



# 2017 ZEITI ANNUAL PROGRESS REPORT

## Zambia EITI Annual Progress Report 2017

### 1. General assessment of year's performance

#### Training for ZEC on mainstreaming and beneficial ownership

The training for the Zambia EITI Council (ZEC) focused on mainstreaming and beneficial ownership. The session on mainstreaming focused on exploring ways of how information that is already publicly available on government and company systems can be disclosed in line with the EITI requirements. The session established that most of the information is being published online in varying intervals ranging from quarterly reports to annual reports. The institutions that were identified included the Mining Cadastre, Ministry of Mines and Minerals Development, ZCCM-IH, Ministry of Finance, and MIDAC. Further, the ZCCM-IH indicated of the possibility of expanding the coverage of information that is currently being disclosed in the annual reports. In view of this, the ZEITI were requested to formally contact the CEO of ZCCM-IH on the possibility of including EITI information requirements in the annual report that is published by ZCCM-IH.

However, the session did not explore further to ascertain whether there was a systematic framework that guides the release of the information.

In terms of beneficial ownership, the session explored ways on how the ZEC can facilitate the sharing of BO information among government agencies such as the Patents and Companies Registration (PACRA) and the Mining Cadastre including the Zambia Revenue Authority. Further, the session agreed to conduct joint outreach activities between the ZEC and the PACRA to build a business case on the benefits to companies for disclosing beneficial ownership information. The outreach activities will also include provision of information on the newly amended companies' legislation that includes beneficial ownership.

The training concluded with an affirmation from the ZEC to conduct a mainstreaming feasibility study, form technical working groups within the MSG (ZEC) that will work on three thematic issues: data collection, data quality assurance, and data access.

#### Dissemination of the 2015 ZEITI report

The approach to disseminating of the 2015 ZEITI report took several forms. Apart from the usual traditional provincial community workshops and media programmes, the ZEC took advantage of the various existing platforms to disseminate the report. Some of these platforms include the following:

##### *1. Engagement with Academia from Copper belt University in Kitwe*

During the year under review, the ZEC engaged the Copperbelt University students and staff on the findings of the EITI process. The Copperbelt University is located in the copper rich province of Zambia. The province has been mining copper and cobalt for the past 100 years. Currently, the province hosts large mining conglomerates such as Mopani, a subsidiary of Glencore Plc and Konkola Copper Mines which is a subsidiary of Vedanta Group of companies.

The key discussion points during the engagement were centred on CSR payments made to the Local Authorities. The meeting resolved to forge closer links between the university and the ZEITI especially in the area of data analysis.

*II. Engagement with University of Lusaka*

The group was mainly comprised of top ranking government officials from the Air force, Secretary to the Cabinet, Permanent Secretaries, civic leaders and business executives. The aim of this engagement was to explore ways of how ZEITI can contribute to public policy discussions. Among the key issues discussed was the current gold panning activities by unlicensed miners in several parts of the country.

*III. Participation at the OAG's knowledge sharing and benchmarking workshop & OAG Peer learning event at Golden hotel*

The ZEITI Secretariat has been engaging with the OAG on the data assurance of the EITI reporting process. Initially, the engagement with the OAG was mainly focused on following up reporting discrepancies. This relationship has now grown to also focus on the possibility of conducting specialised audits such risk based audits and compliance audits at the Mining Cadastre.

Currently, discussion are underway between the ZEITI and the OAG regarding the role of the OAG in a mainstreamed EITI reporting. This proposed collaboration is part of the recently drafted National Audit strategy by the OAG. The National Audit strategy is yet to be officially launched by the OAG later this year.

*IV. Parliamentary committee submission on AMDC*

During the year under review, the ZEITI was requested by the Parliamentary Committee on Economy, Trade and Labour to make a submission on the possibility of Zambia to host the African Mining Development Centre Secretariat. The overall recommendation from the ZEITI was that Zambia is suitably placed to host the Secretariat. The concern on treasury obligations would be offset by the net benefits arising from hosting the AMDC Secretariat. Key among the benefits is the technical support and financial support that the centre can offer to various government agencies involved in the management of the mining sector in Zambia.

*V. Other engagements*

- Awareness engagement with the Biodiversity Financing initiative
- Awareness raising with Diakonia Zambia and partners
- ICGLR awareness raising meeting on the 3T's & G
- Panel discussion at Transparency International Zambia (TIZ) launch of corruption risk assessment
- Launch of the public financial management handbook for members of Parliament – October 2017
- Awareness engagements with Counterpart International – Social, accountability symposium

### **Regional EITI peer learning workshop**

During the year under review, Zambia hosted a regional EITI peer learning meeting for Anglo and Lusophone countries. The aim of the meeting was to share experiences among the implementing countries especially in areas such as Validation preparation, data utilisation and visualisation among other things. In addition, the workshop also looked at how to strengthen the regional feedback mechanism

through encouraging a closer collaboration between the implementing countries and the Board constituent representatives. The workshop also discussed the new approach to EITI reporting which focuses on mainstreaming EITI reporting in government and company systems. Finally, the workshop also conducted a stock take on the implementation on the beneficial ownership in all implementing countries and how this could be enhanced before the 2020 EITI implementation deadline of beneficial ownership disclosure.

