

A short guide for our stakeholders

on revenue from mining in Zambia for the year 2015



This guide is made
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www.zambiaeiti.org



Welcome to our short guide for 2015!

What will you find in this guide?

Every year the Zambia Extractive Industries Transparency Initiative (ZEITI) collects, summarises and verifies information from the mining sector in Zambia. Mining companies and the government of Zambia report respectively how much they have paid (in the form of taxes, royalties and levies) and how much they have received. This is then published in a comprehensive report once a year. This guide summarises the information contained in that report in a way that's simple and easy to understand, so that we can communicate it to you, our stakeholders.

This guide focuses on the year 2015 only. In order to make sure our information is reliable and of the highest quality, it takes time to collect a whole year's worth of data and then to independently verify it. That is why there is a time lag between the year being reported on (2015), and when the ZEITI report gets put out into the public domain.

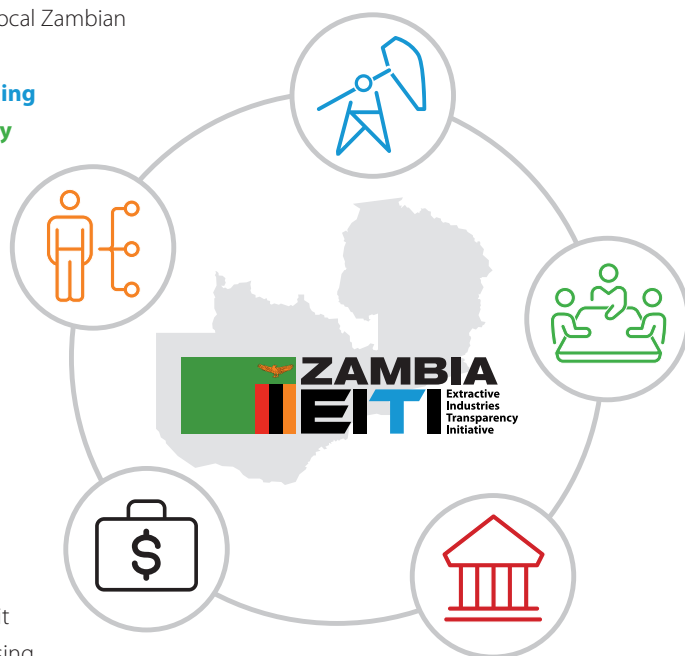
If you would like to read the full and original ZEITI report for 2015, please visit our website at www.zambiaeiti.org where it is easy to access.

What is the Extractive Industries Transparency Initiative?

The Extractive Industries Transparency Initiative or “EITI” is a global standard which helps to enhance transparency and accountability in the oil, gas, and mining sectors. It is specifically designed to reconcile how much money extractives companies say they have paid over to governments (through taxes, royalties, and levies) with how much the government’s records indicate they have received.

And so the EITI is in Zambia?

Yes. The **Zambian Extractive Industries Transparency Initiative** or “ZEITI” is the local **Zambian** chapter of the EITI. It is a coalition of **donors, mining companies, civil society organisations, the Government** and **investors** involved in Zambia’s mining sector. Zambia joined the EITI in order to promote transparency around revenue coming from the mining sector and being paid to the Government. Ultimately it is hoped that by maximising and publicising the benefits from mining, this will translate into further economic growth and development in Zambia.



ZEITI was formally launched in Zambia back in July 2008 at a workshop organised by the Government. The workshop resulted in the establishment of the Zambia EITI Multistakeholder Council to oversee the implementation in Zambia, and the appointment of a senior Government official to lead the Zambia EITI Council.

Is ZEITI part of the Government?

No it is not. The ZEITI is an independent initiative, although the Government is one of the participating stakeholders.

What does ZEITI do?

Every year, ZEITI produces a report which records how much money **Zambian mining companies** state to have paid to the Government of Zambia over the 12-month period and compares with how much the Government states it has received. This is known as a ‘reconciliation’ of the information from both sides, to check that they match. This information is then independently verified to ensure it is accurate and correct. This helps the Government to understand exactly how much mining companies are paying each year. With that information, the Government is able to plan for the future, making policy, and understanding how to improve governance of mining in Zambia.



