

VALIDATION
of the
EXTRACTIVE INDUSTRIES
TRANSPARENCY INITIATIVE
IN ZAMBIA

March 2011

Report to the Zambia EITI Council

Prepared by Hart Nurse Ltd

ACKNOWLEDGEMENTS

We should like to express our sincere thanks to Likolo Ndalamei, Secretary to the Treasury and Chairman of the Zambia EITI Council; Dr Godwin Beene, Permanent Secretary of the Ministry of Mines and Minerals Development; Dr Sifariano Banda, ZEITI National Coordinator and Kaonga Mazaba from the ZEITI Secretariat, for their assistance and support during this assignment. We are grateful to all those who freely expressed their views to the Validation team.

ABBREVIATIONS AND ACRONYMS

The following is a key to the abbreviations and acronyms used in this report:-

AFS	Audited financial statements
CSO	Civil Society Organisation
EITI	Extractive Industries Transparency Initiative
EITI Board	The International Board of the EITI
GRZ	Government of the Republic of Zambia
IFAC	International Federation of Accountants
ISA	International Standards on Auditing
MFNP	Ministry of Finance and National Planning
MMMD	Ministry of Mines and Mineral Development
MOU	Memorandum of Understanding
mtpa	Metric tonnes per annum
PS	Permanent Secretary
ST	Secretary to the Treasury
TOR	Terms of Reference
ZACCI	Zambia Association of Chambers of Commerce and Industry
ZEC	Zambia EITI Council
ZEITI	The Zambia EITI
ZICA	Zambia Institute of Chartered Accountants
ZRA	Zambia Revenue Authority

VALIDATION REPORT

1	INTRODUCTION	6
1.1	Foreword	6
1.2	The EITI Validation Process	6
1.3	Validation Approach and Activities	7
1.4	The Extractive Industries in Zambia	7
1.5	Implementation of EITI in Zambia	14
1.6	Civil Society	16
1.7	Extractive Companies	17
2	PROGRESS AGAINST THE COUNTRY WORK PLAN	19
2.1	Objective 1: Establish commitment to implement EITI and preparation for sign up	20
2.2	Objective 2: Preparation	20
2.3	Objective 3: Remove obstacles to implementation of EITI and undertake capacity building	21
2.4	Objective 4: Preparation and completion of EITI Reconciliation Report	23
2.5	Objective 5: Publication and dissemination of Reconciliation Report	24
2.6	Objective 6: Sustainability and continued implementation of EITI	25
2.7	Objective 7: Validation of EITI in Zambia	26
2.8	Summary and observations	26
3	REPORT ON PROGRESS AGAINST THE INDICATORS IN THE VALIDATION GRID	27
3.1	Grid Indicator 1: Has the Government issued an unequivocal public statement of its intention to implement EITI?	27
3.2	Grid Indicator 2: Has the Government committed to work with civil society and companies on EITI implementation?	29
3.3	Grid Indicator 3: Has the Government appointed a senior individual to lead on EITI implementation?	

3.4	Grid Indicator 4: Has a fully costed country work plan been published and made widely available, containing measurable targets, a timetable for implementation and an assessment of capacity constraints (government, private sector and civil society)?	31
3.5	Grid Indicator 5: Has the Government established a Multi-Stakeholder Group to oversee EITI implementation?	33
3.6	Grid Indicator 6: Is civil society engaged in the process?	38
3.7	Grid Indicator 7: Are companies engaged in the process?	41
3.8	Grid Indicator 8: Did the Government remove any obstacles to EITI implementation?	44
3.9	Grid indicator 9: Have reporting templates been agreed?	48
3.10	Grid Indicator 10: Is the Multi-Stakeholder Group content with the organisation appointed to reconcile figures?	51
3.11	Grid indicator 11: Has the Government ensured all companies will report?	53
3.12	Grid Indicator 12: Has the Government ensured that company reports are based on audited accounts to international standards?	57
3.13	Grid indicator 13: Has the Government ensured that government reports are based on audited accounts to international standards?	60
3.14	Grid Indicator 14: Were all material oil, gas and mining payments by companies to government (“payments”) disclosed to the organisation contracted to reconcile figures and produce the EITI Report?	62
3.15	Grid Indicator 15: Were all material oil, gas and mining revenues received by the government (“revenues”) disclosed to the organisation contracted to reconcile figures and produce the EITI Report?	64
3.16	Grid Indicator 16: Was the multi-stakeholder group content that the organisation which was contracted to reconcile the company and government figures did so satisfactorily?	66
3.17	Grid Indicator 17: Did the EITI Report identify discrepancies and make recommendations for actions to be taken?	67
3.18	Grid indicator 18: Was the EITI Report publicly available in a way that was accessible, comprehensive, and comprehensible?	68
3.19	Have oil, gas and mining companies supported EITI implementation?	70
3.20	What steps have been taken to act on lessons learnt, address discrepancies and ensure EITI implementation is sustainable?	73
4	THE VALIDATION GRID	75
5	CONCLUSIONS AND RECOMMENDATIONS	76
5.1	Conclusion of the Validator on EITI implementation in Zambia	76

5.2 Recommendations for the further implementation of EITI in Zambia

77

<u>Appendix 1</u>	List of Respondents
<u>Appendix 2</u>	Company Self Assessment Questionnaires
<u>Appendix 3</u>	Companies included in the 2008 EITI Reconciliation
<u>Appendix 4</u>	Work Plan 2010 - 2012
<u>Appendix 5</u>	ZCCM-IH Shareholdings

1 INTRODUCTION

1.1 Foreword

This report presents our findings on the implementation of EITI in Zambia following a review of the documentation provided and a visit to Zambia during February 2011.

We have based our conclusions on information provided up to 25th March 2011.

The report comprises:

- A summary of the process of Validation of EITI, an overview of the extractive industries in Zambia and a summary of EITI
- A description of Zambia's EITI Work Plan and progress against the objectives of the Plan
- A narrative evaluation of progress against and compliance with each Indicator in the Validation Grid
- The completed Validation Grid, with our evaluation of Zambia's compliance with each Indicator
- Our conclusions and recommendations concerning the implementation of EITI in Zambia

Appendices to the Report contain

- List of Respondents
- Company Self Assessment Questionnaires
- Companies included in the 2008 EITI Reconciliation
- Summary of Attendance at ZEC meetings
- ZCCM-IH: Background

1.2 The EITI Validation Process

Validation is the process put in place by the EITI Board to determine the compliance with EITI Principles and Criteria of both candidate and compliant countries.

The Validation of Zambia EITI consists of:

- selection of a Validator
- preparation
- a visit to the country, leading to the production of a report
- consideration of the validation report by the Zambia EITI Council and approval of the report
- submission of the Validator's report to the International EITI Secretariat, and then to the EITI Board for a decision
- publication of the final report and implementation of recommended actions

The main purpose of the visit to the country is to enable the Validator to undertake an evaluation based on interviews and discussions with stakeholders of the progress made in the implementation of EITI, and to make recommendations for improvements and to secure the continuance of EITI in the country.

The final decision on a country's status remains with the EITI Board.

1.3 Validation Approach and Activities

The Validation team consisted of John Knight and David Quinn.

The approach and methodology for validation are set out in the Validation Guide published by EITI, and are based upon

- a review of documentary evidence
- meetings with members of the ZEC and with other stakeholder representatives
- circulation of self assessment questionnaires to extractive companies operating in Zambia

A list of all the persons whom we met during the course of the assignment is included at Appendix 1 of this report.

We visited Zambia between 16th and 25th February 2011, and were based in Kitwe (in the Copperbelt) from 20th to 22nd February and in Lusaka for the remainder of the time.

1.4 THE EXTRACTIVE INDUSTRIES IN ZAMBIA

1.4.1 BACKGROUND

Ancient workings and old smelter sites attest to copper extraction by the indigenous African population before the advent of 20th century exploration and mine development. The first commercial mine in Zambia, then Northern Rhodesia, was opened in 1928 at Luanshya. This marked the first stage of modern development of the major copper-cobalt resources of the area which became known as the Copperbelt, giving its name to the Province. The copper-cobalt mineralisation is strata-bound and extends across the border into the Katanga region of the Democratic Republic of Congo (DRC).

Mineral resources throughout the territory of Zambia are varied, although the copper-cobalt mining industry has by a very large margin, been the most important mining sector contributor to the Zambian economy. The production of copper and cobalt is intimately associated together and in a number of areas of the Copperbelt the sulphide mineralization with primary copper content contains significant cobalt content which can be recovered as an economically important by-product. Related to this occurrence, significant tonnages of slag produced and discarded in the historically early periods of copper production contain important amounts of recoverable cobalt. Other economically significant base metal mineralisation occurs in the Copperbelt region and sporadically elsewhere in the country, also generally associated with the Katanga Supergroup succession. Historically, production has been obtained from operations for copper-gold, copper-zinc, lead-zinc, nickel and pyrite (sulphide) mineralization. Some limited areas of tin and manganese mineralization are known and some alluvial gold has been found. Silver has been produced as a by-product from the smelting and refining of lead-zinc ore. Uranium occurs locally associated with copper mineralization and is also known in sediments of the Karoo System.

Deposits of gemstones, commonly occurring in narrow veins of the Basement Series, or as more widespread alluvial derivatives of these, occur widely through the country. The sector is dominated by the mining of emeralds, amethysts, aquamarines and garnets. Gemstones are mainly in rural areas from three provinces: emeralds from Ndola Rural area (Copperbelt Province), aquamarine from the Lundazi area (Eastern Province) and amethyst from Kalomo – Siavonga (Southern Province). With reference to the World Bank Country Economic Memorandum 2004, it has been quoted (Lungu & Shikwe 2006) that Zambian emeralds account for approximately 20% of world production.

Coal, limited to the sedimentary sequence of the Karoo System, has been mined in the Zambezi valley since the late 1960s and continues to be produced in the current operations of Maamba Collieries and in the small scale underground operations of Collum Mine. Production of industrial minerals is dominated by the quarrying of limestone for lime and cement production. Quarrying of limestone in the Copperbelt, linked to the burgeoning copper industry, commenced in 1931, with production from Ndola Quarry starting in 1933. Limestone quarrying for Chilanga Cement commenced in 1970.

From the 1930s through to the 1960s, copper mining was undertaken essentially by two major private companies, Roan Selection Trust and Anglo American Corporation, each of which developed a number of principal mining centres with corresponding townships and infrastructure. After independence, the Zambian Government expressed concern that there was a failure by the private companies to inject fresh capital and that the benefits of the copper mining industry were not adequately returned to support living conditions and development in the host nation. In 1969 the planned nationalisation of the copper mining industry was announced, leading to reorganisation of the industry and ultimately to the consolidation of all operations in 1982 into a single state company, Zambia Consolidated Copper Mines Limited (ZCCM). Although a state enterprise, a substantial shareholding (27.3%) in ZCCM continued to be held by Anglo American, with pre-emptive rights to buy back shares that the Government might offer in ZCCM before they were offered to others.

Favourable world copper prices had been experienced through the late 1960s and early 1970s, and had led to the Copperbelt becoming a dynamic urban and industrial region. In the mining towns the mining companies had undertaken responsibility to construct and manage extensive township infrastructure, including accommodation for management, technical staff and workforce, schools, hospitals, roads and rail infrastructure and water and power supply. These facilities and the responsibility to sustain them passed to ZCCM.

The newly nationalised copper industry was faced in 1974 with a collapse in the world price of copper. In order to maintain the commitment to social provision in its primary industry, the nation sought to borrow on international markets. Continuing depressed copper prices gave rise to a severe debt crisis and as a result investment in the mining industry effectively ceased, with minimal expenditure on exploration and lack of spares for equipment. After 1979 no new mines were opened. Existing mines were faced with extraction from deeper ore bodies with correspondingly increased costs of production. National copper production fell from a high of 750,000 tonnes in 1973 to 257,000 tonnes in 2000.

The 1980s proved a decade of crisis in which Zambia became increasingly indebted to international donors and in particular to the IMF, and was forced to embrace a series of structural adjustment programmes, the economic conditions of which required return to the private sector of key areas of the economy. A privatisation programme commenced in 1992 and commitment to unbundling ZCCM became unavoidable. The 1995 Mines and Minerals Act was introduced to repeal the legislation which regulated the nationalised industry and included incentives for investors in the mining industry. Of particular relevance is the provision in the 1995 Act which permitted Government to enter into Development Agreements with individual companies, under which the Government could extend more incentives than those specifically encompassed in the Act.

Between 1997 and 2000, ZCCM was split up into seven different sales package units. The strategy was to sell majority interests in each of the packages while the Zambian state, through its shares in ZCCM Investment Holdings (ZCCM-IH), now transformed into an investment holding company, would continue to hold minority interests in the companies controlled and managed by incoming investors. It was planned that at a later stage the Government would dispose of all or most of its residual holdings through sale to the Zambian public or to financial institutions in Zambia or abroad.

The sales packages were initially bought by seven multinational mining companies, through corresponding Development Agreements. Purchasers included Anglo American, which chose to take a 65% stake in the sale package designated Konkola Copper mines (KCM). However in 2002 Anglo American made the decision to pull out of Zambia, triggering a further tender and sale process, leading to the sale in 2004 of 51% of KCM to Vedanta Resources.

The Development Agreements, because specific to individual companies, became to all intents and purposes, confidential documents. Provisions in some, if not all, of the Development Agreements included mineral royalties set at 0.6%, compared to the standard rate of 3% of gross turnover, as allowed for in the Act. Other provisions variously included a concessionary company profits tax rate of 25% for mining companies, as opposed to 35% for other sectors, duty-free import of mining equipment, tax deductible status for capital investments and stability agreements of over 15 years, freezing the applicable tax regime. As a general rule the successor companies took on specific assets of ZCCM but did not undertake the environmental liabilities of the previous operator. The Development Agreements reportedly included a negotiated agreement on the extent to which the successor company assumed responsibility for maintaining social infrastructure (schools and hospitals), social amenities, or continued tendering and contracting systems with local suppliers.

While the privatisation process was held by Government to be a success, reflected in growth in production levels, re-opening of old mines and development of new projects, helped to a significant extent by soaring world copper prices, nevertheless there was considerable criticism in the country, to a large extent led by Civil Society organisations, that the mining industry was not contributing at an equitable level to the economic and social well-being of the country. In the political arena, voiced concerns focussed on the level of tax revenues paid by the privatised companies to Government, but other commentaries highlighted the poor environmental performance of some companies, casualisation of the labour force, deterioration of communications infrastructure for which companies no longer assumed responsibility, reduced or limited support to social infrastructure and failure to address residual environmental and social liabilities remaining from previous ZCCM commitments, all of which were broadly attributed to the supposedly inequitable conditions permitted within the Development Agreements.

The Government of Zambia responded to concerns on the performance of the privatised mining industry by the introduction of a new Mines and Minerals Development Act 2008. This act repealed the 1995 Mines and Minerals Act and explicitly ruled that no special agreement should be entered into by Government for the development of large-scale mining licences, and furthermore annulled the Development Agreements concluded under the previous act (Sections 159 and 160 of the Mines and Minerals Development Act 2008). This act came into operation on 1st April 2008 and as of that date all operations became governed by the royalty payments specified in the act, being 3% of the "norm value" of base metals produced or recoverable under the licence, while for gemstones this was set at 5% of the gross value of the gemstones produced under the licence.

The mineral legislation of Zambia recognises an important distinction between large scale, small scale and artisanal mining. The key distinctions may be summarised as follows:

- Large scale mining- a prospecting licence, mining licence or gemstone licence may be issued to an international company although it is mandatory to have an office established in Zambia; the area for a prospecting licence may be up to 29,940 cadastre units (a cadastre unit is a quadrilateral of 3.34 ha) and for mining operations up to 7,485 cadastre units
- Small scale mining- a prospecting licence, mining licence and gemstone licence may only be issued to a person who is a Zambian citizen or a citizen-owned company (as defined under the Mines & Minerals Development Act); the area for a prospecting licence may be up to 300 cadastre units and for mining operations up to 120 cadastre units

- Artisanal mining- a licence is issued only for mining undertaken on a community basis and licence areas may be up to 2 cadastre units.

Minerals legislation also allows for the issue of Mineral Processing Licences and Gemstone Sales Certificates which regulate the processing, value-added upgrading and disposal of mineral production. The mining of industrial minerals can be undertaken through mineral rights issued only to Zambian citizens or citizen-owned companies.

The enactment of the 2008 Mines and Minerals Development Act was seen by some of the companies operating in Zambia as a significant and damaging change to the commercial basis and tax regime under which they were operating; at least one company is engaged in a legal challenge to the annulment of the corresponding Development Agreement. However, despite assertions from some mining companies that the tax and royalty framework was no longer an incentive to mining development in Zambia, there exists a strong level of exploration activity. The Association of Zambian Mineral Exploration Companies comprises over twenty members, of which the majority is directly engaged in exploration activity. While the focus apparently remains on base metal prospects other interests include gold and uranium prospects. Civil Society organisations have generated a high level of commentary on exploration activity and on-going pre-feasibility assessment of uranium resources in Southern Province and also associated with the Lumwana Mine in North Western Province.

1.4.2 CURRENT PROFILE OF MINING IN ZAMBIA

On the world scale Zambia continues to be a significant producer and also to have major resources of both copper and cobalt. In 2009 Zambia was ranked 8th largest producer of mined recovered copper in the world (source: US Geological Survey - 2009 production 697,000tonnes Cu). The same source estimated that in 2008 Zambia ranked 9th in the world in terms of identified copper resources, with 3.7% of the known world total, and was ranked 10th in the world in terms of identified reserves with 3.9% of the world total. Zambia was also estimated in 2009 to be the fourth largest producer of mined cobalt metal (source: US Geological Survey - 2009 production of 5,000 tonnes). These figures underline that copper production, and the associated production of cobalt, remains the most significant contributor to the national economy. Between 2003 and 2007, the export value of copper and cobalt together contributed between 66% - 81% annually of total value of exports.

However, the extractive industries comprise wider activity than copper and cobalt mining alone. It is estimated that in 2006 the mining and quarrying sector as a whole represented 5.3% of GDP. This includes the quarrying of limestone for the cement and lime industries, significant production of gemstones and coal and mining activity in the small scale and artisanal mining sectors. The profile of extractive industry can be therefore summarised in terms of large-scale metal mining, which includes virtually all copper-cobalt production, secondly the quarrying and industrial minerals production including coal production and thirdly the small scale and artisanal mining sector, which generates most gemstone production.

Prior to 2008 copper and cobalt production was primarily sourced from the mine units and resource areas previously in the ownership of ZCCM. The status of private sector successor companies of ZCCM may be summarised as follows:

Company	Mines/Operations	Ownership	Comment
Konkola Copper Mines plc	<ul style="list-style-type: none"> • Konkola, including Konkola Deep Mining Project; new concentrator supplies concentrate to Nchanga smelter • Nchanga Cu-Co Mine, including concentrator, smelter, acid plant and tailings leach plant • Nampundwe underground pyrites mine and concentrator (Central Province) 	<p>79.4% Vedanta Resources</p> <p>20.6% ZCCM-IH</p> <p>Government of Zambia holds a golden share</p>	At privatisation originally the majority share held by Anglo American with participation of IFC and CDC
Mopani Copper Mines plc	<ul style="list-style-type: none"> • Nkana Mines, concentrator and Cobalt Plant • Mufulira Mine, smelter and refinery 	<p>90% Carlisa Investments Corp (jointly owned 81.2% Glencore International AG and 18.8% First Quantum Minerals Ltd)</p> <p>10% ZCCM-IH</p>	
Luanshya Copper Mines	<ul style="list-style-type: none"> • Luanshya Mine and concentrator • Baluba Mine • Muliasha Mine (new) 	<p>85% China Non-Ferrous Metal Mining Co Ltd (NFCA)</p> <p>15% ZCCM-IH</p>	At privatisation the majority shareholding acquired by the Indian group Binani, later transferred to the Dutch group Enya BV Holdings, who closed the mine in 2009, at which point it was acquired by NFCA
NFC Africa Mining plc	<ul style="list-style-type: none"> • Chambeshi Mine and concentrator 	<p>85% China Non-Ferrous Metal Mining Co Ltd</p> <p>15% ZCCM-IH</p>	Privatised as Chambeshi Mines plc; at time of privatisation operations had ceased. After new investment apparently operates under same management structure as Luanshya
Chambeshi Metals plc	<ul style="list-style-type: none"> • Chambeshi cobalt and acid plants (COSAC – Cobalt from Slag and Copper by-product- 	<p>90% Eurasian Natural Resources Corporation (ENRC) with Comit</p>	At privatisation majority shareholding acquired by Anglo-Vaal, later

	furnace then SX/EW) • Nkana slag dumps	Resources FZE 10% ZCCM-IH	acquired by Enya Holdings BV, which has since been taken over by ENRC Treats suitable concentrates imported from DRC
Chibuluma Mines plc	• Kalulushi Mine and concentrator	85% Metorex Group Ltd 15% ZCCM-IH	Concentrates submitted for toll smelting to various of the Copperbelt smelters
Kansanshi Mining plc	• Bwana Mkubwa copper SX/EW plant • Kansanshi Mine and concentrator (started as new Cu-Au project entering production in 2005)	80% First Quantum Minerals Ltd 20% ZCCM-IH	Privatised as Bwana Mkubwa Mines Ltd; the SX/EW plant was dependent on ore imported from sources in DRC; after interrupted production through to end 2010, plant is now in closure phase.

During the later part of the 2000 decade a number of significant new base metal operations have come on stream and some older plant returned to operational status. New capacity may be summarised as:

- Lumwana Mining Company Limited - after 9 years of exploration and evaluation by Equinox Minerals Ltd construction commenced in 2005 of the Lumwana open-pit mine and concentrator near Solwezi. Production of concentrate commenced in 2008 and estimated production of Cu in concentrate in 2010 is 135,000 tonnes. Discrete areas of uranium ore occur in the deposit and are under evaluation. Ownership is 100% Equinox Minerals; ZCCM-IH has acquired 4.4% of Equinox equity.
- Chambeshi Copper Smelter - constructed by Chinese joint venture of China Non-ferrous Metals Corporation and Yunnan Copper Industry in the Chambeshi tax-free economic zone. Operational in 2008 with capacity of 150,000 mtpa blister Cu, with planned expansion in 2011 to double capacity. Management structure apparently integrated with NFCA owned and managed Luanshya Copper Mines.
- Munali Nickel Mine and Concentrator- 100% owned by Albidon Zambia Limited. Construction commenced 2006 for the underground mine and concentrator; first concentrate was produced in 2008, but production stalled due to low Ni prices, so initial planned capacity is expected to have been achieved only in 2010. Annual production of concentrate is planned to contain 10,500 tonnes Ni, 1,650 tonnes Cu and 480 tonnes Co plus platinum group mineralisation.
- Sable Zinc Kabwe Limited – Metorex Group acquired 100% of the suspended Sable Zinc plant and tailings deposit from ZCCM in 2005. Investment has led to rehabilitation of a SX/EW plant which now treats copper and cobalt concentrates from various suppliers in Zambia and DRC. Production of Cu cathode in year to June 2009 was 4,889 tonnes Cu plus 151 tonnes Co.