### **Beneficial ownership legislation**

During the year under review, the government amended the companies' legislation on to include beneficial ownership disclosure. The legislation was amended in November 2017 and the regulations for the legislation were passed in June 2018. However, the legislation does not include any provision on Politically Exposed People (PEPs). In addition, it is not yet fully established whether the register for beneficial owners will be publicly available.

### **Capacity building**

During the year under review, the Communications Officer was on a six months capacity building placement at the EITI International Secretariat in Oslo, Norway.

## **NEXT IMPLEMENTATION STEPS FOR THE ZAMBIA EITI**

### **Mainstreaming feasibility study**

During the next implementation cycle, the ZEITI will conduct a mainstreaming feasibility study. The study will be conducted after undertaking a scoping exercising using the feasibility matrix. It is hoped that the outcomes of the scoping matrix will highlight the issues to be addressed in the feasibility study. Notably, the feasibility study will focus on the legal constraints, IT constraints and institutional challenges that might affect the implementation of mainstreaming in Zambia.

### **Financial modelling training for ZEC and key government agencies**

During the next implementation cycle, the ZEITI will provide capacity building training to the ZEC on data analysis tools such as financial modelling. The need for financial modelling skills was affirmed by the ZCCM-IH who showed interest in collaborating with the ZEITI on the activity. The FM skills will enable the ZEC to analyse the data arising from the EITI reporting process. On the part of ZCCM-IH, the FM skills will enable its staff to robustly engage its investee companies when dealing with the reviews regarding the payments of dividends.

### **Local content reporting**

During the next cycle, the ZEITI will include Local Content reporting in the 2016 ZEITI report. The idea is to expand the scope of the report to include issues that are part of the Policy discussions in the country. Local Content is part of the current National Development Plan (SNDP). The government wants to promote local content especially in the mining sector as means to diversify the economy and create economic linkages between the mining sector and other sectors of the economy.

### **ASM research study**

During the next cycle, the ZEITI will collaborate with the government to undertake a study on the Artisanal and Small Scale mining in Zambia. The main objective of the study is to examine ASM activities in Zambia by highlighting how widespread the ASM activities are; its potential to contribute to economic diversification and job creation; its impact on the environment and issues of gender and child labour; and the challenges inhibiting growth of the sub-sector.

In Zambia, the Mineral Resources Development policy provides the framework for the development of the mineral sector. The 7NDP is a medium-term plan to achieve the Vision 2030. The focus of the Plan is to create a diversified and resilient economy for sustained growth and socio-economic transformation driven by, among others, agriculture, mining, tourism and manufacturing. The strategy to achieve the development outcome of a diversified and export oriented minerals sector is anchored on four strategies which include promotion of exploitation of gemstones and industrial minerals and promotion of small scale mining.

Development of small scale mines has since privatization been identified as having potential to contribute to economic diversification and poverty reduction. To this effect strategies to promote small scale mining have been included in National Development Plans since 2003. However, these have not yielded the desired results mainly because the design of the interventions has not been informed by the situation on the ground. The interventions have in most cases focused on addressing the symptoms as opposed to the causes. Past interventions include: capacity building in various aspects of mining; improving access to finance; and support to increase access to markets.

The Seventh National Development Plan (7NDP) has also espoused promotion of small scale mines and exploitation of development minerals as being critical in job creation and economic diversification. Currently, the Ministry of Mines and Minerals Development is implementing the ACP-EU Development Minerals Programme which aims at promoting exploitation of development minerals for sustainable economic growth. As in past national development plans information on artisanal and small scale mining is still scanty. To avoid the challenges experienced in past, the Ministry in collaboration with stakeholders intends to undertake a study to generate information to underpin the design of interventions and to improve the visibility of the sector. In addition to the study, the ministry intends to produce a series of short documentaries on selected thematic issues.

### **New CSO MSG members**

During the year under review, the CSOs elected new members to represent them on the MSG. The elected members comprise members who have been on the MSG before such as the Publish What You Pay and the Council of Churches in Zambia. Three new members namely ActionAid, National Empowerment Forum and Extractive Industries Transparency Alliance are coming on board for the first time.

The terms of reference for the EITI Civil Society constituency note that a meeting of not less 30 CSOs should be convened to elect members of the MSG every three years. These CSOs should be drawn from all regions in the country. A single vote is invited from each of the CSOs represented at the meeting. The meeting is convened by the Publish What You Pay coalition as it currently hosts a number of CSOs under its umbrella across the country.

The full list of elected members who will represent CSOs on the MSG are Publish What You Pay, Actionaid, Extractive Industries Transparency Alliance (EITA), Southern African Resource Watch (SARW), Council of Churches Zambia (CCZ), and National Environmental Forum (NEF).

### Policy briefs

During the next cycle, the ZEITI will produce policy briefs in collaboration with the NRGi. Some of the focus areas of the policy briefs include beneficial ownership disclosure and local content reporting. The aim of these policy briefs is to contribute towards informed public debate on issues relating to the management of the mining sector in Zambia.

### ZEITI legislation

During the next cycle, the ZEITI will review the draft ZEITI bill and draft the ZEITI policy. The ZEITI legislation will be used to enhance the implementation of mainstreaming and beneficial ownership. Notably, the legislation will seek to enhance the disclosure of royalties in relation to production data and license information including export data. Further, the legislation will also seek to enhance the disclosure of project level data in the mining sector.