✓ Collect



✓ Summarise



✓ Verify
(independently)



✓ Publish

Who are our stakeholders?

Everyone in Zambia has an interest in the mining sector since it is such a significant economic activity and since it contributes so much to the Government’s budget.

A snapshot of the Zambian mining sector in 2015

The Government of Zambia recorded payments of more than **ZMW 9 billion** from the mining sector in 2015.

Of that, **copper and cobalt producers contributed 86%** (ZMW 7.8 billion) ...

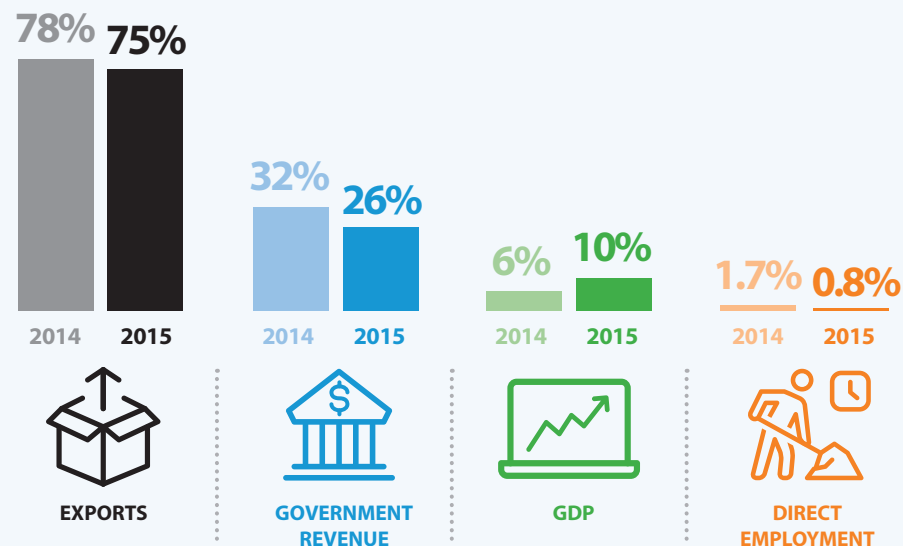
... **cement producers contributed 7%** and other extractive companies the remaining 7% (ZMW 0.6 billion)



