



2019 Zambia EITI annual progress report

1. General Assessment of 2019 implementation

This report reviews the implementation of the Zambia EITI activities in the year 2019. The report reflects on the successes attained and challenges encountered in 2019 during the implementation of the ZEITI activities.

While the report gives an overview of the activities implemented, the report acknowledges that there are still on-going activities for 2019 which will be adequately reviewed at the end of the year.

1.1 Global implementation status of the EITI

The number of implementing countries has remained relatively stable over the past year. The *depth and breadth* of implementation has increased.

With the adoption of the 2019 Standard the nature of implementation support is changing. Clarifications to the requirements on commodity trading, contract transparency, along with new provisions on gender and environmental reporting require further guidance and support. These accompany a more concerted move towards systematic disclosure, increasingly relying on data reported by government and companies rather than reporting alone.

Validation is a critical element of the EITI's work, providing a rigorous approach to assessing progress on implementation of the Standard. With the majority of implementing countries having undertaken their first Validation in 2017-2019, a substantial number of second Validations are planned for 2020.

The EITI Board has also agreed to undertake a review of the Validation procedure. Currently, a consultative process is underway of collecting views from various stakeholders on the efficacy of the current validation model.

1.2 ZEITI implementation structure and work plan

The ZEITI Secretariat re-organised itself in 2019 to respond to the need for greater implementation impact. The departure of the Head of Secretariat and the Administrative Officer meant that the ZEITI only had two (2) full time staff remaining.

The staffing was boosted by the employment of an economist to enhance the data analysis of ZEITI data. The position of the Head of ZEITI is still yet to be filled. The Communications Officer is currently acting as the Head of the ZEITI.

The ZEITI also relied on two interns during the year under review to enhance its staff compliment.

The work plan in 2019 was re-oriented to move towards the mainstreaming of EITI implementation. The re-orientation also included a deep soul searching in terms of how the EITI implementation could be sustained in view of the funding constraints towards the production of the EITI reports.

The following below provides a brief narrative of the activities undertaken in 2019.

2. Dissemination of the 2016 report

During the year under review, the Zambia EITI Council disseminated the 2016 ZEITI report in all provincial towns in Zambia. The dissemination was mainly characterised by town hall meetings in provincial towns. The attendance at these meetings was drawn from all the three stakeholders including the public.

A senior government official was always present to officiate at these meetings. The ZEC led in the deliberations of the meetings to ensure the correct information was disseminated to the public.

In addition, the dissemination workshops were attended by technical officers from the Ministry of Mines who were requested to explain to the public the technical parts of the report. A full report of the various deliberations in each province has been shared with the ZEC for their information and action in their various sectors.

3. Validation Mission

During the year under review, the Zambia EITI underwent validation of the EITI implementation in Zambia. The Validation Committee has reviewed the final assessment for the second Validation of Zambia and agreed a detailed recommendation for the remaining corrective actions.

The Validation Committee indicated that Zambia has made meaningful progress with considerable improvements in implementing the 2016 EITI Standard. Corrective actions are agreed addressing license allocation (#2.2) and data reliability (#4.9). Progress with the corrective actions will be assessed in a third Validation commencing in 12 months, i.e. 25 November 2020.

4. 2019 EITI Global Conference

During the year under review, Zambia received a prestigious EITI Chairs' award from the African region for its contribution towards the utilisation of EITI data. Specifically, the country was recognised for its efforts in modelling EITI data through the capacity building the ZEITI offered to various government agencies and the Chamber of Mines in financial modelling.

The conference offered the country an opportunity to restate its commitment to open governance in the extractives sector. Specifically, the Minister emphasised the government's commitment to open governance in the extractives sector, recent reforms related to mining licensing transparency, openness about the beneficial owners of mining companies, moves towards more timely and systematic revenue disclosures, and pioneering efforts on financial modelling to inform tax policy.

The EITI Global Conference is held every three years and focuses on the role of the EITI in the good management of the sector, especially to increase domestic resources, tackle corruption, increase investment, strengthen systems, publish and explain details of individual extractives deals, and enable civic space.

The award was received by the Minister of Mines and Minerals Development Hon. Richard Musukwa.

Further, Mr Ian Mwiinga and Mr Mtwalo Msoni were inducted as EITI Board members at the same event.

5. Financial Modelling Training

During the year under review, the ZEITI provided a capacity building training to various government agencies and the chamber of mines on financial modelling. The support was provided by the extractive hub. The civil society constituency was not trained as the support from the extractive hub only caters for government and the private sector.

6. Mainstreaming feasibility study

During the year under review, the ZEITI began the process of engaging a consultant to undertake the feasibility study on mainstreaming the EITI in Zambia. The evaluation of the consultant was led by three ZEC members in collaboration with the procurement department at the ministry of Mines.

The feasibility study will focus on the legal constraints, IT constraints and institutional challenges that might affect the implementation of mainstreaming in Zambia.