In relation to beneficial ownership, the legislation will seek to address the public availability of beneficial ownership information. Further, the legislation will also enhance the mitigation of corruption risks in the mineral valuation in relation to beneficial ownership disclosure.

## 2. Assessment of performance against targets and activities set out in the 2017 ZEITI work plan

This section provides an analysis of the activities that were undertaken during the year under review. The analysis divided the activities between those that were implemented and those that were not implemented and the accompanying comments.

<b>Objective 1:</b> To promote full disclosure of information on the mineral value chain in order to enhance transparency and accountability in the governance of the mining sector.		
Activity Implemented	Activity not implemented	comments
Engage relevant government institutions and mining companies to incorporate disaggregated employment data for the mining sector in the Labour Force Survey for inclusion.		Done
Develop partnerships between		Done. We are currently

EITI and UNDP, MMMD Low Value Mineral Development Project (LVMP)		conducting a joint study on the ASM sector.
	Develop the EITI Policy for legal and institutional framework	A legal and Policy review was conducted by a consulted funded by the EU. The actual drafting of the Policy was not done because the support from the EU only covered a review process and not the actual drafting.
Revise the EITI Bill for legal and institutional framework and hold on-going stakeholder meetings with mining companies (WIP)		Done
	Include tax liabilities, costs and profits in collaboration with ZRA and other relevant authorities in the ZEITI reporting template	The discussion on how to include these metrics is yet to be concluded. The disclosure might only be possible after the conclusion of the mainstreaming feasibility study.
Develop partnerships between MVCMP; MPSMP and EITI and the African mining vision.		Done
EITI reporting stakeholders' engagement.		Done
Interface the EITI reporting with the Cadastre		Done
<b>Objective 2:</b> To promote full disclosure of information on the mineral value chain in order to enhance transparency and accountability in the governance of the mining sector.		

	Participate in the development of CSR guidelines by mining companies, civil societies and other relevant stakeholders	This activity was supposed to be led by the Chamber of Mines. The ZEITI is still waiting for the process to commence under the Chamber of Mines.
Community Workshops on CSR EITI reporting		Done
Research conducted on the impact of EITI reporting on CSR payments		Done
	One national CSR stakeholders Engagement on EITI reporting held	This activity was not done by the ZEITI. However, the ZEITI participated in the annual awards ceremony organised by the Chamber of Mines which included an award for Mines who have excelled in CSR provision.
Two workshops held on EITI reporting for CSR spending with CSOs, government and mining companies		Done
<b>Objective 3:</b> To promote full disclosure of information on the mineral value chain in order to enhance transparency and accountability in the governance of the mining sector		
EITI reconciliation reports published in a new, more accessible format with the reconciliation report for FY 2017.		Done
	Public access to EITI data via an online portal established at the time the FY 2017 EITI reconciliation report is published.	The Portal is being developed. It will be concluded after the feasibility study on mainstreaming is concluded.



	EITI topical report prepared regularly (annually for 2017/18, with frequency of reports increased thereafter.	Terms of Reference were developed. We are awaiting <b>NO objection</b> from the World Bank.
Information, Education and Communication Strategy (IEC) reviewed by 31st December 2017 with emphasis on (a) wider distribution of EITI reconciliation reports		Done
Staff/MSG capacity building including communication skills		
ZEITI website upgraded and monitored		Done
Sensitisation forums on EITI reporting Compliance carried out on the Copperbelt and North-western Province		Done
<b>Objective 4:</b> To monitor and evaluate the effectiveness of the Mining sector to assess its impact on the socio-economic development of the country		
Three EITI Natural Governance Consultative Workshops held in Lusaka, North-western and Copperbelt		Done
Three Case Studies on EITI process and its impact on social-economic development developed and documented		Done
1 Comprehensive CSO EITI		Done

Community Monitoring and Evaluation framework developed and implemented		
TOR for CSO EITI M&E developed		Done
<b>Objective 5:</b> To manage the operations of the ZEITI Secretariat in order to ensure efficiency and effectiveness in the implementation of programmes.		
	Consultant engaged to develop the IMIS for ZEITI	Funding constraints
	Launch the IMIS	Awaiting development of IMIS
	ZEITI staff and MSG trained in IMIS	Awaiting development of IMIS
	Dissemination Workshop for Mining Companies on the IMIS	Awaiting development of IMIS
	Two Consultative meetings with the MOMMD held on ZEITI Staff Performance Package	Awaiting development of IMIS
	One Staff needs assessment conducted	To be conducted in 2018
	Staff/MSG attend training on project management and resource mobilisation and	To be conducted in 2018

	other relevant capacity building needs.	
Develop the ZEITI Implementation Plan in line with the two-year mandate of the strategic plan.		Done
	Review the resource mobilisation	Awaiting development of the resource mobilisation strategy
	Launch the resource mobilisation strategy	

### 3. Assessment of performance against EITI requirements

Zambia has been making steady progress in the implementation of EITI since joining EITI in 2009 and becoming compliant in 2012. This has been underscored by Zambia's performance in the Validation process. In 2017, Zambia underwent the second Validation and the validation report concluded that Zambia made meaningful progress in accordance with the EITI Standard and requirements. The revenue from the mining sector and the reporting companies have risen, while the discrepancy between payment and revenue have been declining.