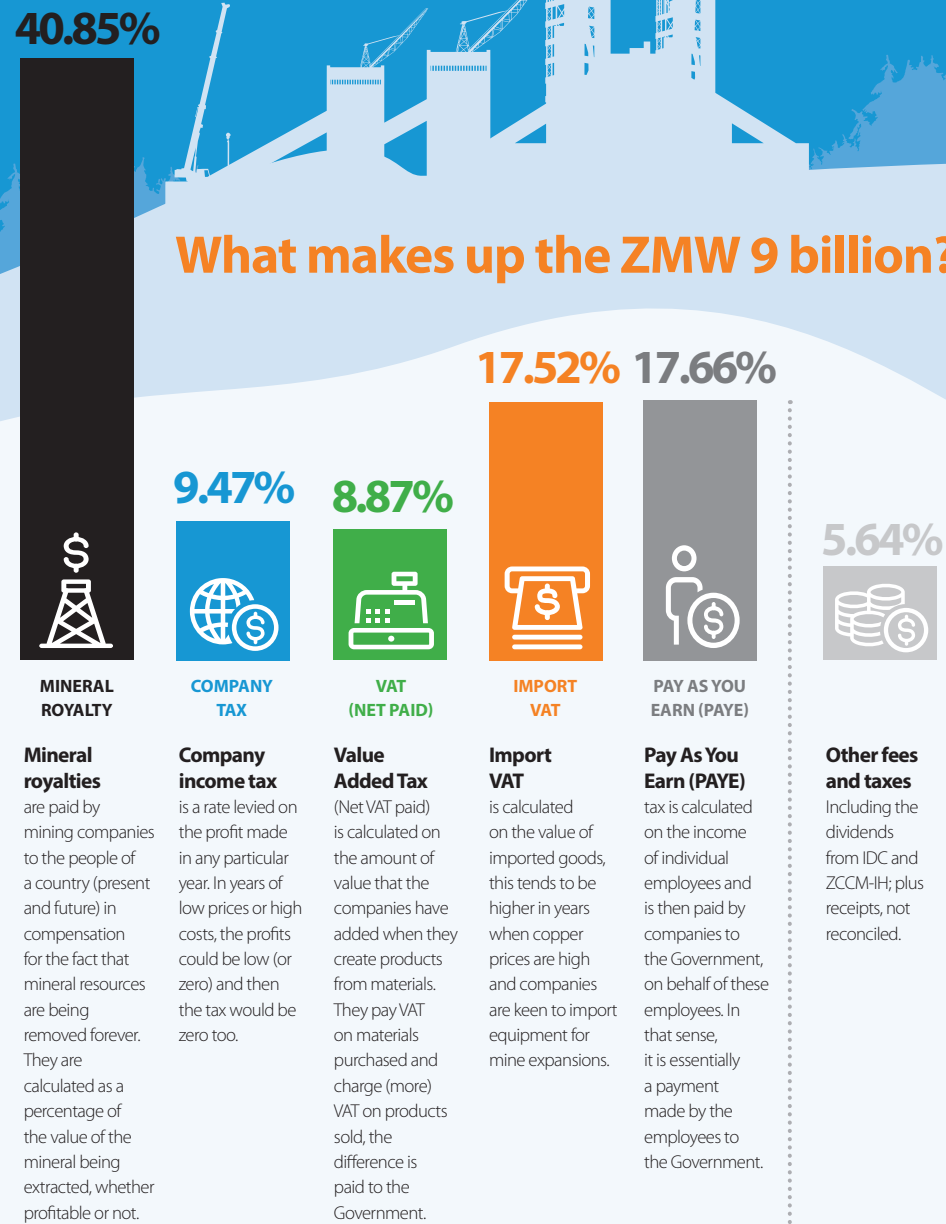
Mining is vital to Zambia's economy

Mining remains Zambia's major productive industry. The importance of the industry is clearly confirmed by the statistics below.

Percentages of extractive industry contributions to the economy



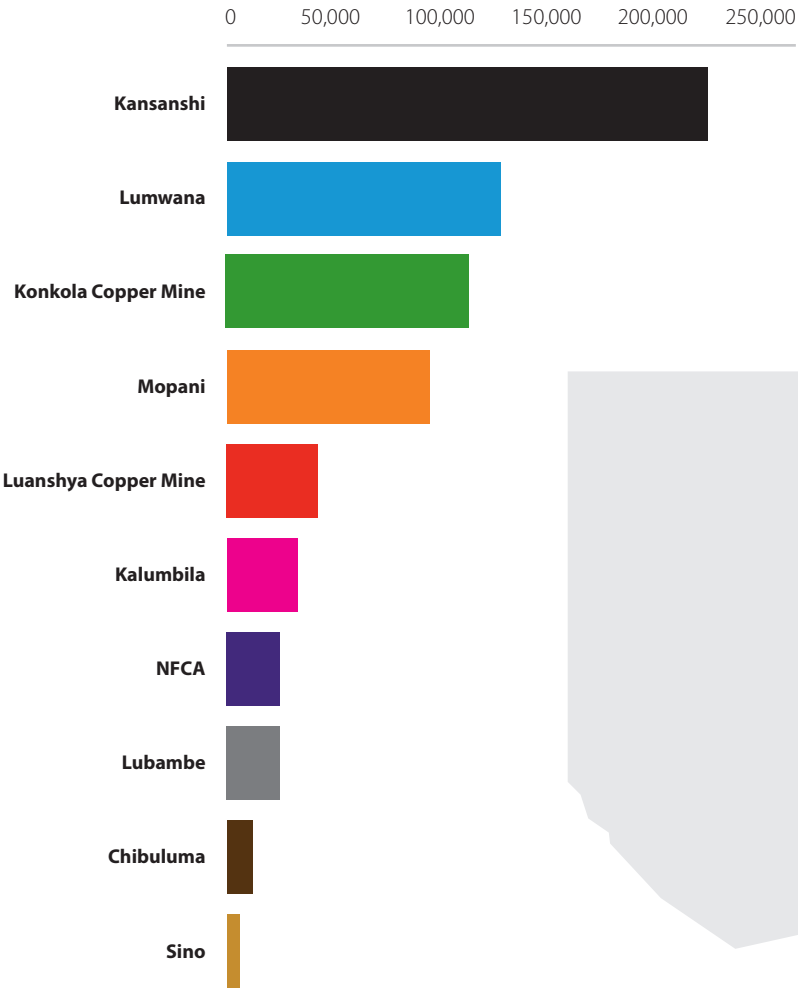
What makes up the ZMW 9 billion?