The World Bank has provided funding for the hiring of two (2) Consultants to undertake a feasibility study on the Mainstreaming of EITI implementation in Zambia. The two consultants will consist of a Lead Consultant and an IT Consultant. The Lead Consultant will be responsible for proposing a technical solution for Mainstreaming EITI implementation in Zambia.

The Lead Consultant will provide recommendations on how an electronic EITI reporting portal can be embedded within Government and Company systems. The IT consultant will be required to set out a proposed IT system architecture that will indicate the frequency of data flows including the electronic data interchange (EDI) data exchange protocols for mainstreaming. In addition, the IT consultant will propose options of how to link into existing government systems with new interface and sub-systems as needed while ensuring data owners continue to handle their data and assure the quality of the data.

The Ministerial Tender Committee meeting held on 23 rd November, 2019 granted the following two requests from the evaluation committee:

- i. Authority to Approve the EOI Evaluation Report and Further Enter Negotiations with Mr. Samson Tokpah and;
- ii. Authority to Approve the EOI Evaluation Report and Further Enter Negotiations with Dr Faustin A. S. Banda.

By this authority, the Head Zambia EITI Secretariat was authorised to implement the procurement of the aforesaid service. Note that, according to SI No.63 of 2011 of the 10 (6) Subsections (a) and (b) of the laws of authority is valid for Six (6) Months from Issuance.

The Evaluation committee from the Zambia EITI Council comprised of Mr Spyton Phiri from the Zambia Revenue Authority, Mr Hugh Carruthers from the First Quantum Minerals Limited, and Mr Jestone Lunda from Actionaid Zambia.

7. ASM research study

During the year under review, the ZEITI collaborated with the ministry of Mines and Oxfam to undertake a study on the Artisanal and Small Scale mining activities in Zambia. The main objective of the study is to examine ASM activities in Zambia by highlighting how widespread the ASM activities occur in the country.

The draft report has been produced awaiting further input from various stakeholders before finalisation.

8. Production of the 2017 and 2018 ZEITI reports

During the year under review, the ZEC commenced the production of the 2017 and 2018 ZEITI reports. BDO Tunisia and Zambia was hired as the consultant to lead in the production of the reports.

The ZEITI commenced the recruitment of a consultant to produce the 2017/18 ZEITI report. The request for Expression of Interest (EOI) was issued to five (5) firms. These firms are BDO Tunisia/BDO Zambia, KPMG Zambia, Grant Thornton Zambia, Hurt Group United Kingdom, and Boas and Associates of Ghana.

However, only one firm responded at the close of the call for Expression of Interest, i.e., BDO Tunisia and BDO Zambia.

The Ministry of Mines and Minerals wrote to the Zambia Public Procurement Agency (ZPPA) and the World Bank to seek for No Objection to proceed with requesting BDO to submit the Technical and Financial proposals. The World Bank has since provided NO Objection while ZPPA is yet to provide the same.

The consultant will mainly provide support to the ZEC and OAG during the production of the 2017 and 2018 ZEITI report. This is a shift from the traditional approach of having the consultant to produce the entire report. This shift will see a much bigger role for the ZEC and OAG in future production of EITI reports. The typical pillars that support the production and dissemination of the EITI report are data collection, data quality assurance (includes reconciliation), and data access and analysis.

The Terms of Reference for the consultant also include a component of capacity building for the Office of the Auditor General (OAG) who will take the lead in producing all future EITI reports. The capacity building workshop will take place on 19 February 2020 and it will be facilitated by Consultants from BDO Tunisia and Zambia.

The 2017 ZEITI report was published on 30 December 2019 and the 2018 ZEITI report will be published on 30 March 2020.

9. Beneficial Ownership Training Workshop

During the year under review, ZEC conducted capacity building workshops for the Mining Cadastre and the Patents and Companies Registration (PACRA) on beneficial ownership reporting with support from the EITI international Secretariat. The aim of the workshops was to raise awareness on the provisions of the EITI standard in relation to beneficial ownership reporting.

A number of follow up workshops to companies will be conducted in 2020 with support from the EITI International Secretariat.

10. Support to Ministry of Mines to undertake consultation process for Local Content

During the quarter under review, the ZEITI supported the planning department at the Ministry of Mines and Minerals Development in drafting of the ToRs for the Statutory Instrument (SI) on Local Content. This was at the request of the Permanent Secretary.

The consultation process on the draft SI is scheduled to commence in January 2020. The process will be led by the Ministry of Mines and Minerals Development.

11. Cab-Memo on the enactment of the transparency legislation under the Zambia EITI

During the year under review, the ZEC commenced engaged the Permanent Secretary at the Ministry of Mines with a view to commence the enactment process of the transparency legislation. A cab memo has since been submitted to the Planning department for further input before it is shared with the entire ZEC.

The enactment of the transparency legislation is in response to numerous calls from various stakeholders to have the EITI established under the law.