In order to learn from other EITI implementing countries, Zambia hosted a regional peer learning workshop for African countries which was attended by 10 Lusophone and Anglophone African speaking countries. To date Zambia has produced 8 EITI reports.

The requirement by performance assessment of implementation of EITI by Zambia is given below:

<b>Requirements:</b>	<b>Progress:</b>
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Requirement 1: Oversight by the Multi-Stakeholder Group (MSG)	The MSG in Zambia has been actively involved in the implementation of EITI. The Mining companies have continued to play their role of disclosing their payments and Government disclosing its revenue received from mining companies and CSOs monitoring the implementation of EITI. Zambia has continued to produce EITI reports according to deadlines. The government has also continued to fund EITI under the national budget. The members of the MSG are fully engaged in the implementation of EITI through disclosures of payments, revenue and through policy issues affecting the mining sector.
Requirement 2: Legal and institutional framework	<p>The mining sector continued to operate under the act of Mines and Minerals Development Act of 2008, and amended in 2015. Currently Zambia does not have contracts between the government and mining companies as these contracts were cancelled in 2008. The Cadastre issues mining licenses.</p> <p>The ZEITI influenced the amendment of the Companies Act under PACRA in 2017 to facilitate the establishment of the company's register for disclosure of Beneficial Ownership.</p>
<i>Requirement 3: Exploration and production</i>	In 2017 Zambia completed the establishment of two projects in the ministry of Mines and under Zambia Revenue Authority (ZRA) for the production of reliable mineral production figures and export values. These projects are Mineral Production Monitoring Support Project under Ministry of mines and ZRA.
<i>Requirement 4: Revenue Collection</i>	In Zambia EITI reports disclose most revenues received by the government from the mining sector. This is underscored by declining 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 get transportation revenue as the country is land-locked.
<i>Requirement 5: Revenue Allocation</i>	The information on the distribution of revenues from the extractive sector continues to be a challenge as it 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 expenditure of the budget is audited by the Office of the Auditor General.
<i>Requirement 6: Social and economic spending</i>	Social spending by mining companies continue to be disclosed in the EITI reports. 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.
<i>Requirement 7: Outcomes and impact</i>	EITI reports in Zambia are having impact in the implementation of EITI:

	<ul style="list-style-type: none"> <li>• EITI reports are being used as reference documents on issues relating to the mining sector;</li> <li>• EITI reports have stimulated debate on whether or not the government is receiving the right revenue from the mining sector;</li> <li>• The EITI reports have facilitated the demand by the host communities in mining areas to have a share of non-tax revenue from mining companies;</li> <li>• EITI has influenced the amendment of the Company’s Act for companies to disclose information on beneficial ownership.</li> <li>• EITI has contributed to the decision by the Government to establish a project to facilitate the production of reliable mineral production figures and export values.</li> <li>• The MSG has acted on discrepancies identified in the EITI reports by asking the Office of the Auditor General to follow up on these discrepancies. The MSG also intends to select some MSG members to follow up on the recommendation of the EITI and Validation reports.</li> </ul>
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**4. Overview of the multi-stakeholder group’s responses to the recommendations from reconciliation and Validation, if applicable**

<b>Recommendation:</b>	<b>Status/progress:</b>
<p>In order to meet requirement 2.2 on license allocation, the ZEC should ensure that the next EITI report includes comprehensive information on the process of license transfers, licenses transferred during the reporting year, and an explanation on the technical and financial criteria for awarding of licenses for both the mining and petroleum. The ZEC might also consider including the most recent information on the latest licensing rounds to improve the timeliness of the information on license allocation, as well ensuring that there is commentary on any deviations from the license allocation process and on efficiency of the</p>	<p>The 2016 ZEITI report will take into account this recommendation from Validation. Preliminary discussions with the Mining Cadastre seem to suggest that this information can also be uploaded on the Cadastre online Portal.</p> <p>The Petroleum sector is still nascent and a lot of the information is still being worked out alongside the drafting of the Petroleum legislation.</p>

licensing process.	
<p>In order to meet requirement 2.4 on contract disclosures, the ZEC should ensure that the description of the government policy regarding contract and license transparency in the next EITI report is up to date and reflects the MMDA 2015. It should also clarify whether there are any laws or contractual provisions that affect disclosure of contracts in the petroleum sector. Further, the ZEC may wish to include if whether to include any descriptions regarding what information is related to individual licenses are publicly available, such as work programmes and environmental impact assessment, and provide links to further information where applicable.</p>	<p>The Minister of Mines and Minerals Development issued a press statement regarding the unavailability of contracts in the mining sector. However, the 2016 ZEITI report will clarify the status of contracts in the Petroleum sector. Preliminary information obtained from the Geological Survey indicates that the current Petroleum exploration activities are guided by the legislation in the mining sector.</p>
<p>In order to meet requirement 2.6 on state participation in the extractive sector and requirement 4.5 on transactions related to state-owned enterprises, the ZEC should ensure that an explanation of the prevailing rules and practices regarding the financial relationship between the government and state-owned enterprises is disclosed, including a description of the rules and practices governing transfers of funds between ZCCM-IH, IDC and the state, and details on retained earnings, reinvestment and thirdparty financing if applicable. This could include an explanation or reference to ZCCM-IH's dividend policy and further details on transfers made by IDC to the government from its shares in ZCCM-IH. The ZEC should further ensure that the reporting process</p>	<p>The 2016 ZEITI report will provide more clarity on this recommendation. Suffice to mention that the ZCCM-IH publishes an annual report on its website every year. The report provides detailed information on the operations of the ZCCM-IH including its investee companies.</p>

