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Summary of the Global Conference on the Future of Resource Taxation: 26-28 June 2023

Many countries in Africa, Asia, and Latin America are blessed with a rich natural heritage, but they continue to struggle to translate this into tangible benefits for their citizens. So how can resource-rich countries leverage fiscal policies to achieve their economic, social, and environmental goals in a balanced way? This question was at the heart of discussions at the three-day Global Conference on the Future of Resource Taxation, as well as of an accompanying Handbook, [The Future of Resource Taxation: 10 Policy Ideas to Mobilize Mining Revenue](#).

A frequently quoted statistic at the conference was the loss of up to USD 730 million annually in corporate income tax in Sub-Saharan Africa, which is due to profit shifting and other tax avoidance strategies in the mining sector. There was broad consensus that mineral-rich countries share many challenges, but also opportunities for strengthening collaboration, although there are no silver bullets. High-level tax administrators and regulators, industry representatives, and civil society activists discussed diverse case studies from countries, including the Democratic Republic of the Congo (DRC), Mozambique, Uganda, Mongolia, Ecuador, Brazil, Papua New Guinea, the Philippines, Angola, Guinea, Liberia, and conference host Zambia. All underscored the intense effort needed to undertake fiscal reform and build fit-for-purpose institutions to implement and continually monitor resource taxation policies.

The conference provided a platform to support developing countries, particularly those who struggle to effectively assess and mobilize tax revenue from an industry that has a history of tax base erosion, profit shifting, and tax avoidance. Drawing inspiration from the Handbook, participants explored new policy options beyond corporate tax and royalty systems, as well as how best to capitalize on the growing demand for critical minerals for the energy transition. Structured around a series of expert panels and “fireside chats,” the discussions explored:

- the state of play of mining taxation, including success stories, ongoing challenges, new opportunities, and risks for governments of resource-rich countries;
- key opportunities and risks for resource-rich countries arising from the low carbon transition, particularly the demand for critical minerals;



Group photo of the Conference participants

- demand projections for critical minerals, and regional and country-level strategies, as well as an industry perspective on the potential mining boom;
- the impact that a changing landscape of international tax and global tax cooperation will have on resource-rich developing countries;
- new taxing rights, the global minimum tax, and the proposal for a UN convention on taxation;
- emerging regional approaches to international and domestic tax issues; and
- the mining industry’s role in limiting global carbon emissions through innovative fiscal policies in support of a balanced and just decarbonization agenda.

More than 400 participants attended the conference, which was held at the Mulungushi International Conference Centre in Lusaka, Zambia, from 26-28 June 2020. The conference was co-hosted by the Zambia Revenue Authority (ZRA), the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF), and the African Tax Administration Forum (ATAF).

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A Brief History of the Conference

The extractives or mining industry is associated with some of the most dramatic impacts on the natural environment and human health. Although mining can be a win for industry, local communities and national governments alike, most of the revenue from mining has, for decades, eluded those most affected. Mining activities, including prospecting, exploration, construction, operation, maintenance, expansion, abandonment, decommissioning, and repurposing of a mine can affect social and environmental systems in direct and indirect ways. Key challenges facing governments in adequately regulating and monitoring the mining industry include balancing the complexities of appropriately pricing minerals while retaining investments to ensure the tax revenue benefits host countries and communities.

In July 2020, IGF and ATAF launched an inclusive, multistakeholder dialogue to rethink how developing countries benefit financially from their mineral resources. This initiative built upon both organizations' experience in delivering technical assistance to governments on international and mining tax issues. Governments, civil society, academia, and industry responded to the call, each contributing innovative, forward-looking ideas that are compiled and further elaborated in the Handbook, [The Future of Resource Taxation: 10 Policy Ideas to Mobilize Mining Revenues](#). The objective of the Handbook is to offer a menu of policy options to enable resource-rich countries to achieve optimal value through appropriate and modern taxation strategies.

This first Global Conference, hosted by ZRA, was a logical next step to bring together those who participated in compiling the Handbook, as well as all interested stakeholders, to discuss pathways to improve taxation strategies, policies, and frameworks.

Report of the Conference

Opening Ceremony: Welcome to the Global Conference on the Future of Resource Taxation

In opening remarks on Monday, 26 June, Dingani Banda, Commissioner General, ZRA, referring to the many mining industry challenges, environmental concerns, and societal expectations, said a fresh perspective on mining taxation is needed. He noted the clear objective of the conference is to ensure a fair and equitable share of mineral benefits to all inhabitants of resource-rich countries, and suggested this can only be achieved through collaboration among all levels and sectors.

Mary Baine, Deputy Executive Secretary, ATAF, highlighted the objective in compiling the recently developed Handbook, 'The Future of Resource Taxation: 10 Policy Ideas to Mobilize Mining Revenues,' which is to help resource-rich countries increase revenue collection from the mining sector. Recalling that African countries have made little progress during decades of mineral extraction in finding a solution to the "resource curse," she urged participants to seriously reflect on how they can become part of the solution and to generate ideas to inform new administrative approaches.



Situmbeko Musokotwane, Minister of Finance and National Planning, Zambia

Mohato Moima, IGF Executive Committee Member, Lesotho, noted while it constitutes some of the world's most mining-intensive countries, Sub-Saharan Africa loses up to USD 730 million in mining revenues annually. He highlighted the role of IGF as a global leader in helping resource-rich countries strengthen their mining policy administration and enhance fiscal policies along the entire mining value chain.

