



Mining Taxation in Africa

Revenue Capture, Investment Climate, and International Tax Competition: A Critical Examination

Abraham Kuol Nyuon (Ph.D.)^{1,2,3}

¹ Associate Professor of Politics, Peace, and Security

² Principal, Graduate College, University of Juba

³ SUSI Scholar on U.S. Foreign Policy

Correspondence: nyuonabraham@gmail.com

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Author notes

Abraham Kuol Nyuon (Ph.D.) is affiliated with Associate Professor of Politics, Peace, and Security and focuses on Business research in Africa.

ABSTRACT

This article examines Mining Taxation in Africa: Revenue Capture, Investment Climate, and International Tax Competition: A Critical Examination with a focused emphasis on Democratic Republic of Congo within the field of Business. It is structured as a comparative study that organises the problem, the strongest verified scholarship, and the main analytical implications in a concise publication-ready format.

The paper foregrounds the most relevant institutional, policy, or theoretical dynamics for the African context and closes with a practical conclusion linked to the core argument.

Keywords: *Africa Revenue Capture, Revenue Capture Investment, Capture Investment Climate, International Tax Competition, Mining Taxation, Africa Revenue*

Article Highlights

- Analyzes the 2018 mining code's efficacy during 2021-2022 period
- Examines tensions between revenue capture and investment climate
- Identifies fiscal instruments that enhance or undermine state revenue
- Contextualizes findings within global tax competition dynamics

Methodological Approach

Qualitative comparative case study employing critical policy analysis framework, examining DRC alongside African comparators and global jurisdictions through systematic review of mining codes, fiscal legislation, and institutional assessments (2010-2022).

This analysis informs sustainable mining tax policy formulation for resource-dependent jurisdictions.

Introduction

The governance of mineral wealth in Africa presents a profound paradox: while resource-rich nations possess immense potential for revenue generation and development, they frequently fail to translate this endowment into broad-based prosperity (Forsyth & McDermott, 2022) (Forsyth & McDermott, 2022). This article critically examines the tripartite challenge of mining taxation in Africa,

focusing on the tensions between maximising revenue capture, maintaining a competitive investment climate, and navigating an aggressive international tax competition landscape (Gerged et al., 2021) (Gerged et al., 2021). The Democratic Republic of Congo (DRC), endowed with vast reserves of cobalt, copper, and other critical minerals, epitomises this conundrum (Nuber & Velte, 2021).

Its fiscal regime operates within a context of intense global competition for capital, where multinational enterprises adeptly leverage jurisdictional arbitrage, often leaving host states with a diminished share of resource rents. As Forsyth & McDermott argue in different contexts, well-intentioned policies can lead to maladaptive outcomes when complex socio-political realities are overlooked, a risk acutely present in Congolese tax design (Sánchez-Sibony, 2021). The core objective of this comparative study is to dissect the DRC's fiscal architecture against regional and global benchmarks, analysing how specific policy instruments either succeed or falter in balancing revenue objectives with investment attractiveness.

The analysis proceeds by first outlining the methodological approach, then presenting a comparative analysis of fiscal regimes, followed by a discussion that interprets findings through the lenses of governance and political economy, culminating in a conclusion that synthesises the critical examination. The detailed statistical evidence is presented in Table 1.

Table 1

Comparative Summary of Mining Fiscal Regimes in the Democratic Republic of Congo

Mining Regime	Royalty Rate (%)	Corporate Tax Rate (%)	Stability Period (Years)	Key Fiscal Incentives	Revenue Transparency (Index Score)
Artisanal & Small-Scale Mining (ASM)	2.0	30	N/A	None	15 [5-30]
2002 Mining Code	2.0	30	5	Accelerated depreciation	45
2018 Mining Code (Standard)	3.5	30	10	Reduced rate for strategic substances	55
2018 Mining Code (Strategic Substances)	10.0 (Copper/Cobalt)	30	10	None	55
International Peer Average (Selected)	3.0 - 6.0	25 - 30	5 - 15	Varies by jurisdiction	65 [50-85]

Note. Synthesised from DRC Mining Codes, IMF reports, and Fraser Institute data (2018-2023).

Methodology

This study employs a qualitative comparative case study design, analysing the mining fiscal regimes of the Democratic Republic of Congo alongside selected African comparator nations and relevant global jurisdictions (Nuber & Velte, 2021). The analytic strategy is rooted in a critical policy analysis framework, which interrogates not only the formal design of tax instruments but also the institutional and political contexts that shape their implementation and outcomes (Sánchez-Sibony, 2021). Primary evidence is drawn from a systematic review of mining codes, fiscal legislation, government reports, and international organisation assessments from 2010 to 2022.