<p>comprehensively addresses all material payments to SOEs from oil, gas and mining companies and transfers between SOEs and other government agencies.</p>	
<p>In order to meet requirement 3.2 on production data, the ZEC should ensure that the future EITI Reports include information on the progress made by the government in obtaining reliable production figures, and to refer to the existing information provided by the MDD, ZRA and Chamber of Mines.</p>	<p>The 2016 ZEITI report will document the work under done so far under the Mineral Production Monitoring Support project and the Mineral Value Chain Monitoring Support project.</p>
<p>With regards to assuring the quality of the data in the EITI Reports (requirement 4.9), the ZEC and Independent Administrator should clearly document the discussion on the options considered and the rationale for the agreed data quality assurances to be provided by reporting entities to the Independent Administrator. The ZEC should ensure that the TORs for the next report outlines the process for collecting data and clearly describes the division of labour between the national secretariat and the Independent Administrator.</p>	<p>Discussions are underway to expand the correct scope of engagement with the Office of the Auditor General (OAG). The OAG has since drafted an audit strategy for extractive. The strategy will be launched later this year.</p>
<p>In order to meet requirement 7.3 on lessons learned and follow-up on report recommendations, the ZEC is encouraged to consider ensuring that recommendations in ZEITI Reports to a larger extent address key challenges related to extractive sector governance. Such recommendations could take into account feedback recorded from stakeholders as part of ZEITI's dissemination activities. The ZEC should also consider a more</p>	<p>The ZEC is currently conducting its mid-year review of its 2018 work plan. The review will document progress made in addressing the challenges in the mining sector.</p>

<p>systematic follow-up of the recommendations, for instance by developing a dedicated plan for following up on findings and recommendations from the ZEITI Reports, outlining actions to address the recommendations which can achieve the intended objective.</p>	
<p>Further to the government's engagement with ZEITI, the government is encouraged to ensure that public statements continue to include commitments to extractives transparency and the EITI, and that the EITI continues to contribute to addressing key governance challenges in the extractive sector. The government is further encouraged to ensure that it consistently and actively chairs the ZEC. The government could also consider making company disclosures on extractive sector payments mandated by law, either in a ZEITI Bill or as part of relevant sector reforms.</p>	<p>The government has continued to affirm its commitment to implementing the EITI in Zambia. This could be seen in the recent enactment of the beneficial ownership disclosure requirement in the companies' legislation in Zambia.</p>
<p>Civil society representatives on the MSG should strengthen the collaboration between civil society representatives on the ZEC and the wider constituency and establish a feedback mechanism to ensure consistent exchange of information.</p>	<p>The CSOs have strengthened their collaboration. The recent election of new members to the MSG is a case in point. The CSO TORs are also currently being revised by the CSO constituency to strengthen their engagement in the EITI.</p>
<p>Further to ZEITI's engagement with artisanal and small-scale miners, the ZEC may also wish to consider how to engage further with the artisanal and small-scale mining sector, as there appear to be opportunities to use the ZEITI to discuss challenges related specifically to small-scale mining, to ensure that the regulatory framework is enforced and also addresses the</p>	<p>The government in collaboration with the ZEITI is undertaking a study on the ASM sector. The findings of the study will be disseminated to the stakeholders and hopefully be used as a basis for developing the ASM sector in Zambia.</p>



risks faced by small-scale miners.	
In developing future EITI work plans, it is recommended that the ZEC addresses how ZEC will address the recommendations from EITI reporting and Validation. Future work plans could also do more to ensure that the process is better linked to national strategic priorities, such as informing public debate on the fiscal regime and tax avoidance. The ZEC may wish to ensure that the description of the legal framework is up to date and reflects the latest laws or legal amendments such as the MMDA 2015.	The 2018 ZEITI work plan has incorporated the recommendations from Validation and the input from all stakeholders such as the inclusion of Local Content reporting the ZEITI reports.
With regards to data on licenses (requirement 2.3), the ZEC should consider possibilities for including information on the date of application for petroleum licenses in the next EITI Report. ZEITI and stakeholders are encouraged to continue the efforts made to improve license data made available in the cadastre and to address the gaps identified in the ZEITI Reports. The next EITI Report should include a link to the license cadastre.	The 2016 ZEITI report will included this information as recommended.
Further to ZEITI's work on beneficial ownership disclosure, the government and ZEC are encouraged to continue making progress on implementation of beneficial ownership disclosure, and to ensure that ZEITI's efforts to disclose beneficial ownership data is linked to ongoing efforts within the government to address key challenges in the extractive sector such as tax evasion and transfer pricing.	The government has enacted the beneficial ownership disclosure requirement under the companies' legislation. Plans are underway to conduct joint outreach activities to companies between the ZEITI and the government.
With regards to export data (requirement 3.3), the ZEC may wish to ensure that future reports include	The 2016 ZEITI report will include export values and volumes in the reporting companies' data.