The profile of Zambian mineral resources is currently dominated by the copper-cobalt resources of the Copperbelt and other base metal deposits of central Zambia, although significant mining and quarrying

operations of other commodities also occur. Those included in the first Zambia EITI Report, under the chosen definition of large scale mining companies, are as follows:

Company	Mines/Operations	Ownership	Comment
Lafarge Cement Zambia plc	<ul style="list-style-type: none"> • Lafarge Chilanga (previously state-owned Chilanga Cement) • Lafarge Ndola 	84% Lafarge Group 26% Individual shareholders and pension funds	Chilanga Cement was one of the first state-owned companies to be privatised in 1994
Ndola Lime	<ul style="list-style-type: none"> • Ndola lime plant and quarry 	100% ZCCM-IH	
Zambezi Portland Cement Limited	<ul style="list-style-type: none"> • ZPC cement plant and quarries 	100% private sector	Based in Ndola, production commenced 2009; in receivership in mid-2009; resumed production November 2009 ; capacity of 1000 t/d cement production
Grizzly Mining Zambia Limited	<ul style="list-style-type: none"> • Mine, separation and sorting plant at Kalulushi, Kitwe 	100% private sector	Emerald mining operation near Kitwe
Kagem Mining Limited	<ul style="list-style-type: none"> • Mine, separation and sorting plant at Kalulushi, Kitwe 	Majority equity holding by Hagura, an Israeli/Indian consortium; also a significant holding by ZCCM-IH	Emerald mining operation near Kitwe Nationalised in 1990, returned to Hagura management in 1996/97
Maamba Collieries Limited	<ul style="list-style-type: none"> • Open-pit coal mine and coal washery in Southern Province 	65% Nava Bharat Ventures Limited 35% ZCCM-IH	

The production of gemstones presents a somewhat anomalous situation in that potentially a high value level of production can be produced from a small area, and thus from a small-scale mining licence. For the purposes of the EITI report the decision was made to include those gemstone miners reporting a payment of mineral royalties in 2008 in excess of Kwacha 200 million.

It is also apparent that there is a high level of small scale and artisanal mining activity in Zambia, although by its nature, reliable figures for this activity are not readily available. The sector is dominated by the mining of gemstones. It is noted that for mining operations which do not fall within the scope of large-scale mining licences it is relatively difficult to obtain up-to-date information, reflecting the difficulties of inspection and verification of returns to MMMD. It is reported (Lungu & Shikwe 2006) that the World Bank Economic Review

estimated that in 2004 about 500 firms held gemstone licences, of which 345 firms were holders of emerald mining licences. Artisanal miners apparently prospect also for gold, diamonds and coloured gemstones. The Zambian mineral legislation is focussed to embrace all mineral exploitation, even at very small-scale local level, but it is noted (Lungu & Shikwe 2006) that there are many illegal miners.

1.4.3 OIL AND GAS SECTOR

In December 2009 the Ministry of Mines and Minerals Development opened a tender process for 23 blocks for oil and gas exploration. The bids were under evaluation in mid-2010, at which time it was reported that the Government was finalising new petroleum regulations. It was subsequently reported that exploration companies from the United Kingdom, the United States and Canada, in addition to three Zambian companies, had been selected for award of exploration licences in November 2010.

Apparently promising indications of hydrocarbon resources have been identified in the western part of the country, particularly in North Western Province, in areas close to the border with Angola. A second round of bidding has offered exploration blocks in Northern, Southern and Luapula provinces.

Currently there are no known oil and gas reserves in Zambia such that, although there is some exploration activity. The existence of signature bonus payments is being ascertained.

1.5 Implementation of EITI in Zambia

In April 2007 the Government of Zambia requested assistance from the World Bank to carry out a scoping study on whether the country should join and implement the EITI. The scoping study report was submitted in September 2007 and concluded that virtually all stakeholders believed that establishment of the EITI process would be beneficial in the context of the tensions arising from perceptions of the performance of the privatised mining industrial sector.

In July 2008, the Government organised a workshop in Lusaka to launch the EITI process. The keynote address by the Minister of Mines and Mineral Development, Hon Dr Kalombo T Mwansa MP, stated explicitly the Government commitment to sign up to and implement the EITI process in Zambia. At the close of the workshop (16 July 2008), the then Deputy Minister of the Ministry of Mines and Mineral Development, Hon Maxwell M B Mwale MP, read a press release to members of the press in which the Government commitment to implementation of the EITI was clearly stated.

The 2008 Lusaka Workshop had the principal objective to discuss and agree on how EITI implementation should be achieved. Attendees, invited primarily from Government, Civil Society organisations (CSOs) and active mining companies, were asked to discuss proposals on composition of the Zambia EITI Council (ZEC), draft Terms of Reference for the ZEC and a draft Country Work Plan for the Zambia EITI process. The workshop agreed a tripartite structure for ZEC, comprising 5 representatives each from Government, CSOs and the mining companies, to be consolidated through a Memorandum of Understanding to be signed on behalf of each of the three sectors. The post of ZEC chairperson was agreed to be held by the Secretary to the Treasury in the Ministry of Finance and National Planning (MFNP). Proposals at the workshop suggested Government should be represented, in addition to the chairperson from MFNP, by one senior representative each of the Ministry of Mines and Mineral Development, Ministry of Justice, Zambia Revenue Authority and the Bank of Zambia.

The recommendations of the workshop requested the CSOs to undertake a selection process to select four representatives to serve alongside a nominee from the House of Chiefs. CSOs met in Lusaka on 24 July 2009 and duly elected four nominees, including a representative from the Trades Union movement.

Discussion in the workshop identified that the Chamber of Mines represented the majority of larger companies but did not represent the small scale mining sector. Suggestions were submitted that one seat among the mining company representatives should be reserved for the small scale sector. Notwithstanding this suggestion, the nomination to ZEC of representatives of the mining sector was made only by the Chamber of Mines. The Chamber of Mines has confirmed its internal policy that representation of the Chamber on ZEC should comprise the President, Vice-president and three Council members of the Chamber.

Letters of appointment for members of the ZEC were issued by the MFNP on 29 October 2008. The first Council Meeting of the ZEC was held on 19 February 2009.

In a letter of 3 April 2009 (MMMD 101/3/15) the Government of Zambia, through the Minister of Mines and Minerals Development, formally applied to the EITI Secretariat to be admitted as an EITI Candidate Country. In response, the Chairman of the EITI Board (letter dated 25 May 2009) stated that the Board had accepted, Zambia as a Candidate Country at its meeting on 15 May 2009. In 2009 one other ZEC meeting was held, the second Council Meeting of 04 June 2009. Unsigned minutes indicate that the application for Grant Funding from the Multi Donor Trust Fund, administered by the World Bank, was required to be completed by the end of June 2009. No other formal EITI activity is recorded for the remainder of 2009 although steps were taken to select staff for the EITI Secretariat. The Validators have been informed that the low level of activity was due to lack of funds.

The third meeting of ZEC was held on 20 January 2010, and the minuted discussion identified continuing lack of funding. The meeting was informed that

- a) funds allocated by Government for the EITI process in the 2009 and 2010 budgets were US\$76,000 and US\$83,000 respectively; and
- b) the application for funding from the Multi Donor Trust Fund had now received all clearances and only one World Bank signature was now required to complete the Grant Agreement of US\$320,000; and
- c) Funding from the EU would be available but was allocated to three different recipients (EITI, ZRA and mining cadastre) and would be available only after reporting by an independent auditor, still in process of being appointed by MFNP.

With the release of funds, activity in 2010 became more intense. The ZEC focussed on selection of permanent Secretariat staff for EITI. A Head of Secretariat and an Administrative Officer were engaged as of 7 July 2010.

Through 2010, 9 meetings of ZEC were held and four formal workshops on the EITI process. Key steps in the process of implementation may be summarised as:

- TOR for the Reconciler approved by ZEC 20 January 2010, received no objections from World Bank to proceed with request for proposals from shortlisted companies, reported in ZEC meeting of 20 September 2010
- Contract for services of Reconciler signed 23 November 2010
- Revised templates for agencies and companies approved in ZEC meeting of 24 November 2010
- Reconciliation report approved by the ZEC on 25th February 2011 and published on 1st March 2011
- TOR for the Validator reviewed in ZEC meeting of 16 July 2010, and endorsement from the EITI International Secretariat reported in ZEC meeting of 20 September 2010
- Endorsement of Contract for the EITI Validator by members of ZEC, finalised 06 January 2011, and signed 10 January 2011

1.6 Civil Society

The EITI criteria require that Civil Society is actively engaged as a participant in the design, monitoring and evaluation of the process and that it contributes to the public debate.

Civil Society in Zambia is widely considered a strong, diverse and well-informed constituency. Analysis of Civil Society in Zambia (Maitra, Global India Foundation 2009) traces its development from those decades in which Zambia passed first from the colonial era and then to one-party rule, in which the early development of Civil Society organisations was shaped within the agendas and control of the state. The re-introduction of a multi-party political system bore testimony to the success of the active intervention of Civil Society in which a powerful citizens' movement eventually led to a peaceful political transition. Civil Society organisations have continued to grow in Zambia since the 1990s and it is reported that by 2003, in a country of some ten million people, about ten thousand civil society organisations had been registered. The media represent an important civil society force in Zambia and have played a crucial role in developing a much more open society. The number of radio receivers in Zambia grew from 760,000 in 1994 to 1,000,000 in 1996. Television grew more slowly, rising from 245,000 receivers in 1994 to 270,000 in 1996. In 2002 there were four newspapers in Zambia: the *Zambia Daily Mail*, the *Times of Zambia*, the *Post* and the *Sunday Times of Zambia*. In recent years each of these papers has taken advantage of technology and started publishing online editions.

Among the numerous Civil Society organisations (CSOs) in Zambia a number have sustained a close involvement with the development and reporting of the mining sector and of these some have been closely involved with the introduction and development of the EITI process in Zambia. Those CSOs which have been specifically interviewed as part of the Validator stakeholder meetings are included in the record of interviewed stakeholders attached as Appendix 1. Of particular relevance for recognising the participation of CSOs in promoting Government adoption of EITI, the following statements from CSOs illustrate the level of awareness and enthusiasm for the formal EITI process:

- Transparency International Zambia states that it was aware first of the EITI process and its potential significance in Zambia, through a Transparency International Governance Conference in Greece in 2007 and subsequently strongly advocated its adoption in Zambia
- Centre for Trade Policy and Development, in association with Caritas Zambia and the Economics Association of Zambia, have together developed a strong focus on the mining tax regime in Zambia. This group were instrumental in a number of public debates held in 2010 in Lusaka, Kitwe and Solwezi and in particular the September 2010 Meeting on Mining Taxation and Development held in Lusaka on behalf of the Civil Society alliance – The International Alliance on Natural Resources in Africa. In the publication "A fool's paradise? Zambia's mining tax regime" (2010) this group state that the EITI process goes some way to make detailed country level revenue and profit figures available from the mining industry.
- Centre for Policy Dialogue, a policy research CSO aiming to promote discussion between stakeholders, works closely with Southern Africa Resource Watch; together these organisations sponsored a meeting of CSOs in Lusaka in April 2008, with the specific objective to consider involvement with the EITI process. The meeting resolved to press the Government to make the irrevocable policy decision and commit to the EITI process

The performance of ZEC in respect to the participation of representatives of the CSOs, and also of outreach of the EITI process and engagement with wider Civil Society, is addressed specifically in the assessment of Grid Indicators 5 and 6.

1.7 Extractive Companies

The privatisation of the mining sector undoubtedly generated a significant increase in mining activity in terms of increased expenditure on exploration and an increased take-up of prospecting licences and the participation of diverse sources of investment in new and refurbished mining operations and downstream processing. The profile of the mining sector is now very varied in terms of the range of mineral extraction, the size of operations from large scale integrated mine-smelter-refinery units to small scale and artisanal mining, and the range of investors from diverse social, business and mining cultures. The ZEC recognised in its meeting of 21 May 2010 that in order to achieve an effective response from the mining sector it was necessary to focus the reconciliation process only on large scale mining companies, which should also encompass those gemstone companies generating material revenue payments. At the same time it was recognised that under the current legal framework, there was no provision that made it mandatory for companies, when requested, to supply relevant information to the Reconciler. The ZEC in its meeting of 24 November 2010 approved a list of companies which were operational in 2008 and which would comprise those for which company returns would be requested. The list included two gemstone mining companies considered to have generated material mineral royalties, by virtue of payments above a level of Kwacha 200 million (approximately \$40,000) in 2008.

Membership of the Chamber of Mines includes many of the large scale metals mining and production companies, and the Chamber said that all these companies have made clear public statements of support to the EITI process, either through newspaper advertisements or statements on company websites. Corresponding statements from the non-metals non-Chamber of Mines companies appear not to have been made. All those companies which made themselves available for interview by the Validators, (see Appendix 1) expressed unqualified support for the EITI process.

At the Launch Workshop for Preparation of the EITI Report (Chingola 27 August 2010) the proposed reporting templates, both for Government agencies and the companies, were discussed and distributed. The companies were requested to prepare the returns on payments and revenues for 2008 in accordance with the templates and to return them by 10 October 2010, before appointment of the Reconciler who would prepare the EITI Report.

In the Capacity Building Workshop held in Chingola (26 November 2010) the ZEC Secretariat reported that the templates issued in August had been returned by only three companies (Albidon Zambia Limited, Kagem Mining Limited, Mopani Copper Mines Plc). In this workshop it was announced that the Independent Reconciler (PWC) had been appointed on 22 November 2010. A meeting between ZEC members and the Reconciler was held on 26 November 2010 in the context of the workshop, in which an amendment to the reporting template was agreed. These amendments primarily related to the inclusion of ZCCM-IH in the reporting process. In summary:

- The template was modified to identify that payments to ZCCM-IH as a shareholder in many of the reporting enterprises should not be considered a direct payment to a Government agency
- ZCCM-IH would be treated as an extractive industry company (agreed in ZEC Council meeting of 17 December 2010) and included on the list of companies to submit returns

Revision of the reporting template for companies was finally agreed with ZEC on 29 November 2010. The templates were despatched to extractive companies on 3 December 2010 with a covering letter from the PS MMMD (MMMD/101/13/8) requesting returns to be submitted by a deadline of 15 December 2010. The Reconciler reports that by the deadline only three company returns had been received although by the end of the reconciliation exercise deadline of 19 January 2011, all but two companies had submitted compliant returns. The Reconciler notes that some delays in response were due to confusion experienced by the

companies with respect to the need to respond on the revised template as opposed to the earlier reporting template.

The Reconciler reported that two companies failed to submit returns. CNMC-Luanshya Copper Mines Plc are reported to have been unable to submit returns for 2008 because the relevant records referred to previous owners who had not transferred financial information. The return from Grizzly Mining Limited was adjudged non-compliant because the formal return lacked an official signature and stamp of the company. Subsequent meetings by the Validator with Grizzly Mining indicate this was an oversight which should have been rectified. Nevertheless the company remains committed to the EITI process.

In summary, the companies submitting returns to the First Reconciliation Report all appear to have been supportive of the EITI process. The Reconciler's report identifies several improvements to the process with a view to producing better reporting in subsequent periods.

2 PROGRESS AGAINST THE COUNTRY WORK PLAN

A draft Country Work Plan was the subject of discussion in the Multi Stakeholder Launch Workshop of 15-16 July 2008. This plan was updated for discussion in the first ZEC meeting of 19 January 2009 and was approved subject to amendments to the timeframe. This Work Plan, prepared to cover the period 2008-2010 and based on a projection for validation to be completed by July 2010, was published in the *Times of Zambia* on 29 April 2009. This publication of the Work Plan in the print media was submitted in support of the application the EITI International Secretariat for candidate status. Budget costs were not indicated in the publicly published plan.

Activity in the EITI process, and correspondingly against the Work Plan, was very limited during 2009, reflecting the fact that anticipated and allocated funds had not been released. Access to funding was to a large extent resolved in early 2010 and the planned activity programme became operational from mid-2010.

A revised Work Plan for 2010 was submitted to ZEC in its meeting of 13 August 2010. This document was designed to be compliant with the need for evidential reporting of progress required for the EITI Validation Process. The Revised 2010 Work Plan includes clearly expressed goals, actions required to implement the programme, responsibilities, budget costs and sources of funding, performance indicators, expected outcomes and status.

The Revised Work Plan for 2010 (apparently adjusted as of August 2010) required very substantial adjustment from the publicly disseminated Work Plan of April 2009. Illustrative of the delay experienced in the programme the following two key reporting milestones were modified as follows:

Milestone Report	Work Plan of April 2009	Revised Work Plan of August 2010
Completion and acceptance of Final Independent Reconciler's Report	End October 2009	November 2010
Completion, acceptance and publication of EITI Validation Report	No later than July 2010	February 2011

Through the latter half of 2010 a sharply increased level of EITI activity largely complied with the goals of the revised plan. ZEC minutes document review of the Work Plan in the meeting of 29 October 2010. A Work Plan specifically for 2011 was also submitted to the ZEC in its meeting of 17 December 2010.

An Updated EITI Work Plan 2008-2011, fully costed with goals and measurable outcomes, was issued as an annex to the TOR for the request for proposals for the contract for Validator services. Although undated, this apparently reflects the revision of October 2010. There are few substantive differences from the Revised Work Plan apparently of August 2010, although the key reporting milestones have been adjusted to January 2011 for the Reconciler's Report and April 2011 for the final EITI Validation Report.

Progress since October 2010 has been measurable against the Updated EITI Work Plan 2008-2011 and further commentary on performance against the Work Plan has been prepared with reference to this plan. It may be noted that the Work Plan prepared specifically for 2011 is primarily in support of a Kwacha budget and does not identify outcomes or foreign currency expenditure; it also introduces new uncoded activities for preparation of the Second EITI Report. This latter Work Plan has not yet been approved by ZEC and is therefore not reference d in the following discussion.

Progress against the Work Plan is discussed with respect to the seven principal objectives identified in the successive work plans between April 2009 and October 2010.

2.1 Objective 1: Establish commitment to implement EITI and preparation for sign up

This objective included four steps between the issue by the Government of an unequivocal public statement of intention to implement EITI, through to development and publication of an EITI Work Plan and implementation schedule. This objective was met and concluded at the time of the publication of the EITI Work Plan in April 2009.

2.2 Objective 2: Preparation

Three elements have been identified in the Work Plan for this objective.

a. Establishment of an EITI Multi Stakeholder Working Group

The progress to set-up the ZEC as the EITI Multi Stakeholder Group is discussed in detail with respect to Indicator 5 (Section 3.5 of this report). It is considered that Zambia is compliant with the relevant grid indicator. The Work Plan identified a significant step as being formal appointment of ZEC members by Cabinet; this has been considered to have been completed by the issue of formal letters of appointment by the MFNP on 29 October 2008. The first meeting of the ZEC was held on 19 February 2009.

b. Identify sustainable sources of financing for EITI implementation

An identified initial step was to submit a formal proposal to the World Bank to draw upon the Multi Donor Trust Fund (MDTF). The submission was made in June 2009(planned date March 2009) and funding from the MDTF was released in the First Quarter of 2010.

The Government allocation for the EITI process was secured in the 2009 budget and a corresponding line in future budget structure will ensure this line item will be addressed in future budgets. Government contributions have been released for both the 2009 and 2010 periods.

In the light of as yet unresolved funding support for the EITI process after April 2011, discussed further in the Section 2.6 below, it can be seen that funding which is sustainable in the medium term has not yet been identified.

c. Establish and operate an EITI Secretariat Office with full time permanent staff

The absence of funding support was instrumental in the delay by ZEC to formulate TOR and invite applicants for the permanent posts in the EITI Secretariat. The two permanent staff in the Secretariat were engaged as of 7 July 2010 and office facilities and equipment were secured in the same month, compared to a planned start of April 2009. A specific training programme for the EITI Secretariat staff was planned and budgeted to occur in the second half of 2010and was incorporated into a two-day workshop provided for both members of the ZEC and the EITI Secretariat, held at Chisamba 28-29 October 2010.

Objective No. 2 is considered to have been completed at the end of October 2010, as opposed to completion by September 2009 programmed in the April 2009 Work Plan.

2.3 Objective 3: Remove obstacles to implementation of EITI and undertake capacity building

This objective comprises eight separate components. The progress and status of these components against the programme scheduled in the Updated Work Plan 2008-2011 of October 2010 is summarised as follows.

Work Plan Reference No	Goal/Activity	Programmed Completion (Updated Work Plan of Oct 2010)	Actual Completion/Status at 01 March 2011
3a	Review of Regulatory framework; appointment of legal consultant	June – November 2010	Contract for Legal Consultant signed 22 October 2010; draft Legal Audit Report submitted 23 November 2010. Further ZEC comments awaited before completion of Final Report. See Grid Indicator No. 8
3b	Organize tripartite workshop in regard to accountability and responsibilities of parties related to producing EITI reports	Aug-Sept 2010	Launch Workshop, Chingola 27-08-2010 TASK COMPLETE
3c	Capacity building and training for Civil Society in EITI monitoring <ul style="list-style-type: none"> • Training session • Assistance to identify specialist training courses and funding • Contract international specialists to deliver training sessions 	July-Dec 2010	No training specifically for Civil Society has been undertaken. CSOs, both ZEC representatives and non-ZEC groups, including media, participated in Capacity Building Workshop for Mining Companies and Government Agencies, Chingola 26 -11-2010 See Grid Indicator No. 6
3d	Capacity building and training for mining companies <ul style="list-style-type: none"> • Workshop and training session • Information and discussion 	July-Dec 2010	Capacity Building Workshop for Mining Companies and Government Agencies, Chingola 26 -11-2010 On-going requirement for capacity building has been identified. See Grid Indicator No. 7
3e	Capacity building and training for Government agencies related to EITI oversight and management <ul style="list-style-type: none"> • Lectures, workshops and training session for civil servants , MPs etc 	July-Dec 2010	Members of MMMD and local government participated in Capacity Building Workshop for Mining Companies and Government Agencies, Chingola 26 -11-2010 TASK COMPLETE
3f	Capacity building and training for economic correspondents	July-Dec 2010	No training specifically for media has been undertaken.

	<p>and media reporters</p> <ul style="list-style-type: none"> • Workshop and training session • Information and discussion 		<p>Members of the media participated in Capacity Building Workshop for Mining Companies and Government Agencies, Chingola 26 -11-2010</p> <p>INCOMPLETE</p> <p>See Grid Indicator No. 6</p>
3g	<p>Capacity building and training for Multi-stakeholder Group (ZEC)</p> <ul style="list-style-type: none"> • Organise study tour to countries successfully implementing EITI (Ghana, Mongolia, Nigeria etc) 	July-Dec 2010	<p>Workshop on training and capacity building for ZEC and ZEITI Secretariat at Chisamba 28-29 October 2010 (included presentation of EITI experience of Liberia)</p> <p>PARTIALLY COMPLETED</p>
3h	<p>Outreach and informational activities</p> <ul style="list-style-type: none"> • Discussions on TV and local radio, press releases, newspaper articles and website • Workshops in rural areas • Production of information brochures etc 	July-Dec 2010	<p>Communications Strategy Consultant to be contracted after February 2011; schedule of radio programmes in Feb-March 2011 has commenced</p> <p>INCOMPLETE</p> <p>See Grid Indicator No. 6</p>

Numerous elements of the planned programme of capacity building and training are incomplete. It is recognized that many elements of the programme have been suppressed (e.g. international study tour) or combined in response to budget constraints.

Significant delay in the overall EITI implementation programme is implicit in the delay to complete the Review of the Regulatory Framework (Item 3a). Similarly, EITI objectives for dissemination of information are only incompletely met on the current programme.

2.4 Objective 4: Preparation and completion of EITI Reconciliation Report

This objective comprises six separate components. The progress and status of these components against the programme scheduled in the Updated Work Plan 2008-2011 of October 2010 is summarised as follows.