Production of the major mines in Zambia in 2015

Copper production (metric tonnes)

710,860



Gold production in 2015 (kilograms)

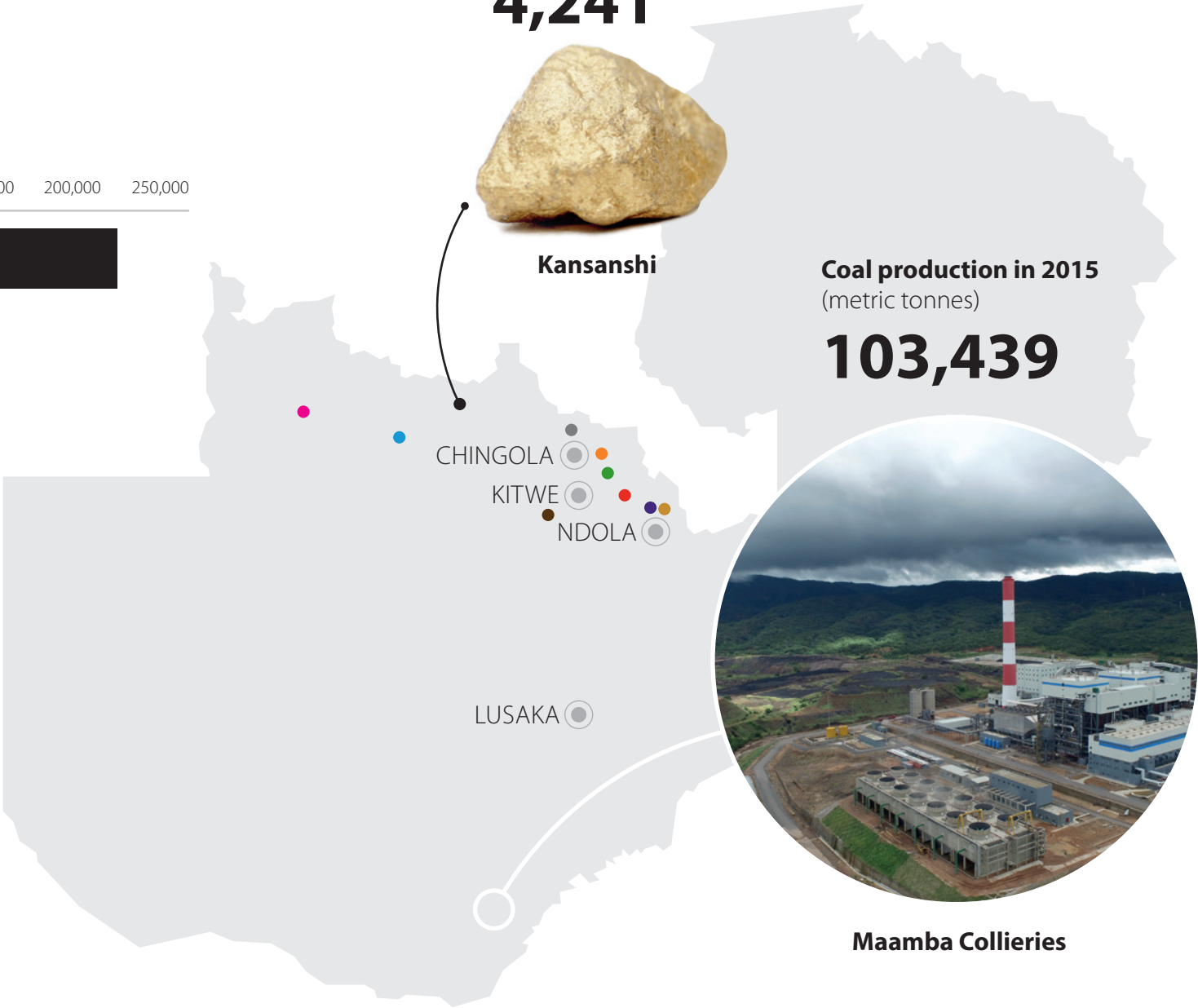
4,241



Kansanshi

Coal production in 2015 (metric tonnes)

103,439



Maamba Collieries

The EU-funded Mineral Production Monitoring Support Project (MPMSP) has largely confirmed these copper production figures.

Additional payments by mining companies

Additional payments by mining companies

Mining companies incur extra costs in addition to their tax and royalty payments, which are voluntary and not formally required by law in Zambia. These are known as corporate social responsibility (CSR) payments, and they are generally made to the communities surrounding the mines' operations. These are sometimes also called 'social expenditures'.

EITI is about encouraging full financial transparency in the mining sector. For this reason, ZEITI has been working to improve public reporting on CSR payments.

In 2015, 20 mining companies offered to report voluntarily on their CSR payments. These amounts have not been reconciled nor have they been confirmed by the recipients, but they provide us with a helpful basic picture of CSR contributions in Zambia for the year.

CSR can take two forms. They can be in-kind or in cash.



In-kind expenditure is when a company makes a contribution by providing a service, building infrastructure or donating its employees' time or resources to assist.



Cash expenditure is when money is paid directly to the beneficiary such as the community, local government, an NGO or service provider.

In 2015, 20 companies contributed ZMW 387 million* in CSR as follows:

ZMW 338 million



In-kind expenditure

ZMW 49 million



Cash expenditure

Payments to local councils

Every year, mining companies are required to pay for annual business licences and property rates. These fees must be paid to local councils, also known as municipal authorities.

