

RESEARCH STUDY OF THE EXTRACTIVE SECTOR IN ZIMBABWE



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**EXTRACTIVE SECTOR
RESEARCH SERIES 2025**

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The Extractive Sector Research Series spans across Liberia, Nigeria, Zimbabwe, Zambia and Kenya uncovering how natural resource extraction is an opportunity for a feminist and just transition.

The series is part of ActionAid Denmark's Global Program on Climate Justice, and will be recurring, deepening the evidence and momentum for lasting change.

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ACKNOWLEDGMENT: Many thanks to Gloria Majiga from Tax Justice Network Africa for her valuable insights.

PRODUCED BY: ActionAid Zimbabwe with support of ActionAid Denmark

DESIGN: Lasse Hove Baek

THIS POLICY BRIEF IS FUNDED BY DANIDA

LIST OF FIGURES, TABLES AND BOXES

- FIGURE 1:** Zimbabwe royalty rates compare favourably to countries in SADC.
- FIGURE 2:** Zimbabwe corporate income tax on mining firms is less than in neighbouring countries (2024).
- FIGURE 3:** Zimbabwe carbon tax revenue 2019-2023.
- FIGURE 4:** Zimbabwe climate adaptation costs.
-
- TABLE 1:** International and regional legal instruments: climate change and extractives.
- TABLE 2:** International tax frameworks.
- TABLE 3:** Revenue collection instruments in the extractives sector.
- TABLE 4:** Royalties in Zimbabwe.
- TABLE 5:** Royalties in Zambia.
- TABLE 6:** Royalties in Malawi.
- TABLE 7:** Royalties in Namibia.
- TABLE 8:** Royalties in Botswana.
- TABLE 9:** Royalties in South Africa.
- TABLE 10:** Zimbabwe climate policies.
- TABLE 11:** Climate finance in Zimbabwe: public and private sources.
- TABLE 12:** List of key informants.
-
- BOX 1:** Africa Mining Vision action plan programme clusters.
- BOX 2:** Tax incentives in the extractive industry.
- BOX 3:** Transparency and accountability in Zimbabwe's extractives fiscal regime.
- BOX 4:** Objectives of Zimbabwe climate policies.

ACRONYMS

AMGF	Africa Minerals Governance Framework
AMV	Africa Mining Vision
APT	Additional Profit Tax
ASM	Artisanal and Small-scale Miners
ATAF	African Tax Administration Forum
AU	African Union
BEPS	Base Erosion and Profit Shifting
CBD	Convention on Biological Diversity
CFF	Climate Finance Facility
CIT	Corporate Income Tax
CRF	Consolidated Revenue Fund
DRM	Domestic Resource Mobilisation
DTA	Double Taxation Agreement
EI	Extractive Industries
EITI	Extractive Industries Transparency Initiative
EMA	Environmental Management Agency
ESG	Environmental, Social and Governance
FPIC	Free, Prior and Informed Consent
GCF	Green Climate Fund
GCFP	Green Climate Fund Programme
GDP	Gross Domestic Product
IDBZ	Infrastructure Development Bank of Zimbabwe
MIF	Mutapa Investment Fund
MMCZ	Minerals Marketing Corporation of Zimbabwe
NAP	National Adaptation Plan
NCCRS	National Climate Change Response Strategy
NDC	Nationally Determined Contribution
OECD	Organisation for Economic Co-operation and Development
PAYE	Pay-As-You-Earn
RBZ	Reserve Bank of Zimbabwe
RDC	Rural District Council
SADC	Southern African Development Community
SI	Statutory Instrument
SML	Special Mining Lease
TFCA	Trans-frontier Conservation Areas
UN	United Nations
UNCCD	United Nations Convention to Combat Desertification
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollar
VAT	Value Added Tax
WHT	Withholding Tax
ZIMRA	Zimbabwe Revenue Authority
ZMDC	Zimbabwe Mining Development Corporation
ZWL	Zimbabwean Dollar

CONTENT

EXECUTIVE SUMMARY.....	2
1. INTRODUCTION	4
2. INTERNATIONAL AND REGIONAL POLICIES AND FRAMEWORKS IMPACTING EXTRACTIVE ACTIVITIES.....	5
3. NATIONAL FISCAL, LEGAL AND POLICY FRAMEWORK GOVERNING EXTRACTIVE ACTIVITIES	8
4. DISCRETIONARY FISCAL INCENTIVES IN THE EXTRACTIVES SECTOR	12
5. REVENUE TRANSPARENCY ISSUES IN EXTRACTIVE SECTOR TAXATION	15
6. NATIONAL CLIMATE POLICIES IMPACTING EXTRACTIVE SECTOR IN ZIMBABWE.....	18
7. KEY CLIMATE FINANCE ISSUES IN THE COUNTRY	21
7.1 CLIMATE FINANCE INSTRUMENTS	21
7.2 INTERNATIONAL CLIMATE FINANCING OPTIONS	22
7.3 CONTRIBUTION OF DOMESTIC RESOURCE MOBILISATION TO CLIMATE FINANCE AND MISSED OPPORTUNITIES	22
8. RECOMMENDATIONS AND CONCLUSION	24
9. ANNEXES	29
ANNEX 1. KEY INTERNATIONAL AND REGIONAL INSTRUMENTS: CLIMATE CHANGE AND EXTRACTIVES.....	30
ANNEX 2. INTERNATIONAL TAX FRAMEWORKS	31
ANNEX 3. NATIONAL FISCAL LEGAL AND POLICY FRAMEWORK.....	33
ANNEX 4. COMPARISON OF ROYALTIES IN THE SADC REGION	36
ANNEX 5. FIGURES.....	38
ANNEX 6. CASE STUDIES.....	40
ANNEX 7. ZIMBABWE CLIMATE POLICIES.....	41
ANNEX 8. SOURCES OF CLIMATE FINANCE.....	41
ENDNOTES.....	42



EXECUTIVE SUMMARY

This study was commissioned by ActionAid Zimbabwe. The study seeks to assess Zimbabwe's national fiscal policies and evaluate their readiness to enhance DRM from the extractive industry. The purpose of this research is to provide evidence-based insights and propose policy reform measures within the intersection of climate action, finance and the extractives sector in Zimbabwe. The study combined data from

- I. a desk review of key international, regional and national legal and policy instruments governing climate, tax and mining; and
- II. interviews with key stakeholders, including members of the Parliament of Zimbabwe's Portfolio Committee on Mines and Mining Development; the Ministry of Finance, Economic Development and Investment Promotion; Zimbabwe Revenue Authority; Zimbabwe Coalition on Debt and Development; Zimbabwe Institute for Tax Accountancy; Zimbabwe Environmental Law Association; the Ministry of Environment, Climate and Wildlife; the Environmental Management Agency; and the Ministry of Mines and Mineral Development.

The extractive industry in Zimbabwe is key for sustainable development and has the potential to enhance domestic resource mobilisation towards climate financing. However, its fiscal contribution towards climate change mitigation and adaptation remains low. The extractive industries' fiscal policy and climate finance regime is derived from multifaceted national laws and policies, which are informed by international and regional climate and tax conventions, and is governed by several government ministries and agencies. National laws and policies provide for a range of fiscal instruments – such as CIT, royalties, withholding tax, customs duties, SMLs. In addition, a range of exemptions are provided for under the national constitution as well as in related bills and statutory instruments.

Although frameworks exist to guide climate action, taxation and resource sharing, they contain significant gaps and are often poorly aligned or disconnected. Partial domestication of international policies, lack of coordination between national agencies and unharmonised climate change and extractive industry policies, jeopardise domestic revenue mobilisation. As a result, the environmental impacts of the EIs are not well accounted for. This situation is further compounded by a lack of transparency on revenue collection and allocation and the absence of binding Environmental, Social and Governance (ESG)-linked compliance frameworks. The resulting opacity limits public oversight and access to revenue information, shields the government from scrutiny and fosters corruption – ultimately facilitating illicit financial flows out of Zimbabwe. Consequently, tax revenue is lost, undermining efforts to finance climate action.

To maximise DRM from the extractive industries and ensure that a portion of the revenue supports climate action, we recommend the following.

KEY RECOMMENDATIONS

1. Improve the policy, legal and fiscal instruments for revenue maximisation and increase investment in the mineral sector and the prevention of illicit financial flows.

1.1 Introduce an environmental (green) Tax. Implement an environmental or “green” tax targeting mining operations that have negative environmental impacts. The tax would serve as a deterrent to harmful practices and as an incentive to promote environmentally friendly activities.

Responsible stakeholder: Ministry of Environment, Environmental Management Agency.

1.2 Extend carbon tax to all sectors – including mining – to broaden the revenue base for the country. Responsible stakeholder: Ministry of Finance, Economic Development and Investment Promotion.

1.3 Tie fiscal incentives given to miners to environmental sustainability and specific climate actions. Responsible stakeholder: Ministry of Finance, ZIMRA.

1.4 Reduce period of SML from 25 years to 10 years. Decrease years to minimise tax expenditure. Responsible stakeholder: Ministry of Finance.

1.5 Conduct regular cost-benefit analysis of tax incentives. Carry out periodic cost-benefit analyses of existing tax incentives to identify and eliminate those that are ineffective or redundant. Responsible stakeholder: Ministry of Finance.

1.6 Regulate the ASM sector. Implement laws and policies to regulate the ASM sector more effectively to increase remittances from small-scale mining operations. Responsible stakeholder: Ministry of Mines.

1.7 Finalise a National Minerals Policy Framework to guide maximum resource mobilisation from mining sector. Responsible stakeholder: Ministry of Mines.

2. Strengthen legal frameworks, institutional systems and practices to enhance transparency and accountability in the management and use of mineral revenue

2.1 Establish an interagency committee to negotiate major mining contracts and DTAs. Responsible stakeholder: Ministry of Mines, Ministry of Finance, RBZ, EMA/Ministry of Environment.

2.2 Create a beneficial ownership register for mining. Responsible stakeholder: Ministry of Mines.

2.3 ESG disclosure: Introduce mandatory ESG disclosure and sustainability reporting requirements for all companies. Responsible stakeholder: Ministry of Industry and Commerce.

2.4 Consolidate and codify: Consolidate and codify existing environmental law into a single legal framework. Responsible stakeholder: Ministry of Environment, Environmental Management Agency.

2.5 Strengthen national budget tracking and climate finance expenditure tagging through the Parliamentary Committee on Budgeting and Mines and Mining Development. Responsible stakeholder: CSOs.

2.6 Data on tax expenditures should be reported publicly and disaggregated. Responsible stakeholder: Ministry of Mines.

3. Improve policies (both legal frameworks and operational mechanisms), including capacity for the equitable use of resource revenue and productive investment to promote broad-based development

3.1 Require Treasury to ring-fence revenue through budget tracking and tagging the climate finance expenditure from EIs. Responsible Stakeholder: Parliament/Mines and Minerals Parliamentary Committee.

3.2 Operationalise the Environmental Fund by separating its funding from the Consolidated Revenue Fund - Responsible Stakeholder: Ministry of Finance

3.3 Deposit part of the royalties into the Environmental Fund. Responsible Stakeholder: Ministry of Finance.

3.4 Operationalise the community fund provided in the Finance Act, 2023, to collect levies from lithium, black granite, quarry stones and uncut and cut dimensional stone. Responsible Stakeholder: Ministry of Finance, Civil Society Organisations, Rural District Councils.

3.5 Codify the right to Free, Prior and Informed Consent among communities affected by extractives projects. Responsible Stakeholder: Parliament of Zimbabwe.

3.6 Make Community Share Ownership Trusts (CSOTs) mandatory to build climate resilience of host communities. Responsible Stakeholder: Ministry of Industry and Commerce, Civil Society Organisations.

1. INTRODUCTION

The extractive industry in Zimbabwe is key for sustainable development and has the potential to enhance domestic resource mobilisation towards climate financing. Els are increasingly attracting attention in the global socio-economic sustainability discourse. In this report, Els are defined – following UNCTAD’s definition – as the primary activities involved in the extraction of non-renewable resources (oil, gas, minerals). Consequently, sectors such as agriculture, forestry and fisheries are excluded¹. Accordingly, this report focuses on mining.

Positively, Els support several Sustainable Development Goals (SDGs). They can significantly reduce poverty (SDG 1) through job creation (SDG 8), promote gender equality (SDG 5), reduce income inequality (SDG 10) and drive infrastructure development, innovation, and industrialisation (SDG 9). In Zimbabwe, Els account for 80% of exports, 13% of GDP² and 6.2% of employment³. With significant investments in social programmes – such as health, education, water and sanitation – Els are expected to contribute significantly through resource mobilisation to support Zimbabwe’s National Development Strategy (NDS1) and Vision 2030. The country aims to grow the mining industry to have a revenue of 12 billion USD in annual revenue. However, the NDS1 also recognises that weak mineral resource governance remains a huge constraint to this goal.

Extractives are a fundamental source of tax revenue but their fiscal contribution towards climate change mitigation and adaptation reveals climate injustice.⁴ The mining sector makes significant tax contributions. As of 2022 the major minerals by revenue contribution to Zimbabwe are platinum group of metals (40%), gold (36%), high carbon ferrochrome (7%), diamonds (3%), chrome ores and concentrates, nickel (1%), black granite (1%) and others 12%).⁵ The share of mining tax revenue in total tax revenue has increased from 2.3% in 2016 to 14.5% in 2020⁶. However, management of revenues is often opaque and characterised by legal and policy gaps that complicate collection and enable corruption, illegal extraction, tax avoidance, and evasion. As a result, billions of dollars are lost every year, contributing to a growing climate financing gap. Furthermore, lenient discretionary tax incentives and budgeting system that is not environmentally focused – amid high environmental erosion – exacerbate climate injustice. Achieving climate justice isn’t just about raising money through taxes. It also depends on a fiscal policy regime that strengthens domestic resource mobilisation and directs revenue towards climate initiatives.