Work Plan Reference No	Goal/Activity	Programmed Completion (Updated Work Plan of Oct 2010)	Actual Completion/Status at 01 March 2011
4a	Develop and agree reporting template for EITI <ul style="list-style-type: none"> Discuss and agree design of reporting template Determine data collection and reporting mechanism for Government and mining companies 	April-July 2010	Final format of templates agreed with Reconciler as of 29 November 2010 Data submission and processing completed 19 January 2011 TASK COMPLETE
4b	Determine level of materiality	May 2010	Determined by ZEC 21 May 2010; reviewed in November 2010 TASK COMPLETE
4c	Determine and agree level of aggregation/disaggregation	May 2010	Agreed in ZEC meeting 21 May 2010 TASK COMPLETE
4d	Appoint Independent Reconciler	October 2010	Appointed 22 November 2010 TASK COMPLETE
4e	Companies and MFNP to produce reports on payments and revenues	By 15 October 2010	Finalised templates issued 3 December 2010, including to local government agencies for deadline for reporting on 15 December 2010 TASK COMPLETE
4f	EITI compliance report completed by Reconciler	January 2010	Submission by Reconciler on 18 February 2011 TASK COMPLETE

The objective for completion of the EITI Report has been met. Within the steps to completion, it is noted that the final agreement on templates (Task 4a) and the issue and return of completed templates by the companies (Task 4e), suffered substantial delays of 3-4 months, which required that the time available for information processing, interpretation and preparation of the report (Task 4f) was correspondingly compressed. The effect of this short period for report preparation is reflected in the views of some companies that there was inadequate consultation and feedback regarding the information submitted by each company and, as noted in the Reconciliation report, inadequate examination of differences between figures reported by government and companies.

2.5 Objective 5: Publication and dissemination of Reconciliation Report

This objective comprises three separate components. The progress and status of these components against the programme scheduled in the Updated Work Plan 2008-2011 of October 2010 is summarised as follows.

Work Plan Reference No	Goal/Activity	Programmed Completion (Updated Work Plan of Oct 2010)	Actual Completion/Status at 01 March 2011
5a	<p>Publish and disseminate EITI Reconciliation Report</p> <ul style="list-style-type: none"> EITI Report posted on EITI websites; EITI Report highlighted widely in local media (popular version of report via newspapers and on radio in local languages) Develop a wider dissemination strategy for EITI Report (e.g. information sessions or workshops in urban and rural areas to explain findings) 	Jan 2011	<p>EITI Reconciliation Report available as download on Zambia EITI website (http://eiti.org/Zambia) from 25 February 2011</p> <p>Newspaper articles and commentary published; popular or summary report version not yet prepared.</p> <p>Programme of radio discussions in progress</p> <p>Further dissemination (through Communications Strategy) not yet formulated</p> <p>IN PROGRESS</p>
5b	Public Workshop to discuss EITI Reconciliation Report	Jan-Feb 2011	<p>Planned for mid-March, apparently on basis that budget (US\$ 35,000) is available</p> <p>NOT YET COMPLETE</p>
5c	<p>Zambia EITI Handbook published</p> <ul style="list-style-type: none"> Agree contents of the handbook Preparation and publication and distribution of Zambia EITI Handbook 	Feb-April 2011	<p>Availability of budget (US \$25,000) not confirmed</p> <p>NOT YET COMPLETE</p>

Publication and dissemination of the EITI Reconciliation Report is in progress. Against the planned schedule of the Updated Work Plan 2008-2011 of October 2010, public dissemination of the report via the EITI country web site has been achieved with a delay approximately one month.

Plans for a Public Workshop have been developed and this is scheduled at some date in March, giving time for potential attendees to digest and analyse the report prior to public discussion.

The scope and publication style of the Zambia EITI Handbook has not yet been resolved and we have not seen plans for a popular summary version of the report.

2.6 Objective 6: Sustainability and continued implementation of EITI

This objective comprises three separate components. The progress and status of these components against the programme scheduled in the Updated Work Plan 2008-2011 of October 2010 is summarised as follows.

Work Plan Reference No	Goal/Activity	Programmed Completion (Updated Work Plan of Oct 2010)	Actual Completion/Status at 01 March 2011
6a	<p>Undertake activities to continue implementation of EITI and stabilization of EITI</p> <ul style="list-style-type: none"> Develop costed annual work plan for 2011 	Nov – Dec 2010	<p>A Work Plan for 2011 was submitted to ZEC meeting of 17 December 2010</p> <p>The plan presents Kwacha costs for EITI activities only through to end April 2011 and full-year cost of the EITI Secretariat and office</p> <p>Plan identifies steps (uncosted) to prepare and complete a 2nd EITI Report by end 2011</p> <p>INCOMPLETE/IN PROGRESS</p>
6b	Obtain support from Government (long-term) and donors on implementation of EITI	Nov – Dec 2010	<p>PS-MMMD confirms a permanent line budget item for EITI implementation is in national budget planning</p> <p>Up to mid-February 2011, ZEC and Secretariat were aiming for funding specifically from national sources only and future funding remained unresolved; in meeting of 25 February 2011, World Bank confirms funding from MDTF can be available</p> <p>Discussions with Mining Companies for funding EITI have not yet become substantive</p> <p>IN PROGRESS</p>
6c	Follow-up on the EITI recommendations for improvement issued by the Reconciler	On-going	<p>Recommendations by Reconciler, in particular for Capacity Building and training for companies undertaking preparation of returns not yet formulated as a programme and costed into 2011 Work Plan</p> <p>NOT YET COMPLETE</p>

Plans for EITI activities beyond April 2011 are subject to accessing adequate funding, discussed further in Section 3.20.

2.7 Objective 7: Validation of EITI in Zambia

This objective comprises three separate components. The progress and status of these components against the programme scheduled in the Updated Work Plan 2008-2011 of October 2010 is summarised as follows.

Work Plan Reference No	Goal/Activity	Programmed Completion (Updated Work Plan of Oct 2010)	Actual Completion/Status at 01 March 2011
7a	EITI Validation <ul style="list-style-type: none"> Determine and prepare TOR for Validator Prepare bidding/tender documents Appoint selection committee Selection and award of service contract to Validator 	November 2010	Validator appointed; contract signed 10 January 2011 TASK COMPLETE
7b	Publication and dissemination of EITI Validation Report <ul style="list-style-type: none"> EITI Validation Report posted on Government, EITI and other web sites and highlighted in local media 	April 2011	Submission of Validator's Final Report due on 01 April 2011 Completion on target subject to timely review and prompt return of ZEC comments on draft IN PROGRESS
7c	Submission of EITI Validation Report to EITI International Secretariat	April 2011	TO BE COMPLETED

The selection and contract award to the Validator suffered a delay of approximately six weeks against the Updated Work Plan 2008 - 2011 of October 2010. However completion of the Validation Report is on schedule for completion by 01 April 2011, subject to prompt review of the draft by ZEC and return of relevant comments.

2.8 Summary and observations

The Updated Work Plan 2008-2011 of October 2010 anticipates completion of the validation report by the beginning of April 2011, allowing submission to the EITI International Secretariat before the deadline of 14 May 2011. This target is on course to be met.

Three areas of activity in particular are, however, only partially complete at the time of our assessment:

- Capacity Building and Training programmes, particularly for Civil Society, including the media, and the Mining Companies (Work Plan Items 3c, 3d, 3f, 3g)
- Outreach and Informational programmes (Work Plan Items 3h, 5a-5c)
- Securing funding for sustainability (Work Plan Items 6a-6c).

We suggest that the ZEC would improve its effectiveness by making greater use of the Work Plan and identify some areas where improvements can be made in Section 5.2.

3 REPORT ON PROGRESS AGAINST THE INDICATORS IN THE VALIDATION GRID

3.1 Grid Indicator 1: Has the Government issued an unequivocal public statement of its intention to implement EITI?

Progress to date

The Multi Stakeholder Launch Workshop of 15th – 16th July 2008 included a keynote speech by Hon. Dr Kalombo T. Mwansa MP, Minister of Mines & Minerals Development entitled “Why Zambia has adopted EITI – and expectations from EITI”. The speech specifically committed the Government to enhancing transparency and accountability in the minerals sector and stated that implementation of EITI is a key component of this commitment. It is reported that this speech was transmitted in the Television news of 15 July 2008.

As follow up to the workshop a press release was issued on 16 July 2008 by the Deputy Minister MMMD, Hon. Maxwell M B Mwale MP, which reiterated that implementation of EITI is a key component of the Government’s commitment to transparency and accountability in the minerals sector. Newspaper print copy of this commitment has not yet been available for verification.

Continuing commitment by the Government through the EITI process has been publicly restated in the following:

- Speech by President Rupiah Banda at the re-opening of Munali Nickel Mine on 26 March 2010 stating that Zambia subscribed to the EITI and attained candidate status in May 2009
- Speech by Hon. Maxwell M B Mwale MP, Minister of Mines & Minerals Development at 53rd Copperbelt Mining, Agricultural & Commercial Show, Kitwe on 29 May 2010, reported in The Post newspaper (The Post Online), stated that Zambia had subscribed to EITI aimed at enhancing transparency and good governance in the sector
- Speech delivered by the PS MMMD on behalf of the Hon. Maxwell M B Mwale MP, Minister of Mines & Minerals Development at the Launch Workshop for Preparation of the First EITI Report, Chingola, 27 August 2010, which explicitly re-affirmed the Government commitment to implement EITI
- Radio programme of 3 February 2011 (Radio 2, 11.00) in which PS MMMD with two members of ZEC, Mr Kalungu Sampa and Mr Anthony Weber, spoke and answered questions on “EITI in Zambia- what is it and what is its process”
- Half page advertisement in the Times of Zambia on 15th March 2011 re-iterating the Government’s commitment to EITI

Stakeholder views

In interviews with stakeholders no respondent suggested that there was lack of commitment to the EITI process by Government.

In a contribution to the Launch Workshop for Preparation of the First ZEITI Report of 27 August 2010, Dr N Simutanyi of CPD, and also member of ZEC, presented the paper “The role of Civil Society organisations in EITI implementation”, in which he states that in the Multi Stakeholder Launch Workshop of 15-16 July 2008 the Government “committed itself to sign up to the EITI and put in motion various processes leading to being an EITI candidate country”.

Validator's Assessment

Published documentation of the Government commitment was not available for inspection. Additionally, the website of MMMD (www.zambiamining.co.zm) makes no mention of the EITI process and Government commitment. The Government has generally publicised its commitment through public statements in the press and on radio and television

This Indicator has been met.

3.2 Grid Indicator 2: Has the Government committed to work with civil society and companies on EITI implementation?

Progress to date

The commitment of Government to work with Civil Society and the mining companies for EITI implementation has been evidenced by the scope of the Multi Stakeholder Launch Workshop of 15-16 July 2008, the invited participants and the ensuing discussion leading to establishment of ZEC with an equal tripartite structure between Government, Civil Society and the companies. The minutes of ZEC meetings evidence the active role played by both CSO and company representatives in the promotion of the EITI process; on three occasions the chairmanship of the ZEC meeting has been held by a representative of the companies and on three occasions by a CSO representative.

Five workshops organised by Government have endeavoured to promote awareness and experience of the EITI process and offer capacity building to companies and CSOs, although focussed on the representatives on ZEC

Stakeholder views

In interviews with stakeholders there was a level of overall satisfaction with Government commitment to work with Civil Society and companies to achieve EITI implementation. The range of views may be summarised:

- CSOs forming part of ZEC were generally satisfied with the level of commitment although a common comment related to the need for more assistance with capacity building and in one case concern on the need for constructive dialogue
- CSOs which were not directly involved in the ZEC were more qualified in their response, citing inconsistent delivery of information
- Companies were generally positive as to Government commitment to the EITI process

Validator's Assessment

As previously mentioned, the MMMD website does not contain reference to the government's commitment to EITI and in view of the importance of this means of communication, particularly for external investors, we recommend an explicit statement should be included.

This Indicator has been met.

3.3 Grid Indicator 3: Has the Government appointed a senior individual to lead on EITI implementation?

Progress to date

In the Multi Stakeholder Launch Workshop of 15-16 July 2008 the PS of MMMD presented proposals, which had been widely discussed in relevant Government departments, with representatives of the media and Zambia Chamber of Commerce and Industries, for the structure of the ZEC. The key part of this proposal was that the chairperson of the ZEC should be the Secretary to the Treasury in MFNP. This proposal was accepted and agreed by the workshop participants. Mr Likolo Ndalamei, Secretary to the Treasury, has chaired three of the twelve ZEC meetings to the date of our assessment.

Stakeholder views

The nomination of the Secretary to the Treasury as Chairperson of ZEC has been accepted by the members of ZEC as fulfilling the requirement for the appointment of a senior individual to lead on EITI implementation.

The PS to MMMD is very active in support of EITI activities and attends many of the ZEC meetings. He is minuted as chairing the ZEC meeting on 13th August 2010 and is seen by many stakeholders as the senior government representative in Zambia's EITI implementation.

A number of stakeholders expressed concern that the primary Government commitments of the Secretary to the Treasury dictated that he had very limited time to devote to the EITI process and that this was reflected in his attendance record and frequency of performing the chairperson role for the ZEC. Minutes of the ZEC meeting of 20 September 2010 include an item expressing concern that the nominated chairperson had not attended meetings for a considerable period and the ZEC recommended that Government should consider appointing another person who was less busy. It appears that this recommendation has not been acted upon. Mr Ndalamei subsequently chaired the meeting of 14 February 2011.

Validator's Assessment

Government has appointed a senior individual to lead the EITI implementation. This Indicator has been met.

It is apparent that there are concerns in ZEC that the nominated individual is in a position to exercise effective leadership of the EITI process. It is therefore recommended that Government should review urgently and ensure a senior individual is in a position to exercise effective leadership of the EITI process.

3.4 Grid Indicator 4: Has a fully costed country work plan been published and made widely available, containing measurable targets, a timetable for implementation and an assessment of capacity constraints (government, private sector and civil society)?

Purpose: The Country Work Plan is the foundation of the country Validation process. The sixth EITI criterion requires that a Work Plan be produced that is agreed with key EITI stakeholders and is publicly available.

Evidence: To give this indicator a tick, the Validator is expected to see evidence that the Work Plan has been agreed with key stakeholders and that it contains:

- Measurable targets;
- A timetable for implementation;
- An assessment of potential capacity constraints;
- How the government will ensure the multi-stakeholder nature of EITI, particularly in terms of the involvement of civil society;
- A timetable for Validation during the stage at which a country is a Candidate. This should reflect country needs, but should take place once every two years;
- The Work Plan should also elaborate on how the government will pay for validation.

The Validator will need to assess progress on the implementation of the EITI against these targets and timetables, and assess whether a country has acted on the identified capacity constraints.

A key element in the country Validation process will be whether the timetable for implementation is being followed. If the timetable is not being met, the Validator – based on evidence from key stakeholders and others – will need to determine whether delays in meeting the timetable are reasonable. If unreasonable, the Validator will need to consider whether to recommend that the country be de-listed from the list of Candidate countries.

Progress to date

A draft Country Work Plan for the period 2008-2010 was prepared for discussion in the Multi Stakeholder Launch Workshop of 15-16 July 2008, which accepted the overall programme as an achievable target for the EITI process. The plan was updated in the first ZEC meeting of 19 January 2009 with amendments to the timeframe and was published in the *Times of Zambia* on 29 April 2009. Publication of the Work Plan in the print media was submitted in support of the application to the EITI International Board for candidate status. Budget costs were not indicated in the published plan.

The Workplan 2008-2010 projected validation to be completed by July 2010. Discussion documented in the third ZEC meeting of 20 January 2010 confirms the delayed release of funds, such that the funding implicitly assumed in the published Work Plan 2008 – 2010 was in fact becoming available only in the First Quarter 2010.

In the ZEC meeting of 21 May 2010, a contribution from Mr E. Rich of the EITI International Secretariat stressed the need to revise the Work Plan and re-align it with new dates. In the ZEC meeting of 16 July 2010, the establishment of the EITI Secretariat with permanent staff was confirmed, as of 7 July 2010. The meeting was also informed that the Work Plan was being revised for the second time for 2010.

A Revised Work Plan for 2010, including clearly expressed goals, actions required to implement the programme, responsibilities, budget costs and sources of funding, performance indicators, expected outcomes and status, was considered by the ZEC in its meeting of 13 August 2010. An Updated Work Plan 2008 – 2011 was also made available as part of the TOR issued with the tender and contract award for the Validator's Contract. No substantive differences have been noted from the Revised Work Plan of August 2010, with the exception that publication and dissemination of the Validation Report is re-scheduled to April 2011. ZEC minutes do not record any specific discussion of this Plan.

A Work Plan for 2011 identifying activities through 2011 was presented to the ZEC meeting on 17th December 2010 by the Secretariat. The ZEC approved this plan subject to the addition of dates against each of the actions. Cost estimates, however, cover only activities scheduled through to dissemination of the Validation Report to the end of April 2011.¹

Whilst the original Work Plan was published, as noted above, subsequent amendments have not been published and the recently established website refers to a 2 Year EITI costed (2009 – 2011) Work Plan but does not publish it.

More detailed discussion of the impact of funding, with respect to the delayed availability during the period 2008 – 2010, and the need to secure funding beyond April 2011, is presented in Section 3.20 of this report.

Stakeholder views

All stakeholders who were interviewed indicated they were aware of the Implementation Work Plan. However, only those participating directly in the ZEC were familiar with the extent and reasons for delays in the originally proposed Work Plan.

The minutes of ZEC meetings indicate growing concern expressed in the meeting of 20 September 2010, when members urged that there needed to be an "Action taken report", prepared by the EITI Secretariat, to clearly identify the progress of activities. We have not seen any "Action taken reports" but note that these were an agenda item from September 2010 onwards.

In interviews with those stakeholders who are members of ZEC, it is apparent that only some have a clearly defined concern that the EITI process may fail if the Work Plan, and the funding to support it, is not maintained as a fundamental tool for ensuring progress of the EITI process. With respect to funding beyond April 2011, a number of members expressed confidence that the Government would find the funds necessary to maintain the programme and did not indicate concern that this funding was not yet in place to support the Work Plan beyond April 2011.

Validator's evaluation

This Indicator has been met.

¹ We have been provided with a revised work plan for 2010 – 2012, dated 11th March 2011. We have not reviewed this plan, other than to note that many of the activities are assigned no detailed timetable, other being scheduled to take place between mid 2010 and mid 2012. Our comments (section 5.2) on measurable targets, timing and funding remain.

3.5 Grid Indicator 5: Has the Government established a Multi-Stakeholder Group to oversee EITI implementation?

Purpose: Implementation of the EITI should be overseen by a group comprising all appropriate stakeholders, including – but not limited to – the private sector, civil society (including independent civil society groups and other civil society, such as the media and parliamentarians) and relevant government ministries (including government leads). The group should agree clear, public terms of reference (TORs). These TORs should at least include: endorsement of the Country Work Plan – following revisions where necessary; choosing an auditor to undertake audits where data submitted for reconciliation by companies or the government are not already based on data audited to international standards; choosing an organisation to undertake the reconciliation; and other areas as noted in the Validation Grid.

Evidence: To give this indicator a tick, the Validator is expected to see evidence that a multi-stakeholder group has been formed, that it comprises the appropriate stakeholders and that its terms of reference fit the purpose. Evidence should include:

- Stakeholder assessments where these have been carried out;
- Information on the membership of the multi-stakeholder group:
 - Was the invitation to participate in the group open and transparent?
 - Are stakeholders adequately represented? (This does not mean stakeholders have to be equally represented.)
 - Do stakeholders feel that they are adequately represented?
 - Do stakeholders feel they can operate as part of the committee – including by liaising with their constituency groups and other stakeholders – free of undue influence or coercion?
 - Are civil society members of the group operationally, and in policy terms independent of government and/or the private sector?
 - Where group members have changed, has there been any suggestion of coercion or an attempt to include members that will not challenge the status quo?
 - Do group members have sufficient capacity to carry out duties?
- Do the TORs give the committee a say over the implementation of the EITI? These TORs should at least include: endorsement of the Country Work Plan – following revisions where necessary; choosing an auditor to undertake audits where data submitted for reconciliation by companies or the government are not already based on data audited to international standards; choosing an organisation to undertake the reconciliation; and, other areas as noted in the Validation Grid.

Progress to date

One of principal stated goals of the Multi-Stakeholder Launch Workshop of 15th -16th July 2008 was to propose to Government the membership of the Zambia EITI Council (ZEC) as a multi-stakeholder body to manage ZEITI in Zambia. Government has supported the establishment of the MSG, known as the ZEC, and has actively participated in its activities. We requested evidence of the constitution of the ZEC and have been told that it is voluntarily constituted and has not been established by any formal decree or government order.

From the responses of Civil Society interviewees it is confirmed that a wide and representative cross section of Civil Society was invited to the EITI Launch Workshop of July 2008 and that the majority of CSOs with a direct interest in the mining sector were represented. Invited participants are recorded as sixty-nine stakeholder participants from a wide cross-section of Government, Government agencies, Zambia Central Bank,

Parliament, mining companies, Civil Society Organisations, Chamber of Mines, development agencies, academic institutions and the media. Initial proposals from Government suggested a structure of the ZEC of 18 members of which 6 were from Government, plus a Member of Parliament and a representative each of the Office of the Auditor General and the Anti-Corruption Commission, while the non-governmental sector was represented by two CSOs, two representatives of the media and one member each of the trades union movement, academia, the House of Chiefs, the mining companies and the private sector Chamber of Commerce. The summary report of the workshop indicates robust discussion with participation by the CSOs, with the result that a tripartite structure for the ZEC was adopted, in which Civil Society would be represented by 5 members, of which one would be from the House of Chiefs. The other four Civil Society members would be elected among CSOs, for which a guideline indicated that this selection process should include among others, international NGOs, the media, academia, faith institutions and the trades unions.

The CSOs organised a consultative meeting (24 July 2008) in the week following the Launch Workshop in the Secretariat of Transparency International Zambia. Among those present, it was agreed that there should be one member of the Zambia Congress of Trades Unions (ZCTU), representing the trades unions in the mining sector. In addition it was decided that there should be one representative of an international NGO, a policy-oriented NGO and a representative of the independent media. The meeting accordingly elected a representative each from Transparency International Zambia (TIZ), the Centre for Policy Dialogue (CPD) and the Media Institute for Southern Africa – Zambia Chapter (MISA). A nominee each would also be submitted by ZCTU and the House of Chiefs.

The three elected CSOs are all affiliated to the Publish-What-You Pay coalition, as is ZCTU. Interviews with CSOs which are not directly represented in the ZEC indicated that none claimed not to have been invited to participate in the selection process, nor is there dissatisfaction with the selection procedure. Nevertheless all express reservations or explicit concerns that Civil Society is adequately represented in the ZEC with respect to other sectors.

The proposed structure of ZEC has been implemented and 12 meetings of ZEC have been held and formally minuted in the period between February 2009 and February 2011.

The tripartite structure permits each of the three elements to propose their representatives, although the initial launch workshop agreed a set of general guidelines as to how certain constituencies would be represented in each group. These guidelines may be summarised:

- The total of five representatives of Civil Society would include one representative of the traditional rulers, to be nominated by the House of Chiefs; the remaining four posts should be selected by a caucus of Civil Society groups which should address the interests of the trades unions, media, academia, international and national NGOs.
- Government will be represented by the Chairperson, who will be the ST in the MFNP, and a representative each of the MMMD, Ministry of Justice, Bank of Zambia and the Zambia Revenue Authority.
- The tripartite structure, and the guidelines through which stakeholder representatives are nominated, delegates the selection of appropriate representatives to each of the constituent groups.

It is not, however, clear how the representation of the extractive sector exclusively by the Chamber of Mines came about.

At the Launch Workshop, the Federation of Small Scale Miners Association commented that the World Bank Scoping study had not interviewed any small scale miners and expressed the view that small scale miners should be represented at EITI meetings. A representative from the Zambia Association of Chambers of Commerce and Industry suggested that one of the five seats reserved for mining companies on the ZEC should be taken by a small scale mining company representative.

The first meeting of the ZEC on 19th February 2009 was attended by 5 representatives from the Chamber of Mines, who had been appointed to the ZEC as the 5 representatives for the extractive industries.

