

Board decision on the Validation of Zambia

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The Board's decision

The Board came to the following conclusion:

Zambia has achieved a high overall score in implementing the 2019 EITI Standard (90 points). The overall score reflects an average of the three component scores on Stakeholder engagement, Transparency and Outcomes and impact.

The EITI Board commends Zambia for achieving a very high score on Outcomes and impact (93 points), and recognises the progress in ensuring the effectiveness and sustainability of EITI implementation. Zambia EITI's work in informing changes in the government's extractive sector policies as well as both government and company practices in extractive governance. Validation has highlighted how industry and government stakeholders have come to rely on Zambia EITI for public awareness, public debate, and policy consultations related to the mining sector.

Zambia has achieved a very high score on Stakeholder engagements (93 points), with strong engagement by government, civil society and companies. The EITI Board recognises that the MSG, the Zambia EITI council (ZEC), has established itself as a robust and flexible platform to oversee all aspects of implementation, including in resolving disputes between various constituencies and stakeholders engaged in extractive industry governance. Consultations indicate that civil society is using EITI data for public debate. Government and industry representatives also actively use their engagements with civil society to inform local communities on extractive sector governance, and the ZEITI Secretariat appears to be actively coordinating capacity building and engagements between several different government entities. While the government has contributed funding for Zambia EITI activities, sustainability of EITI implementation in Zambia will require increased government support. Gender representation on the MSG is not yet balanced, although ZEITI is implementing a plan to address this.

Finally, the EITI Board finds that Zambia has a moderate score on the Transparency component (85 points). The ZEC have leveraged the multi-stakeholder approach to use a risk-based approach to reconciliation in their latest disclosures, addressing stakeholder information needs on the impact of the pandemic on the sector and on government revenues. The EITI Board recognises Zambia's progress on corrective actions from previous Validations that have strengthened the use of EITI as a diagnostic tool of extractive governance. Further efforts to address requirements of the EITI Standard related to contracts (for Phase II of Validation), beneficial ownership, production and export data as well as disaggregated disclosures of government extractive revenues can facilitate more complex analyses of EITI data to inform reforms in fiscal terms, oversight of state-owned enterprises and other sector reforms. These disclosures can help ensure that governments and companies are effectively monitoring extractive operations and help build public trust in public disclosures. The Board recognises Zambia's efforts to exceed basic requirements of the EITI Standard in its participation in an ongoing EITI review of government mechanisms for monitoring production and export data related to industrial and energy minerals, as well as gemstones.

The Board has determined that Zambia will have until a next Validation commencing on **1 October 2024** to carry out corrective actions regarding contracts (Requirement 2.4), beneficial ownership (Requirement 2.5), production data (Requirement 3.2), export data (Requirement 3.3) and on disaggregation (Requirement 4.7) of revenue data.

Failure to demonstrate progress on Transparency in the next Validation may result in temporary suspension in accordance with Article 6 of the EITI Standard. In accordance with the EITI Standard, the Zambia EITI Council may request an extension of this timeframe or request that Validation commences earlier than scheduled.