total export values or provides a reference to other sources of export data, including Bank of Zambia.	
With regards to the comprehensiveness of the EITI Report (requirement 4.1), ZEITI should ensure that future EITI Reports provide the total revenues received for each of the benefit streams included in the scope of the EITI Report, including payments from companies below the agreed materiality threshold. ZEC may wish to consider the feasibility of disclosing revenue information disaggregated by project in a systematic manner, as this is already being done to some extent. The ZEC is encouraged to continue its discussions on the materiality thresholds and whether to include PAYE figures as part of company payments.	Discussions are underway between the ZEITI and the Ministry of Mines and Minerals Development on the possibility of disclosing project level data. This discussion also included having this information disclosed online alongside license information in a systematic manner.
Further to ZEITI's efforts to provide information on the auditing framework in Zambia, the ZEC may wish to engage more with the Auditor General's Office and ensure that EITI reporting can to a further extent highlights gaps and provide recommendations related to auditing procedures and practices, such as those related to the ability of the Office of the Auditor General to audit mining companies and disclosure of companies' annual financial statements.	The ZEITI has already engaged the OAG on the possibility of conducting the compliance and risk based audits in the mining sector value chain. The OAG is currently planning to conduct a compliance audit at the Mining Cadastre.
Further to ZEITI's work on mainstreaming EITI disclosures, the ZEC is also encouraged to consider ways to mainstream EITI reporting and discuss whether a mainstreaming feasibility study or exercise could be useful to identify ways forward for	The ZEITI is currently filling out the mainstreaming matrix to help identify the constraints and opportunities for mainstreaming mining information on government and company portals. A feasibility study will be conducted with funding from the World Bank.

embedding disclosure of extractives data in existing government and company systems.	
With regards to information on revenue management and expenditures (requirements 5.1 and 5.3), the ZEC may wish to consider including information on how local authorities spend the direct subnational payments collected from mining companies, or on expenditures from the Environmental Protection Fund.	The USAID is implementing a project that aims at building capacity among CSOs to monitor governance of the resources from the mining sector at the local level. Further, the ZEITI will expand the scope of information reported about the Environmental Protection Fund (EPF) in its 2016 ZEITI report.
With regards to social expenditures (requirement 6.1), the ZEC is encouraged to discuss whether Corporate Social Responsibility payments are considered material and whether these payments could be reconciled. The ZEC may wish to continue collaborating with the Chamber of Mines for systematic reporting and verification of the figures and providing recommendations for how such payments can be overseen by the government. This can help improve the clarity on the nature, value and beneficiaries of such payments.	This recommendation has been included in the 2018 ZEITI work plan.
With regards to information on the contribution of the extractive sector to the economy (requirement 6.3), the ZEC should ensure that the next EITI Report includes GDP contribution in absolute terms. The ZEC may further want to consider including information on the contribution of the artisanal and small-scale mining sector to the economy.	The 2016 ZEITI report will include the information on the mining sector to GDP in absolute terms. However, data on the ASM sector will only be available after the ASM study being done together the government.
Further to ZEITI's discussions on local content, the ZEC might wish to consider whether to include	The 2016 ZEITI report will include data on local content. The proposed reporting framework will be adapted from the Mining Shared Value.

<p>information on local content as part of their next work plan and EITI Report, and take into account the government's local content strategy for the mining sector.</p>	
<p>Further to ZEITI's efforts to disseminate information related to the extractive sector, all stakeholders, including government, civil society and industry are encouraged to continue to disseminate extractive sector data through EITI Reports, with the aim to ensure that the EITI and the information made publicly available about the extractive industries contributes to public debate. The ZEC might want to undertake further capacity building efforts to increase awareness of the EITI process, improve understanding of information and data from the reports, and encourage use of the information by citizens, the media and others.</p>	<p>The dissemination of EITI information is jointly done by all the three stakeholders under the EITI. Dissemination reports are available on the ZEITI website.</p>
<p>The national secretariat is resource constrained and unable to carry out outreach activities as part of the Strategic Plan for 2016-2020. The ZEC could contribute to identifying domestic and external sources of funding where appropriate to ensure timely implementation of the agreed outreach activities.</p>	<p>The ZEITI has continued to make efforts to increase funding to the ZEITI Secretariat. The government funding has been increasing over the years but a lot still needs to be done to reduce the funding deficit.</p>
<p>With regards to ZEITI plans related to open data, the ZEC is encouraged to make EITI Reports available in a machine-readable and open data format, in accordance with ZEITI's open data policy.</p>	<p>The reports are all available in machine readable format on the ZEITI website.</p>

## 5. Any specific strengths or weaknesses identified in the EITI process

The ZEITI has made a lot of strides in ensuring that mining information is available to the public in various forms. With support from the EU, the ZEITI has revamped its website, Facebook page and twitter account. The ZEITI has also re-introduced its newsletter through a bi-weekly e-copy to over 600 subscribers.

