies purchased 10% of a Queensway syndicate company, Artfield Group Limited, and sold several New York properties to China Sonangol, including the old JP Morgan building on Wall Street.¹⁰² In May 2011 Leviev sold his 18% stake in Alrosa Co. Ltd's Catoca diamond mine in Angola to China Sonangol.¹⁰³

Although Eliezer Nefussy, Grant Rau, Eli Sher, Moshe Hallak, Moshe Leviev are associated with Lev Leviev's companies, there is no evidence that they or Lev Leviev had any contact with Zimbabwe's Central Intelligence Organisation, nor that they had knowledge of off budget financing provided by Sam Pa to the CIO, or knowledge of the presence of CIO members as directors of Sino Zimbabwe Development.

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⁴ Global Witness, *Diamonds: A Good Deal for Zimbabwe?*, February 2012.

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- the Zimbabwean National Security Council Act where it is referred to as the “Department of State for National Security”;
- the Rural District Councils Act where it is referred to as the “President’s Department”;
- the Provincial Councils Act, where it is referred to as “the organization known as the Central intelligence Organization”.

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http://blog.foreignpolicy.com/posts/2009/10/28/is_the_guinea_china_deal_for_real and *China in Africa: The Real Story, Was Guinea Bought by Beijing?* and *China International Fund’s New Bellzone-Kalia Guinea Deal*, available at

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⁹⁴ He has also been associated in the media with other companies such as Namibian Minerals Corporation (NAMCO), LL Biofuel Namibia.

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⁹⁶ Moshe International's other director is Lo Fong Hung and it is owned by China Sonangol Mining Ltd (BVI) (90 shares) and Action Gear Ltd (BVI) (9 shares). Worldpro Development's other directors are Lo Fong Hung and Francisco de Lemos Jose Maria, and Manuel Domingo Vicente and it is owned by World Noble Holdings Limited (BVI). The other directors and owners of Shine Star are not yet listed at the time of writing. The other director of Time Express is Lo Fong Hung and the company is owned by Best Effect Holdings Ltd (BVI) and All Prime Holdings Limited (BVI). All these BVI companies are registered at PO Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

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