Situmbeko Musokotwane, Minister of Finance and National Planning, Zambia, stressed the need to strike a delicate balance between attracting investments and creating a fair and equitable taxation framework. Tracing Zambia's 100+ year mining journey, he highlighted highly fluctuating commodity prices, aggressive tax avoidance strategies, complex fiscal regimes, and limited capacity as key challenges in increasing the mining revenue base. He described the forthcoming launch of the IGF/ATAF Handbook as a "step in the right direction."

Taking Stock of Domestic Revenue Mobilization Efforts: How Has Mining Revenue Collection Improved?

Introducing this session, Moderator Mary Baine, ATAF, emphasized the need to establish a baseline for the discussions going forward. She expressed regret at the weak revenue collection enforcement by developing countries and their constant difficulties in taxing multi-national companies. She invited



Minister Musokotwane poses with other high-level dignitaries after the opening session.

Moderator **Mary Baine**, ATAF

panelists to discuss the state of play of mining taxation, including success stories, ongoing challenges, new opportunities, and risks for governments of resource-rich countries.

On how the shift in mobilizing domestic revenue efforts affects developing countries, Julien Gourdon, Agence française de développement, described the concessionary approach adopted by most countries as being directly related to their colonial heritage. He described a common post-independence trajectory that involved a period of mine and mineral nationalization, which led to reduced international investment by mining companies and a sharp drop in resource extraction, thus leading to the rise in mineral pricing. Gourdon then outlined the biggest challenges following renewed privatization efforts over recent decades, including: administrative capacity is still a constraint; concession schemes lack proper production frameworks; and the vicious cycle of undervalued mineral resources that discourage investors and reduce the resource tax base.

To the question of whether tax collection has improved and met government's expectations in Zambia, Dingani Banda stressed that mining is the mainstay for his country. He reported that income from the largely privately owned mining sector rose to around 11% of gross domestic product (GDP) for the past five years, providing jobs to 6.3% of the labor force in over a thousand mines. He described significant interventions during the past decade, including establishing several units to support revenue collection, automating production reporting, setting up more laboratories to audit minerals, decentralizing export permits, and undertaking detailed value chain analyses to understand who exporters are and what type of minerals are being exported.

Samuel Loi, Commissioner for Taxation, Internal Revenue Commission, Papua New Guinea, outlined historical challenges faced by the mining sector, noting the country was locked into unfavorable tax arrangements and harnessed only a small fraction of profits generated by mining companies. He discussed recent successful efforts to audit and plough back revenues lost due to transfer mispricing, as well as explore alternative revenue-sharing models, noting the role of external expertise and partnerships in increasing awareness and building local capacity to install the necessary checks and balances. He emphasized the need for

a long-term perspective as litigation will “test the mettle” of administrations.

Alexandra Readhead, IGF, outlined the “slow but steady” progress of the partnership, citing, among other successes, increased revenue collection in Zambia and Mongolia following recent successful audits and litigation against companies involved in tax avoidance. She underscored the role of committed leadership to take on an influential and politically-sensitive sector, and the importance of investing in the requisite legal, technical, and institutional arrangements. Readhead also outlined emerging challenges, including risks of lengthy arbitration processes and new demand linked to the energy transition, concluding that the sector is at a critical juncture.

Responding to participants' questions, panelists noted, among other issues:

- the need for transparency and policy coherence as a framework for managing historical as well as future mining contracts;
- balancing fiscal support for the artisanal and small-scale mining sector with the need for compliance; and
- bridging the skills mismatch between investors and government negotiators.

Financial Benefit Sharing in the Energy Transition: Business As Usual or Time for a Change?

Moderator Ana Bastida, University of Dundee, described the session as a much-needed conversation at this crucial juncture in the just energy transition. She said the taxation model required is radically different from the current model of financial beneficiation, which has been supported by laws that provide conditions for stability and predictability of investments. Bastida invited all to identify opportunities and risks for resource-rich countries arising from the low carbon transition by sharing their experiences related to demand projections for critical minerals, as well as regional, country-level and industry perspectives on the anticipated mining boom.

Presenting findings of a study on potential economic benefits of the energy transition in resource-rich countries, Iain Steel, Director, Econias, cited a potential increase from USD 5 billion

Moderator **Ana Bastida**, University of Dundee



Iain Steel, Director, Econias

to USD 25 billion, saying by 2040 this could add between USD 100 billion and USD 500 billion to government revenues. He outlined the methodology used to calculate revenues, namely through estimating future demand, gross revenues, mining sector profits, and potential fiscal revenues. Highlighting key findings from the study, he identified four steps for governments to maximize associated benefits that entail: implementing modern fiscal regimes; increasing appeal to investors; improving geological understanding; and developing an enabling environment that focuses on the environment, social issues, and good governance.

Ekpen Omonbude, IGF, highlighted revenue mobilization, macro-economic stability, and revenue management as perennial challenges. While noting the potential to significantly increase revenue inflows due to the increased demand for critical minerals, he stressed this is incumbent on finding a balance when introducing debt, expenditure, and revenue rules and not scaring investors away.

