

Pricing scandal hits Zimbabwe's Mbada Diamonds

Mbada Diamonds could have deprived the Zimbabwean government of millions of dollars by under-declaring its diamond sales over the years after it emerged that its average price per carat was about three times lower than that of other firms extracting gems from Chiadzwa.

Seven mining companies, including Mbada, started mining diamonds at Chiadzwa from 2007 to March last year when government ordered them to cease operations.

Mbada was among firms that resisted a forensic audit of Chiadzwa diamond mining operations initiated by the government, forcing the state to invoke the auditor-general's powers to proceed.

The underpricing scandal emerged during a tour of Marange diamond fields by the parliamentary portfolio committee on mines and energy chaired by Zanu-PF MP for Masvingo Urban, Daniel Shumba last Friday.



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Officials indicated that Mbada's average price was \$23 per carat although the company was awarded claims with the best gems, while Jinan sold diamonds for an average of \$89 per carat.

Zimbabwe Consolidated Diamond Company (ZCDC) acting chief executive officer, Dr Ridge Nyashanu told the committee that it was important to consolidate diamond mining to curb under-declaring of sales.

"Anjin, when they sold, their average price per carat was \$44, DMC (Diamond Mining Company) \$46,66, DTZ (OZGEO) was at \$49,42 and Jinan had the highest which is almost \$89 per carat followed by Marange at \$67,60 and the worst performer was Mbada at \$23," said Dr Nyashanu.

"When you look at Mbada, it had the highest gem and concentration but what leaves a lot to be desired is what happened, which resulted in them having an average price of \$23," he said.

"To me, probably it's good reason for consolidation. You need transparency and you need to monitor what happens to your diamonds. It's the best concession (Mbada's) yet with the worst result."

The committee recently clashed with the secretary for mines and energy, Professor Francis Gudyanga and the new management at ZCDC when they appeared before Parliament.

Shumba said the committee's oversight function was not a witch-hunt, but sought to enhance opportunities for the country to benefit from its God-given resources.

"We have listened to the audits that you are carrying out. What we didn't hear is, are the audits by yourselves only or by the other parties that were in occupation prior to consolidation?," said Shumba.

"In our oversight, our objective is not to witch-hunt but to further unlock value for Zimbabwe. Let's embrace each other as partners," he said.

"Our aim as parliament is not to operate like a headmaster at a school but as a partner to help the facilitation of those processes. We are also worried at what losses or gains we are getting as Zimbabwe from the deep washing of the minerals given the plummeting values that we are getting from the valuations and ultimate auctions and private sales that you are getting.

"This is not to say someone is stealing but why are the prices low? Why don't we up that for the benefit of our country?" said Shumba. He said they had been taken aback by revelations that equipment worth more than \$20 million at DTZ-Ozgeo was not being utilised.

Gudyanga said court challenges by Mbada Diamonds, Jinan and Anjin Investments after they ceased operations made it difficult for ZCDC to move in and carry out operations.

He said Mbada equipment had since been auctioned following a court order for the firm to pay its creditors, while Jinan had agreed to take its equipment away.

Gudyanga justified the government's consolidation of diamond mining saying it was meant to curb leakages. "As you recall, the president mentioned that Zimbabwe had been losing its diamonds and Cabinet ordered that there be a forensic audit," said Gudyanga.

"As we wanted to do this audit, somehow the same three companies (Mbada Diamonds, Jinan and Anjin Investments) contested the forensic audit. We had to invoke the powers of the auditor-general who is empowered to audit any entity where government interests are. Therefore this is what is going on. And the results of that audit is something that will be made available to the government."