Representation of small scale and gemstone miners on the ZEC was discussed at the second ZEC meeting on 4th June 2009 and those present resolved that one representative of the gemstone sector should be incorporated in the Council without reducing the number of representative from the large scale mines. It was further agreed that this point should be ratified at the next ZEC meeting because this second meeting was not quorate (members attending were 1 from government, 1 from civil society and 3 from the Chamber of Mines). Minutes of the next ZEC meeting do not mention this matter and there is no further discussion recorded in the minutes of subsequent ZEC meetings.

Representation of the extractive sector on the ZEC is discussed further under 3.7. It is more pertinent here to examine whether the existing structure has operated effectively.

The commitment of the three constituent groups to work together to implement the EITI process is formalised in a Memorandum of Understanding signed on 27 August 2010, in which the primary obligations of each group is specifically stated. The signatory for the CSOs was Transparency International Zambia, signing with the authority of the CSOs which together participated in the selection of representatives to the ZEC. The signatory on behalf of the extractive industries was the President of the Chamber of Mines.

Draft TOR prepared by a World Bank consultant for the scope and function of the ZEC were presented at its first meeting in February 2009, and subject to minor amendments suggested in that meeting, have constituted the formal basis for the role of ZEC in the implementation of EITI; the TOR² have not since been subject to review or approval. The content of the TOR expresses the scope and functions of the ZEC in a high level overview manner without entering into specific detail of tasks to be addressed. Thus the General Provisions (paragraphs 1 and 2) make clear the duty to arrange and monitor the implementation of the EITI, also with responsibility to establish basic principles and the political legal and institutional framework for implementing the initiative. However, the ZEC is identified as a « consultation entity with equal representation of state, mining companies and Civil Society Organisations ». The functions of ZEC (paragraphs 15 – 21) are specified as the formulation of guidelines on implementation, making decisions, preparing updates, considering proposals, reports and updates prepared by the Secretariat and ensuring dissemination of information relating to implementation of EITI. The TOR do not make mention of the Country Work Plan or of specific tasks such as selection of an independent auditor to cover verification of submitted data which has not been subject to audit to international standards, or selection of the Reconciler.

Notwithstanding the general nature of the TOR, the ZEC has required update of the Country Work Plan and has managed the shortlisting, invitation to tender, evaluation and selection of the Reconciler and Validator and has exercised its responsibilities for selection of a Legal Consultant and of a Communications Strategy Consultant, also for arranging of Capacity Building workshops, the approval and issue of reporting templates, and for review, comment and acceptance of the Reconciler's First EITI Report.

With the exception of the representative of the House of Chiefs all members of the ZEC have been included in interviews or substantive meetings with the Validators. The views of ZEC members representing the Civil Society Organisations and the companies have in particular been sought with respect to transparency of the selection of representatives to ZEC, adequate representation of stakeholder interests, freedom to express themselves without constraint and their capacity to contribute effectively to the EITI process within the ZEC.

Stakeholder views

Interviews with stakeholders have included CSOs represented directly on the ZEC, CSOs which are not directly represented on the ZEC, companies which are represented directly on the ZEC, companies which are part of

² We have been provided with new TOR for the ZEC, approved on 21st March 2011. We have not reviewed these new TOR in detail (see further comment in section 5.2)

the Chamber of Mines but not themselves directly represented on the ZEC and also companies which have reported within the EITI reporting process but which are neither members of the Chamber of Mines nor represented on the ZEC.

Views on specific relevant aspects of the composition and function of the ZEC are summarised as follows:

a) Transparency of the invitation to participate in the ZEC

Those CSOs which are represented in the ZEC, and were subject to election among the CSO groups (meeting of CSOs in Secretariat of Transparency International Zambia 24 July 2008) have responded that the invitation to participate was generally open and transparent. A somewhat more qualified response was expressed from CSOs that are not on ZEC, but in no case did any CSO stakeholder suggest that invitations to attend the launch workshop were not transparent. Some reservations on the selection process among CSOs related to the restriction to single representatives of specific constituencies (e.g. one representative of the House of Chiefs, one trades union representative, one international NGO, one representative of the media, one policy development NGO).

Representatives of the mining companies expressed no dissatisfaction with representation of the sector through the Chamber of Mines.

b) Adequate representation of stakeholders

Views expressed by representatives of CSOs, both those participating directly in the ZEC and those outside the ZEC, ranged from a qualified position of not sure to a clear negative on adequate representation on ZEC. Those expressing a negative view referred to the fact that the reporting of mining companies was notoriously opaque and complex and that there was a strong lobby in Government and the companies in support of mining investment, and in consequence the Civil Society sector appeared to be under-represented to address these complex issues. Some mention was made that the Civil Society sector had to accommodate a representative from the House of Chiefs, who up to the date had not appeared at any ZEC meeting, and in consequence the Civil Society sector was always one representative less in the tripartite structure.

Representatives of the mining companies generally expressed satisfaction that they were adequately represented. However, one representative member of the ZEC pointed out that proposals in the ZEC requiring a representative of the small mines sector had not prospered, in part because it was very difficult to identify a representative grouping of small mines from which a delegate could be drawn.

Government representatives were positive about the operation of the ZEC and felt that working together in the Council to implement EITI had changed and strengthened relations between the various parties and led to constructive dialogue.

c) Freedom to operate as part of the Committee

None of the stakeholders who participate in the ZEC expressed any reservation or concern regarding their freedom to operate in the committee or to liaise with and to disseminate information to other constituency groups or stakeholders outside the ZEC. In particular the representatives of TIZ and MISA stressed their obligation to disseminate information freely to the wider Civil Society and identified no constraints on this commitment.

d) Independence of Civil Society representatives on ZEC

The four active members of CSOs on ZEC all consider themselves strongly independent of Government or the private sector. Consultation regarding the group in general or other members confirmed the view that the Civil Society representatives were independent operationally and in terms of policy from Government or the private sector. In conversation it was recognised that there would be areas in which a CSO might share common objectives either with Government or a private company but that this did not represent a compromise of independence.

e) Manipulation or coercion in the selection of replacement members

No suggestion of manipulation or coercion in the selection or appointment of replacement members of ZEC was identified. It was recognised that the tripartite structure generally dictated that replacement members of ZEC would be nominated by the relevant group following a procedure or protocol decided independently in that group only.

f) Capacity of ZEC members to carry out duties

Three CSO members of the ZEC mentioned the need for further capacity building, either for themselves or their members in order to understand the complexities of financial reporting in the mining sector and the issues of taxation, duty and other areas of payments. Nevertheless, it was clearly demonstrated that all four CSO members had the support and access to well informed sources within their organisation or in affiliated groups such as the Publish-What-You-Pay coalition.

Adequacy of TOR to ensure ZEC management of the EITI

In general discussion with ZEC (in the presentation of Validators' initial findings) it was apparent that the TOR for the ZEC were not a fundamental point of reference for the activities of the ZEC. The scope of activity of the ZEC clearly embraced a range of action which was not specifically covered in the TOR and the TOR were not seen as a limitation on the activities agreed in the ZEC to be necessary for implementation of the EITI process.

Validator's evaluation

The process by which the Chamber of Mines came to represent the extractive industries has not been explained to us.

The TOR³ of the ZEC require that its composition should be approved by Cabinet. We have not seen any evidence that this approval has been sought or obtained.

This Indicator has been met.

³ We have been provided with new TOR for the ZEC, approved on 21st March 2011. We have not reviewed these new TOR, but note that the requirement for approval by cabinet has been removed. The basis and authority for this change has not been clarified. See further comment in section 5.2.

3.6 Grid Indicator 6: Is civil society engaged in the process?

Purpose: This indicator reinforces Indicator 5. The EITI Criteria require that civil society be actively engaged as a participant in the design, monitoring and evaluation of the process, and that it contributes to public debate. To achieve this, EITI implementation will need to engage widely with civil society. This can be through the multi-stakeholder group, or in addition to the multi-stakeholder group.

Evidence: To give this indicator a tick, the Validator will need to see evidence that the government, and the EITI multi-stakeholder group where appropriate, have sought to engage civil society stakeholders in the process of implementation of the EITI. This should include the following evidence:

- Outreach by the multi-stakeholder group to wider civil society groups, including communications (media, website, letters) with civil society groups and/or coalitions (e.g. a local Publish What you Pay coalition), informing them of the government's commitment to implement EITI, and the central role of companies and civil society;
- Actions to address capacity constraints affecting civil society participation, whether undertaken by government, civil society or companies;
- Civil society groups involved in EITI should be operationally, and in policy terms, independent of government and/or the private sector;
- Civil society groups involved in EITI are free to express opinions on EITI without undue restraint or coercion.

Progress to date

Civil Society in Zambia is generally well organised in numerous policy and advocacy groups covering a wide spectrum of social, economic and development issues, and well established. CSOs are very active in the expression and projection of views on the performance and social and environmental impact of the mining sector. The Publish-What-You-Pay coalition is a strong presence in Zambia as a widely based consortium of local and internationally recognised CSOs with a substantial representation of faith-based groups in addition to the union movement and media and policy development NGOs. In the period 2006 – 2010 CSOs in the Publish-What-You-Pay coalition have published, with financial backing from high profile international NGOs, a number of well researched books and pamphlets which address the taxation, corporate social responsibility, social impacts and the economic contribution of the privatised mining industry.

At least two CSOs consider that they were instrumental in advocating to Government the need to recognise the EITI process as an important step to transparency before the Government publicly embraced the process. These CSOs were part of an apparently wide representation of Civil Society in the Multi-Stakeholder Launch Workshop of 15-16 July 2008 and were elected to represent this constituency on the ZEC.

The minutes of ZEC meetings testify to the effective engagement of CSO representatives in the planning and delivery of the EITI process. The same evidence indicates that the EITI process as a whole and specifically the engagement with Civil Society stalled between early 2009 and early 2010 when ZEC activity was apparently limited by lack of funding. From early 2010 the ZEC engaged in an accelerated programme to focus on compliance with key issues for implementation of the EITI process, in which the CSO representatives clearly performed an active role, including being elected to and performing effectively as the Vice Chairperson.

However, the delivery of those elements in the Country Work Plan specifically designed to support Civil Society participation in the EITI process have been only incompletely fulfilled. Three activity items relate to this

support: 3c - Capacity Building and training for Civil Society in EITI monitoring; 3f – Capacity building for economic correspondents and media reporters; and 3 h - Outreach and Informational Activities.

The capacity building and training for Civil Society in EITI monitoring has been constrained by the available budget and was partially fulfilled by the attendance of the ZEC CSO representatives in the two capacity building workshops held in Chisamba and Chingola respectively in October and November 2010. However the focus of these workshops was across the ZEC and for the EITI Secretariat. The plan to assist Civil Society to identify specialist training courses and possible sources of funding, and also to contract international specialists to deliver focus groups and training sessions on extractive industries related issues, has not yet been delivered. It must be noted, however, that wider Civil Society outside the EITI process has maintained a diverse range of relevant workshops and seminars. In this respect, CSOs interviewed by the Validators make reference to an Advocacy Strategic Workshop in Siavonga in August 2009 and a Regional Seminar on Extractive Industries in Lusaka 19-20 October 2010 under the auspices of the Friedrich Ebert Stiftung Zambia office. During our visit, we observed there was a policy seminar held by the Centre for Trade Policy & Development in Lusaka on 19 February 2011.

The delivery of Outreach and Informational Activities has been delayed, although discussion of a Communications Strategy has been a regular agenda item and discussion focus for the ZEC through the latter half of 2010. The ZEC received the benefit of a Communications Strategy prepared on a voluntary basis by the representative of MISA who sits on the ZEC. Despite this, selection of a Communications Consultant was delayed, to a large extent due to procedural issues of apparent conflict of interest among short-listed applicants. Appointment of a Communications Consultant has now been finalised and the contract for services was due for signature at the end of February 2011. Recognising the delay in outreach activities, ZEC has instigated a programme of communications in advance of the services of the specialist consultant. An intensive series of radio programmes has been scheduled through February and March, in which members of ZEC participate in question and answer sessions on the EITI process; these are broadcast both in English language and Bemba. We heard programmes during our visit in February 2011 and these have been recorded by the EITI Secretariat. It is apparent that, with completion of the First EITI Report, ZEC has now geared up for an intense period of dissemination and information delivery, responding also to a high level of public comment in the media, to a large extent driven by CSO commentary.

The website for the Zambia EITI process has been in construction during February 2011, and we saw active steps to bring this effectively online; the stated objective is that this should be fully operational for dissemination of the First EITI Report. Subsequent to our visit, we have been able to access the website and its contents.

Stakeholder views

All CSO stakeholders interviewed agreed that there is meaningful representation of Civil Society in ZEC and in the EITI process, despite qualifications as to whether the level of representation is adequate.

The CSO members of ZEC from TIZ and MISA organisations express a strong commitment to disseminate information on ZEC policy and actions and the EITI process in general to all sections of society. Interviews with participants in the Publish-What-You-Pay coalition who are not themselves directly represented on the ZEC, confirm that they receive information distributed from MISA. However, a number of CSOs felt there was a lack of information on policy and future programmes.

It was a common thread among CSO interviewees that there was a lack of capacity to understand the issues of mining sector financial reporting. This thread however included both the level of understanding across Civil Society in general and also, for those CSOs participating in the ZEC, specifically for individual representatives in the ZEC.

Among interviewees from the Civil Society sector, there was no concern or qualification as to the freedom to express opinions on EITI without restraint, and no concerns were expressed as to the operational and policy independence of CSOs participating in the ZEC.

All interviewed CSOs expressed clear conviction that the EITI process was an important advance and indicated commitment to support the process. The minutes of ZEC meetings and observation of the Council in session confirm the active participation of the three elected representatives of CSOs and the union membership. The representative of TIZ has been elected Vice-Chairman of ZEC and has necessarily chaired a number of full ZEC meetings.

Validator's evaluation

This Indicator has been met.

We have observed the delay in implementing an effective outreach and informational programme but note that this is currently being remedied. It is also apparent that there needs to be a continuing focus in a forward programme on capacity building and training across Civil Society.

3.7 Grid Indicator 7: Are companies engaged in the process?

Purpose: This indicator reinforces Indicator 5. EITI implementation requires that companies are actively engaged in implementation and that all companies report under the EITI. To achieve this, EITI implementation will need to engage widely with oil, gas and mining companies. This can be through the multi-stakeholder group, or in addition to the multi-stakeholder group.

Evidence: To give this indicator a tick, the Validator will need to see evidence that the government, and the EITI multi-stakeholder group where appropriate, have sought to engage companies (oil, gas and mining) in the implementation of the EITI. This should include the following evidence:

- Outreach by the multi-stakeholder group to oil, gas and mining companies, including communications (media, website, letters) informing them of the government's commitment to implement EITI, and the central role of companies;
- Actions to address capacity constraints affecting companies, whether undertaken by government, civil society or companies.

Progress to date

Representation of the extractive sector on the ZEC comprises 5 members out of a total of 15. All representatives of mining companies on the ZEC are nominated through the Chamber of Mines. The way in which all company representation on the ZEC came to be through the Chamber of Mines is set out in Section 3.5 above. Minutes of the ZEC indicate a very active participation by industry representatives in the EITI process and from time to time mining company representatives have occupied the chair for full ZEC meetings and have chaired subcommittees.

The Chamber of Mines, through its President and also its General Manager, has explained that it comprises four classes of member company and, in addition to the large companies, endeavours also to include and represent medium scale and small scale mine operators, associated operators of process plant and mineral exploration companies. While it is certainly the case that the membership extends across the range of mining activity in Zambia, there is nevertheless a significant number of companies - large, medium and small scale - who are not members, including seven of the sixteen companies taking part in the 2008 Reconciliation exercise. The Chamber of Mines asserts that all its mining company members are in favour of the EITI process and that the membership is kept informed of the progress of the EITI process through the various committees and regular member meetings held by the Chamber but it does not extend its activities in this respect beyond its members.

The Chamber's policy for representation on the ZEC is explicit, in that it nominates the current President, the current Vice-President and the General Manager, and elects two other members from the committee of the Chamber. Of the two current elected members, for at least one there is a clear understanding that he has been chosen because the physical location of his operation allows that he is readily available for meetings in Lusaka.

Representatives of the Chamber of Mines in the ZEC have participated in all four workshops held in the EITI process, including two, at Chisamba and at Chingola, respectively in October and November 2010 which were focussed towards capacity building. The Chingola Workshop (26 November 2010) in particular was aimed directly at capacity building in the extractive industry companies. The attendance list indicates the participation of six different companies, of which one, Kagem Mining Limited, was not a member of the Chamber of Mines. Significantly, the attendees from the mining companies did not include the ZEC representatives but were members of senior management of the mines.

The Reconciliation Report has highlighted a concern that for many of the companies in the reporting process, there was a lack of clear understanding of some of the categories of payment requested in the templates and that further capacity building in the companies would be required to ensure accurate reporting in future exercises.

Stakeholder views

We met with ten of the companies included in the reconciliation exercise and all five Chamber of Mines representatives in the ZEC

Particularly for those companies not directly represented on the ZEC, and especially from local management, there was an admission that some aspects of the financial data requested on the reporting templates was not entirely clear. All asserted that they had completed the forms with the best intention for correct and accurate reporting. A number expressed concern that there had not been specific feedback for them to be sure that the information provided by them had been adequate for the reconciliation exercise. It was widely commented that further training or capacity building, with respect to the financial reporting and the specific categories requested in the templates, would be helpful to the staff responsible for preparing the returns.

Response from at least one significant company not directly represented on the ZEC suggested that information received on the policy, issues and progress of the EITI was limited. While well informed directly from the Secretariat and Reconciler about the scope and need for submission of the reporting templates, more general information about the progress of EITI and its activities was received only if there is a direct invitation to a workshop.

A number of non-Chamber of Mines companies have been interviewed, and while ambivalent about the representative role of the Chamber, indicate no concern that they themselves should be directly represented.

Some companies we met observed that the Reconciler's firm audited some of the major mining companies and were unclear about whether this gave rise to any conflicts of interest and how these had been managed

Validator's evaluation

There are strengths and weaknesses in the approach to engagement of companies.

On the one hand, there were several comments from companies that they did not hear anything about EITI until they were requested to attend the Reconciliation Workshop held in November 2010 and that there was inadequate communication both in preparation for the Reconciliation and after they had submitted templates. EITI is not an agenda item at Chamber of Mines meetings and there is no communication – e.g. by way of newsletter – to its members or to industry generally.

There appear to be very limited formal lines of communication, through industry representatives or through other stakeholders or the ZEITI Secretariat, with companies not directly involved with EITI through ZEC membership or through the reconciliation exercise.

On the other hand, all 16 companies selected by the ZEC to participate in the 2008 Reconciliation responded. One company explained that it did not own the selected operation in 2008 and did not have access to the records. Another company said it had not received the data collection templates until late in the reconciliation process and had returned them after making best efforts to complete them (although its return was excluded since the templates were unsigned); the representative from this company broke their annual leave to meet with us.

On the question of the independence of the Reconciler, auditing firms with experience in the mining industry will very possibly have relationships with companies to be included in the EITI, or with other stakeholders. The consideration given to these relationships and the treatment adopted is important in circumstances where such relationships exist. PWC wrote to the Secretariat on 10th November 2010 concerning threats to the independence of the Reconciler, stating that they will not be engaged to review the accuracy of any financial information from the mining companies and concluding that there is no threat to their independence. This statement does not accord with requirement 5 of the scope of work in the TOR for the Reconciler, which says that the Reconciler should “work with both parties [government and companies] to explain any discrepancies ... the report shall include the reconciler’s opinion on the quality of the data”.

There is no discussion recorded in the ZEC minutes of discussion of potential conflicts of interest amongst any of the candidate consultants for the Reconciliation, although this was a concern expressed by non-ZEC stakeholders. It appears that communication surrounding the independence of the Reconciler may not have allayed the concerns of all parties.

There are, then areas where improvements are required in engagement with companies and we make recommendations in Section 3.20, but we conclude overall that this Indicator has been met

3.8 Grid Indicator 8: Did the Government remove any obstacles to EITI implementation?

Purpose: Where legal, regulatory or other obstacles to EITI implementation exist, it will be necessary for the government to remove these. Common obstacles include confidentiality clauses in government and company contracts and conflicting government departmental remits.

Evidence: To give this indicator a tick, the Validator should see evidence that the government has removed any obstacles. This might involve following a proactive assessment of obstacles, or through reactive action to remove obstacles as they arise. There is no one way of dealing with this issue – countries will have various legal frameworks and other agreements that may affect implementation, and will have to respond to these in different ways. The sort of evidence the Validator will want to see could include:

- A review of the legal framework;
- A review of the regulatory framework;
- An assessment of obstacles in the legal and regulatory framework that may affect implementation of the EITI;
- Proposed or enacted legal or regulatory changes designed to enable transparency;
- Waiver of confidentiality clauses in contracts between the government and companies to permit the disclosure of revenues;
- Direct communications with, e.g., companies, allowing greater transparency;
- Memoranda of Understanding setting out agreed transparency standards and expectations between government and companies.

Progress to date

There are three areas where there appear to be obstacles to EITI implementation: funding for the initiative, the absence of legislative or regulatory support for the EITI process and capacity building.

The issue of funding is discussed in more detail in Section 3.20, which concentrates on provision of funding for the future. We would note that a delay in release of funds for the programme meant that the EITI activities have been carried out later than planned, with the Reconciliation only completed in the week before our Validation visit was carried out. The lack of clarity over committed funding for the future gives cause for concern over Zambia's ability to maintain an EITI process.

Secondly, the EITI implementation in Zambia is voluntary. The original TOR provide that the ZEC and its functions should be approved by the Cabinet, although this has not been done. Revised TOR (approved 21st March 2011) do not contain this provision, leaving the status of the ZEC as consultative. There are no legislative provisions requiring compliance by companies, or sanctions for late reporting or non compliance.

The minutes of the ZEC of 21st May 2010 indicate that ZEC recommended that a clause should be added to the Mines & Minerals Development Act 2008 to make it mandatory that all mining companies, that may be required to do so, should provide information to the Reconciler for the purposes of the EITI Report. In the meeting of 16 July 2010 the Secretariat informed the ZEC that MMMD was in the process of amending the Act.

The ZEC, then, has expressed the view that despite the apparently full commitment of the companies participating in the reporting process, there should be a legal basis requiring total and open reporting from mining companies beyond the mandatory returns on production and financial reporting for the purposes of taxation under existing national laws. To date there is no report of progress to incorporating an amendment to the 2008 Act or otherwise incorporating provisions into legislation to establish the mandatory nature of EITI reporting.

Perhaps delays in amendment to the legal and regulatory framework may be attributed to the delay in appointing a Consultant to undertake a review of the legal and regulatory framework to identify potential obstacles in EITI implementation. The country Work Plan (Item 3a) provides for such a review, and anticipates that draft amendments to relevant laws and regulations would be submitted to ZEC. The review was initially planned for completion in the period March – June 2009 but there was a delay in implementing this consultancy, attributed to lack of funds and a Consultant was finally engaged on 10th October 2010. The draft Legal Audit Report was submitted on 23rd November 2010 and ZEC members were asked to submit comments by 22nd December 2010. The draft minutes of the ZEC meeting of 14th February 2011 indicate that comments had been submitted but that a further review by the ZEC was necessary before it could be finalised. Once final, it is proposed that it would be presented in a public workshop. The Draft Legal Audit Report made available to us does not contain recommendations for amendments to legislation and it is thus premature to identify what steps the ZEC may recommend to Government for amendment of legislation for removal of obstacles to the EITI process⁴.