Miryam Yepes Salazar, Ministry of Finance, Peru, discussed efforts to introduce special adjustable taxes linked to operating profits, noting these not only generate additional revenue when profits are high, but also reduce risks for investors due to fluctuating markets. She also underlined that tax incentives are designed to encourage compliance rather than offer tax breaks. On Peru's experience with stabilization agreements, Salazar said these are voluntary and require companies to agree to a higher tax bracket which helps pay for the increased administrative burden. She further highlighted opportunities to increase revenue collection through simplifying fiscal systems and aligning with new tax rules in neighboring countries.

Stating “don't do it” could be considered a good practice in negotiating tax deals, Steel noted that many low-income countries could nevertheless seize the opportunity to renegotiate unfavorable tax regimes and standardize new contracts. He suggested that transparency about their profits could work in favor of mining companies in the long term by building trust with governments, and advised international partners to be careful in labeling support as “capacity building” since all governments, even in rich countries, require technical advisers.

On lessons learned in the oil and gas sector, Sarr highlighted the need to understand the role of the state in driving more beneficial public-private partnerships, including through exploring innovative instruments such as competitive bidding and a whole-of-value chain approach. Responding to a question on the role of regional cooperation, Salazar recognized the need to ensure balance among countries with their mutual interests in addressing tax avoidance.

Other issues highlighted in the discussions explored how to:

- define and monitor tax compliance;
- improve collaboration across all finance-related sectors and institutions to ensure policy coherence;
- create tax regimes that are both efficient and fair; and
- understand what kinds of value addition initiatives can yield substantial economic and social benefits.

An Evolving International Tax Landscape: What Does It Mean for the Mining Sector?

During this discussion, Moderator Chenai Mukumba, Tax Justice Network Africa, recalled that the Chambers of Commerce had identified double taxation as an impediment as far back as the reconstruction period following World War I. She highlighted emerging regional discussions aimed at establishing a multilateral instrument for mineral resource governance. She invited panelists to focus on the impact that a changing landscape of international tax, and global tax cooperation, will have on resource-rich developing countries.

Addressing recent changes to the international tax regime and their impacts, Andrew Viola, Organisation for Economic Co-operation and Development (OECD), reflected on the adoption of the [Inclusive Framework on Base Erosion and Profit Shifting](#) by the OECD and the G20, in which the entities have agreed on a “two-pillar” solution to address tax challenges arising from the digitalization of the economy. He said the Framework introduces the potential for remote monitoring, as well as a 15% minimum effective tax rate to reduce tax competition and the subsequent “race to the bottom.”

Discussing Senegal's experience in piloting the inclusive framework, Alpha Ngom, Directorate-General of Taxation, Senegal, emphasized the need for a realistic global approach that distinguishes between African countries' individual contexts.



Alpha Ngom, Directorate-General of Taxation, Senegal



Christian Hallum, Oxfam International

Referring to allegations that the OECD Framework is unfair towards developing countries with weak resource governance, Christian Hallum, Oxfam International, cited health impacts linked to the Zambian Mopani copper mine, stressing the companies involved are from OECD member countries. He expressed concern that the high EUR 750 million threshold called for under Pillar 2 of the Framework will affect only a handful of large mines, and that the base tax of 15% is far too low.

Anthony Munanda, ATAF, described ATAF's contribution to strengthening the voice of African mineral producing countries through capacity building and political support. He cautioned while countries can choose to "not do anything" under Pillar 2, this will prevent them from exercising their rights to taxation. He called on African governments to take up this opportunity to evaluate and reform existing tax incentives.

During the general discussion, participants highlighted challenges related to, among others: assessing what should be taxed; enhancing information sharing across countries; and implementing the processes called for in the OECD framework.

Several speakers favored exploring a negotiated multilateral process under the UN. Others questioned the 15% tax threshold, stressing that this could be viewed as a new global standard and trigger, rather than prevent, a race to the bottom.

In response, Viola highlighted how OECD pilot programmes are helping countries explore a broader range of tax options, citing the proposed Domestic Top Up Tax as a promising avenue, and noting technical assistance being provided by the [Tax Inspectors Without Borders](#) (TIWB) towards this end. Hallum concurred with a call for stronger enforcement of global rules, echoing concern that multinational companies would likely avoid even the proposed minimum 15% tax. He stressed that under Pillar 2, the OECD framework creates new political momentum to review traditional profit-based models, while cautioning that this could create additional costs and open up countries to increased tax competition. He further noted that only a handful of countries are benefitting from current information flows, which underscored the need for reform. Ngom called for greater scrutiny of international companies, stressing the starting point is to domesticate these global rules.

On proposals for a UN tax body, various speakers welcomed UN oversight on fiscal reform, noting it could enhance transparency and inclusion, but stressed that this should not duplicate existing good practice.

Accelerating a Low Carbon Transition Through Taxation

Introducing the session, Moderator Stephanus van Zyl, University of Pretoria, noted the imminent entry into force of the EU's Carbon Border Adjustment Mechanism (CBAM) in October 2023. He explained this will require all importers of carbon-intensive products into the EU to receive certificates and prove that their imported goods were subject to carbon taxation in the source countries, barring which they will have pay taxes to the EU. Speaking as "an African and from a developing country," he questioned this proposal to shift taxes to the EU, asking if the response from developing countries should be to promulgate carbon taxes in the immediate future. Van Zyl invited all to reflect on the likely impact of CBAM or other carbon pricing options on their revenue base and to discuss innovative fiscal policies in support of a balanced and just decarbonization agenda.