This report assesses Zimbabwe’s fiscal regime in the extractives sector, and how much it is contributing to domestic resource mobilisation for climate action. The aim of the assessment was to identify gaps in DRM from the extractives sector, how the collected revenue is allocated and recommend measures to ensure that the country is maximising revenue from this sector and channelling a significant amount to environmental sustainability.

The assessment utilised mixed methods. It combined a desk review of key international, regional and national legal and policy instruments governing climate, tax and mining, as well as key informant interviews and focus group discussions with key stakeholders, including members of the Parliament of Zimbabwe’s Portfolio Committee on Mines and Mining Development; the Ministry of Finance Economic Development and Investment Promotion; Zimbabwe Revenue Authority; the Ministry of Environment, Climate and Wildlife; the Environmental Management Agency and the Ministry of Mines and Mineral Development; ActionAid Zimbabwe; Zimbabwe Environmental Law Association; Zimbabwe Coalition on Debt and Development; Zimbabwe Council of Churches; and Publish What You Pay.

2. INTERNATIONAL AND REGIONAL POLICIES AND FRAMEWORKS IMPACTING EXTRACTIVE ACTIVITIES

Climate change and how to reduce the impact of extractive industries are at the centre of global development agendas. Zimbabwe is party to a variety of international and regional multilateral environmental agreements (MEAs) encouraging state parties to increase their countries' ability to adapt to the adverse impacts of climate change, fostering climate resilience and lowering greenhouse gas emissions, and recognising the adverse effects of extractive industries. These legal instruments include: United Nations Framework Convention on Climate Change (UNFCCC) (1992); the Paris Agreement (2015) on climate change; the Rio Declaration on Environment and Development (1992); the Convention on Biological Diversity (CBD) (1992); the Convention on Combating Desertification (UNCCD) (1994), the Kyoto Protocol; and the Sustainable Development Goals (SDGs) 6, 7, 8, 11, 12, 13, 14 and 15. The SDGs directly address climate change, and several are closely linked to the extractive industries; therefore they are integrated into domestic policies and objectives. (For summary of the MEAs, see Annexure 1.)

Zimbabwe is also involved in several regional protocols and policy frameworks which promote environmental sustainability and climate action and recognise the effects of extractive industries on both. These protocols encourage member states to address the impact of climate change and environmental degradation. Many of these legal instruments are sector specific, such as the Southern African Development Community (SADC) Protocol on Forestry (2002); SADC Protocol on Wildlife Conservation and Law Enforcement (1999); SADC Protocol on Environmental Management for Sustainable Development (2014); Trans-frontier Conservation Areas (TFCA) agreements; and SADC Protocol on Mining. Countries are also encouraged to address specific needs of disadvantaged groups in climate action across different sectors. For example, this is supported through frameworks such as the Revised SADC Protocol on Gender and Development (2018) and Kampala Convention, an African Union treaty on the protection and assistance of internally displaced persons. (See Annexure 1.)

Guidance on climate adaptation and mitigation is often accompanied by discussions on climate finance, and the key role of tax revenue in climate finance. Climate finance is needed for mitigation and adaptation activities, and the UNFCCC, the Kyoto Protocol and the Paris Agreement all call for financial assistance from parties with more resources to help those that are more vulnerable. However, the international financing mechanisms set up in the UNFCCC are not generating enough to cover climate financing needs, especially in developing countries. DRM is also recognised as important for achieving climate goals and sustainable development. Els are a major source of domestic resources, they can account for 20% of government revenue.⁷

The international tax framework grants resource-producing countries the authority to tax extractive industries, but current global practices present risks to effective revenue collection. Countries, including Zimbabwe, often use the Organisation for Economic Co-operation and Development (2019) Model Tax Convention (OECD Model), the UN Model Tax Convention (2018) (UN Model) and ATAF Model Tax Agreement (ATAF Model) as the basis for negotiating tax treaties. The UN and OECD model tax treaties include mining operations in the definition of permanent establishment, which helps determine the source country's right to tax income. However, certain provisions recommended in these models may pose risks to effective revenue collection. For example, they may require a 12-month waiting period before the source country can begin taxing a project, allow the right to tax royalties and technical service fees to be shared between both countries, or restrict the source country's ability to tax certain types of income. (See Annexure 2). The current international tax system facilitates transfer pricing because it relies on the arm's length principle which requires that prices

charged in transactions between related parties – (i.e. entities with overlapping ownership – be the same as if the parties were not affiliated and therefore taxed separately on income. Multi-national companies often exploit this system by manipulating transfer prices, through inflated payments for services, contracts, or transfers to related companies located in tax havens, and therefore subject to lower or no taxation – allowing them to shift profits and reduce their tax liabilities. The OECD/G20 Base Erosion and Profit Shifting (BEPS) Inclusive Framework proposed tax reforms to counter some of these challenges. For instance, it encourages all countries to impose a minimum corporate income tax rate of 15%. If profits are taxed below this rate abroad, a **top-up tax** may apply to bring the effective rate up to the minimum. The BEPS also introduced the Subject to Tax Rule, which encourages countries to include a minimum tax rate clause in Double Taxation Agreements, allowing source countries to impose a minimum tax on a resident affiliate's base to combat base eroding payments. Additionally, the **Undertaxed Payments Rule (UTPR)** denies tax deductions on payments made to affiliated entities in low-tax jurisdictions. Zimbabwe's transfer pricing laws are interpreted in line with the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, and other relevant sources such as the United Nations Practical Manual on Transfer Pricing for developing countries.⁸

Better management of local tax regimes can help minimise some of the risks to tax revenue collection, and the African Union's Africa Mining Vision (AMV) can provide guidance to better balance the financial benefits of natural resource extraction with broad-based development and growth. The AMV, whose goal is "to ensure transparent, equitable and optimal exploitation of mineral resources to underpin broad-based sustainable growth and socioeconomic development" was adopted by member States in 2009. It looks broadly and deeply at how sustainable development can be achieved through the creation of local value, driven by the strategic use of mineral resources in Africa. It is implemented through derivative policy instruments – the Africa Mining Vision Action Plan (2011), African Mineral Governance Framework (2018) and Compact with the Private Sector – while maintaining an integrated, strategic vision for national development. The AMV is supplemented by the Africa Green Minerals Strategy.

National visions, policies, laws, regulations, standards and procedures should be shaped by the seven key tenets of the AMV. Among other things, this includes a requirement that national legal and policy frameworks should espouse a safe, sustainable and well-governed mining sector that effectively garners and deploys resource rents. This second tenet speaks to the need for effective mineral revenue management. The AMV Action Plan, with its nine programme clusters of activities, mirrors the tenets of the AMV. The first cluster provides guidance to countries on implementation of mineral rents and management. It requires countries to:

Box 1. AMV Action Plan Programme Clusters

Enhanced share of mineral revenue accruing to African mining countries	Improved management and use of mineral revenue
● Review mineral regimes to ensure they maximise revenue generation. ● Develop systems to assess components of tax regimes for leakages, revenue losses and risk of tax avoidance and evasion (e.g. through transfer pricing). ● Review the terms of Double Taxation Agreements and Bilateral Investment Treaties with the host countries of mining companies including advocating for the principle that	● Explore strategies for investing windfall earnings and mineral rents into sovereign wealth funds including stabilisation and infrastructure funds. ● Develop rent distribution systems to allocate part of mineral revenues to communities near mining areas and to local authorities. ● Develop mechanisms to facilitate local communities' access to jobs, education,

minerals should be taxed at the point of extraction. • Build capacity and enhance skills needed to effectively monitor compliance with taxation laws. • Negotiate or renegotiate mining contracts to optimise revenues and ensure responsiveness to windfall gains. • Build capacity and systems to auction mineral rights where applicable.	transport infrastructure, health services, water and sanitation. • Develop the capacity of local communities to negotiate partnership agreements. • Develop systems for strengthening capacities for national and sub-national bodies for revenue management.
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The Africa Minerals Governance Framework (AMGF) provides further specific guidance on fiscal and revenue management to maximise revenue and prevent Illicit financial flows. The AMGF serves as a monitoring and accountability tool, guided by six thematic pillars, to help states identify areas of weakness, devise and implement appropriate responses, monitor results and learn to ensure progress and improve a country's mineral governance. Pillar three provides useful guidance on how to assess fiscal and revenue management to optimise the share of revenue accruing from extractives, improve transparency and accountability, and ensure equitable and efficient use of resource revenue.

At a domestic level, Zimbabwe has taken active steps to develop legislation, policies, frameworks and strategies to tackle climate change in line with international commitments, good governance in tax revenue collection, as well as the effective and fair management and distribution of revenue. The Zimbabwean Constitution provides the normative foundation for climate action by enshrining the right to a healthy environment and promoting ecologically sustainable development and the responsible use of natural resources, while also promoting economic and social development (Section 73). These constitutional provisions are supported by a combination of sector-specific laws, policies, strategies and frameworks that target environmental sustainability broadly and climate change specifically – (See Section 6 of this report). The constitution also provides a strong foundation for good governance in tax revenue collection and equitable sharing of revenue from natural resources. It calls for accountability, transparency and careful management of public finances (Section 298), as well as the fair sharing of the benefits from natural resources (Section 301).⁹ However, as the following sections will show, although there are three frameworks in place for climate action, domestic resource mobilisation and equitable sharing, they are often uncoordinated and full of gaps.

3. NATIONAL FISCAL, LEGAL AND POLICY FRAMEWORK GOVERNING EXTRACTIVE ACTIVITIES

The fiscal framework in Zimbabwe is fragmented among laws and policies and agencies. This in turn makes coordination, transparency and accountability more complicated. Mining contributes about 19% of government revenue.¹⁰ Resource revenue is collected through a combination of direct taxes such as Corporate Income Tax; Additional Profit Tax; Withholding Tax; Capital Gains Tax; AIDS levy; indirect taxes; VAT; Mineral export taxes and royalties; as well as permit and licence fees. (See Annexure 3 for a description of the enabling acts for the different tax heads, licensing and permits). Responsibility for revenue collection is shared among several government agencies. These include the Ministry of Finance, Economic Development and Investment Promotion, which is responsible for publishing all fiscal instruments and incentives and has the authority to decide how financial resources are allocated; the Zimbabwe Revenue Authority (ZIMRA), which is responsible for collecting revenue from extractive sector. Other key stakeholders are the Reserve Bank of Zimbabwe; the Ministry of Mines and Mining Development; the Zimbabwe Mining Development Corporation (ZMDC); the Minerals Marketing Corporation of Zimbabwe (MMCZ); the Ministry of Environment, Climate and Wildlife; and the Environmental Management Agency (EMA). However, the lack of coordination among these agencies poses risks to transparency, accountability and the efficient collection of mineral revenue.

Royalties are the most stable source of extractive revenue in Zimbabwe, yet their contribution to climate change action remains minimal. Between 2021 and 2023, royalties contributed an average of 3% share of total tax revenue, which amounted to ZWL\$642.62 billion.¹¹ The royalty payable is calculated by multiplying a set percentage to the revenue generated by each metal. (See Annexure 3.) Royalties are “easy to administer, less susceptible to IFFs compared to income tax and are a more predictable revenue stream.”¹² They are now classified as a form of tax, and under current regulations the commissioner, head of ZIMRA, can exempt taxpayers from penalties for non-compliance if it is not deemed harmful to the state, a provision that previously did not apply to royalties.¹³ Zimbabwe’s royalty rates are comparable to other countries in the region. (See Annexure 4 and Annexure 5, Figure 1.) At least 75% of mining royalties are currently paid into the consolidated revenue fund (CRF) while the balance is allocated to the Mutapa Investment Fund (MIF)¹⁴.

The Mutapa Investment Fund is less focused on environmental sustainability, yet it can still be a source of climate change financing. While the MIF relates to broad development goals, it is unclear how revenues for mining royalties are allocated to climate change. Primarily, the royalties are earmarked to supplement fiscal revenue during periods of shocks in mineral prices and tax slumps. Globally, sovereign wealth funds (SWFs) have invested little towards climate action. In 2023, SWFs committed less than US\$10 billion towards climate action despite controlling US\$12 trillion worth of assets.¹⁵ Africa accounts for less than 1% of the world’s total asset value¹⁶, a trend that also applies to Zimbabwe. However, Namibia offers a valuable example through its Environmental Investment Fund (EIF), which was operationalised in 2011. The EIF is a sustainable source of funding for the development and implementation of environmentally sustainable development projects and programmes.¹⁷

Paying royalties in kind adds a layer of opacity to tax administration, creating opportunities for corruption, illicit financial flows, and ultimately, revenue loss. Traditionally, miners would pay stipulated royalties in cash. Following the Statutory Instrument (SI) 189 of 2022, royalties for gold, diamonds, platinum, lithium and other minerals as stipulated in the SI are now due half in cash and half in kind. Miners are required to surrender the value of minerals worth 50% of the amount due for

royalties. The physical royalties are submitted to the Reserve Bank of Zimbabwe (RBZ) and contribute to building national reserves to support monetary policy. While payment of royalties in kind does not affect the value paid by miners, it adds more opaqueness and provides room for corruption and illicit financial flows. For instance, it's not clear who the primary custodian¹⁸ of the records and inventories is, whether such records are accessible to the parliament and the public. More worryingly, there are no safeguards against corruption and misappropriation of the minerals.