On the issue of capacity building, this was identified as a need in the Work Plan in several areas. A summary of the steps required, and progress against those steps, shows:

3c	Capacity building and training for Civil Society in EITI monitoring <ul style="list-style-type: none"> • Training session • Assistance to identify specialist training courses and funding • Contract international specialists to deliver training sessions 	July-Dec 2010	No training specifically for Civil Society has been undertaken. CSOs, both ZEC representatives and non- ZEC groups, including media, participated in Capacity Building Workshop for Mining Companies and Government Agencies, Chingola 26 -11-2010 See Grid Indicator No. 6
3d	Capacity building and training for mining companies <ul style="list-style-type: none"> • Workshop and training session • Information and discussion 	July-Dec 2010	Capacity Building Workshop for Mining Companies and Government Agencies, Chingola 26 -11-2010 On-going requirement for capacity building has been identified. See Grid Indicator No. 7
3e	Capacity building and training for Government agencies related to EITI oversight and management <ul style="list-style-type: none"> • Lectures, workshops and training session for civil servants , MPs etc 	July-Dec 2010	Members of MMMD and local government participated in Capacity Building Workshop for Mining Companies and Government Agencies, Chingola 26 -11-2010 TASK COMPLETE
3f	Capacity building and training for economic correspondents and media reporters <ul style="list-style-type: none"> • Workshop and training 	July-Dec 2010	No training specifically for media has been undertaken. Members of the media participated in Capacity Building Workshop for Mining Companies and Government

⁴ We understand the ZEC approved on 21st March the recommendation from the legal review that specific ZEITI legislation should be introduced (the third decision on this subject by the ZEC). It was, however, pointed out that introduction of new legislation takes a long time.

	<p>session</p> <ul style="list-style-type: none"> Information and discussion 		<p>Agencies, Chingola 26 -11-2010</p> <p>INCOMPLETE</p> <p>See Grid Indicator No. 6</p>
3g	<p>Capacity building and training for Multi-stakeholder Group (ZEC)</p> <ul style="list-style-type: none"> Organise study tour to countries successfully implementing EITI (Ghana, Mongolia, Nigeria etc) 	July-Dec 2010	<p>Workshop on training and capacity building for ZEC and ZEITI Secretariat at Chisamba 28-29 October 2010 (included presentation of EITI experience of Liberia)</p> <p>PARTIALLY COMPLETED</p>
3h	<p>Outreach and informational activities</p> <ul style="list-style-type: none"> Discussions on TV and local radio, press releases, newspaper articles and website Workshops in rural areas Production of information brochures etc 	July-Dec 2010	<p>Communications Strategy Consultant to be contracted after February 2011; schedule of radio programmes in Feb-March 2011 has commenced</p> <p>INCOMPLETE</p> <p>See Grid Indicator No. 6</p>

Numerous elements of the planned programme of capacity building and training are incomplete. It is recognized that many elements of the programme have been suppressed (e.g. international study tour) or combined in response to budget constraints.

Stakeholder views

A number of CSOs, including both members of the ZEC and some outside the ZEC, expressed specific concern that the legal and/or regulatory framework had not yet been amended to define a clear and mandatory obligation for companies to report for the purposes of the EITI process.

Discussion with the ST, chairman of the ZEC, and with staff of the MFNP, established their view that any confidentiality clauses or special arrangements between Government and mining companies, previously existing under Development Agreements (as allowed for under the 1995 Minerals Act) and which might lead to lack of transparency, had been removed by specific clauses (clauses 159 - 161) in the Mines & Minerals Development Act 2008. We note that Clause 161 makes specific provision that the Minister of Mines & Minerals Development may make regulations for better carrying out the provisions of the Act, including provision for inspection of books and documents.

Discussions with members of the ZEC have identified that an obstacle for the efficient implementation of the EITI process is that the EITI Secretariat is under-resourced in terms of secretarial and administrative support. Additional support would free up executive staff for efficient follow-up and promotion of EITI programmes and would ensure adequate documentation and filing.

Validator's Evaluation

Zambia has successfully produced and published its first EITI report, which is evidence that any impediments which might exist have been overcome for this exercise. The report, however, contains significant unresolved differences and to be assured of the reasons for these – absence of necessary supporting documentation, clarification of differences between supporting documentation and amounts reported on the templates (see Reconciliation report page 30) – there is further work to be done to conclude the reconciliation fully.

The lack of clarity over future funding (see section 3.20) and the absence of progress over legislation requested by the ZEC are unresolved matters which may become obstacles to the continuing implementation of EITI on a timely basis on account of uncertainty over the financial and legal framework for the future.

The ZEC has now approved the recommendations made in the legal review it commissioned, leaving the Government to take action in this area.

Various activities associated with capacity building have not been started or completed, and these will need to be undertaken so that the stakeholders can participate more fully on an informed basis in the implementation of EITI in Zambia.

This Indicator has not been met.

3.9 Grid indicator 9: Have reporting templates been agreed?

Purpose: Reporting templates are central to the process of disclosure and reconciliation, and the production of the final EITI Report. The templates will define which revenue streams are included in company and government disclosures. The templates will need to be agreed by the multi-stakeholder group. The EITI Criteria require that “all material oil, gas and mining payments to government and all material revenues received by governments from oil, gas and mining companies” are published. EITI templates will therefore need to be defined by agreement of the multi-stakeholder group what these material payments and revenues comprise, and what constitutes “material”. It will also be necessary for the multi-stakeholder group to define the time periods covered by reporting. A revenue stream is material if its omission or misstatement could materially affect the final EITI Report. It is commonly recognised that the following revenue streams should be included:

- Host government’s production entitlement;
- National state owned company production entitlement;
- Profits taxes;
- Royalties;
- Dividends;
- Bonuses (such as signature, discovery, production);
- Licence fees, rental fees, entry fees and other considerations for licences and/or concessions;
- Profit oil;
- Other significant benefits to government as agreed by the multi-stakeholder group.

Evidence: To give this indicator a tick, the Validator will need to see evidence that the multi-stakeholder group was consulted in the development of the templates, that wider constituencies had the opportunity to comment, and that the multi-stakeholder group agreed the final templates. This could include the following evidence:

- Draft templates provided to the multi-stakeholder group;
- Multi-stakeholder group minutes of template discussions;
- Communications to wider stakeholders (e.g. companies) regarding the design of the templates;
- Arrangement to enable stakeholders to understand the issues involved;
- A statement by the multi-stakeholder group that they agreed the templates, including all revenue streams to be included.

Progress to date

The minutes of the meeting of the ZEC on 4th June 2009 record that reporting templates were considered and approved. The ZEC again considered the templates at its meeting on 20th January 2010 and amended the flows to be included.

The content for the first EITI Report was discussed at a meeting of the ZEC on 21st May 2010 and it was agreed that the report should

- contain production figures for each company
- be produced on a disaggregated basis
- include social payments as an appendix
- cover all large scale mining companies and gemstone mining companies with material payments, based on information to be provided by the ZRA

The ZEC considered the templates again at its meeting on 24th November 2010 and approved the amended version presented to the meeting.

The templates were discussed at a workshop held at Chingola on 26th November 2010 attended by 7 companies, 5 local councils, 3 CSOs, MMMD and ZRA and the Reconciler and a timetable for completion and return to the Reconciler was agreed. The Secretariat incorporated the amendments to the templates agreed at this workshop and these became the final version, completed by companies and government for the EITI reconciliation. At its meeting on 17th December, the ZEC noted that the Secretariat had been empowered to make these changes, and gave its formal approval to the template format.

The status of ZCCM-IH was not properly defined for the Reconciliation. ZCCM-IH is owned as to 87.6% by the Government and 12.4% by private investors and it was initially included by ZEC as a government entity. Following representations from ZCCM-IH that the government templates, which it was sent to complete, were inappropriate for its operations, the ZEC decided that it should be treated as a private mining company. ZCCM-IH receives dividends and fees from private companies in the mining sector, which could be viewed as payments to government in view of the majority stakeholding of the government. Following the decision to treat ZCCM-IH as a private company, these payments by companies (and their receipt by ZCCM-IH) were excluded from the Reconciliation.

Stakeholder views

Certain payments were not captured on the templates, particularly PAYE and withholding taxes. Companies generally felt that both should be reported – PAYE as an important contribution from the employment provided by the mining sector, albeit that PAYE itself is a tax collected on behalf of the government, and withholding taxes, as representing large payments from extractive companies to the government. Government agencies viewed PAYE more as a tax paid by employees from various industries, rather than as a contribution specific to the extractive sector, but noted the companies' view; it was agreed that withholding taxes could be included.

Social payments, which had originally been included, were felt to be important by companies, although they agreed with the government's view that if they were to be included, careful thought would be needed to ensure that expenditure included under this heading was properly defined and capable of appropriate examination.

Generally, it was felt by stakeholders that the templates captured most relevant payments, with acceptance that for future exercises the scope could be enlarged.

A number of companies stated that the existence of three versions of the templates had caused some confusion when it came to returning templates to the Reconciler. (The different versions to which they refer arose from amendments coming from the consultation process, which itself was a beneficial process).

Validator's evaluation

There was evidence of much discussion by the ZEC and by stakeholders of the payments to be included, or not included. There was, however, no definition or discussion of materiality recorded in terms of, for example, the value of a payment stream as a proportion of government revenues. The only reference to materiality was to determine that gemstone companies which made payments of royalties exceeding 200 million Kwacha (c\$42,000) in the year were to be included. Other companies were included on the grounds that they held large scale mining licences.

Certain items, for example PAYE and withholding taxes, which appear to be material, were not captured in the first report. Import VAT was included, although it can be offset against VAT on sales and it is not clear whether companies and government reported net or gross figures; there are large differences between reporting entities on this line, which may be due to this lack of clarity.

In common with the mining industry elsewhere in the world, certain operations are sub-contracted and the sub-contractor becomes responsible for payments to government which would otherwise be reported by the extractive companies themselves. Similarly, duty on fuel (not included in the Reconciliation) is commonly paid by third parties upon import of the fuel into Zambia, whereas if an extractive company were to purchase fuel directly, the ZEC might determine that such payments were material in the context of ZEITI.

There was very limited guidance on completion or definitions of payments to be included on the different lines of the templates, which did not assist in obtaining accurate information from respondents.

There has been considerable progress made by Zambia and there was a wide consultation process carried out when defining the payments to be included. Equally, there are potentially significant benefits to government which the ZEC did not take into account and the definition of materiality needs to be re-examined and set by reference to better evidence.

Treating these latter as lessons learned from the first reconciliation (see our recommendations), we consider that this indicator has been met.

3.10 Grid Indicator 10: Is the Multi-Stakeholder Group content with the organisation appointed to reconcile figures?

Purpose: An organisation will need to be appointed to receive the disclosed company and government figures, to reconcile these figures, and to produce the final EITI Report. This organisation is variously known as an administrator, reconciler, or auditor. It is vital that this role is performed by an organisation that is perceived by stakeholders to be credible, trustworthy, and technically capable.

Evidence: To give this indicator a tick, the Validator will need to see evidence that the multi-stakeholder group were content with the organisation appointed to reconcile figures. This could include the following evidence:

- TORs agreed by the multi-stakeholder group;
- Transparent liaison with the EITI secretariat and Board to identify potential validators;
- Agreement by the multi-stakeholder group on the final choice of organisation.

Progress to date

The Terms of Reference (TOR) for the Reconciler were first considered by the ZEC at its meeting on 4th June 2009. The TOR were considered again on 20th January 2010, when the provision that firms bidding for the reconciliation should have no recent prior involvement with extractive companies in Zambia was removed, and again on 21st May 2010, when it was agreed to seek a “no objection” from the World Bank.

It was noted by the ZEC on 13th August that the World Bank had requested that additional companies be added to the shortlist of interested parties since the response did not meet the minimum number required by the Bank.

The minutes of the ZEC meeting on 29th October 2010 record that “the Secretariat reported to ZEC that the independent reconciler had already been appointed”. The previous ZEC minutes (20th September 2010) report that “the deadline to submit Financial and Technical Proposals [for the Reconciliation] was shifted from 1st October to 8th October 2010”. There is no record of any other discussions by the ZEC on the appointment of the Reconciler or of any substantive discussion concerning the qualifications of the candidates or the qualities of their proposals.

At our meeting with the ZEC on 25th February 2011, we asked how the ZEC had been involved in the selection of the Reconciler. The meeting confirmed that the ZEC agreed the appointment of the reconciler, stating that it had been managed by a subcommittee. We were told that the subcommittee had not minuted its discussions.

The selection of PricewaterhouseCoopers was approved by the Ministerial Tender Committee and a “no objection” was given by the World Bank. The Ministry of Justice was consulted for a legal opinion before the contract was signed. We have seen a contract between the MMMD and the Reconciler dated 23rd November 2010, signed by the consultant and by the PS MMMD.

Stakeholder views

Stakeholders consulted all expressed satisfaction with the process for appointment of the Reconciler. At the meeting of the ZEC on 25th February 2011 where we presented our initial findings, we noted that we had seen no evidence of approval of the Reconciler by the ZEC. There was general agreement among those present that the process had been satisfactorily considered by the ZEC, although details of discussions were not provided.

Validator's evaluation

We have noted above the lack of any record of formal consideration of candidates for the reconciliation or approval of the selected Reconciler by the ZEC.

The TOR for the Reconciler require the production of an Inception Report, including commentary on the finalised reporting template, methodology for obtaining the required information from the mining companies, difficulties noted in obtaining required information, the method of validating the data received from the firms, any changes in the Client(sic) and the detailed content and structure of the final report. We received a copy of this report on 15th March 2011. We note that it was issued to the Head of the ZEITI Secretariat on 23rd December 2010 but that there is no record of the ZEC receiving or reviewing the report.

As noted in Section 3.11 (see below), the Reconciliation Report does not include results from, or refer to, four companies included in the TOR for the Reconciler.

In summary, there is no evidence of discussions held by the ZEC over the issues surrounding the selection, suitability and appointment of a Reconciler, nor any record that the ZEC gave approval to the selected Reconciler. Similarly, it is not recorded that the Reconciler's Inception Report was considered by the ZEC or why the companies included in the TOR differ from those included in the Reconciliation Report.

While the ZEC has expressed satisfaction with the choice of the Reconciler, there is no evidence that the process followed involved the ZEC in discussion of important issues surrounding the appointment or how the reconciliation was managed, matters which should be on record in support of the duly informed decisions of the ZEC. There is a need for capacity building in this area (see our recommendations in Section 5.2).

This Indicator has not been met.

3.11 Grid indicator 11: Has the Government ensured all companies will report?

Purpose: The EITI Criteria require that all companies – public (state owned), private, foreign and domestic – report payments to the government, according to agreed templates, to the organisation appointed to reconcile disclosed figures. The government will need to take all reasonable steps to ensure that all companies do report. This might include the use of voluntary agreements, regulation or legislation. It is recognised that there might be good (albeit exceptional) reasons why some companies cannot be made to report in the short term. In this situation, government must demonstrate that they have taken appropriate steps to bring these companies in to the reporting process in the medium term, and that these steps are acceptable to other companies.

Evidence: To give this indicator a tick, the Validator will need to see evidence that the government has done one of the following:

- Introduced/amended legislation making it mandatory that companies report as per the EITI Criteria and the agreed reporting templates;
- Introduced/amended relevant regulations making it mandatory that companies report as per the EITI Criteria and the agreed reporting templates;
- Negotiated agreements (such as Memoranda of Understanding and waiver of confidentiality clauses under production sharing agreements) with all companies to ensure reporting as per the EITI Criteria and the agreed reporting templates;
- Where companies are not participating, the government is taking generally recognised (by other stakeholders) steps to ensure that these companies report by an agreed (with stakeholders) date.

Progress to date

The ZEC recognised in its meeting of 21 May 2010 that in order to achieve an effective response from the mining sector it was necessary to focus the reconciliation process only on large scale mining companies, which should also encompass those gemstone companies generating material revenue payments. At the same time it was recognised that under the current legal framework, there was no provision that made it mandatory for companies, when requested, to supply relevant information to the Reconciler and it was agreed that a clause should be included in the Mines and Minerals Development Act to make it mandatory for all mining companies to provide information to the Reconciler for purposes of producing the EITI Report. The Secretariat reported to the ZEC meeting of 16th July 2010 that MMMD was in process of amending the Act to include a clause making it mandatory for all mining companies to provide information to the Reconciler. To date, no legislation has been passed to put this into effect

A Memorandum of Understanding (MOU) on EITI implementation in Zambia was signed on 27th August 2010 by Government (represented by MMMD), Civil Society (represented by Transparency International Zambia) and Extractive Industry (Chamber of Mines in Zambia appointed as its representative). Under the terms of the MOU, Extractive Industry agrees to “ensure that there is access to information relating to payments made to the Government as revenues from the extractive sector which shall be published as audited accounts.”

The ZEC in its meeting of 24 November 2010 approved a list of companies which were operational in 2008 and which would comprise those for which company returns would be requested. The list included two gemstone mining companies considered to have generated material mineral royalties, by virtue of payments above a level of Kwacha 200 million (approximately \$40,000) in 2008.

The companies which were included in the 2008 reconciliation report were:

Company	Mine/Operation	Mineral
Albidon Zambia Limited	Munali Mine, Mazabuka	Nickel
ZCCM-IH	Not applicable	
Chambeshi Metals Plc	Kalulushi	Copper, Cobalt
Chibuluma Mines Plc	Kalulushi, Lufwanyama	Copper
CNMC - Luanshya Copper Mines Plc	Luanshya	Copper, Cobalt
Grizzly Mining Limited	Kalulushi	Emeralds
Kagem Mining Limited	Kalulushi	Emeralds
Kansanshi Mining Plc	Solwezi	Copper, Cobalt
Konkola Copper Mines Plc	Nchanga, Nampundwe, Chililabombwe, Kitwe	Pyrite, Copper, Cobalt
Lafarge Cement Zambia Plc	Chilanga, Ndola	Limestone
Lumwana Mining Limited	Solwezi	Copper, Cobalt
Maamba Collieries Limited	Maamba Mine, Gwembe District, Southern Province	Coal
Mopani Copper Mines Plc	Mufulira, Kitwe	Copper
Ndola Lime	Ndola	Limestone
NFC Africa Mining Plc	Kalulushi, Chingola	Copper, Cobalt
Sino-Metals Leach Zambia Limited	Chambeshi	Copper

The Chamber of Mines said that many of its members have made public statements of support for the EITI process, either through newspaper advertisements or statements on company websites. Corresponding statements from the non-metals non-Chamber of Mines companies appear not to have been made. All those companies which made themselves available for interview by the Validators, (see Appendix 1) expressed unqualified support for the EITI process.

At the Launch Workshop for Preparation of the EITI Report (Chingola 27 August 2010) the proposed reporting templates, both for Government agencies and the companies, were discussed and distributed. The companies were requested to prepare the returns on payments and revenues for 2008 in accordance with the templates and to return them by 10 October 2010, before appointment of the Reconciler who would prepare the EITI Report.

In the Capacity Building Workshop held in Chingola (26 November 2010) the ZEC Secretariat reported that the templates issued in August had been returned by only three companies (Albidon Zambia Limited, Kagem Mining Limited, Mopani Copper Mines Plc). In this workshop it was announced that the Independent

Reconciler (PWC) had been appointed on 22 November 2010. A meeting between ZEC members and the Reconciler was held on 26 November 2010 in the context of the workshop, in which an amendment to the reporting template was agreed. These amendments primarily related to the inclusion of ZCCM-IH in the reporting process. In summary:

- The template was modified to identify that payments to ZCCM-IH as a shareholder in many of the reporting enterprises should not be considered a direct payment to a Government agency
- ZCCM-IH would be treated as an extractive industry company (agreed in ZEC Council meeting of 17 December 2010) and included on the list of companies to submit returns

Revision of the reporting template for companies was finally agreed with ZEC on 29 November 2010. The templates were despatched to extractive companies on 3 December 2010 with a covering letter from the PS MMMD (MMMD/101/13/8) requesting returns to be submitted by a deadline of 15 December 2010. The Reconciler reports that by the deadline only three company returns had been received although by the end of the reconciliation exercise deadline of 19 January 2011, all but two companies had submitted compliant returns. The Reconciler notes that some delays in response were due to confusion experienced by the companies with respect to the need to respond on the revised template as opposed to the earlier reporting template.

The Reconciler reported that two companies failed to submit returns. CNMC-Luanshya Copper Mines Plc are reported to have been unable to submit returns for 2008 because the relevant records referred to previous owners who had not transferred financial information. The return from Grizzly Mining Limited was adjudged non-compliant because the formal return lacked an official signature and stamp of the company

The Terms of Reference for the Reconciler, provided to us by the Reconciler with their contract, contain a list of companies as an attachment. Four of these companies were not included in the Reconciliation Report:-

- i. Bwana Mkuba Mines Limited
- ii. Chambeshi Copper Smelter Limited
- iii. Collum Coal Mines
- iv. Kariba Minerals Limited

We understand that these companies were not included in the Reconciliation because, respectively,

- i. the mine had ceased operations at the time of the reconciliation.
- ii. it is a smelting company which refines copper for other mining companies. It has no mines. The copper it refines is sold by the mining companies themselves.
- iii. it is a holder of a Small Scale Mining Licence and is excluded on that basis. The number of small scale mining licence holders runs into hundreds.
- iv. it is a holder of a Gemstone Mining Licence. It paid less than K200m (two hundred million kwacha) in Mineral Royalty tax and is excluded on that basis

The exclusion of these companies, then, comes from the identification of companies for the TOR and the fact that they appear not to have been amended subsequently, nor was the change noted in the ZEC minutes.

The ZEITI Secretariat and MMMD gave sustained support to the 2008 Reconciliation process to ensure that reporting entities supplied information on a timely basis.

The ZEC told us that it is the intention to increase the coverage in future reports, with the inclusion of holders of large scale licences as they come into production. Small scale mining is said to be “insignificant”, although the basis for an assessment has not been sighted. The inclusion of oil/gas companies as they become liable in

the future to make material payments (e.g. signature bonuses) should also be put in hand, although we understand that there were no payments in 2008, since the process only started in 2009.

Stakeholder views

All stakeholders said that the process of preparing for and producing the 2008 Reconciliation Report had improved relations between the different interest groups and that a good working relationship had been developed. There is widespread support for improving the next report and companies said they would provide further information in the future. One company appeared less willing than the others but on account of the strength of government support for the Initiative had nonetheless complied with the requirements for the 2008 Report.

Validator's evaluation

Much progress has been made and there was clear evidence of strong government support for the Initiative.

The ZEC needs to give further thought to expansion of the scope of future reports, to include a greater number of participants; and government has yet to act upon the ZEC's decision that a legal requirement for companies to participate in EITI reporting should be enacted.

As a company with majority ownership by the government and liabilities and entitlements remaining from the privatisation of the mining industry, ZCCM-IH falls into a class of its own – it is neither government agency nor private company. As such, its status required greater clarification prior to the reconciliation and the ultimate selection of payments and receipts included in the 2008 Reconciliation

Taking the 2008 Reconciliation report as the country's first report, which included all extractive companies in production during the period, with a stated intention to increase coverage in the future (see also our recommendations in section 5.2), and the evidence of strong government support for the 2008 exercise, this Indicator has been met.

3.12 Grid Indicator 12: Has the Government ensured that company reports are based on audited accounts to international standards?

Purpose: The EITI Criteria require that all data disclosed by companies is based on data drawn from accounts which have been audited to international standards. This is a vital component of EITI implementation.

Evidence: To give this indicator a tick, the Validator will need to see evidence that the government has taken steps to ensure that data submitted by companies is audited to international standards. This could include the following:

- Government passes legislation requiring figures to be submitted to international standards;
- Government amends existing audit standards to ensure that they are to international standards, and requires companies to operate to these;
- Government agrees an MoU with all companies whereby companies agree to ensure that submitted figures are to international standards;
- Companies voluntarily commit to submit figures audited to international standards;
- Where companies are not submitting figures audited to international standards, the government has agreed a plan with the company (including sOE) to achieve international standards against a fixed time-line;
- Where figures submitted for reconciliation are not to audited standards, the group is content with the agreed way of addressing this.