William Davis, Senior Economist, Natural Resource Governance Institute, discussed the impact of the EU carbon tariff on mineral-rich developing countries, noting expectations for a "significant negative impact" amounting to a potential loss of more than 1% of Africa's GDP, as well as on climate diplomacy. While conceding that minerals are not covered under the scheme's initial scope, he stressed that producer countries can expect repercussions to filter through global value chains due to reduced demand for processed goods such as iron, steel, aluminum, and cement. Regarding climate diplomacy, he noted risks from contravening the principle of common but differentiated responsibility, as well as the spread of "green imperialism" that could undermine the spirit of global cooperation. He further noted that the current proposals had failed to recognize alternative options, such as establishing a carbon club to coordinate tax rates for the common good.

Davis closed by highlighting three options for resource-rich developing countries to stay competitive:

- lobbying the EU to change the design of CBAM by paying attention to social equity or including concessions for countries with greener industries;



William Davis, Senior Economist, Natural Resource Governance Institute

- providing countries with technical and financial assistance to deal with the impacts, while recognizing that such commitments are often not met; and
- introducing their own carbon taxes to increase their revenue base and avoid EU penalties.

In a final discussion round, one participant asked whether CBAM could be in contravention of state sovereignty. There were calls for extending the deadline for developing countries to prepare for CBAM, as well as strengthening collaboration to explore less adversarial approaches. Another participant suggested that a focus on technical assistance for climate change mitigation would yield much greater benefits.

The Future of Resource Taxation: 10 Policy Ideas to Mobilize Mining Revenues

On Tuesday morning, 27 June 2023, Moderator Ezera Madzivanyika, ATAF, explained the background to the production of the Handbook, [The Future of Resource Taxation: 10 Policy Ideas to Mobilize Mining Revenue](#), saying it was driven by the need to come up with solutions for resource-rich countries to benefit from their mineral resources. Introducing the two collaborators, he described ATAF as very knowledgeable on taxation due to its focus on supporting members' tax administrations and finance ministries, while IGF interacts directly with government, industry, and civil society partners.

Viola Tarus, IGF, presented the 10 main ideas captured in the Handbook, stating that the book sought to challenge the status quo by interrogating how to improve the dominant revenue model for mining, which is based on royalties and corporate income tax. She said each of the 10 ideas unpacks some alternative models and modes of taxation by exploring:

- whether the minimum profit share for the government model represents an improvement on the dominant fiscal regime based on royalties and corporate income tax;
- how to design and implement production sharing contracts;



Group photo during the launch of the Handbook on 'The Future of Resource Taxation: 10 Policy Ideas to Mobilize Mining Revenues' (L-R): **Viola Tarus**, Policy Advisor, IGF; **Antonia Strachey**, Foreign Commonwealth and Development Office, UK; **Dingani Banda**, Commissioner General, ZRA; **Mary Baine**, Deputy Executive Secretary, ATAF; **Alexandra Readhead**, IGF; and **Ezera Madzivanyika**, ATAF

- practical implementation of state equity participation;
- what to consider when introducing, expanding, or reforming commercial state-owned enterprises;
- comparative experiences with the use of variable royalties as an answer to volatile mineral prices;
- how to use the "Sixth Method," developed in Latin America, as a clear and transparent standard for harder-to-price minerals;
- the potential impact of the EU's CBAM on mineral-rich low- and middle-income countries;
- options for securing a fair share for communities using government-administered mining development taxes;
- necessary conditions for implementing competitive bidding to allocate mining licenses and increase government revenues; and
- improving the monitoring of quarry production with remote monitoring technologies.

ZRA Commissioner General Dingani Banda presided over the launch of the Handbook, calling it a huge milestone towards the effective governance of valuable resources. Reaffirming Zambia's reputation for mining, especially copper, he said the country saw this as an opportunity to be at the forefront of improving resource taxation through modern and innovative initiatives. He stated that the Handbook should ultimately aid governments through actionable solutions, for the African continent and the globe, to elevate living standards of their citizens. He expressed hope that the ideas captured in the Handbook will be sustained "to reverse the curse of the plenty" and called on all to find time to read it.

Following the official handover in four languages (Spanish, Portuguese, English, and French), a panel unpacked the contents of the Handbook.

James Cust, World Bank, described the publication as "excellent," noting the close alignment to the recent World Bank publication, [Africa's Resource Future](#), which he co-edited. He said the World Bank publication considers the following major trends: what it means to be a resource-rich continent, endowed with significant volumes of oil, gas, and minerals; impacts of increased digitization and automation on high unemployment numbers; and enhancement of continental-free trade.





Antonia Strachey, Foreign Commonwealth and Development Office, UK

Antonia Strachey, Foreign Commonwealth and Development Office, UK, applauded both the content and approach of the Handbook, describing the consultative and multisectoral approach taken as “unique and valuable.” She further welcomed the menu of different policy approaches, noting this could be applied to different national and sectoral contexts. Referring to the chapter on carbon pricing, she said it offers an opportunity for countries to look at domestic responses to avoid moving capital elsewhere, and outlined some technical assistance programmes available to countries.

Grace Muzondo, Ministry of Finance and Economy, Zimbabwe, focused on policy ideas that can contribute to a greater share of mining revenue for local communities. Noting challenges faced by the small-scale mining sector, including high fatalities due to illegal mining, she said existing levies have failed to generate the targeted revenue levels to drive socioeconomic development. She drew attention to emerging proposals, such as channeling 50% of royalties to non-fiscal contributions, and pursuing a local content policy to enable communities to benefit from contracts.

