



Rights and Accountability in Development

Five lost years: how money from a US Hedge Fund and a British Mining Company kept Mugabe in power

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Just ahead of Zimbabwe's elections (scheduled for 31 July 2013), Rights and Accountability in Development (RAID), a British NGO, is calling for an investigation under US sanctions into past payments made by Och-Ziff Capital Management Group LLC ('Och-Ziff'), a New York hedge fund.ⁱ

In 2008, ZANU-PF's Robert Mugabe retained the presidency of Zimbabwe after a campaign of horrific brutality against opposition supporters.ⁱⁱ The US Ambassador to Zimbabwe in 2008, James McGee, condemned the 'systematic campaign of violence designed to block this vote for change... orchestrated at the highest levels of the ruling party.' The electoral violence led to an extension of US sanctions against Zimbabwe, which remain in force. RAID's investigations indicate that the violence was financed by money originating from OZ Management LP (an Och-Ziff subsidiary) and channelled to the Mugabe government via a 'loan' as part of a lucrative platinum deal by the Central African Mining and Exploration Company plc (CAMEC).ⁱⁱⁱ RAID has called for a full investigation into CAMEC's compliance with London stock market rules^{iv} and EU sanctions with the UK authorities.^v RAID's full briefing, 'Sanctions, violence, pensions and Zimbabwe' is available at <www.raid-uk.org>.

"The US\$100 million changed Zimbabwe's future by thwarting progress towards democracy." said Patricia Feeney, RAID's Executive Director. "Voting is an act of courage in Zimbabwe. As Zimbabweans prepare to vote, they deserve the reassurance that wrongs will be investigated."

OZ Management received 150 million CAMEC shares in exchange for its investment. The fact that these shares are further held in the nominee accounts of two global investment groups – Goldman Sachs and Morgan Stanley – raises serious questions about the undisclosed identity of the ultimate beneficiaries of the holdings.

At the time of the Och-Ziff payment, some of the largest US public pension funds in California, New Jersey, and Massachusetts were invested in Och-Ziff. The Och-Ziff funds

have subsequently been linked to payment for an April 2008 Chinese arms shipment to the Zimbabwean government, which US labour unions had vehemently opposed. The then US Assistant Secretary of State, Jendayi Frazer, called upon both regional governments and China to prevent the weapons transfer. China recalled the shipment, but months later the arms were secretly flown into Zimbabwe.

“Many US public pension funds advocate investment principles that include the protection of human rights but there are legal and fiduciary constraints that govern what a pension board can or cannot do,” said Patricia Feeney. “The Och-Ziff case calls into question the extent to which these principles apply to external fund managers.”

RAID is calling on the US Treasury’s Office of Foreign Assets Control (OFAC) to investigate the Och-Ziff payment under US Sanctions against Zimbabwe, which have been in force since 2003. RAID has sent a copy of its OFAC submission to Och-Ziff, but has received no response.

Ominous reports again suggest the bankrolling of ZANU-PF and Mugabe through mining contracts – this time diamonds – whilst the fast-tracking of the election has already left almost a third of eligible voters off the register. Zimbabwe cannot afford to lose another five years.

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Notes for Editors

ⁱ RAID promotes respect for human rights and responsible conduct by companies abroad and is a long-standing contributor to the debate on corporate conduct in central and southern Africa. Its publications are available at <www.raid-uk.org>.

ⁱⁱ Human Rights Watch, *“Bullets for Each of You” State-Sponsored Violence since Zimbabwe’s March 29 Elections*, June 2008.

ⁱⁱⁱ In 2009, the Central African Mining and Exploration Company plc ceased to trade on London’s Alternative Investment Market (AIM) after its Congolese assets were acquired by the Eurasian Natural Resources Corporation plc (ENRC).

^{iv} *‘Questions of compliance: The Conduct of the Central African Mining & Exploration Company (CAMEC) plc and its Nominated Adviser, Seymour Pierce Limited’*, online at <http://www.raid-uk.org/docs/AIM/AIM_Submission_2011.pdf>.

^v Letter to UK Treasury, 4 July 2013.