Progress to date

The Zambia Institute of Chartered Accountants (ZICA) is responsible under legislation for issuing practising licences to all accountants and auditors operating in Zambia. ZICA is a member of the International Federation of Accountants and has adopted International Standards on Auditing (ISA) as the audit standards to be used in Zambia. The auditing environment in Zambia is thus regulated in such a way as to require the use of ISA when auditing the financial statements of companies operating in Zambia.

There is no legislation requiring data submitted for EITI reconciliations to be audited to international standards, nor is any requirement specified in the MOU signed on behalf of stakeholders.

The TOR require the Reconciler to “facilitate a meeting with the ZEC to discuss the issue of procedure to be followed by the independent reconciler in order to meet EITI Validation Indicators 12 & 13 of the EITI Rules and Validation Guide”. There are no minutes of any such meeting and we understand that this was handled by a subcommittee of the ZEC, although we have not been able to establish its composition. There are no minutes of their discussion, nor of any consideration by the ZEC of issues dealt with in this manner.

The TOR do not require the Reconciler to confirm that the data provided is based on accounts audited to international standards.

The templates approved by the ZEC contain a declaration from companies that the data provided is drawn from accounts audited to international standards. All companies included in the report signed this declaration (one company did not sign, and its return was excluded).

The templates require a statement from the Reconciler concerning their opinion on the template data. For each company included in the reconciliation, PWC reports that they have “examined the foregoing ZEITI reporting of [company name] and tested the extraction of payments data included in the reporting template

and ... report that based on this examination, we have been unable to reconcile the cash-based receipts included in their template with the payments reported by GRZ. We therefore report that the information disclosed in the template does not represent a fair and accurate summary of payments made by GRZ in accordance with the instructions on the template.” There is a similar statement in the templates for the Councils and central Government agencies.

While the Reconciler has confirmed on the templates that they have tested the extraction of the payments data, several companies said that the Reconciler did not contact them to discuss completed templates. Also, the Reconciler told us that they had not visited companies and government departments on account of the time allowed. The Reconciler makes no statement or recommendation on the relationship of the figures to AFS and does not express an opinion of the figures in the Reconciliation Report.

The opinion on the approved templates to be signed by the reconciler is unclear in its meaning and execution. There is no explanation of what the payment data was extracted from (perhaps intended to be accounts audited to international standards), the terminology varies between receipts and payments and the opinion on the company templates has been completed as if the templates were being completed by the GRZ.

The opinion to be signed by the Reconciler on the government templates where they have been properly prepared is identical to that on the company templates, and as such does not make sense (because it refers to payments made to government departments, rather than receipts from companies).

Stakeholder views

Stakeholders were focused on having entities report and on concluding and publishing Zambia’s first report as the primary objective, and the ZEC decided to rely upon the declaration on the templates concerning the status of data reported by the companies.

Validator’s evaluation

The Secretariat has informed us that all companies included in the reconciliation were audited by international audit firms. We requested AFS from all companies participating in the reconciliation but saw only two sets of AFS (albeit for 2007 and 2009 – i.e. outside the period for the reconciliation) from two of the reporting entities. These both contain audit reports declaring that they had been audited to international standards. As noted above, ZICA requires the use of ISA.

However, it is not clear that the ZEITI reconciliation has met the requirement that EITI figures should be based on accounts audited to international standards, in particular the link between an accounting environment which uses ISA for annual financial statements and the need for the cash based EITI returns to reconcile to accruals based financial statements. Companies have declared that this is the case, but the Reconciler has signed each company template to the effect that, based upon an examination of the template information, they were unable to reconcile the figures and that they do not represent a fair and accurate summary.

All companies declared that their EITI templates were based on accounts audited to international standards, but the number of differences remaining unreconciled, comments by the Reconciler and discussions with companies suggest the nature of the exercise was not fully understood.

The ZEITI website states that “Stakeholders agreed that the EITI report is based on 2008 audited accounts”. It is not clear to a user of the site what the basis for this statement is. It would be possible to conclude, wrongly, that the independent reconciliation process had confirmed this, whereas it has not and reliance has been placed solely on declarations by reporting entities.

There are areas where increased comprehension of the technicalities of this reporting requirement are needed. While stakeholders did not overlook the issue of audit of company figures, the focus appears to have been on the audit of financial statements. Greater clarity and more detailed consideration of the relationship of the EITI declarations to those financial statements is required by the ZEC and we include several recommendations relating to this area (section 5.2).

This Indicator has not been met.

3.13 Grid indicator 13: Has the Government ensured that government reports are based on audited accounts to international standards?

Purpose: EITI criteria require that all data disclosed by the government is audited to international standards.

Evidence: To give this indicator a tick, the Validator will need to see evidence that the government has taken steps to ensure that data submitted is audited to international standards. This could include the following:

- Government passes legislation requiring figures to be submitted to international standards;
- Government amends existing audit standards to ensure they are to international standards, and ensures compliance with these;
- Where figures submitted for reconciliation are not to audited standards, the multi-stakeholder group is content with the agreed way of addressing this.

Progress to date

There is no legislation requiring data submitted for EITI reconciliations to be audited to international standards, nor is any requirement specified in the MOU signed on behalf of stakeholders.

The TOR require the Reconciler to “facilitate a meeting with the ZEC to discuss the issue of procedure to be followed by the independent reconciler in order to meet EITI Validation Indicators 12 & 13 of the EITI Rules and Validation Guide”. There are no minutes of any such meeting and we understand that this was handled by a subcommittee of the ZEC. There are no minutes of their discussion, nor of any consideration by the ZEC of issues dealt with in this manner.

With regards to the accounts of the central government agencies included in the exercise - namely the ZRA, MMMD & MFNP – the Secretariat has provided copies of the accounts for these departments for 2008 confirming that they were audited by the Auditor General, who has in turn confirmed that these accounts were audited to international standards. The international standards applied to the audit of the government accounts was not specified by the Auditor General. The Public Audit Act provides that the Auditor General shall determine the scope and extent of the examination or inspection of the accounts of each statutory corporation, public company, Department or private institution which he considers desirable.

With regard to the accounts of local government, the PS MMMD consulted the Auditor General in November 2010. The Auditor General responded on 6th December that she has not reviewed the financial statements of local government and is not able to provide assurance that in 2008 they have been audited to international standards or to the standards of Zambia. A copy of relevant legislation attached to the Auditor General’s letter makes no reference to auditing standards to be applied to the audit of local councils. The TOR do not require the Reconciler to confirm that the data provided is based on accounts audited to international standards and the Reconciler makes no statement or recommendation on this aspect in the Reconciliation Report.

The templates contain a declaration from government agencies that the data provided is drawn from accounts audited to international standards.

Stakeholder views

Stakeholders were focused on having entities report and on concluding and publishing Zambia's first report, as the primary objective and the ZEC decided to rely upon the declaration on the templates concerning the status of data reported by government.

Validator's evaluation

The nature of the standards applied to the audit of government accounts has not been confirmed

Stakeholders appear to have been aware that government figures should have been audited to international standards but as in the preceding indicator, the linkage between audited accounts and EITI reported figures has not been clearly established. Government entities were required to declare that this is the case, but it was not confirmed by the Reconciler. We have seen no definitive evidence that the audit status has been determined and that the implications of such a review have been considered.

This Indicator has not been met.

3.14 Grid Indicator 14: Were all material oil, gas and mining payments by companies to government (“payments”) disclosed to the organisation contracted to reconcile figures and produce the EITI Report?

Progress to date

Certain items, for example PAYE and withholding taxes, which appear to be material, were not captured in the first report. Import VAT was included, although it can be offset against VAT on sales and it is not clear whether companies and government reported net or gross figures; there are large differences between reporting entities on this line, which may be due to this lack of clarity.

In common with the mining industry elsewhere in the world, certain operations are sub-contracted and the sub-contractor becomes responsible for payments to government which would otherwise be reported by the extractive companies themselves. Similarly, duty on fuel (not included in the Reconciliation) is commonly paid by third parties upon import of the fuel into Zambia, whereas if an extractive company were to purchase fuel directly, the ZEC might determine that such payments were material in the context of ZEITI.

The payments to be included were discussed on several occasions by the ZEC, and in consultation with stakeholders in a workshop, and the templates reflect the agreement reached by all parties.

The Reconciliation Report notes that two extractive companies did not submit a reporting template (this is not correct, in that only one company did not submit a template). CNMC, where government reported receipts of 37.7bn Kwacha, did not return a reporting template because the mine was not owned in 2008 by the current owner and the records were not available. Grizzly Mining Limited attended a meeting with us in Kitwe and said that they received templates late, which caused a delay in completing them, but they were returned to the Reconciler. The company declaration was not, however completed and the Reconciler classified them as non-respondent.

The Reconciliation Report reveals that overall companies reported payments totalling 12.3bn Kwacha (0.75% of initially reported government receipts) more than Government reported as receipts, and shows that this net discrepancy comprises material offsetting differences – i.e. within the overall net discrepancy, companies reported 216bn Kwacha (12.5% of initially reported government receipts) more than government, while government reported 204bn Kwacha (11.8% of initially reported government receipts) more than companies. What the Reconciler describes as the absolute discrepancy of 420bn Kwacha (obtained by adding the amounts over reported by companies & over reported by government) is reduced as a result of adjustments to an unresolved (absolute) discrepancy of 246bn Kwacha. It is not possible to see from the report whether the unresolved (absolute) discrepancy arises because of higher government reporting, higher company reporting, or a combination of both.

Discrepancies of this size give rise to uncertainty over whether companies have reported all material payments.

Stakeholder views

Stakeholders are unsurprised by the existence of differences between amounts reported by government and by companies in the country’s first report. There is a view that the existence of differences is evidence of the credibility of the process. All stakeholders accept that the level of the unresolved differences in the published report is not acceptable, but the ZEC chose to publish the figures in their current form to demonstrate the country’s commitment to transparency of process.

Validator's assessment

We commend the ZEC's commitment to transparency in deciding to publish the 2008 Reconciliation report as it stood, and to promote discussion of the differences. It is probable that publication of a report after a more complete reconciliation would lead to more informed debate, but there is complete transparency in the current approach.

The Reconciler notes that the unresolved discrepancies disclosed in the report relate to amounts they could not investigate further and conclude on due to limited supporting documentation and the limited timeframe of the Reconciliation.

We understand that at a meeting on 21st March 2011, the ZEC decided that there will be follow up of the discrepancies by the Auditor General's office. We recommend that the transparency of the process so far is maintained by publication of timescale for this exercise, the TOR given to the Auditor General and the results and outcome of the exercise.

In view of the scale of the unresolved differences in the published report, it is not possible to conclude whether all material payments were disclosed to the Reconciler.

This Indicator has not been met.

3.15 Grid Indicator 15: Were all material oil, gas and mining revenues received by the government (“revenues”) disclosed to the organisation contracted to reconcile figures and produce the EITI Report?

Progress to date

All government agencies and local councils returned the data collection templates to the Reconciler.

ZCCM-IH

The treatment of ZCCM-IH changed during the course of the reconciliation. Initially, ZCCM-IH was first requested by the ZEC to complete the Government templates. ZCCM-IH returned these templates, duly completed, but told the Reconciler that its status as a company quoted on the Lusaka Stock Exchange and participation by private shareholders (who own 12.6% of the company) meant that it was not appropriate for it to report as a government entity.

The ZEC minutes record simply that the Reconciler reported this and suggested removing ZCCM-IH from the list of companies to lessen the complications but that after a lengthy debate, ZEC decided that an exception should be made for ZCCM-IH to be allowed to report as a mining company so that taxes and all other payments could be captured. The Reconciler’s report gives details of options discussed and records the conclusion of the ZEC that the reconciler should treat ZCCM-IH as an extractive company, even though it is not a large scale mining company and does not pay any mineral royalties.

The effect of this decision is that dividends which ZCCM-IH receives from mining companies in Zambia (see section 1.4.2 above) and any price participation fees from mining companies are not included in the EITI reconciliation.

For information, dividends and price participation fees reported by ZCCM-IH (on EITI templates returned to MMMD on 13th October 2010) and by companies (as disclosed in the reconciliation report) were:

<i>Kwacha bn</i>	Dividends	Price Participation fees
ZCCM-IH	30.77	79.72
Companies	15.18	72.6

Due to its corporate structure, ZCCM-IH was not able to pay dividends to its shareholders.

The adjustments made in the Reconciliation Report include the removal of receipts reported by government in respect of the two companies where the Reconciler did not receive or excluded figures. This adjustment serves to reduce the reported difference, but also serves potentially to understate the government receipts.

Stakeholder views

As noted under the previous Indicator, stakeholders view the publication of the 2008 report, albeit with the level of unreconciled differences, as an important achievement.

Validator's assessment

In view of the scale of the unresolved differences, the Reconciler's comments that there was limited supporting documentation and a limited timeframe for the reconciliation and the exclusion of receipts reported by government in respect of two reporting companies, it is not possible to conclude whether all material government receipts were disclosed to the Reconciler.

The treatment of ZCCM-IH was not properly considered by the ZEC in advance of the reconciliation. It appears to be a hybrid entity, in that it both makes payments to government in the same way as a private entity and also receives payments from private companies under arrangements put in place when these businesses were privatised. The decision, arrived at on 17th December 2010 after the initial deadline for receipt of templates, to change it from a government entity to a private sector entity seems to have been pragmatic rather than reasoned through principle.

The question is not whether ZCCM-IH is a government agency or an extractive company. Rather, it will be necessary to consider whether certain cash flows from the sector to ZCCM-IH, for example price participation fees and dividends from extractive companies, constitute receipts by government. We note in this connection the share ownership, and that government officials comprise most of the Board of Directors, giving Government control of the company.

This Indicator has not been met.

3.16 Grid Indicator 16: Was the multi-stakeholder group content that the organisation which was contracted to reconcile the company and government figures did so satisfactorily?

Progress to date

The Reconciler was selected under World Bank procurement procedures and produced a report in accordance with the deadline set by the ZEC. As previously noted, the report records the payments reported by companies and receipts reported by government and sets out the differences remaining unresolved after reconciliation work in the time allowed. The report was accepted by the ZEC.

Stakeholder views

The ZEC is pleased that the first reconciliation report has been produced and made public.

Several companies commented that there had been no communication from the Reconciler after they had returned the data collection templates. Companies also observed that the Reconciler's firm audited some of the major mining companies and were unclear about whether this gave rise to any conflicts of interest and how these had been managed.

Validator's assessment

The level of unresolved differences in the final report is unsatisfactory, although this appears to be a function of the time allowed for the Reconciler to attempt to resolve the differences. We understand that a follow up exercise, using the same consultant as for the EITI Reconciliation, is to be carried out to fully reconcile the differences disclosed in the published report.

The level of engagement of the ZEC in the selection process, the late changes in companies included in the Reconciliation (See 3.11) and the late discussions on ZCCM-IH (see 3.15) suggest that the issues surrounding the Reconciliation were not considered in sufficient depth by the ZEC and there is a need for capacity building amongst members.

The Reconciler recommends that in future, the consultant should physically visit companies and government agencies. We confirmed with the Reconciler that no physical visits were undertaken during the course of preparing the 2008 report. This is understood to be due to pressures of timetable and budget.

There is no comment or recommendation in the Report concerning the relationship between government and company EITI submissions and the audited financial statements of the reporting entities, nor of the auditing standards applied.

There are various areas where in our view, improvements are required to the Reconciliation process in Zambia. We make a number of recommendations about the process for the next Reconciliation report which will serve to strengthen capacity of stakeholders and will enable more informed involvement in this process.

On the grounds that the multi-stakeholder group has expressed clear satisfaction with the first reconciliation and published the results, we conclude that this Indicator has been met.

3.17 Grid Indicator 17: Did the EITI Report identify discrepancies and make recommendations for actions to be taken?

Progress to date

The EITI Report identifies discrepancies between figures initially reported by government and by companies, showing on a disaggregated basis whether there was over/under reporting by government or by companies. Adjustments made as a result of reconciliation are identified, although it is not always clear whether these are adjustments to government or company figures. As a result, it is not possible to see what were the adjusted government receipts or payments by companies.

Stakeholder views

The ZEC approved and published the report during the course of the Validation. As a result, stakeholders outside the ZEC had not had sufficient time to comment on the report.

Validator's assessment

The Reconciler recommends that in future:-

- i. ZEITI should run orientation workshops
- ii. An information pack should accompany the reporting templates
- iii. The reconciler should physically visit companies and government agencies
- iv. Put in place an MOU with stakeholders and legislation
- v. Unresolved discrepancies should be investigated by an appropriate and capable party
- vi. The scope should be re-considered

We note that some of these actions had been taken prior to commencing the 2008 reconciliation. We further recommend strongly that the ZEC should appoint an independent organisation to examine the unresolved differences remaining in the current report. This Indicator has been met.

3.18 Grid indicator 18: Was the EITI Report publicly available in a way that was accessible, comprehensive, and comprehensible?

Purpose: The EITI is ultimately fully implemented when the EITI Report is made public and is widely disseminated and openly discussed by a broad range of stakeholders. The EITI Criteria require that the Report is publicly available in a way that is publicly accessible, comprehensive and comprehensible.

Evidence: To give this indicator a tick, the Validator will need to see evidence that the government has ensured that the Report was made publicly available in ways that are consistent with the EITI Criteria, including by:

- producing paper copies of the Report, which are distributed to a wide range of key stakeholders, including civil society, companies, the media and others;
- making the Report available on-line, and publicising its web location to key stakeholders;
- ensuring that the Report is comprehensive and includes all information gathered as part of the Validation process and all recommendations for improvement;
- ensuring that the Report is comprehensible, including by ensuring that it is written in a clear, accessible style and in appropriate languages;
- ensuring that outreach events – whether organised by government, civil society or companies – are undertaken to spread awareness of the Report.

Progress to date

The 2008 Reconciliation Report was published at a Press Conference in Lusaka attended by over 100 people on 22nd February 2011. Some 150 paper copies of the Report were distributed and the event was addressed by the Minister of Mines, Maxwell Mwale, and the Reconciler and a speech from the Chairman of the ZEC, Secretary to the Treasury Likolo Ndalamei, was read out. The PS to MMMD attended the event with members from the ZEC.

The Report is available online from a recently created website (www.zambiaeiti.org.zm) and has also been reported on other websites, for example allafrica.com, steelguru.com, qfmzambia.com as well as on the Government website www.statehouse.gov.zm and in press comment from Xinhua-news.com on http://www.coastweek.com/xin_180211_03.htm.

A communication strategy has been developed to raise awareness of EITI generally and to identify the most suitable means of communication. We note that the paper outlining the strategy concludes that its success will depend on mobilisation of adequate human and financial resources to implement the actions and the timely disbursement of financial resources.

We have not reviewed the outcome of this strategy due to the proximity of the validation work to the adoption and publication of the Reconciliation report.

Stakeholder views

General awareness about EITI among stakeholders from government, companies and civil society appears to have been limited prior to workshops held in the latter part of 2010 and involvement in preparation of the 2008 Reconciliation Report. The information flow to companies in particular seems to have been sparse on

occasion, with a number of companies saying that they had heard little about EITI in Zambia between the workshop in 2008 and November 2010.

Validator's assessment

The report in its present format is not readily comprehensible to readers not already familiar with the issues and contains no information about how the unresolved differences are to be dealt with.

We are not able to conclude whether this Indicator is met due to the close juxtaposition of the approval of the Report and the validation work.

3.19 Have oil, gas and mining companies supported EITI implementation?

Purpose: In accordance with the EITI Principles and Criteria, all companies operating in the relevant sectors in countries implementing the EITI have to disclose material payments to the government in accordance with agreed reporting templates and to support EITI implementation. This includes: expressing public support for the Initiative; taking part in, or supporting, the multi-stakeholder process; disclosing agreed data, which is audited to international standards; and cooperating with the Validator where they have queries over Company Forms.

Evidence: This indicator does not require the Validator to provide an overall assessment. The Validator should provide a written assessment in the EITI Validation Report based on the self-assessed Company Forms (below) which each company is required to complete. Where companies do not fill in forms, the Validator should note this in the final Report. In addition, the Validator should include in the final report any relevant information on the company concerned that is already in the public domain. The company should be given the opportunity to check this information. As well as using the forms to summarise company performance in the EITI Report, the forms should be publicly available and a table collating company responses should be included in the EITI Report. The Validator should contact all the companies required to fill in forms at the start of the Validation, inform them of the requirement to complete the form and request that the forms be returned to the Validator. In addition, the Validator should ask companies to comment on lessons learnt and best practice. Companies will have two ways of providing such comments:

- companies can use the space provided on the self assessment forms; or
- companies can provide verbal evidence to the Validator where issues the company wishes to note are of a sensitive nature. The Validator will summarise anonymised lessons and experiences in the Validation Report.

The self-assessment form should be filled in, in the first instance by the company, as follows:

Country-level:

- Each oil, gas or mining company active in the country being validated should complete a country-level Company Form as a self-assessment and should submit it to the Validator.
- The national Validator will collate responses and may contact companies if they have additional questions or require further supporting information. Companies should respond positively to such requests.
- Companies should make forms for each country of operation publicly available on their external websites

International level:

- Companies that have made international commitments to support the EITI should fill in an international-level self assessment form.
- The international Company Form should be completed by each company and this should be sent to the EITI secretariat who will put it on the EITI website.
- Companies should also provide clear endorsement of the EITI on their website.

The Chamber of Mines has said that its members have made public statements in support of EITI, by way of newspaper advertisements or on the company website. We have seen copies of advertisements or articles in from the Zambian press in November and December 2010 where companies expressed support for EITI in Zambia.

Company representatives on the ZEC and others whom we met confirmed their willingness to provide funding for ZEITI and the Minister of Mines has agreed that this would have government support.

Self Assessment forms were issued by the ZEITI Secretariat to all companies included in the 2008 Reconciliation process, with a request that the forms should be returned directly to us. We received two forms by email and obtained four further forms when we met with companies on our Validation visit. Six forms were returned by companies to the ZEITI secretariat following our visit, and forwarded to us.

Forms returned by the companies confirm that there is good support for EITI in Zambia and nearly all respond positively to the questions.

Grizzly Mining Limited did not return data collection templates to the Reconciler (see Section 3.14) but met with us in Kitwe to participate in the Validation and completed a form at the meeting. Since the company did not provide compliant data to the Reconciler, questions 3 to 5 draw a negative response. The company states a positive commitment to EITI (question 2), although it has made no public statements to this effect. The GM nevertheless broke her holiday and travelled to meet us in Kitwe.

Three companies include the information that PWC, the firm appointed as Reconciler, were auditors of their company in 2008. This is discussed earlier in Section 3.10.

Sino Metals Leach Limited and Maamba Collieries Limited comment that the company is yet to make a public statement in solidarity to the EITI process.

None of the respondent companies include any comments on EITI or its implementation in Zambia. There is, however, support for future funding of EITI to be provided in part from extractive companies.