In ensuing discussions, one speaker asked how to tackle leakages from cross-border smuggling, or mining companies’ flouting of low enforcement capacity in many resource-rich countries.

Stating that Uganda’s new mining law includes four of the ideas discussed in the Handbook, a participant pondered what is needed to close the gap between policy frameworks and practice, suggesting that regulation could be a major missing element. A mining sector representative called for action to legalize the processing and trade of lithium by-products.

Stressing that “lithium is not the next oil,” Cust warned that markets for low-carbon minerals are likely to be limited and over-competitive. Calling for a long-term perspective, he suggested that countries explore opportunities to pool capacities to improve skills and strengthen supply chains.

Fireside Chat: Increasing the Economic Benefits from Mining: Zambia and the DRC’s Battery Ambitions

Introducing the session, Moderator Oliver Maponga, Economic Commission for Africa (ECA), said the aim was to



Moderator Oliver Maponga, ECA

explore the key drivers of value addition, including the enabling role that fiscal policy can play, by delving into the historic cooperation agreement between Zambia and the DRC to facilitate the development of clean energy value chains.

Mauro Sousa, Director-General, National Mining Agency, Brazil, provided a historical perspective of the mining sector, citing the constant challenge of balancing taxation to spur development and incentivize innovation. Highlighting the experience of the iron sector, he said that despite being the second largest producer in the world, preferential tax breaks for exporters harms the growth of the sector. Among other gaps, he stressed the importance of expanding geological research to fully tap Brazil’s rich mineral heritage, and creating an enabling environment for research and development, including through public-private partnerships, South-South cooperation, and adhering to environmental and social governance principles.

Lillian Bwalya, Permanent Secretary, Ministry of Commerce, Trade and Industry, Zambia, recounted the genesis of the landmark bilateral cooperation agreement signed in 2022 that aims to boost local production capacity for electric batteries to tap into the clean energy transition. She said the project was currently in its pre-feasibility study phase and had attracted several strategic partners with the capacity to mobilize adequate funding to operationalize the project. She also noted that a battery research center had been established in the DRC to kickstart skills development.

During interactive discussions, participants highlighted a number of “enablers” for value addition and community benefits, including:

- exploring policy instruments that can support collaboration at the regional level while ensuring that local mining populations derive a fair share of the benefits; and
- doing more at the national level to plough tax revenue into social services as well as build the skills pool.

Legislating for Uncertainty: Price Volatility, Opaque Value Chains, and Transfer Mispricing

Introducing the session, Moderator Kalale Mambwe, TIWB, said the discussions would highlight the complexities involved in pricing minerals, especially in light of countries producing

critical minerals that are experiencing major price increases. Stressing the timeliness of this discussion, she invited panelists to propose possible fiscal policy and administrative solutions to tap emerging opportunities to ensure progressive, predictable government revenues.

Athelia Grasco Korvah, Liberian Revenue Authority, explained the importance of differentiating between taxation and royalties. She lamented the government's weak capacity to estimate prices, which forced them to rely on a combination of reference prices and negotiated prices with mining companies. Among related capacity and governance challenges, she highlighted issues with determining mineral quality, resorting to third-party testing facilities also used by mine companies, and political interference.

Thomas Lassourd, IGF, highlighted a number of shared pricing challenges facing resource-rich countries, including: a mismatch between mineral capacities and reported production volumes; a lack of standardized processing mechanisms; and the inherent complexity of minerals markets.

Yakouba Kourouma, Ministry of Mines and Geology, Guinea, which holds two-thirds of the world's bauxite reserves, highlighted excessive losses of about USD 250 billion in 2020 due to large tax exemptions to mine companies. He recommended international benchmarking tools coupled with fiscal audits of mining sectors to reduce such leakages. In this regard, he highlighted how the country has conducted analyses of several markets to determine which is most representative for price referencing, opting to link it to the Chinese index which absorbs 80% of bauxite exports.

Benjamin Jones, Anglo American, discussed a number of drivers for price volatility in the mining sector, including: complexity and opacity of these markets due to multiple values for different products, such as minerals used in ceramics and batteries; and problems with vertical integration. He cautioned that this is an environment where risks "will not go away." To improve pricing capacities, Jones suggested conducting cost analysis, building experience in the value chain, and investigating the underlying dynamics that impact markets.

Issues highlighted in the ensuing discussion included:

- the limited number of clients and small markets, and associated challenges which are not easy to address;
- how to account for all metals present in materials, including mining by products;
- how to legislate price referencing of base metals; and
- the legitimacy of discounts and whether they should be justified.

New Models of Financial Benefit Sharing for the Mining Sector

Moderator Joseph Nonde, ZRA, invited panelists to discuss their experience with alternative tax regimes designed to address challenges associated with the dominant tax regime that relies on corporate income tax and production royalties. He noted some of these emerging fiscal policies have their roots in oil and gas, and reflect governments' desire for simplicity, reliability, and fairness.

Viola Tarus, IGF, outlined some similarities and differences between production sharing contracts and traditional tax regimes. She explained that production sharing contracts offer a range of benefits for governments, including a better overview of production, as well as an opportunity to generate revenue in the early phases of production. She noted, however, that due to the high production costs involved, such contracts may not be suited to some minerals or geological contexts, or may require adjusting the cost recovery limit to allow investors to recoup their costs.