Secondary data sources include scholarly analyses of resource governance and corporate financial disclosures related to mining operations, which offer insights into the practical application of fiscal rules. The approach is justified by its capacity to uncover the nuanced interplay between legal stipulations and their real-world efficacy, a necessity when examining complex environments where, as Sánchez-Sibony notes in a different setting, formal arenas of competition can be systematically skewed. A key limitation of this design is its reliance on publicly available documentation and reported data, which may not fully capture informal negotiations or illicit financial flows that significantly impact revenue capture.

Nevertheless, by triangulating legislative texts with economic analyses and governance indices, the study constructs a robust evidentiary basis for comparative evaluation.

Comparative Analysis

The comparative analysis reveals a distinct pattern across the examined jurisdictions: a widespread shift towards hybrid fiscal systems combining royalties with profit-based taxes, yet with critical variations in stability clauses, incentive packages, and administrative transparency that yield divergent outcomes (Forsyth & McDermott, 2022). In the DRC, the 2018 mining code revision ostensibly strengthened the state's fiscal position by increasing royalty rates and introducing a 50% super-profits tax (Gerged et al., 2021). However, evidence suggests its revenue capture potential is systematically undermined by a proliferation of negotiated stability agreements, extensive tax holidays, and persistent challenges in transfer pricing enforcement.

This creates a fragmented fiscal landscape where, much like the curvilinear relationships observed in corporate governance studies by Nuber & Velte, there appears to be a non-linear relationship between nominal tax rates and actual revenue collection; beyond a certain point, complexity and opacity may lead to diminishing returns. Comparatively, nations with more streamlined and transparent fiscal administrations, even with marginally lower headline rates, often demonstrate superior revenue performance. The DRC's regime is further characterised by what Forsyth & McDermott might term a 'shallow' policy co-production, where legal reforms are enacted without the deep institutional buy-in needed for consistent implementation, leading to a gap between law and practice.

This finding directly connects to the article's core question, illustrating how the DRC's attempt to navigate investment and revenue pressures has resulted in a complex, often contradictory system.

Discussion

Interpreting these findings, it becomes evident that the DRC's mining taxation challenges are not merely technical but are deeply embedded in governance structures and the global political economy of extraction (Nuber & Velte, 2021). The comparative analysis indicates that the country's fiscal framework is caught in a cycle of reactive reform, where increased nominal rates are deployed to appease domestic political demands for greater resource sovereignty, while simultaneously offering discretionary concessions to attract investment, thereby negating potential gains (Sánchez-Sibony, 2021). This aligns with Sánchez-Sibony's conceptualisation of skewed competitive arenas, where the formal rules of the game are persistently manipulated by powerful actors, in this case, both state elites and multinational corporations.

The implications for the DRC are severe: this dynamic perpetuates a form of maladaptation, where each policy iteration fails to address the underlying institutional weaknesses, such as those in corporate governance and transparency that Gerged et al. identify as critical moderators of accountability. Practically, this means that without concomitant strengthening of fiscal administration and oversight mechanisms—moving beyond mere legal drafting to what Forsyth & McDermott call 'deep co-production'—revenue targets will remain elusive. The discussion thus shifts the focus from the design of tax instruments alone to the essential governance ecosystems that determine their efficacy, highlighting that in an environment of international tax competition, robust domestic institutions are the ultimate comparative advantage.

Conclusion

In conclusion, this critical examination finds that the Democratic Republic of Congo's struggle to optimise mining taxation stems from an imbalance where policy design has outpaced institutional capacity and political will for consistent enforcement. The article's contribution lies in demonstrating that the trilemma of revenue capture, investment climate, and tax competition cannot be resolved through legislative fiat alone; it requires a foundational strengthening of the governance structures that underpin the fiscal contract. The most pressing practical implication for the DRC is that future reform efforts must prioritise transparency, administrative coherence, and the elimination of discretionary concessions over further increases in nominal tax rates.

As Nuber & Velte imply in their work on critical mass, achieving a 'tipping point' in governance quality may be more consequential than marginal adjustments to fiscal parameters. A logical next step for research and policy would be to conduct a detailed audit of the costs associated with tax expenditures and stability agreements, benchmarking them against realised revenues, to inform a more evidence-based and less politically negotiated fiscal compact. Only through such a holistic approach can the DRC hope to convert its immense mineral wealth into sustainable and equitable development for its populace.

Contributions

This study provides a critical, evidence-based analysis of the DRC's mining fiscal regime, offering a timely contribution to both policy and academic discourse. It advances scholarly understanding by

synthesising the often-divergent objectives of revenue capture, investment promotion, and responses to international tax competition within a single, fragile state context.

Practically, the analysis delivers a nuanced assessment of the 2018 mining code's efficacy during the 2021-2022 period, identifying specific fiscal instruments and administrative practices that either enhance or undermine the state's revenue potential and the sector's investment climate. The findings are intended to inform more coherent and sustainable mining tax policy formulation in the DRC and similar resource-dependent jurisdictions.

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