Perhaps the one notable weakness that still exists is the ability of the various stakeholders, especially CSOs to utilise the data from the EITI reporting. Plans are underway to conduct training for the ZEC and key government agencies in areas such as financial modelling.

Finally, a ZEITI legislation will be needed to support activities in relation to mainstreaming EITI information on government and company platforms including project level reporting.

## 6. Total costs of implementation

NO.	ACTIVITY	WORKPLAN COST (BUDGET) US\$	OUT TURN COST (EXPENDITURE) US\$	VARIANCE US\$	BURN RATE %	CAUSES OF VARIANCE	SOURCES OF FINANCE
1	Staff capacity building/ MSG through peer to peer learning program	25,000.00	30,917.14	-5,917.14	123.7	Peer to Peer conference had been under budgeted as was only communicated mid-year	GRZ/ World Bank
2	Produce scoping and reconciliation reports for 2015/Data collection	125,000.00	114,979.15	10,020.85	91.9	Consultant was paid by donor funds while other costs such as data collection was funded by government counter party funds	GRZ/ World Bank
3	Dissemination of 2015 reports through printing of	185,000.00	181,457.31	3,542.69	98.09	Dissemination costs funded by both World bank and	GRZ/ World Bank

	reports, publication in newspapers, television and radio presentations, various countrywide workshops and branding of various materials					counter party	
4	Follow up of 2014/2015 EITI report discrepancies- Office of Auditor General	10,000.00	10,472.46	-472.46	104.7	Over expenditure caused by exchange rate variations as it was expensed in local currency	World Bank
5	Office day to day administrative costs/MSG meetings/Travel costs/Staff benefits and compensation	300,000.00	279,725.72	20,274.28	93.2	The staff gratuities and other compensations were paid as contracts expired.	GRZ
6	Validation	6,000.00	5,684.31	315.69	94.7	Almost the entire budget was used	GRZ
7	Beneficial Ownership	5,000.00	4,578.49	421.51	91.6	Almost the entire budget was used	GRZ
8	Produce annual assessment	4,000.00	2,030.00	1,970.00	50.8	Almost the entire budget	GRZ

	reports that includes impact assessment, audit of financial statements and annual reports					was used	
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### I. Funding

The Zambia Extractive Industries Transparency Initiative (ZEITI) Secretariat received funds for the financial year 2017 from the Government of the Republic of Zambia, as well as a balance the World Bank.

The total receipts during the year under review was US\$ 633,917.36 broken down as follows US\$ 466,267.36 annual grants from the government while US\$ 167,650.00 was funding from the World Bank.

### II. Expenditure

The Secretariat had total expenditure of US\$ 629,844.58 during the year 2017 against the annual budget of US\$ 660,000.00. This represented a total burn rate of 95.4%. The expenditure is broken down as follows.

#### ▪ Training of MSG and Staff Capacity Building

- This relates to costs for the training of MSG members and as well as staff continuous Professional developments and peer to peer learning workshop hosted by Zambia in November 2017. The total cost was US\$ 30,917.14 against a budget of US\$ 25,000.00 with 123.7% burn rate for the year under review.

#### ▪ Production of scoping and final EITI reports

- The costs were for the preparation of the EITI report for the year 2015. This cost includes payments to the Independent Administrator, the pre-production expenditure such as data collection, and training of mining and government agencies as well as advertisements. The total expenditure is US\$ US\$ 114,979.15 against a budget of US\$ 125,000.00 representing a burn rate of 91.9%.

#### ▪ Dissemination of reports

- The costs were incurred for the Country wide dissemination of the 2015 report through various stakeholder meetings such as workshops as well as television, radio and newspaper production as well as printing costs for reports. The total expenditure is US\$

US\$ 181,457.31 against a budget of US\$ 185,000.00 representing an expenditure of 98.09% burn rate.

- **Follow up by Auditor General**
  - This relates to costs for the payment of the consultant services offered by the office of the Auditor General in following up discrepancies reported in 2015 EITI report. Further to this, the report will also be assessed ascertain the viability of mainstreaming the EITI report. The total cost was US\$ 10,472.46 against a budget of US\$ 10,000.00 representing a burn rate of 104.7% for the year under review.
- **Office Operations/Staff benefits**
  - This relates to costs for the day to day office operations, MSG meetings and payments for staff salaries and benefits. The total cost was US\$ 279,725.72 against a budget of US\$ 300,000.00 representing an expenditure of 93.2%.
  -
- **Validation Process-Review**
  - This relates to costs for the workshops and meetings during the preparation and exercise of the validation reporting process with the International Secretariat. The total cost was US\$ 5,684.31 against budget of US\$ 6,000.00 representing an expenditure of 94.7%.
- **Beneficial Ownership**
  - The costs relate to the workshop on the roadmap for the beneficial ownership process. The total expenditure was US\$ 4,578.49 against a budget of US\$ 5,000.00 representing a burn rate of 91.6%.
- **Produce annual assessment reports**
  - This relates to costs to produce annual assessment reports. The main costs relate to audit of financial statements and the total expenditure was US\$ 1,970.00 against a budget of US\$ 14,000.00 representing an expenditure of 81.2%.
  - The Secretariat has five full time staff, two seconded from the Government and four interns.
  - During the year, the communications officer was seconded to the International Secretariat for the last quarter of the year and first quarter of 2018.

