

Zimbabwe



The Resource Governance Index (RGI) measures the quality of governance in the oil, gas and mining sector of 58 countries. Learn more and explore findings at www.revenuewatch.org/rgi.

Background

One of the poorest countries in the world, Zimbabwe depended on the extractive industries for 36 percent of export earnings in 2010. After the violently contested 2008 presidential election, a power-sharing agreement divided key government ministries between President Robert Mugabe's Zimbabwe African National Union-Patriotic Front (ZANU-PF) and the opposition

Zimbabwe	2000	2005	2011
Population (million)	12.51	12.57	12.75
GDP (constant 2011 international \$ billion)	8.5	6.5	9.7
GDP per capita, PPP (constant 2005 international \$)
Extractive exports (% total exports)	12%	24%	36%

SOURCES: World Bank. Extractive exports 2011 data from 2010.

Movement for Democratic Change (MDC). A ZANU-PF member heads the Mines and Mining Development Ministry, which regulates the minerals sector, while an MDC member controls the Finance Ministry, which oversees revenue collection. As a result, the political climate surrounding Zimbabwe's extractive sector is characterized by hostility, mistrust, and lack of transparency.

Zimbabwe's Performance on the RGI

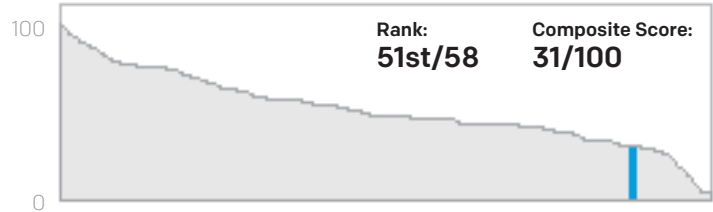
Zimbabwe received a "failing" score of 31, ranking 51st out of 58 countries. A "partial" score on Safeguards and Quality Controls contrasted with a particularly low Enabling Environment score.

Institutional and Legal Setting

(Rank: 44th/58 Score: 48/100)

Zimbabwe's "weak" score of 48 reflects a non-competitive licensing process and the lack of mechanisms to promote public accountability in the mining sector.

Mineral exploitation rights are vested in the president. The Mining Affairs Board and the Mines and Mining Development Ministry review license applications and the president approves them. Major companies often negotiate contract terms directly with the government, and industry representatives, including officials of state-owned companies, sit on the Mining Affairs Board, compromising its independence.



National law requires that licensing decisions be made in the "national interest." In the face of sanctions against Mugabe's government by Western countries, the "national interest" clause has been used to subvert the normal bidding process and award mining licenses to companies from countries considered friendly to Zimbabwe, such as China, the United Arab Emirates, Russia, South Africa, and India.

The Zimbabwe Revenue Authority collects taxes, but the Finance Ministry has complained that a significant portion of mineral revenues never reach the treasury. Legal provisions establishing the public's right to information include broad exceptions limiting access to mining data. Companies must perform environmental impact assessments, but sometimes complete them only after extraction has already begun.

Reporting Practices

(Rank: 52nd/58 Score: 23/100)

The government provides very little useful data on the mining industry, resulting in a "failing" score of 23.

Zimbabwe's disclosure policies ostensibly promote transparency and public oversight of the extractive industries. In reality, the public—and even other government agencies—know very little about licensing processes and contractual arrangements with mining companies. Contracts are not disclosed and environmental impact assessments are available only for very high fees.

The Finance Ministry publishes current information on mineral production, prices, exports, investment, production costs, royalties, and dividends. The Zimbabwe Revenue Authority does not provide sector-specific revenue data, and the Mines and Mining Development Ministry publishes little or no information on extraction. The Reserve Bank of Zimbabwe publishes historical data only.

Safeguards and Quality Controls

(Rank: 29th/58 Score: 56/100)

Zimbabwe received a "partial" score of 56, reflecting marginal legislative oversight and incomplete auditing mechanisms.

The president has wide discretion in licensing, allowing favored applicants to bypass the bidding process. Some companies appear to have been exempted from taxation in return for their investment in critical industries. Parliament rarely exercises its right to review contracts with mining companies; in

any case, the president has no obligation to act on Parliament's decisions.

The Office of the Comptroller and Auditor-General is required to review public accounts and report to lawmakers. However, the state's limited resources and highly charged political climate have weakened the oversight role of parliament, and government auditors lack the capacity to review mining revenues effectively. Audit reports are not published.

Enabling Environment

(Rank: 55th/58 Score: 6/100)

Zimbabwe's "failing" score of 6 is the product of extremely low global rankings on the rule of law and government effectiveness.

State-Owned Companies

(Rank: 37th/45 Score: 22/100)

There are many state-owned mining companies, including the Zimbabwe Mining Development Corporation (ZMDC), which is entirely government-owned. With insufficient funds in the treasury, state-owned companies sometimes act as quasi-governmental agencies, funding academic programs or paying civil servant salaries. The business dealings of these companies are opaque; they do not publish annual reports and have been accused by the Finance Ministry of failing to pay taxes. While audits of ZMDC are required, the reports are not available to the public.

Zimbabwe's Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
51	COMPOSITE SCORE	31
44	Institutional and Legal Setting	48
	Freedom of information law	67
	Comprehensive sector legislation	100
	EITI participation	0
	Independent licensing process	50
	Environmental and social impact assessments required	50
	Clarity in revenue collection	67
	Comprehensive public sector balance	50
	SOC financial reports required	0
	Fund rules defined in law	..
	Subnational transfer rules defined in law	..
52	Reporting Practices	23
	Licensing process	50
	Contracts	0
	Environmental and social impact assessments	17
	Exploration data	67
	Production volumes	33
	Production value	67
	Primary sources of revenue	33
	Secondary sources of revenue	17
	Subsidies	33
	Operating company names	33
	Comprehensive SOC reports	0
	SOC production data	0
	SOC revenue data	0
	SOC quasi fiscal activities	0
	SOC board of directors	0
	Fund rules	..

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	..
	Subnational transfer rules	..
	Comprehensive subnational transfer reports	..
	Subnational reporting of transfers	..
29	Safeguards and Quality Controls	56
	Checks on licensing process	22
	Checks on budgetary process	67
	Quality of government reports	42
	Government disclosure of conflicts of interest	100
	Quality of SOC reports	0
	SOC reports audited	17
	SOC use of international accounting standards	100
	SOC disclosure of conflicts of interest	100
	Quality of fund reports	..
	Fund reports audited	..
	Government follows fund rules	..
	Checks on fund spending	..
	Fund disclosure of conflicts of interest	..
	Quality of subnational transfer reports	..
	Government follows subnational transfer rules	..
55	Enabling Environment	6
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	9
	Open Budget (IBP Index)	..
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	10
	Government effectiveness (WGI)	4
	Rule of law (WGI)	1

■	Satisfactory	■	Weak
■	Partial	■	Failing