Corporate Income Tax (CIT) is the second-largest source of revenue from the extractive sector; however, its contribution is relatively low compared to regional peers and it is considered a blunt instrument. Mining companies pay CIT of 25%, administered via the Income Tax Act [Chapter 23:06].¹⁹ Zimbabwe's CIT rate is lower than in neighbouring countries (See Annexure 5., Figure 2). However, CIT is a blunt instrument as it is fixed and does not allow the government to also benefit when international commodity prices surge. Furthermore, the effective CIT rate could be lower because of the tax incentives often provided to extractive companies through Special Mining Lease (SMLs), as will be discussed in section 4.

Additional Profit Tax (APT) allows the government to catch a share of windfall profits during periods of high international commodity prices. However, its limited application is resulting in missed opportunities for revenue collection. APT is a cashflow based tax which only applies to SML holders. However, companies can opt out of registration as SML status. Many companies mining strategic minerals—such as lithium, gold, diamonds and platinum—have opted out of registering for SML status. Therefore, the government is losing potential windfall tax revenue.

Capital Gains Tax represents another major avenue for revenue collection. A special capital gain tax of 20% on mining companies was introduced on 1 January 2024 through the Finance Act No. 13, 2023, which amended the Capital Gains Tax Act (Chapter 23:01). The tax is applied to the value of any transaction involving the transfer of a mining title to another entity within the 10-year period preceding 1 January 2024, provided that the title is still held as of that date. If there is express provision in the mining law for the approval by the minister responsible for administering the mining law, a rate of 5% may apply Capital Gains Act.²⁰

The mineral export tax was introduced to encourage investment in mineral beneficiation and processing. However, inconsistency and deferred implementation have hindered effective domestic resource mobilisation from the extractive industries. The Mineral Export Tax has been subject to significant policy inconsistency, hindering domestic resource mobilisation and leading to forgone revenue. The finance Act No. 1, 2014, introduced a 15% export tax on the gross value of unbeneficiated platinum and rough diamonds, effective 1 January 2015. However, the tax was deferred – first to 1 January 2017, then to 1 January 2018. In 2018, the tax was reduced to a range between 1-5% and its enforcement was again postponed to 1 January 2019. In 2022, the tax was further suspended to 1 January 2023 – it remains suspended at the time of writing. However, the government has pledged to implement the tax on 1 January 2025. A 5% export tax on unbeneficiated lithium and dimensional stones was introduced, effective 1 January 2018. However, Statutory Instrument 123 of 2022 banned the export of lithium and unprocessed lithium.²¹ Despite this, the Minister of Finance indicated in the 2025 budget that unprocessed lithium is subject to an export tax. Hence the government's back and forth stance on mineral tax export adds to forgone revenue.

Mining companies are also subject to **Withholding Tax (WHT)** of 15% levied on dividends remitted **outside the country**. This is for both resident and non-resident shareholders. If the mining company is listed on the Zimbabwe Stock Exchange, the WHT is 10%. **The AIDS levy was introduced in Zimbabwe on 1 January 2000**, with mining companies and trusts exempted until 1 January 2015. Mining companies, like other employers, are required to deduct Pay As You Earn (PAYE) tax from employees' remuneration or pension earnings and remit it to ZIMRA. **A Value Added Tax** of 15% is due from mining companies, except for gold miners. VAT on gold sales to Fidelity was removed

through Statutory Instrument 105 of 2024.²² Finally, **Marketing Commission Fees** of 0.875% is levied on mineral exports (excluding gold) by the MMCZ in accordance with the Mineral Marketing Corporation of Zimbabwe Act (Chapter 21:04).

A recently introduced levy on the gross value of lithium, black granite, quarry stones and uncut and cut dimensional stone aims to broaden resource mobilisation. The Finance Act [Chapter 23:04] is amended with the insertion of section 22P which provides for a levy of 1% of the gross value of the sale within Zimbabwe or on export of lithium, black granite, quarry stones and cut and uncut dimensional stone. While the levy can help raise revenue, its scope is limited to a few minerals. Extending the levy to other minerals such as gold can broaden the revenue base and enhance mitigation.

Revenue collection in EIs has been undermined by illicit financial flows (IFFs), corruption, leakages – including smuggling, under-invoicing and externalisation of export proceeds, among others – growing informalisation of the economy and levying of government fees below cost recovery. It is estimated that from 2000 to 2020, Zimbabwe lost approximately US\$32 billion through IFFs linked to financial crimes like tax evasion, money laundering and corruption.²³ Estimates are presented in aggregate – covering mining, timber, fisheries and wildlife industries – making it difficult to identify IFFs from the extractive sector specifically. However, the presidential report of 19 March 2018, on externalised funds revealed that the bulk of the externalised funds were from the mining sector.

The lack of a framework governing artisanal and small-scale miners (ASM) is also leading to revenue loss. Despite current government efforts to support small-scale miners – such as the US\$100 million facility agreement with China’s Xuzhou Construction Machinery Group for the provision of small-scale mining equipment on credit, and tax incentives for financial institutions that accept geologically-surveyed claims as collateral for small-scale miners’ borrowing requirements²⁴ these initiatives remain largely out of reach for most small-scale miners. They need more accessible, short-term solutions – as a result, such interventions have been less effective. For the government to widen its tax-revenue streams from the extractive companies, it should increase incentives to ASM. Formalisation would significantly reduce the volume of minerals smuggled through informal channels, curbing leakages and boosting domestic resource mobilisation—particularly through increased Corporate Income Tax—which could be directed toward climate action efforts. However, the government should take care to balance these incentives to avoid loss of revenue. See for example the case of the ASM gold incentive scheme. (Annexure 6.)

The domestic legal framework, however, falls short of international and regional standards for mobilisation and utilisation of proceeds from the EIs. The fiscal, legal and policy framework implements the basics of international and regional standards on mineral rents and management, like the AMV Action Plan.

For instance, the Income Tax Act thin capitalisation rules reduce tax abuse by limiting the extent to which multinational companies can finance through debt rather than equity, the country has reviewed laws governing lithium mining and beneficiation to optimise revenue, and minerals are taxed at the point of extraction. However, the regime has gaps that minimise the revenue accruing, weaken management and the use of mineral revenue, and limit EI’s contribution to climate action. For instance, there is no cost-benefit analysis of tax exemptions to inform policy, there is not a clearly defined post-collection policy on spending and/or saving (which could also include climate action), the Corporate Income Tax is not responsive to windfalls (APT is limited to SMLs). Furthermore, the rent distribution system does not ensure the partial allocation of mineral revenues to communities near mining areas. In 2023 there was a plan to give communities a share of the revenue, via changes introduced to the Income Tax Act Section 10 of the Finance Act which required the Minister of Finance to create a fund from the levies on lithium, black granite, quarry stones and dimensional stone, with the aim of

relocating these proceeds to the very regions where the minerals were extracted or quarried. However, to date the fund has not been operationalised.

An alternative to giving communities a share of the revenue is to give them a stake in mining projects via Community Share Ownership Trusts (CSOTs). The Indigenisation and Economic Empowerment General Regulations (Statutory Instrument 21 of 2010) established CSOTs and mandated mining companies to allocate 10% of their shares to local communities where they operated.²⁵ When evaluating whether the CSOT would be accepted under the regulations, consideration was also given to whether the funds accruing to the Trust would be used for gully reclamation and other works related to soil conservation and the prevention of soil erosion, as well as the general conservation of the environment. This approach aims to encourage companies to invest in environmental sustainability. However, the Finance Act, 2018, which amended the Indigenisation and Economic Empowerment Act, significantly watered down the regulations. It is now optional for investors to support CSOTs, their capitalisation and fulfilling previous financial pledges towards the CSOTs, effectively leaving communities dependent on the voluntary goodwill of mining companies.

4. DISCRETIONARY FISCAL INCENTIVES IN THE EXTRACTIVES SECTOR

Zimbabwe offers a range of fiscal and non-fiscal incentives aimed at attracting investors, which also extend to mining companies. ZIMRA and the Ministry of Finance administer tax incentives to promote investment while the Ministry of Industry and Commerce, the Industrial Development Corporation and the Zimbabwe Investment and Development Agency are the main administrators of non-tax incentives. Tax incentives include tax holidays, corporate tax relief, deferred tax payment, preferential tax rates, tax credits and duty-free importation of equipment and materials. (See Box 1.) These incentives apply to general investments in Zimbabwe, including in mining. In addition to the general incentives above, mining companies also enjoy Special Mining Leases (SMLs), through section [14(2)(f)] Part IX of the Mines and Minerals Act.

Box 2. Tax incentives in the extractives industry

- 100% redemption of capital expenditure spread over four Years.
- 100% recoupment of exploration costs claimable in the first year.
- Unrestricted carry-over of assessed losses.
- 15% CIT rate for SML holders.
- Deferment of VAT – between 90 to 180 days – on some capital equipment for the exclusive use in mining.
- VAT on mining inputs qualifies for deferment for zero-rating for exports.
- 100% Special Initial Expenditure (SIA) deduction, allowable once, replacing wear and tear, on expenditure incurred on (i) construction or alterations to industrial buildings, farm improvements, railway lines, staff housing and tobacco barns, and (ii) articles, implements, machinery and utensils purchased for the purpose of trade (including tangible or intangible property like computer software) that is acquired, developed or used by the taxpayer.
- Customs Duties. Through the Minerals and Minerals Act, mining firms are granted rebate on several items including goods imported for the purpose of prospecting and searching for mineral deposits, petroleum exploration and production, and specific mining developments.
- Deductions for rehabilitation.
- Special Mining Leases allow holders to pay less CIT (15%) over a period of up to 25 years (subject to renewal) to investors intending to start extraction, investing at least US\$100 million, and primarily produce to export.¹ Holders of SMLs are also exempted from non-residents shareholder tax, non-residence tax on fees, non-residence tax on remittances and non-residence tax on royalties.
- Double Taxation Agreements offering reduced rates of withholding taxes on dividends, interest, royalties and technical fees.

Source: <https://www.zimra.co.zw/16-tax/company/1756-fiscal-incentives>

The tax incentives have created gaps for revenue erosion and should be subjected to cost-benefit analysis to determine their continued effectiveness. For instance, companies can front load exploration costs in their first year of operations and recoup 100% of it. This means the government is losing out on CIT revenue from newly established mines.²⁶ Similarly, companies can avoid paying taxes by carrying over losses indefinitely and offset CIT against assessed loss carryovers, even after they become profitable.²⁷ As highlighted earlier, the OECD's global tax reforms have mandated a minimum effective global income tax rate. If the effective CIT rate being given to foreign companies falls below 15% due to incentives, the government risks having to recoup the revenue foregone by countries where the companies are headquartered.²⁸ A regular cost-benefit analysis of incentives, as suggested by NDS1, should be conducted to eliminate redundant taxes. Furthermore, none of these incentives are linked to climate action or reward companies for aligning their activities with the country's mitigation and adaptation activities. For instance, Zimbabwe could use production tax incentives – like a refundable tax offset or finite tax holiday – to leverage demand for strategic minerals which the country has in vast quantities, including lithium, chromium, nickel and platinum.²⁹ The minerals are crucial for many clean energy technologies and incentives based on value addition of strategic minerals would help to attract and enable investment in green minerals and expand the country's renewable energy capabilities.

Overly generous Double Taxation Agreements also pose a risk to revenue mobilisation. Zimbabwe has signed DTAs with numerous countries — including Bulgaria, Canada, China, France, Germany, Malaysia, Mauritius, the Netherlands, Norway, Poland, South Africa, Sweden and the United Kingdom — to avoid or mitigate double taxation on income earned by businesses operating in both jurisdictions. Although these agreements aim to attract investment, they often result in reduced tax rates, royalties, and fees compared to Zimbabwe's statutory standards. They greatly promote investment, but they are also an avenue through which the country is losing revenue. While Zimbabwe may be listed in the agreement as the permanent establishment of companies' operations (with the right to collect taxes) the tax rates, royalties and fees agreed to are usually lower than the prevailing statutory rates. For instance, almost all the DTAs that have been signed limit the WHT rate to 10% or less. The DTA with China and Zimbabwe is particularly generous – double the international norm of six months.³⁰ The DTA also restricts withholding tax rate on dividends for at least direct and indirect shareholding is restricted to 2.5% and in any other case 7.5%, interest from debt claims is limited to 7.5% and PAYE is only deducted where the employee is in the country for more than 183 days.³¹ It should be noted that since 1 January 2024, a domestic minimum top-up tax of 15% is now levied on foreign companies when the resident either levies no corporate tax or pays corporate tax at an effective rate of less than 15%. Regardless, the problems associated with DTAs are compounded by lack of transparency in the negotiation. Zimbabwe enacts DTAs through Statutory Instruments, bypassing public scrutiny, parliamentary debates and approval – making it difficult to prevent overly generous tax rates, royalties and fees.