Maria Cielo Magno, Undersecretary, Department of Finance, the Philippines, explained the rationale for her country's high tax threshold of up to 70%, stating it recognizes that mineral resources are a non-renewable asset and extracting them entails high opportunity costs due to the risk of environmental degradation and unleashing social unrest. On lessons learned, she highlighted:

- a recognition that the high tax threshold can be punitive in some cases, hence the need to allow for some flexibility;
- the need to avoid different arrangements for domestic and international companies; and
- engaging in a race to the bottom is a zero-sum game.



The dais during the address by **Athelia Grasco**, Liberian Revenue Authority (left)



Maria Cielo Magno, Undersecretary, Department of Finance, the Philippines



Bertha Soraya Vaca Ortiz, Internal Revenue Services, Ecuador

In conclusion, Magno reiterated that her belief that the country is on the right path has been affirmed by significant interest from both local and international investors. She pointed to emerging policy innovations, such as exploring a windfall tax to make up for reduced rates.

Bertha Soraya Vaca Ortiz, Internal Revenue Services, Ecuador, discussed efforts to introduce a “sovereign adjusted” tax to operationalize the constitution’s recognition of non-renewable natural resources as a state asset. Noting two large gold and copper companies have signed contracts under this new regime, she said audits are underway to assess the effectiveness of the new regime. She stressed the objective is to find a simple and effective approach to valuing natural resources and is “not just about tax but policy stability.”

David Spencer, Anglo American, provided an industry perspective on likely impacts of these emerging tax regimes. While emphasizing that the mining sector faces huge upfront investment costs and it takes years to realize profits, he said there is no inherently good or bad model, and expressed optimism that investors and governments can arrive at a “balance in expectations.” Regarding companies’ approaches to risk management, he said this goes beyond tax stability and encouraged governments to focus on building a holistic regulatory environment and continue to engage with business to develop new tax regimes.

Issues raised during the interactive discussion touched on:

- how to embed the rights of Indigenous and local communities as well as environmental protection in mining contracts;
- the risk of discouraging investors by adding more taxes to production sharing contracts;
- the importance of good governance, accountability, and transparency to maintain investor confidence as well as the social contract between governments and their citizens; and
- remembering that there is no one-size-fits-all approach to sustainably harnessing natural resources.

Putting the ‘Just’ Back in the Energy Transition: What’s in It for Communities?

Moderator Wilson Prichard, CEO, International Centre of Tax and Development, emphasized that while the focus of this

conference is to increase the mining sector’s revenue streams, the ultimate goal is to benefit taxpayers and the local communities who are directly affected by mining activities. He invited proposals on effective fiscal tools and strategies to ensure that a fair share of mining revenues flows directly to local communities. Lamenting that while these often results in significant benefits at the national level, on average, benefits to local communities often fall short. He said it is incumbent upon national governments and mining companies to ensure benefits reach the host communities living adjacent to the mines.

Mukupa Nsenduluka, Tax Research Network Africa, shared experiences on social conflicts in mine host communities in Zambia and what the country has done to address community concerns. Suggesting that meaningful benefits had not reached those most impacted by mining activities, she expressed regret at the scrapping of the benefit-sharing law in 2013 and called for the provision to be reinstated if copper production is increased as planned. Nsendukula stressed that if communities benefit from the revenues, there will be more trust and the social license to operate will be enhanced, thereby resulting in a win-win solution for all.

Ronald Waiswa, ATAF, outlined Uganda’s experience with community benefit-sharing agreements, saying the law stipulates a signed agreement before the government can issue the license. He noted, however, that such agreements often fail to transfer tax benefits to communities because they threaten the interest of the powerful, further noting that the extractives sector is politically sensitive and suffers from the challenge of “taxing the rich.”

Kudzai Mataba, IGF, referred to the Handbook’s chapter that introduces and elaborates on how development turnover tax can be used to benefit communities. She explained that it is computed as a flat rate of 3-5%, based on companies’ profits, with the only allowable deductions being investments in public benefits such as infrastructure.

During the ensuing discussion, participants noted the importance of ensuring that:

- communities living adjacent to sites where critical minerals are extracted really benefit from the energy transition;



Moderator Wilson Prichard, CEO, International Centre of Tax and Development



Ronald Waiswa, ATAF

- local communities have “a seat at the table” during discussions on benefit sharing;
- good governance and transparency are a focus;
- existing legal precedents are used as case studies; and
- local participation is enhanced through procurement, employment, and value addition during mineral processing.

Waiswa admitted that communities are involved in agreements but the informal beneficiaries are usually excluded, and suggested that it can be made effective for the poor through targeted investments and sound monitoring frameworks.

Mukupa said the discussion around an energy transition is mostly driven by industrialized countries and that asking “what are they transitioning from” is critical. She called for revenue mechanisms that allow for post mine closure environmental challenges, such as tax-free rehabilitation strategies with appropriate budgets when applying for licenses, and the impacts from the direct activity of mining. She suggested that privatized mining in Zambia has had a profound impact on local communities and called for clear guidelines in this regard.

Highlighting some conclusions from the session, Moderator Prichard noted:

- the need for sound implementation backed by monitoring;
- establishing how revenues are used and decisions are made while ensuring that communities are well informed;
- building in economic opportunity for community members; and
- mitigating harm to people and environmental damage.