Validation scorecard

Component & module	EITI Requirement	Progress	Score	
Outcomes and impact		Very high	93/100	
Extra points	Effectiveness and sustainability indicators		3	
Outcomes and impact	Work plan (#1.5)	Fully met	90	=
	Public debate (#7.1)	Fully met	90	=
	Data accessibility and open data (#7.2)	Fully met	90	↑
	Recommendations from EITI (#7.3)	Fully met	90	=
	Outcomes & impact (#7.4)	Fully met	90	=
Stakeholder engagement		Very high	93/100	
Multi-stakeholder oversight	Government engagement (#1.1)	Fully met	90	=
	Industry engagement (#1.2)	Fully met	90	=
	Civil society engagement (#1.3)	Fully met	90	=
	MSG governance (#1.4)	Exceeded	100	↑
Transparency		Moderate	85/100	
Overview of the extractive industries	Exploration data (#3.1)	Fully met	90	=
	Economic contribution (#6.3)	Fully met	90	=
Legal and fiscal framework	Legal framework (#2.1)	Fully met	90	=
	Contracts (#2.4)	Fully met	90	↑
	Environmental impact (#6.4)	Not assessed	-	=
Licenses	Contract and license allocations (#2.2)	Exceeded	100	↑
	License register (#2.3)	Fully met	90	=
Ownership	Beneficial ownership (#2.5)	Mostly met	60	↑
State participation	State participation (#2.6)	Fully met	90	=
	In-kind revenues (#4.2)	Not applicable	-	=
	SOE transactions (#4.5)	Fully met	90	=
	SOE quasi-fiscal expenditures (#6.2)	Not applicable	-	=
Production and exports	Production data (#3.2)	Mostly met	60	↓
	Export data (#3.3)	Mostly met	60	↓
Revenue collection	Comprehensiveness (#4.1)	Fully met	90	=
	Barter agreements (#4.3)	Not applicable	-	=
	Transportation revenues (#4.4)	Not applicable	-	=
	Disaggregation (#4.7)	Mostly met	60	↑
	Data timeliness (#4.8)	Fully met	90	=
	Data quality (#4.9)	Fully met	90	↑
Revenue management	Distribution of revenues (#5.1)	Fully met	90	=
	Revenue management & expenditures (#5.3)	Not assessed	-	=
Subnational contributions	Direct subnational payments (#4.6)	Fully met	90	=
	Subnational transfers (#5.2)	Not applicable	-	=
	Social and environmental expenditures (#6.1)	Not applicable	-	=
Overall score		High	90/100	

Corrective actions

The EITI Board agreed the following corrective actions to be undertaken by Zambia. Progress in addressing these corrective actions will be assessed in the next Validation commencing on **1 October 2024**:

1. In accordance with Requirement 2.4, by 1 January 2022, Zambia should ensure that any contracts and licenses in the extractive industries that are granted, entered into, or amended from 1 January 2021 are publicly disclosed in their entirety. In accordance with Phase II of the Validation of Requirement 2.4.b, the ZEC is expected to have addressed any barriers to comprehensive disclosure. If all licenses have standard stipulations as mandated by law and there are no deviations from such provisions in practice, the onus is on Zambia to substantiate such claims. In accordance with Requirement 2.4.c.ii, Zambia should clarify which license appendixes and attachments exist for licenses and contracts, publish a list of all active contracts and licenses, and indicate which are publicly available versus which are not. In accordance with Requirement 2.4.c.iii, Zambia should publish an explanation for any deviations between disclosure practices and legislative or government policy requirements concerning the disclosure of contracts and licenses.
2. In accordance with Requirement 2.5 and to prepare for the second phase of Validation of Requirement 2.5 from January 2022 onwards, Zambia is required to ensure that the beneficial ownership of all companies holding or applying for a mining, oil and gas license is comprehensively and reliably disclosed as of January 2022. In the meantime, in accordance with Requirement 2.5.c, Zambia is required to ensure that the ZEC publishes an assessment of the comprehensiveness and reliability of beneficial ownership disclosures of all companies holding or applying for a mining or oil and gas license. Publicly listed companies, including wholly owned subsidiaries of companies listed on stock exchanges, are required to disclose the name of the stock exchange, and include a link to the stock exchange filings where they are listed, in accordance with Requirement 2.5.f.iii. Lastly, Zambia is also required to ensure that legal ownership data is available either through Zambia EITI reporting or through systematic disclosures, in accordance with Requirement 2.5.g.
3. In accordance with Requirement 3.2, Zambia should ensure that production volumes and values are made publicly accessible for all commodities, including for each gemstone and industrial/energy mineral produced.
4. In accordance with Requirement 3.3, Zambia should ensure that export volumes and values are made available for all commodities including coal and silver, highlighting where production does not translate into exports. Additionally, Zambia should ensure that export volumes and values are publicly accessible for various gemstones, and for different construction-related products such as cement versus limestone.
5. In accordance with Requirement 4.7, the ZEC should continue to improve its coverage of government revenues by project (license). In order to further improve on Zambian government systems, and the ability to monitor payments on a per-license basis, Zambia EITI is encouraged to engage the MMMD and ZRA to ensure that payments are recorded as part of regular corporate filings to government, which occur on a per-license basis.

Zambia EITI may wish to explore with these government agencies whether any changes are needed in laws or in statutory instruments and regulations, to ensure that data is regularly collected by government agencies on a per-license basis.