Revenue from property rates is used to fund services that benefit the community as a whole as opposed to individual properties. These might include services such as building or maintaining roads, clinics, cemeteries, or recreational facilities such as sports fields. Municipal property rates are set, collected, and used locally.

In 2015, mining companies paid approximately **K90 million** to local councils.

* Approximate contribution figures

Next steps for the ZEITI

At the time of publication, the ZEITI is preparing the 2016 numbers for our next summary report. As is the case with all ZEITI reports, there will be a time lag as the numbers are carefully checked and verified independently. As soon as this process is concluded, the 2016 report will be made public, including another short guide for stakeholders such as this booklet.

One of the focus areas for the ZEITI is integrating the EITI and its reporting requirements into the daily work of the Government. This will mean consulting with different Government ministries and agencies to understand their responsibilities, and ensuring that the information they gather can be used in the EITI process. This will result in more transparency, better reliable numbers and a smoother EITI process every year.

A second focus area will be beneficial ownership. The identity of the real owners – the ‘beneficial owners’ – of the companies that have obtained rights to extract minerals is often unknown, hidden by a chain of unaccountable corporate entities. By 2020, all EITI countries including Zambia will publish the identities of the oil, gas and mining companies that bid for, operate or invest in extractive projects in their country. This information will be publicly available and will be published in EITI Reports and public registries. Once published, law enforcers, civil society and others have a responsibility to scrutinise the information, and take action to hold to account those who misuse anonymous companies.

We look forward to reporting back on our progress in our next report to you. In the meantime, please visit our website or social media pages to keep up to date on ZEITI developments.