The current tax expenditure may also be contributing to the decline in revenue because of the high number and value of tax incentives granted to firms in EIs. ZIMRA provides an aggregate figure on revenue forgone in its annual report. Between 2020 and 2022, the country's forgone revenue was to just over ZWL\$ 1.6 trillion (in its 2023 report ZIMRA stated that it was unable to extract the revenue forgone from the Tax and Revenue Management System).³² As a percentage of total revenue, mining tax expenditures represented 76%. EIs contributed significantly to these tax expenditures. For instance, from 2015 to October 2018 Specified Mining Development Operations accounted for 16% of the value of goods imported duty free (US\$181 million), while forgone revenue from mining operations amounted to approximately US\$45.2 million out of the total forgone revenue of US\$285.5 million for that period.³³ During the period 2016 to August 2021, tax rebates on the mining sector imports cost the government ZWL\$ 6,551 million worth of revenue out of a potential ZWL\$33,112 million from mining.³⁴ Considering the value of mining equipment imports in Zimbabwe, both an ad valorem or specific import tax would have helped in mobilising significant amounts of revenue that

would have been directed towards climate action. Furthermore, while holders of SML may be subject to APT calculated using a two-tier system, the exemptions also represent forgone revenue. Currently, three companies hold SMLs – Unki Mine (2008), ZIMPLATS (2018), and Economic Great Dyke Investments (2020). Zimplats and Unki are the first and fifth largest underground mines in Zimbabwe and therefore should contribute significantly to tax revenue. However, their revenue contribution is limited due to SMLs incentives. For instance, for the year ended 30 June 2023, ZIMPLATS total income tax payments amounted to US\$81.4 million, with CIT (US\$6.5million) contributing 8%. Assuming the conventional 25% tax rate, the CIT would amount to US\$10.9 million, suggesting US\$4.3million is forfeited as part of the SML provisions. In short, the state has missed out on significant revenue from mining taxes. These shortfalls are largely attributable to preferential treatment, special exemptions and subsidy arrangements provided to certain mining companies.

5. REVENUE TRANSPARENCY ISSUES IN EXTRACTIVE SECTOR TAXATION

Transparency in the management of revenue paid to various governmental authorities can help alleviate some of the challenges identified with the various tax heads and tax incentives being offered. More openness about how a country is managing its resources can allow analysts to forecast revenue and therefore inform policy, enable public monitoring of budgeting and taxation and for the government to be held accountable, prevent corruption and promote greater public confidence in the government. Overall, this should lead to resource management that benefits all citizens.

Zimbabwe's legal framework has created the basic structure for transparency and accountability and there are numerous legislative provisions guiding transparency. Section 62 of the constitution provides a right to access public information. Similarly, Section 194 provides the basic values and principles of public administration, requires the state to ensure that information is accessible and accurate to the public, promote the efficient and economical use of resources, and respond to peoples' needs within a reasonable timeframe. Section 195 ensures that state-controlled companies also comply with the principles and values outlined in Section 194. Section 315 requires transparency, honesty, cost-effectiveness and competitiveness in joint-venture contracts and concessions of mineral and other rights. One glaring gap is that the constitution does not explicitly guarantee a right to FPIC, which would give local communities disproportionately affected by climate change effects an "opportunity to access full information, participate meaningfully in negotiations and give or withhold their consent" to extractives projects.³⁵ Furthermore, it does not guarantee access to environmental information, like the effects of mining). Regardless, in addition to the constitution, there are numerous legislative provisions, which are publicly available guiding government agencies and mining companies on public disclosures meant to promote transparency and accountability.³⁶

Revenue collection in Zimbabwe's EIs is still dogged with issues of transparency and accountability, which erode the revenue base, despite the strong foundations provided in the constitution. The main issue is the limited availability of and access to data. Other problems relate to exclusion of key stakeholders in decisions affecting the tax regime or exclusion from taxation altogether. (See Box 3.)

Box 3. Issues of transparency and accountability in Zimbabwe's extractive fiscal regime

- 1. Opaque and exclusionary mining contracts and DTA negotiation and performance monitoring** – mining agreements are usually secretive – excluding local authorities and communities – and the extent of the country's fiscal risk exposure to lopsided mining contracts is very hard to ascertain publicly. It also creates opportunities for corruption, given the potential loss of revenue created by an opaque system. The negotiations of major mining contracts should not be at the discretion of senior public officials like the permanent secretary or the minister, instead, they should be overseen by technical teams representing the interests of all relevant stakeholders – like the Ministry of Mines, the Ministry of Finance, RBZ, EMA) to open up the process to more scrutiny.
- 2. Lack of a beneficial owner register** – this compounds the opaqueness surrounding mining contracts and DTAs.

3. **A fragmented framework for managing accountability and disclosure** like the fiscal framework, the provisions governing disclosure of information on mining activities and mining revenue is fragmented among several laws and policies. This has resulted in confusion over who collects what money, how these funds reach the government's account – whether as taxes, royalties or dividends – and eventually how they are allocated.
4. **Government releases highly aggregated data on mineral revenue** – this makes it difficult to assess where revenue is being lost or could be optimised. ZIMRA's quarterly Revenue Performance Reports includes data on different tax heads, however the data is aggregated and does not break down tax contributions from the mining sector, save for mining royalties.
5. **Aggregated data on tax expenditure** – ZIMRA provides a global figure of revenue forgone, which does not allow parliament to monitor how each tax head is contributing to the tax expenditure, the policy goals being achieved, beneficiaries or the social impacts of tax incentives. Disaggregated data, highlighting the impact of each incentive, would enable the design of a more effective revenue collection, which in turn could go to climate action.
6. **No mandatory guidance on mineral revenue allocations** – the legal and policy framework is silent on how mining revenue is to be utilised, including how much should go towards climate action. Once it has been collected and is in the Consolidated Revenue Fund (CRF) it is allocated at the treasury's discretion. Stakeholders interviewed indicated mandating ring fencing of funds for climate action would be desirable.
7. **Companies are not mandated to disclose climate impact and how they are mitigating them – there is no mandatory ESG disclosure and sustainability reporting framework for all companies** which could be used to encourage firms to invest in climate related actions – to demonstrate how they are prioritising environmental issues – and provide clear and accessible information. Currently, they are only mandatory for companies listed on the Zimbabwe Stock Exchange (ZSE) and Victoria Falls Stock Exchange (VFEX), and public companies. Regulatory frameworks must mandate ESG disclosures and sustainability reporting for all companies. Only five mining companies are listed on local exchange markets: RioZim and Hwange Colliery – part of ZSE – and Bindura Nickel Corporation, Karo Mining and Caledonia Mining – part of VFEX. This represents only 22.7% of Class A and B members of the Chamber of Mines of Zimbabwe. Falcon Gold delisted from the ZSE in 2020. Zimplats is listed on the Sydney Stock Exchange but not locally. Notable companies not listed include Metallon Gold Corporation, Unki Mine, Sibonye and Implats.
8. **Requirements to pay fees to access public registers** – this makes it difficult for all but the well-resourced to monitor companies and their relationship with the government. The manual nature of most records hampers accessibility.
9. **Protracted licensing and permit process** – this encourages corruption as applicants seek to speed up the process. Stakeholders interviewed highlighted that the long application approval times for mining permits may frustrate small-scale miners, leading them to begin operations without registration (and therefore with no way to trace the impact of their activities and collect revenue).
10. **No dedicated legislation for ASM** – many operate informally without a way to monitor and collect their output and revenue, save for when they deliver gold at gold processing centres and record the volume and price of their output.
11. **Watered down regulations for Community Share Ownership Trusts (CSOTs)** – As discussed in Section 3, it is now optional for mining companies to allocate 10% of their shares to local communities. CSOTs enable communities to monitor projects affecting their communities and to share in the benefits of EIs. However, the current regulatory framework, has several gaps, such as misalignment with other laws relevant to governance, lack of clear objectives and poor governance structures, exclusion of communities from initial planning and setting up of CSOTs, and exclusion of CSOTs from national and local development plans. Most importantly they are not mandatory.

Zimbabwe could benefit from participating in international multi-stakeholder monitoring bodies and domesticating transparency and accountability standards. By collaborating in multi-stakeholder groups, such as the Extractive Industries Transparency Initiative (EITI), data and debate can be leveraged to strengthen extractive sector monitoring and governance. Also, incorporating into national law voluntary transparency and accountability standards would promote mineral revenue transparency and corporate accountability.³⁷

6. NATIONAL CLIMATE POLICIES IMPACTING EXTRACTIVE SECTOR IN ZIMBABWE

Zimbabwe's climate change policies are derived from a range of MEAs, as highlighted in Section 2.³⁸ The United Nations' goals on climate change and other global policies have a significant bearing on the creation of the various and detailed policies to deal with climate change including National climate policy (2017); National climate change response strategy (2013, 2015 and 2019); Nationally determined contributions (NDCs) of 2017; Zimbabwe Revised Nationally Determined Contributions (2021); The National Adaptation Plan (NAP) Roadmap for Zimbabwe for 2019, 2023 and 2024; the National Climate Change Response Strategy (NCCRS) of 2014; the New Draft Climate Framework Bill of 2019; the Draft Long-Term Low Greenhouse Gas Emission Development Strategy of Zimbabwe; and the Low Carbon Development Strategy and National Environmental Policy. Zimbabwe also recognises the importance of gender equality in climate actions, given the disproportionate effects of climate change on women and children and has incorporated gender responsive policies in the climate framework via the Climate Change Gender Action Plan. The main aspects of these Climate Policies are summarised in Annexure 5.

These policies touched critical aspects of climate change – namely adaptation and mitigation strategies – and are supported by various statutory instruments (SIs) aimed at operationalising climate policy. Key among these are:

- SI 150/2023 (Carbon credits regulation)
- SI 158/2023 (Carbon credits general amendment regulations) though this has not yet been implemented it presents a sound legal foundation.
- SI 131/2016 (Prohibition and control of ozone depleting substances and greenhouse gases dependent equipment). Replaced by SI49/2023.

Despite the potential embedded in carbon trading – as demonstrated by countries like South Africa and Kenya which have successfully traded in carbon credits – Zimbabwe is lagging on the implementation part over and above the SI150/2023 thereby losing significant amounts of revenue. Other countries facing the same challenges in successfully implementing carbon trading include Zambia and Tanzania (launched and suspended). The main challenges delaying the implementation and successful implementation being the lack of relevant financial infrastructure that is compatible with carbon credits trading and the low value forest carbon credits which characterises most of Africa.

Despite the soundness of the climate policies in Zimbabwe, the majority do not say much about the extractive industries and the policy objectives and instruments are only indirectly connected to them. Many of the policies are silent on extractives and focus on climate change; despite advocating for energy transition the policies only indirectly speak to the extractive sector. The national climate policies and climate change response strategies were more biased towards the strengthening of climate change governance, increased education and awareness, improved early warning and climate services, robust sustainable climate finance frameworks. See Box 2.

Box 4. Objectives of Zimbabwe climate policies

- The National Climate Policies (2014 & 2016) create a pathway towards a climate resilient and low carbon development economy which was supported by the National Climate Change Response Strategy (2015 & 2017).
- **The National Adaptation Plan (2019, 2023, and 2024), the Low Carbon Development Strategy, and the National Environmental Policy** were developed to support Zimbabwe in meeting its **Nationally Determined Contributions (2019)**. These contributions aim for a **33% reduction in per capita energy emissions below the projected Business-as-Usual (BAU) scenario by 2030**, as committed to under the **UNFCCC**. The policies focus on building climate-resilient communities through both **adaptation and mitigation**, while working toward decoupling economic growth from climate variability.
- National Climate Change Response Strategy targeted the development of Nationally Appropriate Mitigation Actions (NAMAs). The adaptation and mitigation strategies have been traditionally unambiguous on many of the climate change policies.

The gap left by the climate policies is however partly covered by the mining laws and regulations, and the environmental sector policies and laws together with the outdated Extractive Industries Policy and Legal Handbook of 2011. Mining sector laws and regulations that better relate with the extractive industry effect on the environment are anchored on the pre-independence Mines and Minerals Act (Chapter 21:05); the Mining (General) Regulations of 1977; and their amendments without a mining sector development policy (which have not been implemented and remained in draft state for too long, rendering them non-binding). Also, Environmental Management Act (Chapter 20:27) and its 2007 amendment; the Explosives Act; the Forest Act; the Parks and Wildlife Act; the Public Health Act; The Labour Act; the Suppression of Money Laundering Act; the Indigenisation and Economic Empowerment Act of 2007; the Indigenisation and Economic Empowerment Regulations (Statutory Instrument 21 of 2010); the harmonised Indigenisation and Economic Empowerment Act; the Statutory Instrument for Community Share Ownership Trust; the Rural District Councils Act; and the Communal Lands Management Act all speak better to the extractive industry sector than the generalised climate policies in Zimbabwe.

To address regulatory gaps, the Environmental Management Act has been aided by various Statutory instruments, including the Environmental Control of Alluvial Mining (SI 188/2024) and the Environmental Impact Assessment and Ecosystem Protection Regulations (SI49/2023). These aim to operationalise the Environmental Management Act and other environmental policies. However, the **Environmental Management Agency (EMA)** faces several challenges. Chief among them is inadequate funding that is financed through very low licence fees and fines. In many cases extractive companies find that the cost of non-compliance is lower, leading them to continue environmentally harmful practices. While EMA oversees the management of natural resources, overlapping mandates with traditional leaders and Rural District Councils (RDCs) and no clear division of responsibilities regarding environmental matters has created **confusion and inefficiencies**.

To improve this situation, we recommend climate change policies that are directly linked to the EIs and that are aligned with the existing policy and regulatory frameworks. Currently, climate change and environmental policies are fragmented, and there is need to integrate the two into a coherent national policy agenda. There is lack of coherence between the country's stabilisation (fiscal and monetary policies and climate change and environmental policies. Lack of policy consistency results in persistent revenue losses making it difficult for the fiscal authorities to ring-fence sector specific revenue to fund the needs of their respective sectors.

The Extractive Industries Policy and Legal Handbook (2011) is one of the few policies that is specifically and directly designed for the extractive industries, but it is silent on climate change.