Protecting the Mining Revenue Base: From Risk Assessment to Audit

Discussions continued on Wednesday, 28 June 2023. Moderating the first session, Jaqueline Taquiri, IGF, highlighted that all countries face challenges in the area of base erosion and profit sharing (BEPS), including bad negotiation of contracts between the government and the extractive industry leading to overly generous taxation.

With respect to African countries dealing with many multinational companies representing high levels of tax avoidance, Lee Corrick, Senior Specialist, International Tax and Transfer Pricing, ATAF, noted that BEPS is usually regarded

as a cross-border risk, but said profit-shifting from one mining company to another with favorable tax incentives within the same country is also common, causing losses in revenue of hundreds of millions of dollars. He applauded companies in Zambia where there has been a significant improvement in voluntary compliance, causing a 550% increase in profits. He explained that the key challenge in Latin American countries is that proper tax administration is very resource-intensive, with countries generally having small tax teams. He added that intensive tax administration in the mining sector can be at the expense of other high-risk sectors like telecommunications.

Ali Eliasu, Africa Centre for Energy Policy, emphasized that quarries are the bedrock of the built environment’s infrastructure, with significant increases in demand expected in developing economies to meet critical infrastructure needs. As main challenges in this sector, he highlighted underreporting of production volumes and under-resourced government units to measure these. He described new monitoring techniques to effectively determine volume, including scanners that automatically compute volumes on transport vehicles, and monitoring designated exit routes via video surveillance. He noted the challenge lies in funding these expensive technologies, which, in the case of new quarries, can be built into the government’s requirements, while old quarries generally need to be funded by the government, suggesting tax incentives as one solution.

Gerardo Reyes-Tagle, Inter-American Development Bank, stressed the lack of information and coordination within institutions and countries as the key challenge. Blaming the gamut of taxes, he said most countries do not have adequate capacity to administer taxation. He described solutions implemented in Peru, which aim to: inspect operational plans and analyze available resources; gather mining information and data; include tax compliance tools; assess data management; use third-party information; ensure effective performance; and analyze results and impacts.

Ines Cumbane, Mozambique Revenue Authority, shared challenges from her country, including reference pricing and profit transfer when large international companies sub-contract



Gerardo Reyes-Tagle, Inter-American Development Bank

foreign service companies and suppliers. She described new regulations introduced in 2023, including requiring companies to present reports that specify exact components of minerals extracted, and regulation of transfer prices to ensure price and costs are in accordance with real mineral valuations.

Telmuun Byambaragchaa, Ministry of Finance, Mongolia, discussed key milestones in his country's fiscal reform journey that have had a major impact on mining sector taxation, including joining BEPS in 2018 and introducing comprehensive tax reform in 2019. He highlighted strong implementation of international best practices against tax avoidance, including imposing limits on interest deduction and abolishing free trade zone regimes. On transfer pricing, he said the country had achieved a revenue increase of more than USD 400 million following tax reforms, the bulk of which was recouped from a single multinational. Concluding that "the devil is in the implementation," he identified some challenges ahead, including limited monitoring capacities, lengthy and costly arbitration processes, pushback from powerful multinationals and state-owned enterprises, and challenges with transfer pricing compliance.

Responding to issues raised by participants, Corrick cited Botswana's success in establishing a domestic marketing hub to retain a greater proportion of the value of diamond exports, but stressed this may not work for less profitable minerals. On pricing instruments, he suggested that countries may need to balance between simplification and accuracy by determining what is an acceptable reference price. He concurred with a proposal to facilitate regional exchanges, noting ATAF is exploring simultaneous audits as a learning tool. Noting that many Latin American countries have regressive tax regimes, Reyes-Tagle suggested adopting a combination of lower corporate taxes with revenue royalties, but stressed this must be accompanied by broad-based fiscal policy reform to prevent unintended consequences.

Wrapping up, Moderator Taquiri noted that many resource-rich countries are still emphasizing profit-based taxes, which are vulnerable to profit shifting. Stressing that no silver bullet exists to tackle the multitude of policy and institutional challenges enumerated in the discussions, she underscored the importance of good preparation and political will to strengthen governance in the mining sector.

Fireside Chat: How is Zambia' Positioning Itself to Benefit Financially from the Mining Boom?

Twivwe Siwale, International Growth Centre, discussed specific challenges and opportunities facing Zambia's valuable mining sector with Danies Chisenda, Permanent Secretary, Ministry of Finance, Zambia. Against the backdrop of Zambia's recent success in negotiating a debt restructuring deal with the International Monetary Fund, the discussion explored what this means for spurring new investments to expand the production of copper and other critical minerals. Highlighting an aspiration to increase annual copper production to three million tons, Chisenda explained a fundamental challenge is cyclicality in copper pricing and a poor record of converting booms into tangible benefits. On measures being taken to address this issue, he highlighted:



Danies Chisenda, Permanent Secretary, Ministry of Finance, Zambia, with Moderator **Twivwe Siwale**, International Growth Centre

- establishing a semi-independent institution within the Ministry of Mines;
- local content and corporate social responsibility requirements to channel more benefits to mining communities;
- expanding energy infrastructure to meet increased demand from the sector; and
- addressing environmental sustainability concerns.

On the role of tax incentives to spur investments, Chisenda acknowledged weaknesses with this approach, stating "we will review any that are not tenable." Regarding the anticipated copper boom, he said the focus will be on creating long-term stability, and utilizing a portion of revenues to invest in value addition.