Strategic recommendations

Zambia is encouraged to consider the following recommendations to strengthen EITI implementation:

Outcomes and impact

1. To improve public debate, ZEITI could consider developing summaries of EITI reports focusing on different constituent needs. This could include developing summaries on sub-national payments and environmental issues for local communities. Government could also benefit from receiving an overview of the economic contribution from industry and the areas where there may be wide differences in revenue or payment data. Other summarised data could include an overview of and progress on beneficial ownership and contract transparency.
2. To enhance the impact of EITI implementation in Zambia, the ZEC is encouraged to strengthen follow up on recommendations from EITI reporting particularly on contracts disclosure, beneficial ownership and providing a legal basis for EITI implementation. Putting a timeline to action plans around some of the areas could accelerate progress.
3. To improve the impact of EITI implementation, ZEC is encouraged to continue doing complex analyses of EITI data and disclosures to inform national discussions on fiscal regime reforms, oversight of state-owned enterprises and debt.
4. To strengthen EITI implementation, the ZEC may wish to further improve public access to open data. Additionally, ZEC is encouraged to ensure that any additional efforts to consider marginalised groups by accommodating different languages, ages, genders or others, is actively documented and published to ensure added accessibility by all interested stakeholders, including for Zambia EITI publications.

Stakeholder engagement

5. To strengthen the accountability of the EITI process in Zambia, the ZEC is encouraged to make public and available online ZEC meeting minutes and a register of the ZEC decisions.
6. To enhance the impact of EITI implementation in Zambia, the government is encouraged to strengthen follow up on recommendations from EITI reporting particularly on contracts disclosure, beneficial ownership and providing a legal basis for EITI implementation.
7. ZEITI is encouraged to continue its demonstrated progress on improving gender representation on the ZEC, by setting clear goals of gender balance per constituency, and

to ensure adherence starting from membership renewals scheduled for the second quarter of 2022 and onwards. Additionally, Zambia EITI and ZEC should engage with diverse stakeholders particularly at subnational level.

Transparency

8. To further progress on systematic disclosures of exploration activities in Zambia, the ZEC is encouraged to collaborate with the Ministry of Mines and Minerals Development, to ensure that an overview of exploration activities is provided by the Zambian government on a regular basis, in accordance with Requirement 3.1.
9. To fully capture the contribution of mining to the economy, ZEC should attempt to document government plans to formalise Artisanal and Small-scale Miners' subsector. This could include documentation of plans of ZCCM-IH to increase its participation in mineral trading markets, particularly in gold trade.
10. To further progress on systematic disclosures of the legal and fiscal framework for the extractive sector in Zambia, the ZEC is encouraged to collaborate with the Ministry of Mines and Minerals Development, to ensure that all relevant legal acts and regulations are systematically disclosed, provide an overview of how the government oversees extractive activities, including which institutions are responsible for oversight over the sector. The regular publications could be reviewed annually by the ZEC, to assess whether the disclosures conform with Requirement 2.1, including highlights of relevant changes and/or reforms underway or recently completed.
11. In order to strengthen systematic disclosures, Zambia EITI is strongly encouraged to work with the Mining Cadastre (MCO) Office to explore how license certificates and all their appendixes can be made publicly accessible through the existing cadastre system, and to ensure that information is further interlinked with the MOSES system and other government portals. Zambia EITI is recommended to complete its on-going study on contract transparency and use its findings and recommendations to overcome the barriers to disclosures. Zambia may also wish to ensure that the draft Extractive Transparency and Accountability Initiative Bill progresses and includes adequate provisions that enable contract and license transparency. Additional improvements could also be made in data accessibility, by incorporating opportunities for downloading the full lists of licenses and license holders in open data formats. This feature is currently held within the internal systems and it may be possible to provide it to external audiences as well. To this end, Zambia EITI and the MCO could work together to identify sources for funding to ensure that the necessary revisions and changes to the system are made.
12. To strengthen EITI implementation, ZEITI is encouraged to collaborate with the Zambia Environmental Management Agency (ZEMA) to systematically disclose environmental licences granted each year, any environmental audits carried out including audits of the environmental management fund, and environmental reports produced by companies.
13. To further strengthen citizens' understanding of environmental rights and obligations, Zambia EITI could consider summarising the precedence-setting court decisions driven by civil society's litigations related to the environmental impact of mining operations.