This policy/handbook summarises key issues in Zimbabwe's mining sector and provides recommendations to promote transparency and protect community rights. It is also silent on climate change despite the direct connection that exists with the highlighted environmental issues. Also, the policy document is old and now outdated given the new dynamics within the extractive sector like the discovery of additional and new mineral deposits such as lithium. – it needs to be updated and revitalised to meet the current needs of the sector.

Extractive industries are also often directly influenced by specific mineral policies (lithium ore policy approved by the cabinet in 2023), diamond policy, etc.) rather than climate change policies. The Extractive Industries Policy and Legal Handbook (2011) together with the specific mineral policies are however skewed towards short-run positive externalities with little concern over the sustainability (long-run negative externalities) of the extractive industry operations. They did not fairly consider the climate change and environmental concerns. Climate considerations matter to legislation governing the mining sector. Moreover, the system continued to operate under the outdated Mines and Minerals Act and Policy framework (The Mines and Minerals Bill and Minerals Development Policy have been in draft for an extended period of time and are yet to be passed into law). And despite the approval of the **Lithium Ore Policy** in 2023, it has not been operationalised, leaving a significant policy gap in the regulation of strategic minerals.

7. KEY CLIMATE FINANCE ISSUES IN THE COUNTRY

Zimbabwe, through its Nationally Determined Contribution (NDC) and Country Green Climate Fund Programme (GCFP), has climate finance needs and despite strong political commitment, constrained domestic fiscal space creates a huge financing gap. The GCFP underscores climate financing's role in building climate change adaptive capacity and resilience. The GCFP estimates that a cumulative of US\$35.4 billion is required for adaptation in agriculture for the period 2020-2030, culminating in an annual sum of US\$3.22 billion. This translates to approximately 12.1% of GDP (2023) and 42.9% of the 2025 national budget revenue of US\$7.5Billion.³⁹ Between 2020 and 2023, the budget only allocated an average of 0.27% of the national budget towards environmental protection reflecting a financing gap of about 98%. In its 2016 Climate Change Policy, the government set an ambitious target of allocating 10% of the budget towards climate financing.⁴⁰ The NDC (2021) also estimates that a total of US\$4.8 billion is needed for climate mitigation, but with no time frame given. This shows a wide climate financing gap and highlights the need to strengthen domestic resource mobilisation frameworks and broaden international financing options. Climate financing sources and options can be public or private and domestic or international. (Annexure 3, Table 8.)

The National Adaptation Plan (NAP) (2023) profiles climate change adaptation costs which vary significantly by sectors and provinces, though climate finance source is largely international (foreign aid) with no clear-cut measures or strategy on domestic resource mobilisation. The estimated cost for climate change adaptation amounts to US\$ 10.31 billion for the period 2023-2030, with agriculture demanding close to half (46.3%) of the funds.⁴¹ The provinces of Matabeleland South (US\$1.72 billion) and Midlands (US\$1.402) are set to receive the highest shares. The NAP recognises the need to supplement domestic resources with international options, which tend to dominate climate financing. There is little recognition in the NAP of domestic resource mobilisation for climate action as from EIs, evidenced by a variety of incentives to the extractive industries despite them being the major contributors of carbon emissions.

The Nationally Determined Contribution (NDC) to the UNFCCC calls for aggressive climate resources mobilisation both domestically and internationally. Zimbabwe needs a domestic Climate Finance Facility (CFF) to coordinate climate finance, to scale up its mitigation and adaptation strategies.⁴² While traditional climate policies in Zimbabwe provide limited guidance on financing, the **2019 NDC Implementation Framework** outlines key financial strategies to support the realisation of the country's Nationally Determined Contributions (NDCs) and were further covered in the IDBZ's *Developing a Climate Finance Facility for Zimbabwe: Business Case*.⁴³ Despite these efforts, the climate policies did not connect to the extractive industries directly despite generalising issues to do with emissions reduction and energy efficiency.

7.1 CLIMATE FINANCE INSTRUMENTS

Carbon tax revenue is increasing yet the absence of legal frameworks to ring fence it undermines climate financing through the national budget. Introduced in 2001, Carbon tax was introduced in Zimbabwe's carbon tax is an environmental excise tax designed to discourage the consumption of carbon emitting goods or services. Currently, carbon tax is charged at US\$0.03 per litre of petroleum and diesel products or 5% of cost, insurance and freight value. While carbon tax revenue's contribution is on an upward trend (Annexure 4., Figure 3), it is only limited to consumption of fuel. Accordingly, it does not directly mitigate primary environmental degradation in high polluting sectors such as EIs and manufacturing. Moreover, carbon tax revenue is collected into the government's Consolidated Revenue Fund (CRF) and allocated at the discretion of the Minister of Finance. Discussions with EMA and the Ministry of Mines and Mining Development revealed that once

funds are deposited into the CRF, they are more likely to be used for non-climate change purposes. The absence of legal instruments ringfencing carbon tax for climate change related investments denies transparency and accountability of carbon tax revenue.

The legalisation of carbon credit trading marks a key step toward mobilising climate finance, while increasing fiscal allocations toward green technology can further deepen available resources. Carbon credit⁴⁴ trading was established through Statutory Instrument 150 of 2023 in terms of Section 140 (2) (c) of the Environmental Management Act [Chapter 20:27]. This offers dual benefits to the government. Ensuring low-carbon technologies enhances environmental sustainability while proceeds from trading are taxable. The regulations stipulate that the government should receive 30% of the carbon trading proceeds as an environmental levy during the first 10 years of a project. Such proceeds shall be deposited into an Environmental Fund and distributed as follows; investment in climate change adaptation and low carbon development projects (55%); loss and damage relief fund (5%); appropriate authority and local authority levies (10%); Administrative costs and capacity enhancement of the Authority, Registry, and Carbon Trading Committee (15%); Treasury Fiscal requirements (15%). At the time of writing, there were eight existing carbon credit projects while 13 applications have been made since the promulgation of SI 150/2023⁴⁵. However, there are no records of how much has been raised from carbon credit trading.

The government also plans to issue green bonds, which can unlock new doors to climate finance, but the domestic capital market needs to be developed further for efficient trading. Zimbabwe can explore green bonds as a funding option. Green bonds are like other bonds, except that the raised funds are pinned to an environmentally friendly project. Currently, the domestic capital market is too underdeveloped to sustain efficient bond issuance⁴⁶.

7.2 INTERNATIONAL CLIMATE FINANCING OPTIONS

The Green Climate Fund provides climate change funding options, but financial conditions may exacerbate the country's ballooning public debt. Zimbabwe joined parties to the UNFCCC in the establishment of the Green Climate Fund (GCF) in 2010. The GCF is the world's largest climate change fund available for developing countries that wish to build climate resilient systems. Through its Nationally Determined Contribution (NDC), Zimbabwe has estimated that US\$35.4 billion will be cumulatively needed for climate change resilience by 2030 under the business-as-usual criteria⁴⁷. The country has so far submitted two projects amounting to US\$35.4million for funding, with only US\$4.2million (11.9%) initially approved for climate readiness⁴⁸. Worryingly, the funds were earmarked for capacity building, a pre-project implementation condition attached to the fund, instead of actual project implementation. In 2020, the government of Zimbabwe through its Ministry of Lands, Agriculture, Water and Rural Resettlement, Climate Change Department and UNDP Zimbabwe launched the Green Climate Fund (GCF)-financed project worth US\$26.6 million⁴⁹. The government contributed US\$20 million of the funds. However, the financial obligations behind the project are not clear, with fears that it's a form of borrowing, which would exacerbate the country's debt problem.

7.3 CONTRIBUTION OF DOMESTIC RESOURCE MOBILISATION TO CLIMATE FINANCE AND MISSED OPPORTUNITIES

Most of the funds raised for climate finance are being allocated elsewhere. Despite carbon tax revenue averaging 1.02% of total revenue for the period 2019-2023, environmental protection has been receiving relatively less (0.27%) of the budget allocation over the same period. This suggests that about 74% of the funds raised for climate financing are allocated elsewhere. The World Bank suggests that public sector spending on climate change adaptation may increase by \$36m a year if carbon tax revenue is efficiently collected and reallocated.⁵⁰ Globally, over 50% of revenue from carbon-related fiscal measures are allocated towards climate and nature-related programs⁵¹. Discussions with

members of the Parliamentary Portfolio Committee on Mines and Minerals revealed that carbon tax revenue is directed to the government's consolidated revenue fund (CRF). The CRF is a pool from all tax heads, whose allocation is at the discretion of the minister responsible for finance and is sensitive to government priorities. This makes it difficult to ring-fence carbon tax revenue towards climate financing.

Environmental/green taxes, allowable in the EMA Act, can complement carbon taxes for climate financing but requires buy-in from mining companies. While carbon tax captures the environmental impact of mining companies through energy consumption, it excludes the carbon footprint arising from physical land degradation and water and air pollution. Interviews with EMA officials indicated the need for a legal instrument that allows the collection of an environmental tax from the extractive industry. Section 135(b) of EMA empowers the Minister of Environment to determine such measures as are necessary for preventing the unsustainable use of natural resources and controlling the generation of pollutants – this would include an environmental tax. EMA officials revealed, however, that efforts to establish an environmental tax have been rejected by mining companies that argue they are already overtaxed.

Tax incentives could also be used to drive climate action but are currently detached from environmental effects of businesses and focus only on promoting local and foreign direct investment. While it was lamented earlier that tax incentives may be leading to revenue loss as also highlighted in the NDS1 document, they are not all negative and could be used to drive climate action. There are over 1,850 environment-related tax incentives in use globally.⁵² However, Zimbabwe's fiscal incentives are currently not tied to any environmental sustainability requirements, except for exempting customs duty for renewable energy equipment imported into the country. Furthermore, mining companies are excluded from benefiting under Special Economic Zone incentives, which could have helped to promote sustainability in the sector. Again, Section 135(a) of the Environmental Management Act empowers the Minister of Environment to “determine fiscal, economic or social incentives as are necessary for promoting the protection and management of the environment and the conservation and sustainable utilisation of natural resources”. This provision remains underutilised and should be fully implemented to align fiscal incentives with environmental goals.⁵³

8. RECOMMENDATIONS AND CONCLUSION

Zimbabwe's mineral fiscal regime is not optimising revenue collection, has poor transparency and accountability and does not equitably and efficiently distribute revenue from EIs - with very little going towards environmental sustainability and climate action. The AMGF suggests three interventions to improve fiscal and revenue management including (i) improving the policy, legal and fiscal instruments for revenue maximisation and increased investment in the mineral sector and the prevention of illicit financial flows, (ii) strengthening of policies (legal and practice or systems) and institutions for transparency and accountability in the management and use of mineral revenue and (iii) improving policies (legal and mechanisms), including the capacity for the equitable use of resource revenue and productive investment to promote broad-based development. With this framework in mind the following actions are recommended:

1. Improvement in the policy, legal and fiscal instruments for revenue maximisation and increased investment in the mineral sector and the prevention of illicit financial flows.	
Policy, legal and practice gaps	Recommendation
Zimbabwe remains largely dependent on regulation of activities, as well as fines and penalties for non-compliance to ensure environmental sustainability in mining. Tools like Environmental Impact Assessments (EIA) and Environmental Management Plans (EMP) are meant to promote positive behaviours (in the spirit of the precautionary principle), and are bolstered by a system of fines and criminal sanctions for violating environmental laws (in the spirit of polluter pays principle). However, this punitive approach has faced several challenges – mainly that the penalties are too low, relative to the financial gain from mining, to act as a deterrent. There is limited use of taxation to promote environmental sustainability. For instance, the carbon tax is limited to petroleum and diesel products. It should ideally be extended to all sectors with high carbon emissions, like mining. Also, there are insufficient incentives to encourage companies to engage in responsible mining and participate in climate actions. Fiscal incentives would encourage more green investing in mining.	1.1 Introduce Environmental/Green Tax. Environmental tax can be levied-on mining operations which are harmful to the environment and can promote environmentally friendly activities. Section 50 of the Environmental Management Act empowers the Minister of Environment to impose an environment levy on any person or class of persons whose activities impact on the environment. The funds collected should be deposited into the Environmental Fund, established in terms of Section 48 of the Environmental Management Act, enabling ring-fencing. Responsible stakeholder: Ministry of Environment, Environmental Management Agency
	1.2 Extend carbon tax to all sectors. Including mining, which contributes to carbon emissions. Responsible stakeholder: Ministry of Finance
	1.3 Tie fiscal incentives to environmental sustainability/specific climate actions: • Reduced royalty rates for companies that surpass environmental standards during their operations. • Condition VAT deferments and rebates on compliance with environmental standards. • Introducing green tax credits via the Income Tax Act to accelerate depreciation or tax credits for capital expenditures on sustainable technologies – like water recycling systems, renewable energy installations and waste reduction measures – would qualify for these credits. • Tax rebates for companies achieving ISO 14001 certification or demonstrating effective carbon reduction methods