Keep in touch with us

We are always looking for ways of improving our communication and reporting. Please contact us on infor@zambiaeiti.org to share your feedback on this short guide.

Or visit us at our offices:



Zambia Extractive Industries Transparency Initiative

Geological Survey Department

Corner of Nationalist and Government Roads

Lusaka

Zambia



More information

Download the full ZEITI 2015 report and learn more online.

You can find us at:



www.zambiaeiti.org

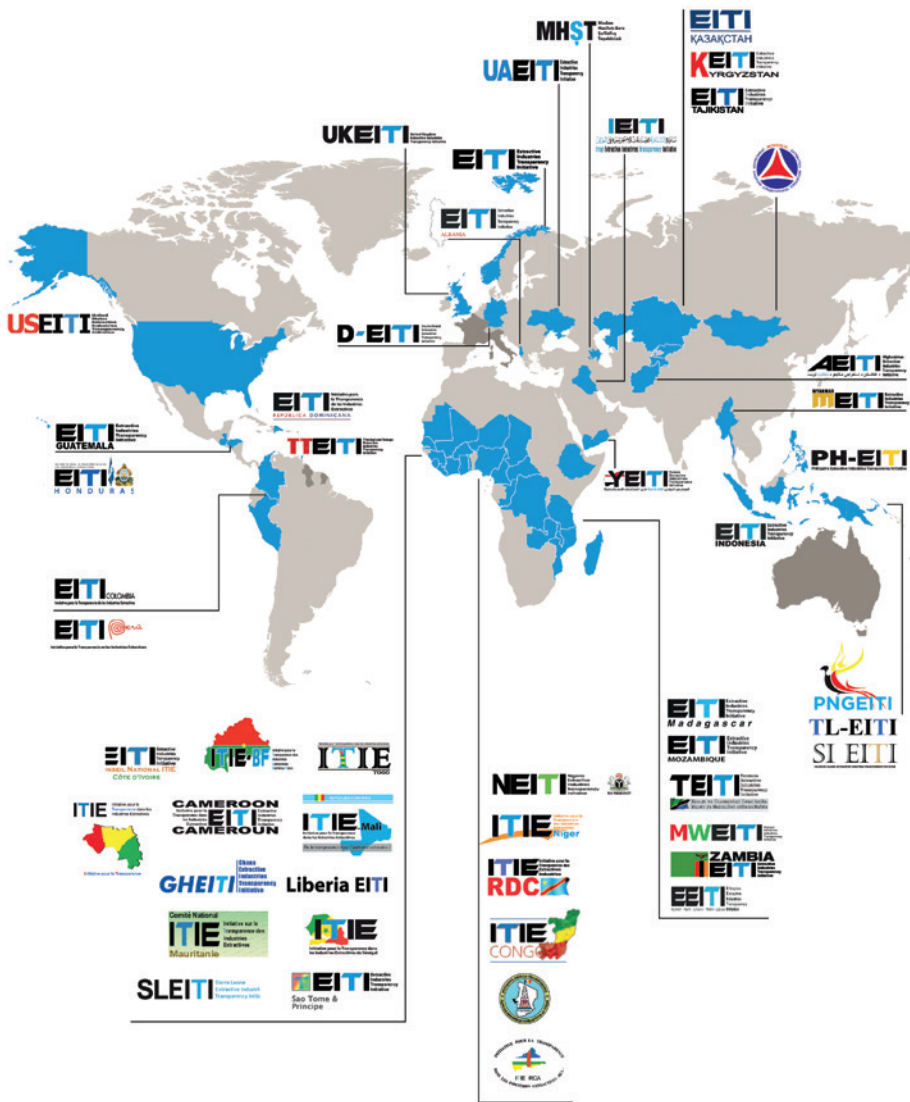


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The EITI (Extractive Industries Transparency Initiative) Standard is an international standard that ensures transparency around countries' oil, gas and mineral resources.

When implemented, the EITI ensures more transparency in how the country's natural resources are governed, and full disclosure of government revenue from its extractive sectors.

This guide is made possible with support from the European Union