14. To ensure continued adherence with Requirement 2.3.c, the ZEC should ensure that license registry information gaps, including for licenses held by non-material entities, are highlighted and remedied through the EITI reporting process, ahead of EITI Validation processes.
15. To further enhance the impact of EITI implementation, the Zambia EITI Council is encouraged to engage with the Ministry of Mines and Minerals Development and the Zambian Revenue Authority to further expand the scope and added value of the MOSES system, in order to ensure regular monitoring and valuation of commodities beyond base and precious metals. The Government of Zambia through the Ministry of Minerals and Mining Development should consider options for obtaining the necessary funds to ensure expansion of the MOSES system to cover industrial and energy minerals and gemstones. This could include use of the national budget or engaging with development partners.
16. To ensure continued adherence with Requirement 4.9.a, the ZEC should rectify the procedural errors which are highlighted as part of this Validation report. Zambia should ensure that there is a clear assessment, for each material company, whether they have conformed with applicable laws and regulations related to external audits. The assessment should indicate (i) which companies should be subject to credible and independent audits, and (ii) which companies undertook such audits and complied with filing obligations towards government entities.

The government and the ZEC are encouraged to consider these recommendations, and to document the ZEC's responses to these recommendations in the next annual review of outcomes and impact of EITI implementation.

Background

In December 2019, the Board agreed that Zambia had made “meaningful progress with considerable improvements” in implementing the 2016 EITI Standard.¹ The next Validation of Zambia was scheduled to commence on 2 December 2020. Due to the transition to the revised Validation model, the Board rescheduled the Validation to commence on 1 April 2021.² On 10 May 2021, the EITI Board approved Zambia's request for an extension to its Validation deadline, to 1 July 2021.³

Zambia EITI collated documentation for Validation using the Board-agreed data collection templates on Stakeholder engagement, Transparency and Outcomes and impact. The files are available on Zambia EITI website.^{4,5,6} The International Secretariat's Validation team prepared an initial assessment following the Validation procedure⁷ and Validation Guide⁸. In accordance with the Validation procedure, a public call for stakeholder views on EITI implementation was open from 1 June to 1 July. Stakeholder consultations were held virtually from 14 July to 19 August 2021. The prolonged consultation period was due to Covid-19-related issues and difficulties in consulting stakeholders.

The [draft assessment](#) was shared with the ZEC for feedback on 27 August, with a deadline of 24 September. The [ZEC requested a four-week extension](#) to the commenting deadline⁹, to which the EITI International Secretariat awarded an extension to 25 October 2021, in accordance with the EITI Board's decision 2020-32.¹⁰ [Comments from the ZEC](#) were received on 24 October, after which the assessment was [finalised](#) for the Validation Committee's review.

The Validation Committee considered the case at its 9 November 2021 meeting and agreed an assessment of ‘fully met’ on Phase I of the Validation of Requirement 2.4 on license and contract disclosure, but with corrective actions related to Phase II of Requirement 2.4 applicable from January 2022.

In accordance with Article 4.c of Section 4 of the 2019 EITI Standard, the overall assessment consists of component scores on Stakeholder engagement, Transparency and Outcomes and impact, as well as an overall numerical score.¹¹ The component score represents an average of the points awarded for each applicable requirement. The points awarded on the effectiveness and sustainability indicators are added to the component score on Outcomes and impact. The overall score is the average of the three component scores.

¹ <https://eiti.org/board-decision/2019-71>

² <https://eiti.org/board-decision/2020-92>

³ <https://eiti.org/board-decision/2021-27>

⁴ <https://zambiaeiti.org/wp-content/uploads/2021/10/ZEITI-Validation-Template-on-Stakeholder-Engagement.docx>

⁵ <https://zambiaeiti.org/wp-content/uploads/2021/09/Validation-Template.xlsx>

⁶ <https://zambiaeiti.org/wp-content/uploads/2021/10/ZEITI-Validation-Template-on-Outcomes-and-Impact.docx>

⁷ <https://eiti.org/document/2021-eiti-validation-procedure>.

⁸ <https://eiti.org/document/2021-eiti-validation-guide>.

⁹ See [Zambia documentation page](#) for a copy of the request.

¹⁰ <https://eiti.org/board-decision/2020-32>

¹¹ <https://eiti.org/document/eiti-board-oversight-of-eiti-implementation#Article4C>