	• Tax-exemption on income interest from green financing instruments like government backed Green Bonds or ESG compliant financing instruments. Government can target local pension funds and insurance companies, who are sitting over US\$10billion of assets, to invest in these instruments. By law, these institutions are required to invest at least 15% of their funds into public instruments. This would need to be coupled with laws on mandatory ESG disclosures and sustainability reporting to enable monitoring of the use of loan proceeds. Incentives should be also accompanied by sunset clauses to reduce the potential costs if it is found the incentives are not serving their function. ZIMRA should also monitor the use of the incentives in its risk and audit reports. Responsible stakeholder: Ministry of Finance, ZIMRA
Special Mining Leases offer overly generous tax incentives, leading to a significant amount of forgone revenue over long periods.	1.4 Reduce period of SML. From 25 years to 10 years, to minimise tax expenditure. Responsible stakeholder: Ministry of Finance
There is no cost-benefit analysis of tax exemptions to inform policy.	1.5 Conduct regular cost-benefit analysis of tax incentives to eliminate redundant incentives. This may require cutting large scale mining companies' incentives (amounts foregone in revenue lost through incentives to large scale mining companies are far greater than those foregone if more incentives are skewed towards small scale miners and likewise, amounts collected from small scale miners in taxation are too small compared to what should be realised through taxation of large-scale mining corporations and vice-versa). The government may also exchange incentives with equity. Responsible stakeholder: Ministry of Finance
Bureaucracy and complexity in permitting and licencing discourages compliance amongst artisanal and small-scale miners (ASM).	1.6 Enact specific laws and policies to govern ASM. Illegal exploitation of the natural resource base is rampant due to many illegal miners, mainly artisanal and small-scale miners. Dedicated laws would reduce the complexity of registration – a recurring complaint by ASM – and encourage formalisation. Also, promotion of the majority small scale miners will have indirect positive externalities in reducing illicit financial flows and repatriation of proceeds since they will use the proceeds to promote local business and hence local development. Responsible stakeholder: Ministry of Mines

The lack of a national minerals policy is one of the reasons behind revenue loss through illicit financial flows out of Zimbabwe and corruption, leaving the government with inadequate tax revenue for climate action. The sector is being regulated by various acts, principal of which is the outdated Mines and Minerals Act, which is also being amended and leaves many holes resulting in leakages from the sector through corruption and illicit financial flows. This is because having an act without a policy will be operating in reverse because under normal circumstances an act is a policy implementation tool.	1.7 Finalise a National Minerals Policy Framework. Responsible stakeholder: Ministry of Mines
2. Strengthening of policies (legal and practice or systems) and institutions for transparency and accountability in the management and use of mineral revenue.	
Opaque and exclusionary mining contract and DTA negotiation and performance monitoring.	2.1 Establish an interagency committee to negotiate major mining contracts and DTAs. Responsible stakeholder: Ministry of Mines, Ministry of Finance, RBZ, EMA/Ministry of Environment
Lack of a beneficial owner register.	2.2 Create a Beneficial Owner Register. Responsible stakeholder: Ministry of Mines
Companies are not mandated to disclose climate impacts or any climate actions they are taking. ESG disclosure and sustainability reporting, is only mandatory for listed companies.	2.3 Enact mandatory ESG disclosure and sustainability reporting legislation covering all companies. At the very least disclosures could be made mandatory for companies in EIs. Responsible stakeholder: Ministry of Industry and Commerce
Currently, environmental laws are fragmented amongst several statutes and their regulations. These provide for environmental crimes, but the penalties are too low to act as a deterrent, relative to the financial gain from violating environmental laws.	2.4 Codify environmental law. Generally, the enforcement of some environmental laws is ineffectual due to poor framing of environmental crime (for instance there are no provisions for inchoate crimes), low penalties imposed and fragmentation of laws, sometimes leading to conflicts in enforcement. Furthermore, environmental crimes are often trivialised by the companies and even the courts that are meant to enforce them. To remove issues of trivialisation and inconsistencies in the application of environmental law, a coherent umbrella legislation, in the form of an Environmental Code, should be developed. Responsible stakeholder: Ministry of Environment, Environmental Management Agency
The current Mining Act and mineral policies are skewed towards short-run positive externalities with little concern for the sustainability (long-run negative externalities) of the extractive industry	2.5 Create a unified extractive policy. It is imperative to ensure consistency and coherence between all policy documents so that they complement each other rather than compete against each other. Given that, we strongly recommend for an extractive specific umbrella policy

operations (they did not fairly consider the climate change and environmental concerns).	document addressing natural resources that should inform other policy documents addressing a specific mineral (lithium, diamond, platinum). The umbrella policy will guide taxation policies in the extractive industries and bilateral and or multilateral arrangements. Responsible stakeholder: Ministry of Mines
ZIMRA provides a global figure of revenue forgone, which does not allow parliament to monitor how each tax head is contributing to the tax expenditure, the policy goals being achieved, beneficiaries or the social impacts of tax incentives.	2.6 Data on tax expenditures should be reported publicly and disaggregated. This should be accompanied by clear parameters for parliamentary review. Extractive companies should also report publicly on the incentives utilised to further strengthen transparency on both sides. Responsible stakeholder: Ministry of Mines
3. Improving policies (legal and mechanisms), including capacity for the equitable use of resource revenue and productive investment to promote broad-based development.	
All tax revenue collected goes into the consolidated revenue fund and disbursements are at the discretion of the treasury. This includes existing environmental taxes, like the carbon tax.	3.1 Ring-fence revenue from EIs. Mandate Treasury, via legislation (most appropriately the Climate Change Act once finalised), to allocate a specified percentage of minerals revenue to environmental sustainability and climate action. Any revenue collected should be deposited into the Environmental Fund, established by Section 48 of the Environmental Management Act. Responsible Stakeholder: Parliament/Mines and Minerals Parliamentary Committee
The Mutapa Investment Fund (MIF) has broad development goals but is not clear on how revenue from mining royalties – deposited in the fund – is allocated to climate change initiatives. Primarily, the royalties are earmarked to supplement fiscal revenue during periods of shocks in mineral prices and tax slumps.	3.2 Deposit part of royalties into the Environmental Fund. At the very least, MIF should be directed to ensure a specified portion of the fund is distributed to Zimbabwe’s climate fund. Section 11 of the Sovereign Wealth Fund Act empowers the Minister of Finance, in consultation with the President, and in line with presidential directives, to give written instructions to the fund’s board relating to the exercise by it of its functions were deemed necessary in the national interest, according to the minister. Responsible Stakeholder: Ministry of Finance
To date, the community fund has not been created from the levies collected on lithium, black granite, quarry stones and dimensional stone. These funds are meant to be disbursed to any area where the minerals were mined or quarried.	3.3 Lobby for the creation of the community fund. The government should operationalise the community fund provided in the Finance Act, 2023, to collect levies from lithium, black granite, quarry stones and uncut and cut dimensional stone. (Ideally, the levy should extend to all minerals). In the setting up of the fund it is also important to include provisions to ensure part of the funds disbursed go towards environmental sustainability and climate action. Responsible Stakeholder: Ministry of Finance, Civil Society Organisations, Rural District Councils.
Zimbabwe’s Constitution does not guarantee a right to Free, Prior and Informed Consent, which would	3.4 Guarantee the right to Free, Prior and Informed Consent of communities affected by extractive projects. Consider the views of local communities

encourage more meaningful participation by communities and enable the oversight of mining companies.	(including the district development committees, local government and other local authorities), before making decisions concerning the exploitation of natural resources. Consulting communities also promotes transparency and accountability. Responsible Stakeholder: Parliament
The Finance Act, 2018, amended the Indigenisation and Economic Empowerment Act and significantly watered-down regulations on Community Share Ownership Trusts (CSOTs). Companies exploiting natural resources “may” contribute to trusts, but are not legally bound to do so, leaving communities at their mercy. Of the 61 registered CSOTs, only 26 have received the funding that was pledged by mining companies, and only six of those have made a significant impact.	3.5 Make CSOTs mandatory. As the Ministry of Industry and Commerce is introducing a new Economic Empowerment Act in 2025, stakeholders should lobby for more prescriptive language directing mining companies to set up and fund CSOTs. There should also be a requirement for approval of a CSOT, that part of the funds to be contributed by companies to CSOTS should be earmarked for climate action and environmental sustainability. Responsible Stakeholder: Ministry of Industry and Commerce, Civil Society Organisations

9. ANNEXES



ANNEX 1. KEY INTERNATIONAL AND REGIONAL INSTRUMENTS: CLIMATE CHANGE AND EXTRACTIVES

Table 1. International and regional legal instruments

Instrument	Description
The United Nations Framework Convention on Climate Change (UNFCCC, 1992)	Provides a foundation for international cooperation to address climate change by stabilising greenhouse gas concentrations in the atmosphere and promoting sustainable development. It does not set binding emission reduction targets or enforcement mechanisms but promotes the principle of equity and common but differentiated responsibilities (Article 3.1.) as well as the precautionary principles. Notably, Article 6 aims to reduce the impact of climate change by co-creating solutions with the people.
Kyoto Protocol	Operationalises the UNFCCC by committing industrialised countries and economies in transition to limit and reduce greenhouse gases (GHG) emissions in accordance with agreed individual targets. The convention itself requires countries to adopt policies and measures on mitigation and to report periodically. The Kyoto Protocol is based on the principles and provisions of the convention. It only binds developed countries and places a heavier burden on them under the principle of “common but differentiated responsibility and respective capabilities” because it recognises that they are largely responsible for the current high levels of GHG emissions in the atmosphere. The targets set up for the 37 industrialised countries added up to an average 5% emission reduction compared to 1990 levels over the five-year period 2008–2012 (the first commitment period).
Paris Agreement to the UNFCCC	Replaced Kyoto Protocol’s binding targets with Nationally Determined Contributions (NDCs) for all countries. The agreement emphasises: • Global temperature goals - aim to limit global temperature rise to well below 2°C, with efforts to cap it at 1.5°C. • Nationally Determined Contributions (NDCs) - encouraging countries to set voluntary targets to reduce emissions, which are reviewed and updated every five years. • Transparency and Accountability: - by establishing a framework for monitoring and reporting progress, ensuring nations meet their commitments. • Climate finance – by requiring developed countries to pledge financial support to developing nations for climate adaptation and mitigation, targeting at least US\$100 billion annually by 2020. • Adaptation and resilience – Strengthen efforts to adapt to climate impacts and build climate-resilient infrastructure.
The Convention on Conservation of Biological Diversity (1992)	It governs the conservation of biological diversity. Mining has the potential to affect biodiversity directly and indirectly. Direct impacts can result from any activity that involves land clearance such as road

	construction, exploration drilling or direct discharges to water bodies. Indirect or secondary impacts can result from social or environmental changes induced by mining operations and are often harder to identify immediately. The potential for significant impacts is greater when mining occurs in remote, environmentally or socially sensitive areas. “Due to the continuing demand for minerals, the depletion of resources in readily accessible areas and changing technologies and economics in the mining sector, mining is increasingly being proposed in remote and biodiversity-rich ecosystems that were previously unexplored and undeveloped for minerals.”⁵⁴ According to the convention states should exploit their resources but should ensure environmental protection.
SADC Protocol on Mining (2000)	Aims to develop the region’s mineral resources through international collaboration and in turn improve the living standards of the people engaged with the mining industry, including women. The Member States are encouraged to harmonise their policies and procedures for mineral extraction, cooperating on improving technical capacity and sharing knowledge (Article 2 (1)). The Protocol calls upon Member States to encourage private sector developments, including small-scale projects that promote economic empowerment of those who have been historically disadvantaged in the mining sector (Articles 6 and 7). It considers the fact that mining activities can be dangerous and/or hazardous. The protocol also requires that Member States observe internationally recognised health and safety, and environmental protection standards (Article 9), meaning they would have an obligation to minimise the climate effects of mining.
The Revised SADC Protocol on Gender and Development (2018)	According to Article 31, States Parties are required to take measures that “address the impact of climate change and environmental degradation on gender; promote active participation of men, women, boys and girls, in the protection of the environment, mitigation of climate change and promotion of sustainable exploitation and use of natural resources; and develop policies and programmes to address the gender issues with respect to the environment, climate change and sustainable development (...).”
The Kampala Convention an African Union Convention on Protection and Assistance of Internally Displaced Persons	According to this convention state parties are to incorporate their obligations under it into domestic law by enacting or amending relevant legislation on the protection of, and assistance to, internally displaced persons in conformity with their obligations under international law. They are to designate an authority or body, where needed, responsible for coordinating activities aimed at protecting and assisting internally displaced persons and assign responsibilities to appropriate organs for protection and assistance, and for cooperating with relevant international organisations or agencies, and civil society. States parties are to refrain from, prohibit and prevent arbitrary displacement of populations. This would cover people displaced due to mining activities.

ANNEX 2. INTERNATIONAL TAX FRAMEWORKS

Table 2. International tax frameworks

Article	OECD Model	UN Model	ATAF Model
Article 5 – Permanent Establishment (PE)	The source state has the right to tax a building or construction project 12 months after it begins.	The right to tax six months after construction begins. The source state has the right to tax a non-resident that performs services in their territory over a defined period (“Services PE”).	Time period agreed between states. On Services PE, same as the UN Model.
Article 12 – Royalties	Only the residence country has the right to tax royalties paid to non-residents.	Right to tax royalties is shared between both countries. Definition of royalties is wider; it includes payments for the use of or the right to use industrial, commercial, or scientific equipment.	Same as UN Model.
Article 12A – Fees for Technical Services	Not included.	Right to tax fees for technical services shared between countries.	Same as UN Model.
Article 12B – Income from Automated Digital Services	Not included.	Right to tax income from automated digital services shared between countries.	Not included.
Article 13 – Capital Gains	Only the residence country can tax gains derived from the sale of shares, except when the value of the shares is derived from immovable property in the source state.	Source state has the right to tax the sale of shares if over an agreed threshold (substantial shareholdings).	Same as UN Model.
Article 21 – Other Income	Source country does not have the right to tax other income.	Right to tax other income is shared between both countries.	Same as UN Model.