A summary of the forms which were sent to and returned by companies included in the 2008 reconciliation shows:

Company	Form Returned	Question (country-level form)					Comments
		1	2	3	4	5	
Albidon Zambia Limited	x						
Chambeshi Metals plc	✓	Yes	Yes	Yes	Yes	Yes	
Chibuluma Mines plc	✓	Yes	Yes	Yes	Yes	Yes	
CNMC - Luanshya Copper Mines	x						
Kagem Mining Limited	✓	Yes	Yes	Yes	Yes	Yes	
Kansanshi Mining plc	✓	Yes	Yes	Yes	Yes	Yes	
Konkola Copper Mines plc	✓	Yes	Yes	Yes	Yes	Yes	
Lafarge Cement Zambia plc	x						
Lumwana Mining Limited	✓	Yes	Yes	Yes	Yes	Yes	PWC were auditors of the company in 2008
Maamba Collieries Limited	✓	No	Yes	Yes	Yes	Yes	PWC were auditors of the company in 2008
Mopani Copper Mines plc	✓	Yes	Yes	Yes	Yes	n-a	
Ndola Lime Limited	✓	No	Yes	Yes	Yes	Yes	
NFC Africa Mining plc	✓	Yes	Yes	Yes	Yes	Yes	
Sino Leach Metals Limited	✓	Yes	Yes	Yes	Yes	Yes	See text
Grizzly Mining Limited	✓	No	Yes	No	n-a	n-a	See text
ZCCM-IH	✓	No reply	Yes	Yes	Yes	Yes	PWC were auditors of the company in 2008

In addition, self assessment forms were sent to 12 companies from the list of operational mining companies provided by the ZEITI Secretariat subsequent to our visit; the companies to which forms were sent were those for which we were able to obtain email contact details (such contact details were generally not available on the list provided). At the date of our report (25th March), none of these companies has responded.

The companies concerned in this second issue of forms are:-

Company
Mkushi Copper Joint Venture Ltd
Copper Zone Resources Ltd
Londoloza Resources Ltd
Gomes Haulage Ltd
Mindolo Ecumenical Foundation
Aktor Minerals and Trading Company
Mukuba Resources Ltd
Mulungushi Corporation Ltd
Asenjo Energy
Chalimbana Resources Ltd
Chirundu Joint Venture
Billiton Development Zambia Ltd
African Rainbow Minerals (ARM)

Further details concerning respondent and non respondent companies, including these companies not included in the 2008 Reconciliation are given in Appendix 2.

3.20 What steps have been taken to act on lessons learnt, address discrepancies and ensure EITI implementation is sustainable?

Purpose: The production and dissemination of an EITI Report is not the end of implementation of the EITI. The value comes from the process as much as the product and it is vital that lessons learnt in implementation are acted upon, that discrepancies identified in the EITI Report are addressed and that EITI implementation is on a stable, sustainable footing.

Evidence: The Validator should see evidence that a review mechanism has been established that takes account of the purpose outlined above. The Validator should comment on this in the Validation Report

As explained elsewhere in this report, the commitment to EITI expressed initially in 2008, and also subsequently, did not translate into activity until mid 2010, when funding from the World Bank became available and the two man EITI Secretariat was appointed. Up to this time, stakeholders had met and held discussions on the reconciliation process and other matters, without the real means of implementation. The EITI Report was approved by the ZEC on 18th February 2011 and published on 22nd February 2011. Our visit took place between 16th and 25th February and it was too early to determine what lessons were being learned and acted upon. We are able to make some comments on the expressed intentions of the ZEC and on matters which need to be addressed in order to ensure that implementation is sustainable.

Contributions from ZEC members individually were thoughtful and without exception positive about the benefits of EITI for relations between government, extractive industry and civil society. The ZEC members expressed pride in their achievements to date and a determination to continue and improve the EITI process in Zambia. This atmosphere bodes well for future development of EITI in Zambia.

We make a number of recommendations concerning continuance and improvement of EITI in Section 5.2, but would wish to highlight certain specific actions, which are required to finalise the initial implementation.

- The unresolved discrepancies remaining in the 2008 Reconciliation should be examined and resolved by a suitable independent person, such as an independent accounting firm
- The results of the resolution exercise should be published widely, comprehensively and comprehensibly
- Lessons learned and recommendations for improvement arising from the Reconciliation and Validation processes should be considered and a plan drawn up for implementation during 2011. Reporting should be brought up to date, taking account of lessons learned

A Work Plan covering 2011 – 2012 at least is required and continuation of funding also needs to be formally put in place to ensure that the EITI implementation is sustainable.

Discussion with ZEC members and the PS MMMD has identified the intent that funding for the implementation of the EITI process beyond the Validation procedure should be from national sources. This is seen as essential to ensuring long-term sustainability. The representatives of the private sector on the ZEC from the Chamber of Mines have confirmed that company stakeholders will provide funding for the continued implementation of EITI.

The draft minutes of the ZEC meeting of 14 February 2011 report that funds for extending EITI activities were indicated as being available from the World Bank managed Multi Donor Trust Fund and that funds from the EU totalling US\$126,000 were available for use to support EITI, subject to Government review and approval. In

the discussion at the ZEC on our initial findings, which raised the issue of the lack of evidence for future funding, the World Bank Representative, Mr G. Raballand, confirmed that funds would be available for continuation of the EITI process from the Multi Donor Trust Fund.

As shown by previous funding delays in Zambia, there is a difference between availability of funding (in principle) and securing funding. At the time of our assessment, evidence of secure funding is lacking. World Bank funding is said to be “in process”, with application pending. Continued government funding is not evidenced. Funding from the private sector is on offer, but the activities for which it is required and their associated costs have not been set out formally for approval by the ZEC.

Three areas of activity are, however, only partially complete and, subject to budget availability, may remain so after submission of the Validation Report:

- Capacity Building and Training programmes, particularly for Civil Society, including the media, and the Mining Companies (Work Plan Items 3c, 3d, 3f, 3g)
- Outreach and Informational programmes (Work Plan Items 3h, 5a-5c)
- Securing funding for sustainability (Work Plan Items 6a-6c).

4 THE VALIDATION GRID

Our assessment of whether the indicators have been met is set out below.

It should be noted that Zambia is deemed to have met the first four indicators at the time it was accepted by the EITI Board as a Candidate Country.

Grid Indicator		Whether Met
SIGN-UP		
i.	Has the Government issued an unequivocal public statement of intention to implement EITI?	✓
ii.	Has the government committed to work with civil society and companies on EITI implementation?	✓
iii.	Has the government appointed a senior individual to lead on EITI implementation?	✓
iv.	Has a fully costed workplan been published and made widely available containing measurable targets, a timetable for implementation and an assessment of capacity constraints (government, private sector and civil society)?	✓
PREPARATION		
v.	Has the government established a multi-stakeholder group to oversee EITI implementation?	✓
vi.	Is civil society engaged in the process?	✓
vii.	Are companies engaged in the process?	✓
viii.	Did the government remove any obstacles to EITI implementation?	X
ix.	Have reporting templates been agreed?	✓
x.	Is the multi-stakeholder committee content with the organisation appointed to reconcile figures?	X
xi.	Has the government ensured that all companies will report?	✓
xii.	Has the government ensured that company reports are based on audited accounts to international standards?	X
xiii.	Has the government ensured that government reports are based on audited accounts to international standards?	X
DISCLOSURE		
xiv.	Were all material oil, gas and mining payments by companies to government ("payments") disclosed to the organisation contracted to reconcile figures and produce the EITI report?	X
xv.	Were all material oil, gas and mining revenues received the by government ("revenues") disclosed to the organisation contracted to reconcile figures and produce the EITI report?	X
xvi.	Was the multi-stakeholder group content that the organisation which was contracted to reconcile the company and government figures did so satisfactorily?	✓
xvii.	Did the EITI report identify discrepancies and make recommendations for actions to be taken?	✓
DISSEMINATION		
xviii.	Was the EITI report made publicly available in a way that was: Publicly accessible; Comprehensive; and Comprehensible?	Unable to conclude

5 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusion of the Validator on EITI implementation in Zambia

Significant and meaningful progress has been made in implementing EITI in Zambia. There has been meaningful dialogue between government, companies in the extractive sector and civil society and the Zambia EITI Council has remained engaged in its objectives.

Delays in release of funding have slowed implementation, resulting in completion of the Reconciliation report over 15 months later than originally planned. Additionally, in seeking to meet the timetable for Validation, the process of reconciliation was compressed to the point that there appears to have been inadequate communication with reporting entities and material unresolved differences, which were not further examined due, in the words of the Reconciler, “the limited timeframe of the Independent Reconciliation”.

In view of the materiality of the differences, it is not possible to conclude whether all material payments and receipts have been reported. The timing of production of the Reconciliation Report, so close to Validation, has meant that we have not been able to examine the communication of the EITI Report. We do not see the Report in its current form as comprehensive or comprehensible and have made recommendations in this area.

Nevertheless, the Government and the ZEC have chosen to publish this report and to promote the transparency aspects of the process, “warts and all”. Provided action is taken promptly to deal with the unresolved differences, and this action is in turn published so that further discussion is properly informed, this is consistent with the intentions of EITI and can only promote further dialogue between interested parties about matters related to the extractive industries in Zambia.

Areas which Zambia needs to address in order to become compliant are:-

- i. Adoption of a costed EITI Work Plan for 2011 – 2013, to include lessons learned
- ii. Securing (as opposed to identifying) funding for the Work Plan
- iii. Prompt investigation of the unresolved differences in the 2008 Reconciliation Report by an independent qualified person, such as the Auditor General
- iv. Publication of the results of the investigation and dissemination of the adjusted figures comprehensively and comprehensibly
- v. Improved scoping and clarification of the receipts / payments to be included in future EITI reconciliations
- vi. Definition of a plan to increase progressively the companies required to report in future EITI reconciliation

5.2 Recommendations for the further implementation of EITI in Zambia

We recognise the real progress made by Zambia in implementing EITI and the enthusiasm and commitment shown by the many stakeholders we were able to meet during our visit. Our assessment of the implementation highlighted a number of areas where further work is required and we set out here a number of observations and recommendations which will assist with the continuance of EITI in Zambia in the future.

1. 2008 RECONCILIATION

- 1.1. The 2008 reconciliation was approved by the ZEC with significant differences remaining unresolved.

We recommend that an independent organisation or person is appointed by the ZEC, with a brief to examine and reconcile the differences shown in the 2008 EITI Report.

We also recommend that the exercise should take account of the EITI requirement that the template data is based on accounts audited to international standards (see sections 3.12 and 3.13 for comment on the existing 2008 reconciliation).

This exercise should be commenced promptly and concluded fully and quickly under a defined timetable, since it is necessary both to conclude the 2008 EITI Reconciliation satisfactorily and also to provide a proper understanding of the issues underlying discrepancies. Such an understanding will be necessary for the production of satisfactory EITI reports into the future.

- 1.2. The results of the follow up exercise should be disseminated by the ZEC widely, comprehensively and comprehensibly.
- 1.3. The ZEC should examine the lessons learned from the 2008 Reconciliation and the follow up exercise and take them into account in planning the 2009 and following EITI reconciliations.
- 1.4. We identified several areas in section 3.12 above relating to the 2008 Reconciliation exercise where improvements should be considered, including
- 1.4.1. There should be adequate capacity within the ZEC membership to be able to ensure that the technical aspects of reconciliation – e.g. relationship of template data to AFS, application of international auditing standards to data, inclusion of these requirements in the TOR for the reconciler, drafting of the opinion to be signed by the Reconciler
 - 1.4.2. The TOR, template instructions and templates themselves should be clear about how the data is derived from accounts audited to international standards, for companies, central government and local government

2. SUSTAINABILITY

- 2.1. The EITI Work Plan approved on 21st March 2011 has no substantive activity planned for 2012⁵.

A Work Plan for the period 2011 to 2012, at least, or preferably to 2013, setting out the tasks to be undertaken, their timing and estimated cost (shown for each year of the plan) and measurable targets should be prepared.

⁵ Subsequent to our visit, we have been provided with a revised work plan for 2010 – 2012, dated 11th March 2011. We have not reviewed this plan, other than to note that many of the activities are assigned no detailed timetable, other being scheduled to take place between mid 2010 and mid 2012. Our comments above on measurable targets, timing and funding remain.

- 2.2. Funding for each year should be identified, showing
 - the provider of the funding,
 - the amount to be provided
 - the status of the funding (not yet applied for, applied for awaiting approval, approved, received)

- 2.3. Many stakeholders commented on the need for further capacity building and we have included these comments and our observations throughout the report. Various activities had been identified in the previous Work Plan but have not yet been carried out. Areas which should be considered include:
 - training in EITI objectives for senior company and financial management
 - training for government and companies in completion of data collection templates
 - ZEITI Secretariat training
 - education of media journalists in EITI
 - sharing of experience of other countries in implementation of EITI for ZEC members and Secretariat

We recommend that the Work Plan includes a properly funded capacity building programme and that the ZEC monitors the delivery of the programme.

- 2.4. The Work Plan should be published and made widely available at least annually.

- 2.5. The ZEC should consider publishing minutes, or a resume, of its meetings.

3. SCOPE OF EITI REPORTING

- 3.1. Future EITI reporting should take account of lessons learned from previous reconciliations carried out in Zambia, and good practice from other countries.

- 3.2. There were various payments by companies originally considered for inclusion in the scope for the 2008 EITI reconciliation, for example social payments made by companies, which were not incorporated in the final exercise.

There were payments which some stakeholders expressed a desire to have included in the EITI reconciliation, for example withholding taxes and PAYE, which were not included. The financial materiality of such payments has not been examined but they are said to be not small amounts. The status of Import VAT, which can be offset against output VAT, as a gross payment may mean that receipts by government are overstated.

There are other payments made through or by third parties, for example fuel duty and payments to subcontractors, whose status within the ZEITI implementation requires further consideration by the ZEC.

We recommend that the ZEC carries out a scoping exercise to examine the receipts by government and payments by companies which should be included in future EITI reconciliations. This should include examination of the materiality of the different receipts / payments.

We suggest that the ZEC may wish to consider an incremental approach to inclusion of further receipts and payments, in order to manage the process more effectively, but we recommend that if this approach is adopted, the strategy for increasing the scope is clearly defined at the initial stages.

- 3.3. The ZEC should review the range of companies to be included in future EITI reconciliations. This review would need to take account of the results of the exercise to determine the material receipts and payments (2.2 above) but should also take account of the development of the oil/gas industry and might also reflect an interest in increasing the involvement of small scale mining in EITI.

- 3.4. The status of ZCCM-IH and the flows associated with this (majority) government owned company should be re-considered.

4. EITI REPORTING – OTHER MATTERS

- 4.1. The application of ISA to the financial statements of extractive companies in Zambia (mining, oil, gas) of all sizes should be examined by the ZEC and a timetabled process introduced for provision of data under EITI reporting so that such data is based on AFS audited under ISA.
- 4.2. The application of ISA to the accounts of government – both central and local – should be examined and a timetabled process introduced for provision of data under EITI reporting so that such data is based on AFS audited under ISA.
- 4.3. The production of the country's first EITI report is an achievement. For the future, however, production of an EITI Reconciliation Report more than two years after the end of the year to which it relates would be inadequate.

We recommend that the 2009 report is started as soon as the scoping exercises have been carried out and the lessons learned from the 2008 Report have been examined. The 2009 report should be available no later than December 2011, which defines the timetable under which the scoping and consideration of lessons learned must be undertaken.

- 4.4. There should be clear instructions issued with the data collection templates for future reconciliations, covering the use of the cash basis, currency of reporting, and so on.

5. ZEC REPRESENTATION

- 5.1. The process by which the Chamber of Mines was chosen to fill all posts allocated to the extractive sector on the ZEC has not been explained to us and we have described areas in our report where it is not clear that communication to all companies has been effective. We note that of the 16 companies included in the reconciliation, 7 were not members of the Chamber. There has been discussion about including representation for small scale mining on the ZEC and this would have greater significance if the scope of EITI reporting were to be enlarged. Equally, if the oil/gas industry is included as exploration increases, consideration would be required as to how it should be represented

Equally, CSO participants expressed the view that their representation is numerically reduced by the position reserved for the House of Chiefs. And we note that a representative from this last constituency has not attended for some time.

We were also made aware that government is considering including the Minister for Local Government on the ZEC, in view of the inclusion of payments to that sector.

In making these observations, we are not in any way suggesting that the operation of the ZEC has been to the disadvantage of any constituency, nor has this been said to us by any stakeholder. We also comment that representation of the different constituencies does not have to numerically equal (see Grid Indicator 5).

We recommend that as part of an ongoing process to continue EITI, there is consideration of whether it is appropriate to retain the same composition for the ZEC for the future.

6. ZEC PROCEDURES

- 6.1. The TOR⁶ of the ZEC require that its composition should be approved by the Cabinet. We have not seen any evidence that such approval has been sought or obtained.

We recommend that following the review of the composition of the ZEC recommended in 5.1 immediately above, formal approval should be obtained from the Cabinet.

- 6.2. Concern has been expressed by ZEC members that the Chairman of the Council has not regularly attended its meetings.

It is important that the senior leading figure should participate actively in ZEC meetings and we recommend that the government should ensure that this is possible.

- 6.3. The TOR of the ZEC are insufficiently detailed and do not include the requirement to consider certain mandatory aspects of EITI, for example endorsing the Country Work plan, approving the selection of the Reconciler and so on.

We recommend that the TOR are reviewed and re-drawn as necessary and after approval by the ZEC, that they are incorporated into the MOU between the parties on the ZEC.

We believe the current provision requiring approval of the composition of the ZEC by Cabinet should be retained, as evidencing the Government's commitment to the Council and providing a formal standing for the body.

- 6.4. We noted that records of ZEC meetings do not appear to record fully discussions held by the ZEC. Also, that there are not signed copies of minutes retained by the Secretariat. It is important that meetings and decisions of the ZEC are properly and formally minuted, especially since it is a voluntarily constituted body. We recommend that the Secretariat should ensure that minutes of ZEC meetings, and where applicable meetings of sub-committees, are fully maintained and promptly and regularly authorised.

7. OTHER MATTERS

- 7.1. The ZEITI Secretariat currently comprises 2 full time staff, with additional informal support from the MMMD. The current staff has experienced considerable pressure due particularly to the demands from reconciliation, validation, implementation of communication strategies, etc.

We recommend that the resourcing of the Secretariat be reviewed in the light of the workload set out in the Work Plan for 2011 – 2013 (see recommendation 2.1 above).

- 7.2. We have noted in our report that the ZEC has decided that legislative support is required for EITI in Zambia. The legal review undertaken recently should be carefully considered by the ZEC and any consequent recommendations from the ZEC should be fully discussed with them by government.

- 7.3. The MMMD and other government websites should contain information about the government's commitment to EITI and links to the ZEITI website for further information.

⁶ We have been provided with new TOR for the ZEC, approved on 21st March 2011. We have not reviewed these new TOR, but note that the requirement for approval by cabinet has been removed. The basis and authority for this change has not been clarified. Our comments in 6.1, 6.2, 6.3 (relating to the MOU) and 6.4 remain.

APPENDIX 1 – LIST OF RESPONDENTS

Person Interviewed	Organisation
Mr Siforiano Banda	Head, ZEITI Secretariat
Mr Kaonga Mazaba	Administration Officer, ZEITI Secretariat
Dr Godwin Beene	Permanent Secretary , Ministry of Mines & Minerals Development
Mr Kalungu Sampa*	Transparency International Zambia; Vice-Chairman ZEC
Mr Gael Raballand	Senior Economist, World Bank
Mr Alan Whitworth	Economic Advisor, Department for International Development
Mr Jan Isaksen	Counsellor (Country Economist), Royal Norwegian Embassy
Mr Gilbert Chinyama Kalyundu	Financial Quality Controller, Royal Norwegian Embassy
Ms Fuvya Nyirongo	Programme Officer, Caritas Zambia; Coordinator Publish What You Pay - Zambia Chapter
Mr Savior Mwambwa	Executive Director, Centre for Trade Policy and Development
Mr Edward Nkula	Secretary, Centre for Trade Policy and Development, Economics Association of Zambia
Mr Mooya Lumamba	Director, Mines Safety Department, Kitwe
Dr Sixtus C. Mulenga*	Chief Executive Officer, Tranter Zambia Ltd
Mr Emmanuel B. Mutati	Chief Executive Officer, Mopani Copper Mines plc
Mr Andrew J. Schanknecht	Chief Financial Officer, Mopani Copper Mines plc
Mr Frederick Bantubonse*	General Manager, Chamber of Mines of Zambia
Mr Oswell B. Munyenembe*	General Secretary, Mineworkers Union of Zambia
Mr Jevson Phiri	Assistant Director LTO, Domestic Taxes, Kitwe office, Zambia Revenue Authority
Mr Alick Hara	Kansanshi Mining plc
Mr Mwango Malaika	NFC Africa Mining plc
Mr Jackson Sikamo	Chibuluma Mines plc
Mr Thandwe Nglazi	Kitwe and District Chamber of Commerce & Industry (ZACCI)
Mr Eddie Kapungulya	Kitwe and District Chamber of Commerce & Industry (ZACCI)
Mr Vinod Bhandawat	Chief Finance Officer, Konkola Resources
Ms Caroline Sampa	General Manager, Grizzly Mining Ltd
Mr Charles Mulila	Development Education Community Project, Mufulira
Mr Pascal Bwalya	Zambia Council for Social Development, Provincial Liaison Office, Kitwe
Mr W.C. Manda	Mine Manager, Ndola Lime Company Ltd
Mr Talent Ngandwe*	Environment Chair of National Governing Council MISA – Zambia Chapter
Ms Mwaka Ndlovu*	Assistant State Advocate, Ministry of Justice
Dr Francis Chipimo*	Assistant Director, Economics Department, Bank of Zambia
Dr Neo Simantanyi*	Executive Director, Centre for Policy Dialogue
Ms Priscilla Banda	Director, LTO, Lusaka Office, Zambia Revenue Authority
Mr Anthony Weber*	Assistant General Manager, Albidon Zambia Ltd
Mrs Doris Nyangu*	Director (HRA), Ministry of Mines & Mineral Development

Mr Likolo Ndalamei*	Secretary to the Treasury; Ministry of Finance & National Planning; Chairman of ZEC
Mr Mukuli S. Chikuba	Chief Economist, Ministry of Finance & National Planning
Mr Nitesh Patel	Director, PricewaterhouseCoopers Ltd
Mr Sean Seymour-Dowd	PricewaterhouseCoopers Ltd
Mr Chewe	Director of Mines, Ministry of Mines & Mineral Development
Mr Nathan Chishimba*	President, Chamber of Mines
Rev Susan Matala	Council of Churches of Zambia (telephone interview)
Mr Hugh Carruthers*	Exploration Manager, First Quantum Mining & Operations Ltd
Mr Perry Mapani	Finance Manager, ZCCM Investment Holdings plc
Mr Mwiza Mbewe	Investments Manager, ZCCM Investment Holdings plc

- Member of ZEC

APPENDIX 2 – COMPANY SELF ASSESSMENT QUESTIONNAIRES

Company self assessment questionnaires were returned by the companies listed below and are included on the following pages.