With respect to civil society's calls for a greater portion of revenues to be channeled directly to local communities, Chisenda stressed that the government's policy remains focused on aggregating all revenue streams to ensure equity across different regions but invited stakeholders to make proposals on alternative revenue sharing models.

An engaging discussion ensued, highlighting, among other issues: the importance of investing a portion of mining windfalls in new mining exploration and skills upgrading; how to achieve increased production targets when the mining sector is privately owned; and how to evaluate the impact of allocations to local communities.

In conclusion, Chisenda stressed the need for a cautious approach to future booms, stating this should not necessarily mean increasing taxation, which could be tantamount to killing "the cow that gives you milk."

Closing Plenary

Mary Baine, ATAF, expressed her gratitude to all participants, saying the conference had ignited a level of debate "way beyond our expectations," and demonstrated that challenges in the sector are shared across all regions. Stressing that a key takeaway is the importance of striking a balance between attracting investments and deriving value for countries, she outlined several other takeaways, including:

- the need for policy consistency;
- responsibly offering and monitoring incentives;
- understanding the value chain;
- automation of production reporting and investing in specialized tax administration units;
- corporate income tax and royalties are no longer the panacea;
- regions must act as a block; and
- the need to protect the environment and local communities.

Alexandrea Readhead, IGF, expressed appreciation for the “incredibly inclusive and collaborative effort” to produce the Handbook and organize the conference. She outlined four takeaway messages from the discussions:

- Mineral-rich countries share many challenges, but also opportunities for strengthening collaboration;
- There are no silver bullets – intense effort is needed to undertake fiscal reform and build fit-for-purpose institutions to implement and continually monitor resource taxation policies;
- countries have options beyond corporate tax and royalty systems; and
- while demand for critical minerals for the energy transition is an important opportunity, countries need to stay alert to respond to rapidly shifting global dynamics.

Looking ahead, Readhead said that while the conference marked the close of a project, it had also created a platform to continue the discussion, expressing hope that this community will continue to generate and share new ideas as the sector and society evolves.

Dieudonné Bifumanu Nsombi, Director-General of Taxation, DRC’s Ministry of Finance, sharing the advantages of having abundant natural resources, including mineral reserves in his country, emphasized that mining provides 70% of GDP and has caused their revenue and customs units to perform best among all government departments. Highlighting many challenges, despite their performance, he expressed hope for more meetings such as this conference, which “have much to offer but even more to learn from others.”

Commissioner General Dingani Banda, ZRA, thanked all involved in organizing and facilitating the conference and closed the event at 12:58 pm.

Upcoming Meetings

UN High-Level Political Forum on Sustainable Development: The 2023 session of the HLPF, under the auspices of ECOSOC, will take place on the theme “Accelerating the recovery from the coronavirus disease (COVID-19) and the full implementation of the 2030 Agenda for Sustainable Development at all levels.” It will include an in-depth review of SDGs 6 (clean water and sanitation), 7 (affordable and clean energy), 9 (industry, innovation and infrastructure), 11 (sustainable cities and communities), and 17 (partnerships for the Goals). **dates:** 10-19 July 2023 **location:** UN Headquarters, New York **www:** hlpf.un.org/2023

SDG Summit: The Summit is the quadrennial meeting of the HLPF under the auspices of the UN General Assembly. The 2023 Summit will be the second since the adoption of the SDGs and will take place at the midpoint of implementation of the 2030 Agenda. **dates:** 19-20 September 2023 **location:** UN Headquarters, New York **www:** hlpf.un.org/sdg-summit



Alexandrea Readhead, IGF

IGF AGM 19: The theme for 2023 is “Sharing Mining Benefits in the Energy Transition.” **dates:** 7-9 November 2023 **location:** Geneva, Switzerland **www:** www.igfmining.org/annual-general-meeting/

Financial Times Mining Summit 2023 – Minerals of the Future: Investment in the mining industry is critical for the world to produce the vast quantities of minerals and metals needed for the energy transition. As the uncertain global economic outlook presents challenges, how will the industry work to realign production and distribution to fit the new macro environment? Hosted by the International Council on Mining and Metals and celebrating its fourth year, the Mining Summit will continue to set the agenda for the industry by attracting leading companies and stakeholders to debate the issues that matter most. **dates:** 5-6 October 2023 **location:** London, UK, and virtual **www:** www.icmm.com/en-gb/events/2023/FT%20Mining%20Summit%20-%20Minerals%20of%20the%20future

Mining Indaba 2024: The Investing in African Mining Indaba (Mining Indaba) is dedicated to the successful capitalization and development of mining interests in Africa. The 2024 theme is ‘Embracing the power of positive disruption: A bold new future for African mining,’ which will encourage and support the needed change and disruption the African mining industry needs to move forward. **dates:** 5-8 February 2023 **location:** Cape Town, South Africa **www:** miningindaba.com/Home

For additional meetings, see: sdg.iisd.org/

Glossary

ATAF	African Tax Administration Forum
BEPS	base erosion and profit sharing
CBAM	Carbon Border Adjustment Mechanism
DRC	Democratic Republic of the Congo
IGF	Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development
OECD	Organisation for Economic Co-operation and Development
TIWB	Tax Inspectors Without Borders
ZRA	Zimbabwe Revenue Authority