Source: Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (2021). *Protecting The Right to Tax Mining Income: Treaty Practice in Mining Countries*.

ANNEX 3. NATIONAL FISCAL LEGAL AND POLICY FRAMEWORK

Table 3. Revenue collection instruments in the extractives sector

Tax Head/Permit/Licence	Description/Rate	Legal Basis
Corporate Income Taxes (CIT)	- Standard Rate 25%. 15% for firms in Special Economic Zones (SEZ). - Holder of a Special Mining Lease (SML) is taxed at a special rate of 15%. - No restriction on carryover of tax losses; these can be carried forward for an indefinite period. - All capital expenditure incurred exclusively for mining operations is deductible at a rate of 100%.	Income Tax Act Chapter [23:12] as read with Section 14 (2)(c), (f) and (g) of the Finance Act [Chapter 23:04].
Additional Profit Tax (APT)	Applicable above a threshold return set at the expected return.	Income Tax Act [Chapter 23:12], Schedule 23.
Withholding Tax	- Payable on dividends remitted outside the country. 15% for both resident and non-resident shareholders. 10% on investments in a SEZ.	Income Tax Act [Chapter 23:12], Section 80.
Capital Gains Tax (CGT): A tax levied on the capital gain arising from the disposal of immovable property and any marketable security.	1% of proceeds of listed securities, 20% of capital gain on property, and 20% of capital gain on unlisted securities. 1% withholding tax on capital gains for marketable securities deducted at the time of the sale of these securities. - Special Capital Gains Tax on Mineral Titles applicable to any mineral titles transferred after December 31, 2023, regardless of whether the transfer occurred within or outside Zimbabwe.	6 of the Capital Gains Tax Act [Chapter 23:01], as read with Finance Act No 13, 2023.
Stamp Duty: payable on the registration of title upon acquisition of immovable property.	Ranges from 1%-4%, depending on value of property.	Schedule to Chapter II of the Finance Act [Chapter 23:04] as read with the Stamp Duties Act [Chapter 23:09].

AIDS Levy: Introduced on January 1, 2000, to raise funds for HIV/AIDS related support programmes.	3% of individual or company assessed income tax.	Section 14 subsection 14 and 15 of the Finance Act, Chapter 23:04.
Value Added Tax: Indirect tax on consumption, charged on the supply of taxable goods and services.	15% VAT on mining inputs qualifies for deferment for zero rating for exports.	Value Added Tax [Chapter 23:12] as amended by Section 17 of the Finance (No.2) Act, 2022.
Export Taxes	15% export tax on raw platinum.	Finance Act 1, 2014.
Royalties	Determined by multiplying the stipulated percentage by the revenue generated by each metal. Stipulated percentages as of March 2024 were as follows: - Diamonds - 15% (50% payable in kind). - Other precious stones - 10% (50% payable in kind). - Platinum 10%. - Gold - 5%, and a reduced rate of 3% on incremental output of gold using the 2015 production as a base year for large scale producers, and 1% for small scale miners (50% payable in kind). - Other precious metals (Palladium, Rhodium, Ruthenium, Iridium and Silver) - 4%. - Base metals (nickel, Copper and Cobalt) - 2%. - Coal bed methane – 2%. - Coal - 2%. - Black granite - 2%. - Other Dimensional Stones - 0.5%. - Quarry Stones - 0.5%.	Mines and Mineral Act [Chapter 21:05], Part XIV as read with Section 22P Finance Act [Chapter 23:04].
Marketing Commission Fees: Marketing levy charged by MMCZ.	0.875% to 1% on mineral sales other than gold.	Minerals Marketing Corporation of Zimbabwe Act [Chapter 21:04].
Prospecting Licences: Issued by the Ministry of Mines	Range from US\$200 for an ordinary prospecting licence per mining district, to US\$2,500 for licence covering the whole country. Application and Registration Fees for Specific Minerals differ based on the mineral in question. For example, the application fee for a Platinum Special Prospecting Licence is US\$500,000, with a registration fee of US\$750,000.	Mines and Minerals Act [Chapter 21:05], Sections 20(1), (48(2)(d) and (45(1)

Environmental Licences/ Permits: Issued by EMA on the basis of Environmental Impact Assessment (EIA) and Environmental Management Plans (EMP). Permits pertain to pollution prevention and cover issues such as radiation sources, air emissions, effluent discharge points, solid waste sites and hazardous substances storage sites.	Operates on a three-tiered payment system for EIAs, which charges companies lower EIA fees for projects that have a low impact on the environment (essentially rewarding them) and higher fees as the impact increases. EIA fees are calculated as a percentage of total project cost and range from 0.8%, 1% to 1.2% depending on the project impact.	Environmental Management Act [Chapter 20:27], Section 97 as read with Environment Management Act (Environmental Impact Assessment & Ecosystems Protection) Regulations, 2007 (Cap. 20:27).
Radiation Protection Fees: Charged by the Radiation Protection Authority of Zimbabwe for licensing of radiation generating apparatus.	US\$15,000 for medium scale operating mining and mineral processing facilities fees are US\$15,000 while for large scale facilities the fee charged is US\$40,000 per annum.	Statutory Instrument 134 of 2012.
Standard Development Levy: Contributions to the Standard Development Fund under the Ministry of Industry. The purpose of the fund is to promote standards and quality control of services and commodities.	0.5% of the total remuneration payable by the employer to his employees.	Standard Development Fund Act [Chapter 14:19].
Labour Levy/ MANDATA Levy: ZIMDEF training levy.	1% of the gross wage bill collected from employers.	Section 53 of the Manpower Planning and Development Act (Chapter 28:02), through the Statutory instruments (74 and 392 of 1999).

ANNEX 4. COMPARISON OF ROYALTIES IN THE SADC REGION

Table 4. Royalties in Zimbabwe

MINERAL	ROYALTY RATE	PAYABLE IN KIND
Diamonds	10%	50%
Other precious stones	10%	50%
Lithium	7%	None
Platinum	7%	None
Gold-Large Scale	5% if price > \$US\$1200 3%-If price is US\$1200	50%
Chrome	5%	None
Other precious minerals	4%	None
Other base metals other than chrome	2%	None
Industrial metals	2%	None
Coalbed methane	2%	None
Black granite and other dimensional stone	2%	None
Coal	1%	None
Quarry	0.5%-2025 Budget	

Table 5. Royalties in Zambia

Mineral	Range	Royalty Rate	Taxable Amount
Copper	Less than US\$4,000	4.0%	The first US\$3,999
	US\$4,000 but less than US\$4,999	6.5%	The next US\$1,000
	US\$5,000 but less than US\$6,999	8.5%	The next US\$2,000
	US\$7,000 and above	10%	Balance
Base Metals (other than Copper, cobalt and vanadium)		5% of norm value ⁵⁵	
Energy and Industrial Minerals		5% of gross value ⁵⁶	
Gemstones		6% of gross value	
Precious Metals		6 % of norm value	
Cobalt and Vanadium		8% of norm value	

Source: Zambia Revenue Authority (ZRA). <https://www.zra.org.zm/wp-content/uploads/2023/08/Mineral-Royalty-Tax.pdf>

Table 6. Royalties in Malawi

Mineral	Royalty Rate
All minerals other than precious stones and semiprecious stones and commercial minerals exported in an unmanufactured state	5%
Commercial minerals exported in an unmanufactured state	5%
Precious stones and semiprecious stones	10%

Source: <https://bats-consulting.com/assets/pdf/taxrules/Malawi.pdf>

Table 7. Royalties in Namibia

Mineral	Royalty Rate
Precious metals/ Base and rare metals	3%
Semi-precious stones/Industrial metals/non-nuclear fuel minerals	2%
Nuclear fuel minerals	3%

Table 8. Royalties in Botswana

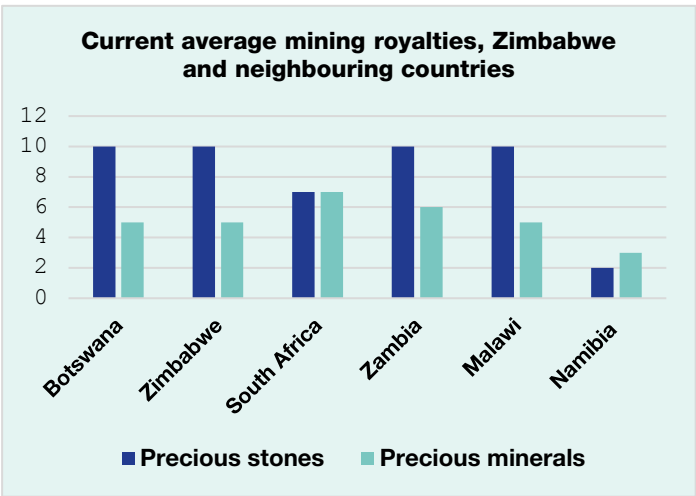
Mineral	Royalty Rate
Precious stones (e.g. diamonds)	10%
Precious metals (e.g. gold)	5%
Other minerals and mineral products	3%

Table 9. Royalties in South Africa

Mineral	Royalty Rate
Refined ores	0.5-5%
Unrefined ores	0.5-7%

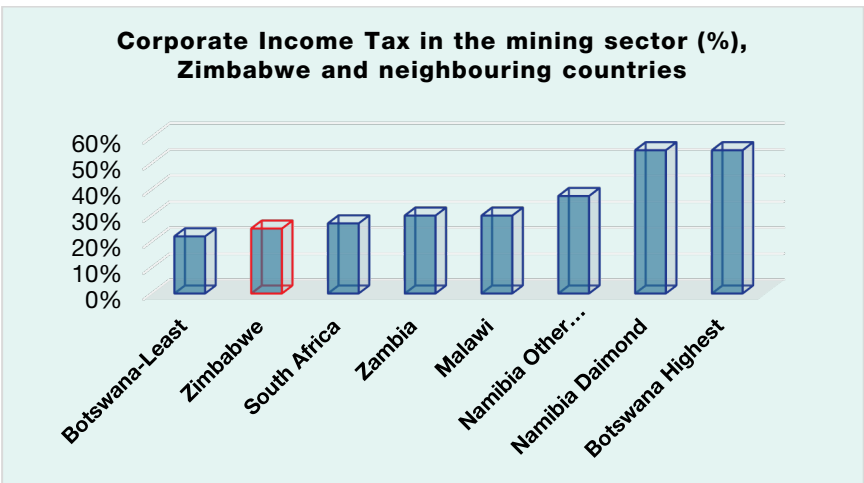
ANNEX 5. FIGURES

Figure 1. Zimbabwe’s royalty rates compare favourably to countries in SADC



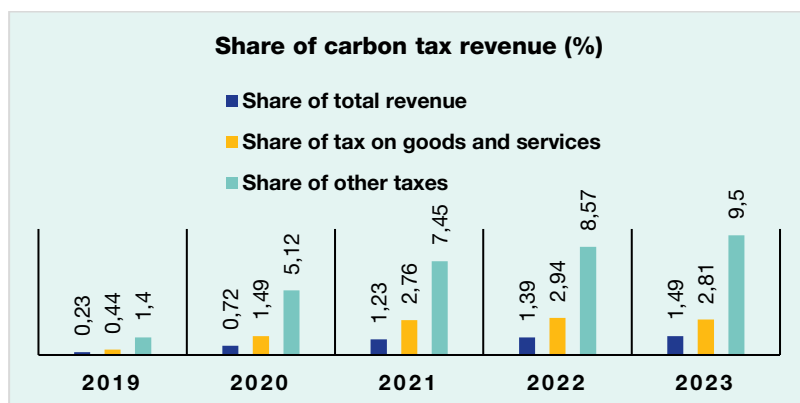
Source: T. Maguze, S Matsvai and R. Sunge. 2024. Assessment of National Fiscal Policies for Domestic Resource Mobilisation in The Extractives Sector

Figure 2. Zimbabwe Corporate Income Tax on mining firms is less than in its neighbours (2024)



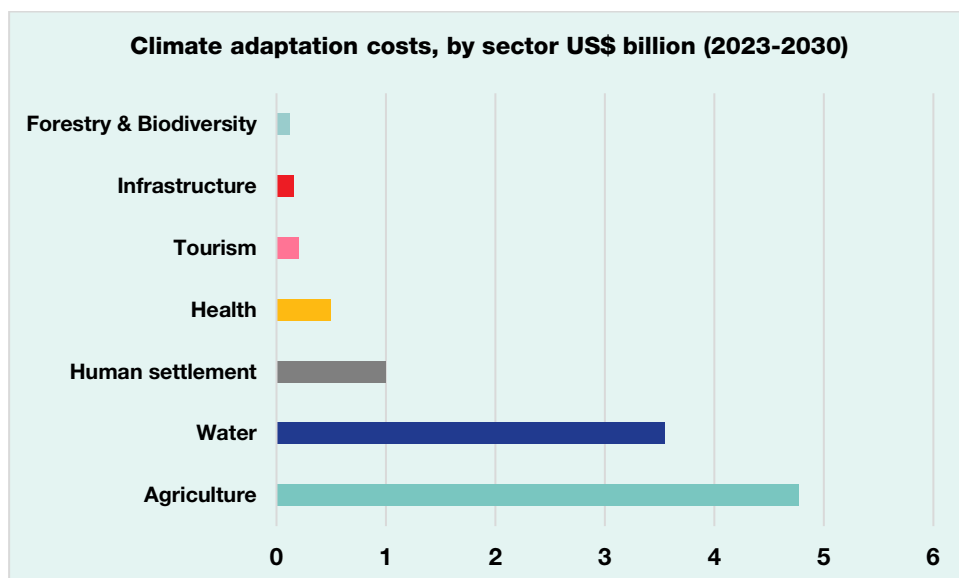
Source: T. Maguze, S Matsvai and R. Sunge. 2024. Assessment of National Fiscal Policies for Domestic Resource Mobilisation in The Extractives Sector

Figure 3. Zimbabwe Carbon Tax Revenue 2019-2023



Source: ZIMRA Annual Reports (2019-2023).