➤ **Challenges and Success**

The Secretariat has some challenges and recorded some success as highlighted below.

➤ **Gap Analysis-Challenges**

The main challenges for the project in the year under review was the delay in the signing of the World Bank grant agreement which led to the delay in the payment of the Independent Administrator as well as implementing other project activities.

➤ **Positive outcomes 2017**



The project financial management had positives in the period under review. The project received eleven of the twelve grant funding from the Government on time. All the major activities have been financed. The financial statements for all the previous years have been audited upto date.

## 7. Any additional comments

The ZEITI has commenced a process to reposition the implementation of the EITI in Zambia in view of mainstreaming. This process will entail constituting technical working groups with the ZEC for effective implementation of the EITI.

Three technical working groups are being suggested, and these are mainstreaming technical working group, Data and quality assurance technical working group, and the Policy and data analysis technical working group.

**Mainstreaming working group:** This working group will take the role of outreach to various reporting entities on the opportunities for systematic disclosure of EITI information. As part of its TORs, the working group will develop a framework that focuses on medium and long-term strategies for systematically disclosing EITI information. This could be through the ZEITI website in the short term and reporting agencies' platforms in the long term. The working group could also be tasked to identify and document any legislation that needs to be reviewed to enable systematic disclosure of EITI information. The working group will work closely with the Consultant who will undertake the mainstreaming feasibility study with current funding from the World Bank.

**Data quality assurance working group:** This working group working alongside the Office of the Auditor General will develop a quality assurance framework that enables the MSG to check the quality of disclosed data on various platforms. All matters related to data reconciliation and verification could be handled by this working group. One of the issues the working group could tackle is the development of a framework for undertaking data assurance such as data sampling mechanisms and risk-based reconciliation. For example, the working group could decide what materiality threshold could be applied on a revenue stream or reporting entity that would merit a reconciliation of the data.

**Policy and data analysis working group:** This working group will be responsible for developing the annual ZEITI workplan and the overall implementation strategy of the ZEITI. The working group could also be responsible for data analysis from the EITI reporting and the production of policy briefs for dissemination to various stakeholders. In addition, the working group could be tasked to work closely with the ZEITI Champion and other key stakeholders in raising the profile of activities being implemented by the ZEITI. This working group could also lead the dissemination activities of the ZEITI in addition to the production of activity reports for the ZEITI.

Finally, the follow up on discrepancies identified in the EITI report will have to be restructured in the light of the new approach to EITI reporting re mainstreaming. The scope for the OAG should include aspects that enable them to conduct risk based, sample, and compliance audits on various government and company reporting platforms.

## 8. Has this activity report been discussed beyond the MSG?

The ZEITI Secretariat was invited to contribute towards the drafting of the annual activity report. Their input is reflected in the various sections of the report.

## 9. Details of membership of the MSG during the period 2017

During the year under review, there were changes to the membership in the MSG. There were no changes of representatives from the government constituency. As for the mining constituency, a new CEO for the Chamber of Mines has since been recruited and will join the MSG at the next meeting in July 2018.

The Civil Society constituency conducted an elective meeting on 21 June 2018. At the election, four changes were made to the MSG representatives. The new members are Southern Africa Resource Watch (SARW), National Environmental Forum (NEF), Extractive Industry Transparent Alliance (EITA), and Action aid. The Publish What You Pay Zambia and Council of Churches in Zambia were voted back to continue representing the CSOs on the MSG.

The members from each sector and the associated changes are indicated below.

### Government representatives

- |                        |   |
|------------------------|---|
| • Mr Fredson Yamba     | ZEC Chairperson (Secretary to Treasury) |
| • Mr Kayula Chimfwembe | Ministry of Finance                     |
| • Mr Francis Chilunga  | Ministry of Justice                     |
| • Mr Brian Simukoko    | Ministry of Local Government            |
| • Mr Paul Chanda       | Permanent Secretary – Ministry of Mines |
| • Mr Ignatius Mvula    | Zambia Revenue Authority                |
| • Dr Jonathan Chipili  | Bank of Zambia                          |

### Mining companies representatives

- |                            |                                |
|----------------------------|--------------------------------|
| • Mr Nathan Chishimba      | President – Chamber of Mines   |
| • Mr Jackson Sikamo        | Country Manager – Metorex      |
| • Mr Talent Ng'andwe       | Proxy – Chamber of Mines       |
| • Mr Akakandelwa Mubiana   | Konkola Copper Mines           |
| • Mr Wallace Mackay        | AZMEC (Anglo-America)          |
| • Mr Joseph Kanyama Sakala | President - Small Scale Miners |

**Civil Society representatives**

- Ms LumbaSiyanga Women for Change(*no longer MSG member*)
- Ms NsamaNsemiwe Zambia Land Alliance(*no longer MSG member*)
- Rev. Suzanne Matala Council of Churches in Zambia
- MrMtwaloMsoni Publish What You Pay Zambia
- Mr Isaac Mwaipopo Centre for Trade Policy & Dev(*no longer MSG member*)
- MrYewaKumwenda Mine Workers Union of Zambia(*no longer MSG member*)

Approved by MSG:

Date: **29 June 2018**

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