The Cab-memo has since been sent to the Policy unit at Cabinet for approval by Cabinet and also for circulation to other ministries.

12. Assessment of performance against EITI requirements

The Requirement 7.2(a) (ii) provides for an assessment of progress with meeting and maintaining compliance with each EITI requirement, and any steps taken to exceed requirements.

Requirements:	Progress:
Requirement 1: Oversight by the Multi-Stakeholder Group (MSG)	Since Zambia joined EITI in 2009, the Government has been actively involved in the implementation of EITI. The Government is represented in the MSG, it discloses the revenue it receives from mining companies and provides funding to EITI under the national budget. The mining sector is fully engaged with the implementation of EITI through the disclosure of payments and through consultations with government on policy issues affecting the mining sector. The civil society is fully engaged in the implementation of EITI as it freely participates in the MSG debates and monitoring of EITI implementation. The EITI in Zambia is implemented through work plans.
Requirement 2: Legal and institutional framework	The mining sector in Zambia operates under the Mines and Minerals Development Act of 2008 and it was amended in 2015. The sector is regulated by the Ministry of Mines and Minerals Development. Now, there are no contracts between mining companies and the government. These contracts in the form of Development Agreements with individual companies were abolished in 2008 and were replaced with mining licenses. This was done to level the playing field in the in the sector. Mining licenses are issued by the Cadastre Department in the Ministry of Mines and Minerals Development. The Cadastre Department also registers mining licenses.

	<p>Zambia was one of the EITI implementing countries which was identified by the EITI International Secretariat to be put on a pilot study to collect information on Beneficial Ownership (BO). Hence, Zambia has been collecting BO information in the past EITI reports. In this regard, Zambia has already prepared a road map and a legal and institutional framework in readiness for mandatory disclosure of BO information in EITI reports by 2020.</p>
<p><i>Requirement 3: Exploration and production</i></p>	<p>Zambia being one of the major copper producing countries, information on exploration, production and export of minerals is always available and accordingly this information is included in our EITI reports. Information on mineral production and exploration is sourced from individual companies and from the Ministry of Minerals Development, while information is sourced from individual companies and from the Ministry of Finance through the Zambia Revenue Authority. The value of exports is based on prices obtaining on the London Metal Exchange.</p> <p>Most of the Exploration activities in Zambia in the extractive sector at the moment are in the area of oil and gas and some blocks have been allocated to companies.</p>
<p><i>Requirement 4: Revenue collection</i></p>	<p>The EITI reports disclose nearly all the revenues received by the government from mining companies covered by EITI reports. This is underscored by low levels of discrepancies between company payments and government receipts. However, Zambia does not have barter arrangements with mining companies for infrastructure development and neither does she receive transportation revenue as the country is land-locked.</p>
<p><i>Requirement 5: Revenue Allocation</i></p>	<p>The information on the distribution of revenues from the extractive sector in the economy in Zambia is a challenge. The revenue from the mining sector is mixed together with revenues from other sectors. Consequently, the revenue from the mining sector loses its identity. Likewise, the allocation on sub-national payments does not indicate the source of the revenue. The allocation of the revenue to various sectors is indicated in the national budget. The expenditure of the budget is audited by the Office of the Auditor General.</p>
<p><i>Requirement 6: Social and economic spending</i></p>	<p>Social spending by mining companies is disclosed in the EITI reports company by company. The information on the contribution of the mining sector to the national economy is disclosed through tax and non-tax revenues paid by the mining sector to the government disclosed through EITI reports.</p>
<p><i>Requirement 7: Outcomes and impact</i></p>	<p>EITI reports in Zambia are having impact in the implementation of EITI as follows:</p> <ul style="list-style-type: none"> - These reports are being used by stakeholders as reference documents on issues relating to the mining sector; - EITI reports have stimulated debate on whether the government is receiving the right revenue from the mining sector; - The EITI reports have facilitated the demand by the host communities in mining areas to have a share of non-tax revenue to fund community

	<p>projects in their areas;</p> <ul style="list-style-type: none"> - The EITI reports have enabled the host communities in mining areas to request mining companies to consider their priority needs in their corporate social responsibility activities; and -EITI has contributed to the decision by the Government to establish a project to facilitate the production of reliable mineral production figures. <p>The MSG has acted on discrepancies and recommendations identified in the EITI reports by asking the Office of the Auditor General to follow up on these discrepancies.</p> <ul style="list-style-type: none"> - The ZEITI has undertaken financial modelling trainings for various stakeholders to enhance the utilisation of EITI information that is disclosed.
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12. Summary

The ZEITI annual report for 2019 shows a transition in terms of implementation. This transition is a move from the traditional EITI implementation of producing reports to a new approach of EITI reporting.

At the centre of EITI reporting is mainstreaming which places greater emphasis on agencies leading the disclosure information by default. It is hoped that the measures proposed in the 2020 ZEC work plan will further deepen the aspiration of mainstreaming the EITI implementation in Zambia.