Figure 4. Zimbabwe Climate Adaptation Costs



Source. Zimbabwe's Climate Change National Adaptation Plan (2023).

ANNEX 6. CASE STUDIES

CASE STUDY: ASM GOLD INCENTIVE SCHEME AND REVENUE RISK

In 2021, the government reintroduced the gold incentive scheme targeting gold deliveries from Artisanal and Small-Scale Mining (ASM) in May 2021. Under the scheme, a 5% incentive is provided for every delivery to Fidelity Gold Refinery (Fidelity), coupled with an additional 2% payment for deliveries above 20kgs. Better Brands Jewellery (BBJ), a supper gold buying agent Fidelity is a beneficiary of the scheme. The Green Governance Trust Estimates that in 2022, BBJ delivered 18 tonnes of gold valued roughly at US\$1.2 billion at the time and accounting for 74.72% of total gold deliveries from ASM. Based on the incentive scheme, GGT calculates that BBJ could have received incentives for 1,260kgs worth of gold (900kgs of gold from the 5% incentive scheme and an additional 360kgs of gold from the 2% incentive scheme) yielding a total valued at US\$88 million. In contrast, BBJ would have paid royalties of only 1% of the value of gold it delivered (the ASM royalty rate), amounting to US\$12.56 million, about 14% of what BBJ received as an incentive.

Source: Green Governance Trust (2024). State of Corruption & Illicit Financial Flows in Zimbabwe's Mining Sector.

ANNEX 7. ZIMBABWE CLIMATE POLICIES

TABLE 10. Zimbabwe climate policies

Policy	Contents/Description	Priority Areas
Zimbabwe's Nationally Determined Contribution (NDC 2017 and 2021).	Zimbabwe's 2015 NDC outlines the leading sources of GHG emissions: burning of biomass for energy production; deforestation and the resultant loss of carbon sequestration ability and enteric fermentation from cattle (dairy and non-dairy). The NDC puts forward a greenhouse gas emissions reduction target of 33% per capita below the BAU scenario.	Mitigation and Adaptation.
National Climate Change Response Strategy (2015).	Mainly targeted the development Nationally Appropriate Mitigation Actions (NAMAs) as a step towards low carbon development strategies (LCDS), through pillars like developing and maintaining appropriate climate governance framework and institutional mechanisms aimed at coordinating climate change responses and the finance and Investment pillar (partnerships and International Financing).	Adaptation and mitigation.
The National Adaptation Plan (NAP) Roadmap for Zimbabwe 2019, 2023 and 2024.	Presents a roadmap for the development of the NAP, enabling Zimbabwe to define its adaptation agenda and mainstream climate change into development planning during the period of 2019 – 2021. It applies to national, sectoral and local level planning and will inform the GCF NAP Readiness Project. (Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement, 2019).	Adaptation and mitigation strategies.
The National Climate Policy 2017.	Focuses on the implementation of sustainable energy sources and regulatory instruments to contribute to climate change mitigation. Sets targets for renewable energy based on NDC interventions. (Ministry of Energy and Power Development, 2019).	Mitigation and Adaptation issues.
The New Draft Climate Framework Bill 2019.	The draft bill outlines the actions required for the co-ordination of a committee on climate change, a national climate change action plan and duties related to climate change. It also establishes a Zimbabwean National Climate Fund as a financing mechanism for climate change actions.	Climate Change Policy and Climate Governance
The Draft Long-Term Low Greenhouse Gas Emission Development Strategy of Zimbabwe.	Water, agriculture, health, forestry and biodiversity, infrastructure and human settlements with strategic focus areas in resource mobilisation, allocation and management, and fostering collaboration among climate-related national and international institutions.	Mitigation

ANNEX 8. SOURCES OF CLIMATE FINANCE

Table 11. Climate finance in Zimbabwe: public and private sources

	Public	Private
Domestic	National Budget (Taxes, rents, fees, fines)	Private financial institutions
	Subsidies, bonds	Debt, financing, bonds
		Market based instruments
International	Bilateral ODA	International banks
	Multilateral funds	Multinationals
	Vertical funds	Philanthropy
	Debt Swaps	Private equity and pensions

ENDNOTES

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¹⁰ Zimbabwe Investment and Development Agency (ZIDA) at <https://zidainvest.com/key-sectors/mining-sector/#:~:text=Zimbabwe%20is%20among%20the%20top,7.3%25%20of%20the%20world's%20platinum>

¹¹ ZIMRA Annual reports (2021-2023).

¹² Hawkins T. (2009). The Mining Sector In Zimbabwe and Its Potential Contribution To Recovery' (Harare: UNDP) as cited in Sibanda M. Domestic Resource Mobilisation from Lithium Mining in Zimbabwe: A Zoom-in on the Potential Fiscal and Economic Benefits in C.G. Moyo and N.F. Mpahlo (Eds) The Just Energy Transition in Zimbabwe: Social, Economic and Environmental. Green Governance Trust, 2024.

¹³ 2025 National Budget.

¹⁴ The Mutapa Investment Fund is a sovereign wealth fund. It is a state-owned investment fund comprised of money generated by the government, often derived from a country's surplus reserves.

¹⁵ Joint SDG Fund (2023). Sovereign wealth funds struggle to turn their trillions to climate finance. <https://jointsdgfund.org/article/sovereign-wealth-funds-struggle-turn-their-trillions-climate-finance>

¹⁶ UNIWIDER (2024). Are Sovereign Wealth Funds fit for purpose in Africa?. <https://www.wider.unu.edu/publication/are-sovereign-wealth-funds-fit-purpose-africa>

¹⁷ Green Climate Finance (2024). Environmental Investment Fund. <https://www.greenclimate.fund/ae/eif>

¹⁸ At the time of writing, the following agency may be appointed for collection: Minerals Marketing Authority of Zimbabwe, Reserve Bank of Zimbabwe, Fidelity Printers, and any other person as the Minister may designate.

¹⁹ The government lowered the CIT rate from 25% to 24% to ease the burden on corporates under the COVID-19 relief measure.

²⁰ ZIMRA (2024). Public Notice 9/2024. <https://www.zimra.co.zw/legislation/category/17-acts?download=3975:capital-gains-tax-act-chapter-2301>.

²¹ <https://www.veritaszim.net/node/6071>.

²² Veritas (2024). Statutory Instrument 105 of 2024. <https://www.veritaszim.net/node/7064>.

²³ Kurebwa J. (2021). Implications of illicit financial flows on Zimbabwe's development. Department of Peace and Governance, Bindura University of Science Education, P. Bag 1020, Bindura, Zimbabwe. [https://www.arpgweb.com/pdf-files/ijwpds7\(2\)27-34.pdf](https://www.arpgweb.com/pdf-files/ijwpds7(2)27-34.pdf).

²⁴ Mlambo 2016.

²⁵ Section 14B(5).

²⁶ Chigumira G, Mlambo L, Chipumho and G. Chiwunze. 2016. The Probable Impact on Zimbabwe Mining Fiscal Revenue and Industry Competitiveness of Various Price, Production and Fiscal Scenarios: Incorporating a Quantitative Case Study of the Gold Sector. Government of Zimbabwe, African Development Bank and Zimbabwe Economic Policy Analysis and Research Unit.

²⁷ Hubert D. (2016). 'Government Revenues from Mining: A Case Study of Caledonia's Blanket Mine' (Harare: Oxfam Zimbabwe).

²⁸ Sibanda M. n (9) above.

²⁹ ZIDA. 2023. Mining and Energy Prospectus.

³⁰ SI 2016-114 – Agreement Between Zimbabwe and China for the Avoidance of Double Taxation (Proclamation 8-2016). See also UN (2017). Model Double Taxation Convention between Developed and Developing Countries. United Nations, 2024.

³¹ SI 2016-114 – Agreement Between Zimbabwe and China for the Avoidance of Double Taxation (Proclamation 8-2016).

³² See ZIMRA 2020 Annual Report, ZIMRA 2021 Annual Report, 2022, ZIMRA Annual Report, 2023 ZIMRA Annual Report. Tax expenditures in each year were ZWL 111.55 billion in 2020, ZWL 388.38 billion in 2021, ZWL 1.6 trillion in 2022.

³³ ZELA. (2022). Tax incentives: The Good and The Bad. <https://zela.org/tax-incentives-the-good-and-the-bad/>

³⁴ 2022 National Budget Statement.

³⁵ FPIC is an emerging “principle of best practice for sustainable development, used to reduce conflict and increase the project's legitimacy in the eyes of stakeholders.”

³⁶ Section 251 of the Mines and Minerals Act mandates miners to prepare and submit monthly returns to the mining commissioner. Section 23 of the Minerals Marketing Corporation of Zimbabwe (MMCZ) Act provides for reports of the corporation. In addition, MMCZ is required to keep a proper record of its accounts and submit an annual financial statement to the Minister of Mines. Section 23 of the ZIMRA Act obliges ZIMRA to prepare annual reports which are laid out together with the Authority's statement of accounts before Parliament. In addition, the Act requires companies to produce a self-assessment return by companies reflecting all information required for the calculation of tax payable and requires companies to calculate such taxes and remit it to the commissioner general. Companies are also required to furnish the commissioner returns of all or any particular class of persons employed by him, and the earnings, salary, wages, allowances, advantages, benefits or pensions, whether in money or otherwise, paid or allowed to each person so employed. The Companies Act requires all registered companies in Zimbabwe to disclose information about ownership, management, annual general meeting reports and to produce and send quarterly statutory reports in the case of public companies to every member of the company. Section 97 of the Environmental Management Act requires Environmental Impact Assessments for specified projects, including mining. The Act further calls for the maintenance of a register of certificates that are issued by the director general following approval of the impact assessment reports. This register shall be accessible for inspection by members of the public at all reasonable times at the director-general's office, on payment of the prescribed fee.

³⁷ Like those issued by the Extractive Industries Transparency Initiative (EITI), the Publish What You Pay Campaign, the Natural Resource Charter, the Responsible Minerals Development Initiative, the Open Government Partnership, the Open Contracting Partnership and the Kimberly Process Certification Scheme, among others. Other initiatives by multilateral institutions, such as the Equator Principles, the IFC Performance Standards, and the OECD Anti-bribery Convention also monitor transparency

³⁸ See Section 2, page 3.

³⁹ <https://zimtreaury.co.zw/wp-content/uploads/2024/11/The-2025-National-Budget-Speech.pdf>.

⁴⁰ Government of Zimbabwe (2016). Zimbabwe Climate Policy.

⁴¹ Government of Zimbabwe (2023). Zimbabwe's Climate Change National Adaptation Plan (2023).

⁴² Infrastructure Development Bank of Zimbabwe (IDBZ). (2020). Developing a Climate Finance Facility for Zimbabwe: Business Case.

⁴³ Infrastructure Development Bank of Zimbabwe (IDBZ). (2020). Developing a Climate Finance Facility for Zimbabwe: Business Case.

⁴⁴ SI150/2023 defines a carbon credit as a tradable certificate representing one metric ton of carbon dioxide (CO₂) equivalent that is either prevented from being emitted into the atmosphere or removed from the atmosphere as a result of climate change mitigation actions

⁴⁵ Fourth Post-Cabinet Press Briefing, 05 March 2024.

⁴⁶ IDBZ (2020). Developing a Climate Finance Facility for Zimbabwe: Business Case. <https://documents1.worldbank.org/curated/en/841291604994606413/pdf/Developing-a-Climate-Finance-Facility-for-Zimbabwe-Business-Case-Infrastructure-Development-Bank.pdf>.

⁴⁷ Government of Zimbabwe (2020). Zimbabwe's Green Climate Finance Programme.

⁴⁸ Green Climate Fund (2024). Republic of Zimbabwe. <https://www.greenclimate.fund/countries/zimbabwe>.

⁴⁹ Building Climate Resilience of Vulnerable Agricultural Livelihoods in Southern Zimbabwe.

⁵⁰ World Bank (2024). Country Climate and Development Report: Zimbabwe.

⁵¹ World Bank (2024). 2024 State and trends of carbon pricing. DOI: 10.1596/978-1-4648-2127-1.

⁵² <https://iuslaboris.com/insights/tax-incentives-for-esg/> as cited in Tsabora. These incentives encourage either (i) a reduction in natural resource consumption, (ii) a switch to renewable or alternative energy sources, or (iii) innovation of new low carbon products and manufacturing processes.

⁵³ The framework for operationalising this provision has been created. However, it does not appear to be fully utilised, except for the three-tiered payment system for EIAs, which charges companies lower EIA fees for projects that have a low impact on the environment (essentially rewarding them) and higher fees as the impact increases. A further challenge is that administration of these incentives is in the hands of the Ministry of Finance and ZIMRA, even though EMA monitors and enforces adherence to environmental standards.

⁵⁴ Sepp, Kalev. Oil Shale, Nature Conservation and Sustainable Mining. Tallinn Vol. 27, Iss. 2, (2010): 93-98

⁵⁵ Norm value refers to the monthly average London Metal Exchange cash price per tonne multiplied by the quantity of the metal or recoverable metal sold.

⁵⁶ Gross value is defined as the realised price for sale Free on Board at the point of export in Zambia or point of delivery within Zambia.