- Chambishi Metals plc
- Chibuluma Mines plc
- Grizzly Mining Limited
- Kagem Mining Limited
- Kansanshi Mining plc
- Konkola Copper Mines plc
- Lumwana Mining Limited
- Mopani Copper Mines plc
- Ndola Lime Limited
- NFC Africa Mining plc
- Sino Leach Metals Limited
- ZCCM-IH plc

EITI COMPANY SELF-ASSESSMENT FORM COUNTRY-LEVEL

COMPANY: *Chambishi Metals Plc* COUNTRY: *Zambia*

Mark indicators below with a ✓

1. Has the company made public statements in support of the EITI process in this country?
 Yes No
2. Has the company committed to support and cooperate with implementation of the Country EITI Work Plan (as agreed by the multi-stakeholder group), including abiding by government EITI-related directives (e.g. laws and MOUs) and, where appropriate, meeting with stakeholders?
 Yes No
3. Have all material payments been disclosed to the organisation contracted to reconcile figures and produce the EITI Report as per agreed EITI reporting templates and pursuant to agreed timelines?
 Yes No
4. Was the data that was submitted to the organisation contracted to reconcile figures and produce the EITI Report taken from accounts (independently audited to international standards)?
 Yes No
5. Has the company responded to queries from the organisation contracted to reconcile figures and produce the EITI Report to assist in the reconciliation of country payments with government receipts in accordance with EITI reporting templates?
 Yes No

Narrative opinions

If any indicators above are marked "No", please provide an explanation:

Any other comments:

CHAMBISHI METALS Plc
Reg. No. M1157
P.O. Box 27151

TEL: 744555 FAX: 744555

EITI COMPANY SELF-ASSESSMENT FORM COUNTRY-LEVEL

COMPANY: CHIBULUMA MINES PLC COUNTRY: ZAMBIA

Mark indicators below with a ✓


1. Has the company made public statements in support of the EITI process in this country?
 Yes No
2. Has the company committed to support and cooperate with implementation of the Country EITI Work Plan (as agreed by the multi-stakeholder group), including abiding by government EITI-related directives (e.g.laws and MoUs) and, where appropriate, meeting with stakeholders?
 Yes No
3. Have all material payments been disclosed to the organisation contracted to reconcile figures and produce the EITI Report as per agreed EITI reporting templates and pursuant to agreed timelines?
 Yes No
4. Was the data that was submitted to the organisation contracted to reconcile figures and produce the EITI Report taken from accounts independently audited to international standards?
 Yes No
5. Has the company responded to queries from the organisation contracted to reconcile figures and produce the EITI Report to assist in the reconciliation of country payments with government receipts in accordance with EITI reporting templates?
 Yes No

Narrative opinions

If any indicators above are marked "No", please provide an explanation:

Any other comments:

28 EITI RULES


CHIEF FINANCIAL OFFICER
COMPANY SEAL
CHIBULUMA MINES PLC 23/2/2011
P.O.BOX 260499
KALULUSHI - ZAMBIA

EITI COMPANY SELF-ASSESSMENT FORM COUNTRY-LEVEL

GRIZZLY MINING LTD.

COMPANY: ~~ZAMBIA~~

COUNTRY: ZAMBIA

Mark indicators below with a ✓

- 1. Has the company made public statements in support of the EITI process in this country?
 Yes No ✓
- 2. Has the company committed to support and cooperate with implementation of the Country EITI Work Plan (as agreed by the multi-stakeholder group), including abiding by government EITI-related directives (e.g.laws and MoUs) and, where appropriate, meeting with stakeholders?
 Yes No
- 3. Have all material payments been disclosed to the organisation contracted to reconcile figures and produce the EITI Report as per agreed EITI reporting templates and pursuant to agreed timelines?
 Yes No
- 4. Was the data that was submitted to the organisation contracted to reconcile figures and produce the EITI Report taken from accounts independently audited to international standards?
 Yes No N/A
- 5. Has the company responded to queries from the organisation contracted to reconcile figures and produce the EITI Report to assist in the reconciliation of country payments with government receipts in accordance with EITI reporting templates?
 Yes No N/A

Narrative opinions

If any indicators above are marked "No", please provide an explanation:

We have not yet become an eiti supporting company. However we are committed to supporting the initiative

Any other comments:

Information is already in public domain as reports are already submitted to MSD and Ministry of Mines.

We have no problem in providing the required information.

28 EITI RULES

[Signature]
GENERAL MANAGER.

EITI COMPANY SELF-ASSESSMENT FORM COUNTRY-LEVEL

COMPANY: KAGEIA MINING LTD COUNTRY: ZAMBIA

Mark indicators below with a ✓

1. Has the company made public statements in support of the EITI process in this country?
 Yes No
2. Has the company committed to support and cooperate with implementation of the Country EITI Work Plan (as agreed by the multi-stakeholder group), including abiding by government EITI-related directives (e.g. laws and MoUs) and, where appropriate, meeting with stakeholders?
 Yes No
3. Have all material payments been disclosed to the organisation contracted to reconcile figures and produce the EITI Report as per agreed EITI reporting templates and pursuant to agreed timelines?
 Yes No
4. Was the data that was submitted to the organisation contracted to reconcile figures and produce the EITI Report taken from accounts independently audited to international standards?
 Yes No
5. Has the company responded to queries from the organisation contracted to reconcile figures and produce the EITI Report to assist in the reconciliation of country payments with government receipts in accordance with EITI reporting templates?
 Yes No

Narrative opinions

If any indicators above are marked "No", please provide an explanation:

Any other comments:

J BANTUBONISE
FINANCIAL CONTROLLER



EITI COMPANY SELF-ASSESSMENT FORM COUNTRY-LEVEL

COMPANY: KANSANSHI MINING PLC COUNTRY: ZAMBIA

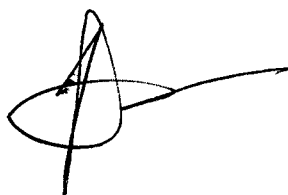
Mark indicators below with a ✓

- 1. Has the company made public statements in support of the EITI process in this country?
 Yes No
- 2. Has the company committed to support and cooperate with implementation of the Country EITI Work Plan (as agreed by the multi-stakeholder group), including abiding by government EITI-related directives (e.g.laws and MoUs) and, where appropriate, meeting with stakeholders?
 Yes No
- 3. Have all material payments been disclosed to the organisation contracted to reconcile figures and produce the EITI Report as per agreed EITI reporting templates and pursuant to agreed timelines?
 Yes No
- 4. Was the data that was submitted to the organisation contracted to reconcile figures and produce the EITI Report taken from accounts independently audited to international standards?
 Yes No
- 5. Has the company responded to queries from the organisation contracted to reconcile figures and produce the EITI Report to assist in the reconciliation of country payments with government receipts in accordance with EITI reporting templates?
 Yes No

Narrative opinions

If any indicators above are marked "No", please provide an explanation:

Any other comments:





9 February 2011

Hart Group
The Old Coach House,
Southern Road, Thame,
Oxfordshire OX9 2ED,
England

Attention: David Quinn

Dear Sir,

EITI COMPANY SELF-ASSESSMENT FORM COUNTRY-LEVEL

COMPANY:

KONKOLA COPPER MINES PLC

COUNTRY:

ZAMBIA

Mark indicators below with a ✓

1. Has the company made public statements in support of the EITI process in this country?
 Yes No
2. Has the company committed to support and cooperate with implementation of the Country EITI Work Plan (as agreed by the multi-stakeholder group), including abiding by government EITI-related directives (e.g. laws and MoUs) and, where appropriate, meeting with stakeholders?
 Yes No
3. Have all material payments been disclosed to the organization contracted to reconcile figures and produce the EITI Report as per agreed EITI reporting templates and pursuant to agreed timelines?
 Yes No
4. Was the data that was submitted to the organization contracted to reconcile figures and produce the EITI Report taken from accounts independently audited to international standards?
 Yes No
5. Has the company responded to queries from the organization contracted to reconcile figures and produce the EITI Report to assist in the reconciliation of country payments with government receipts in accordance with EITI reporting templates?
 Yes No

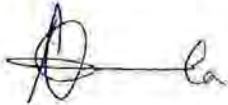
Private Bag KCM (C) 2000 Fern Avenue, Chingola, Zambia
Tel: +260 2 350200, Fax: 260 2 351357
Incorporated in the Republic of Zambia. Reg. 43526

Narrative opinions

If any indicators above are marked "No", please provide an explanation:

Any other comments:

Completed by *VICTOR MUSA BULWA*



For and on behalf of Konkola Copper Mines Plc

THE VALIDATION GUIDE

EITI COMPANY SELF-ASSESSMENT FORM COUNTRY-LEVEL

COMPANY: LUMWANA MINING LTD COUNTRY: ZAMBIA

Mark indicators below with a ✓

1. Has the company made public statements in support of the EITI process in this country?
 Yes No
2. Has the company committed to support and cooperate with implementation of the Country EITI Work Plan (as agreed by the multi-stakeholder group), including abiding by government EITI-related directives (e.g. laws and MoUs) and, where appropriate, meeting with stakeholders?
 Yes No
3. Have all material payments been disclosed to the organisation contracted to reconcile figures and produce the EITI Report as per agreed EITI reporting templates and pursuant to agreed timelines?
 Yes No
4. Was the data that was submitted to the organisation contracted to reconcile figures and produce the EITI Report taken from accounts independently audited to international standards?
 Yes No
5. Has the company responded to queries from the organisation contracted to reconcile figures and produce the EITI Report to assist in the reconciliation of country payments with government receipts in accordance with EITI reporting templates?
 Yes No

Narrative opinions

If any indicators above are marked "No", please provide an explanation:

Any other comments:

Our Auditors in 2008 were Pricewaterhouse
Coopers.

Nathan Christensen
NATHAN CHRISTENSEN
18-03-2011

EITI COMPANY SELF-ASSESSMENT FORM COUNTRY-LEVEL

COMPANY:

COUNTRY:

Mark indicators below with a ✓

1. Has the company made public statements in support of the EITI process in this country?

Yes No

2. Has the company committed to support and cooperate with implementation of the Country EITI Work Plan (as agreed by the multi-stakeholder group), including abiding by government EITI-related directives (e.g. laws and MoUs) and, where appropriate, meeting with stakeholders?

Yes No

3. Have all material payments been disclosed to the organisation contracted to reconcile figures and produce the EITI Report as per agreed EITI reporting templates and pursuant to agreed timelines?

Yes No

4. Was the data that was submitted to the organisation contracted to reconcile figures and produce the EITI Report taken from accounts independently audited to international standards?

Yes No

5. Has the company responded to queries from the organisation contracted to reconcile figures and produce the EITI Report to assist in the reconciliation of country payments with government receipts in accordance with EITI reporting templates?

Yes No

N/A.

Narrative opinions

If any indicators above are marked "No", please provide an explanation:

(Empty box with a diagonal line)

Any other comments:

(Empty box with a diagonal line)

28 EITI RULES

(Handwritten signature)
A. Schanknerd - CFO
Meyani Copper Mines PLC
21/2/2011

EITI COMPANY SELF-ASSESSMENT FORM COUNTRY-LEVEL

COMPANY: *NFC AFRICA MINING PLC* COUNTRY: *ZAMBIA*

Mark indicators below with a ✓

1. Has the company made public statements in support of the EITI process in this country?
 Yes No
2. Has the company committed to support and cooperate with implementation of the Country EITI Work Plan (as agreed by the multi-stakeholder group), including abiding by government EITI-related directives (e.g.laws and MoUs) and, where appropriate, meeting with stakeholders?
 Yes No
3. Have all material payments been disclosed to the organisation contracted to reconcile figures and produce the EITI Report as per agreed EITI reporting templates and pursuant to agreed timelines?
 Yes No
4. Was the data that was submitted to the organisation contracted to reconcile figures and produce the EITI Report taken from accounts independently audited to international standards?
 Yes No
5. Has the company responded to queries from the organisation contracted to reconcile figures and produce the EITI Report to assist in the reconciliation of country payments with government receipts in accordance with EITI reporting templates?
 Yes No

Narrative opinions

If any indicators above are marked "No", please provide an explanation:

Any other comments:

[Signature]
22/01/2011

EITI COMPANY SELF ASSESSMENT FORM COUNTRY-LEVEL

COMPANY: SINO-METALS LEACH (Z) LTD COUNTRY: ZAMBIA

Mark indicators below with a ✓

- 1. Has the company made public statements in support of the EITI process in this country?
 Yes No
- 2. Has the company committed to support and cooperate with implementation of the Country EITI Work Plan (as agreed by the multi-stakeholder group), including abiding by government EITI-related directives (e.g. laws and MoUs) and, where appropriate, meeting with stakeholders?
 Yes No
- 3. Have all material payments been disclosed to the organisation contracted to reconcile figures and produce the EITI Report as per agreed EITI reporting templates and pursuant to agreed timelines?
 Yes No
- 4. Was the data that was submitted to the organisation contracted to reconcile figures and produce the EITI Report taken from accounts independently audited to international standards?
 Yes No
- 5. Has the company responded to queries from the organisation contracted to reconcile figures and produce the EITI Report to assist in the reconciliation of country payments with government receipts in accordance with EITI reporting templates?
 Yes No

Narrative opinions

If any indicators above are marked "No", please provide an explanation:

1. The Company is yet to make a public statement in solidarity to the EITI process.

Any other comments:

3. Some supporting documents could not be retrieved during the submission period as they were achieved. However, efforts to get all the documents required to support the Company's payments to governments in the review are being made.

THE VALIDATION GUIDE

EITI COMPANY SELF-ASSESSMENT FORM COUNTRY-LEVEL

COMPANY: ZCCM INVESTMENTS HOLDINGS PLC

COUNTRY: ZAMBIA

Mark indicators below with a ✓


1. Has the company made public statements in support of the EITI process in this country?
 Yes No
2. Has the company committed to support and cooperate with implementation of the Country EITI Work Plan (as agreed by the multi-stakeholder group), including abiding by government EITI-related directives (e.g.laws and MoUs) and, where appropriate, meeting with stakeholders?
 Yes No
3. Have all material payments been disclosed to the organisation contracted to reconcile figures and produce the EITI Report as per agreed EITI reporting templates and pursuant to agreed timelines?
 Yes No
4. Was the data that was submitted to the organisation contracted to reconcile figures and produce the EITI Report taken from accounts independently audited to international standards?
 Yes No
5. Has the company responded to queries from the organisation contracted to reconcile figures and produce the EITI Report to assist in the reconciliation of country payments with government receipts in accordance with EITI reporting templates?
 Yes No

Narrative opinions

If any indicators above are marked "No", please provide an explanation:

Any other comments:

The bank and auditors in 2008


18/03/2011

PERCY MADANI
FINANCE MANAGER

APPENDIX 3 – COMPANIES INCLUDED IN THE 2008 RECONCILIATION

Company	Mine/Operation	Mineral
Albidon Zambia Limited	Munali Mine, Mazabuka	Nickel
ZCCM-IH	Not applicable	
Chambeshi Metals Plc	Kalulushi	Copper, Cobalt
Chibuluma Mines Plc	Kalulushi, Lufwanyama	Copper
CNMC - Luanshya Copper Mines Plc	Luanshya	Copper, Cobalt
Grizzly Mining Limited	Kalulushi	Emeralds
Kagem Mining Limited	Kalulushi	Emeralds
Kansanshi Mining Plc	Solwezi	Copper, Cobalt
Konkola Copper Mines Plc	Nchanga, Nampundwe, Chililabombwe, Kitwe	Pyrite, Copper, Cobalt
Lafarge Cement Zambia Plc	Chilanga, Ndola	Limestone
Lumwana Mining Limited	Solwezi	Copper, Cobalt
Maamba Collieries Limited	Maamba Mine, Gwembe District, Southern Province	Coal
Mopani Copper Mines Plc	Mufulira, Kitwe	Copper
Ndola Lime	Ndola	Limestone
NFC Africa Mining Plc	Kalulushi, Chingola	Copper, Cobalt
Sino-Metals Leach Zambia Limited	Chambeshi	Copper

The following companies were included in the TOR for the Reconciler provided to us by the Reconciler, but were not included in the final Reconciliation report (see section 3.10).

Bwana Mkuba Mines Limited
Chambeshi Copper Smelter Limited
Collum Coal Mines
Kariba Minerals Limited

APPENDIX 4 - WORK PLAN 2010 - 2012

Zambia Extractive Industry Transparency Initiative (EITI) Implementation Schedule For 2010-2012

REVISED

Prepared by:

ZAMBIA EITI Secretariat

Under the Supervision of:

MOMMD: Permanent Secretary

2010-2012 Schedule for Implementation of EITI in Zambia

Objective: To implement Extractive Industries Transparency Initiative (EITI) in effective and efficient manner through building up organization, structure, knowledge, skills and capacity of participants.

MARCH, 2011

Goals	Action(s) Needed	Timeframe	Responsible Party	Indicative Cost (USD)	Performance indicator	Expected Output/Outcome	Status
OBJECTIVE TWO: PREPARATION							
2c. Establish and operate EITI Secretariat Office with full-time permanent staff	- Agree ToRs for Secretariat staff - Recruit and appoint secretariat coordinator	July 2010 – June 2012	ZEC EITI Secretariat	\$140,000.00 (cost includes one years wages for staff) (GRZ \$24,000 MDTF \$116,000)	- Staff recruited	Coordination and Secretarial support for the ZEC	DONE Head EITI Sec, AO EITI Sec recruited and started work on 07.07.10.
	Setting up proper working environment: Office equipment – 2 Laptops, 2 Computers, 2 Printers, 1 Copier, 1 fax machine, internet services, etc	July- Dec 2011	MoMMD ZEC EITI Secretariat	\$40,000.00 (GRZ funding)	- Office space located	Strengthening Secretariat to effectively manage EITI implementation	DONE Offices situated on 14 th Floor New Government Complex LUSAKA
	Man Training and Induction into EITI	June 2011 - Dec 2011	ZEC EITI Secretariat Consultant	\$25,000 (MDTF funding)	EITI Sec inducted Consultant inducted	Capacity building for Secretariat staff to understand and effectively manage EITI implementation	On-going
Goals	Action(s) Needed	Timeframe	Responsible Party	Indicative Cost (USD)	Performance indicator	Expected Output/Outcome	Status
OBJECTIVE THREE: REMOVE OBSTACLES TO IMPLEMENTATION OF EITI/CAPACITY BUILDING							

Goals	Action(s) Needed	Timeframe	Responsible Party	Indicative Cost (USD)	Performance indicator	Expected Output/Outcome	Status
OBJECTIVE FOUR: PREPARATION AND COMPLETION OF THE RECONCILIATION REPORT							
3c. Capacity building and training for Civil Society in EITI monitoring	<ul style="list-style-type: none"> - Training session on specific issues of interest, informational sessions - Assist Civil Society to identify specialist training courses and possible sources of funding to participate. • Contract international specialists to deliver focus groups and training sessions on extractive industries related issues. 	July 2010 – Dec 2011	ZEC EITI Secretariat Consultant	\$8,000.00 (GRZ)	Training sessions for civil society in EITI monitoring	<ul style="list-style-type: none"> - Better understanding of EITI and mining sector operations by CSOs ; - CSOs also run their own programs in this regard. - Build confidence in the CSOs - Support CSOs to better understand and interpret extractive industries related issues. 	NOT YET DONE
3d. Capacity building and training for Mining Companies involved in EITI implementation	<ul style="list-style-type: none"> - Workshop and training session on specific issues of interest and information - information and discussion within industry in relation to EITI 	July 2010 – Dec 2011	ZEC EITI SEC Consultant	\$8,000.00 (GRZ)	Workshops and training sessions for mining companies involved in EITI implementation	Better understanding of EITI issues in the industry	NOT YET DONE
3e. Capacity building and training for government agencies related to EITI oversight and management	Lectures workshops and training session for civil servants, members of parliament etc.	July 2010 – Dec 2011	ZEC EITI SEC Consultant	\$8,000.00 (GRZ)	Workshops and training sessions for Govt. agencies	Better understanding of EITI and mining sector issues and operations by government.	NOT YET DONE
3f. Capacity Building and training for economic correspondents and reporters of media	<ul style="list-style-type: none"> • Workshop and training session on specific issues of interest, informational sessions, etc. • Information and discussion among media in relation to EITI. 	July 2010– Dec 2011	ZEC EITI Secretariat Consultant	\$8,000.00 (GRZ)	Workshops and training sessions for Economic correspondents and Reporters undertaken	Better understanding of EITI and mining sector by the media leading to enhanced quality of information dissemination	NOT YET DONE

3g. Capacity Building for Multi-stakeholder group – Zambia EITI Council	Organize study tour to countries successfully implementing EITI (Ghana, Mongolia, Nigeria etc.)	July 2010– Dec 2011	ZEC EITI Secretariat	\$20,000.00 (GRZ)	Foreign and local Study tours for ZEC undertaken	Assist in effective implementation of EITI from other participating countries	NOT YET DONE
3h. Outreach and informational activities By communications Consultant	<ul style="list-style-type: none"> - Discussions on TV and local radio stations, press release/newspaper articles, web site - Workshops in rural areas - Production of information brochures, articles, etc. 	February 2011 – May 2011	ZEC EITI Secretariat Consultant	\$20,000.00 (MDTF)	Media outreach implemented Workshops undertaken Brochures produced	Information on the mining sector more accessible and widely available in the country. Increased knowledge amongst general public	ON-GOING Communications Consultant engaged NOT YET DONE NOT YET DONE
4a. Develop reporting template for EITI report	<ul style="list-style-type: none"> - Discuss and agree on the design of the reporting template for the EITI report - Determine the data collection and reporting mechanism for government and mining companies 	April - July 2010	ZEC EITI Secretariat Consultant	Costs embedded in ZEC/EITI secretariat	Templates Developed	Reporting template established and in use for EITI report	DONE Templates prepared

4b. Determine level of materiality	Discuss and agree level of materiality that will determine which companies will be involved in the EITI	May – July 2010	ZEC EITI Secretariat Consultant	Costs embedded in ZEC/secretariat costs	Selection criteria agreed	Ensure that all mining companies that contribute significantly to national economy are captured	DONE List of all mining and Gemstone companies with material payments.
4c. Determine and agree the level of aggregation /disaggregation	Discuss and agree the level of aggregation/disaggregation to be included in the reports that appropriately protects commercially sensitive information on both extractive industry payments and government receipts.	July - Aug 2010	ZEC EITI Secretariat Consultant	Costs embedded in ZEC/secretariat costs	Level of aggregation/disaggregation discussed and agreed	Agree level of aggregation/disaggregation	DONE Agreed to use disaggregated data in reports
4d. Appoint Independent Reconciler for 2008 Report	- Determine and prepare ToRs for carrying out the independent audit -Prepare tender/bidding documents	July 2010	ZEC EITI Secretariat	Costs embedded in ZEC/EITI secretariat	ToRs prepared Tender/bidding documents prepared	Set Terms of reference for EITI. Appointment of Reconciler	DONE Preliminary (expression of interest) evaluation done on 9 th July 2010. F&T Assessment to be done in August 2010 DONE
	Appoint Selection Committee	July 2010	ZEC EITI Secretariat	Costs embedded in ZEC/EITI secretariat	Appoint selection committee		DONE
	Selection and Award of Service Contract to independent reconciler	August 2010	ZEC EITI Secretariat	\$78,000.00 (MDTF)	Contract awarded		NOT YET DONE Expected to be completed in August 2010

4e. Companies and Ministry of Finance to produce reports on corporate taxes and fees paid to and received by each party respectively	Each company and Ministry of Finance to report in accordance with agreed reporting template and submit said reports to EITI Reconciler	April-Dec 2011	Reconciler Ministry of Finance Participating Mining Companies	Costs to be borne by each participating party	Reports agreed and submitted to EITI reconciler	Enables EITI Reconciler/ Auditor prepare compliance report	NOT YET DONE
4f. EITI compliance report completed by Independent Firm and submitted to ZEC.	- Reconciler collects and analyses processes, payments and revenue data for Zambia as defined by the Terms of Reference of the ZEC - Reconciler/Auditor submits the compliance report to ZEC for acceptance or rejection	November 2010	Reconciler ZEC EITI SEC.	Costs embedded in reconciliation fee	Report produced and submitted to ZEC	Compliance report adopted by ZEC	NOT YET DONE
4g. Appoint Independent Reconciler for 2009 Report	- Determine and prepare ToRs for carrying out the independent audit -Prepare tender/bidding documents	July 2011	ZEC EITI Secretariat	Costs embedded in ZEC/EITI secretariat	ToRs prepared Tender/bidding documents prepared	Set Terms of reference for EITI. Appointment of Reconciler	
	Appoint Selection Committee	July 2011	ZEC EITI Secretariat	Costs embedded in ZEC/EITI secretariat	Appoint selection committee		NOT YET DONE
	Selection and Award of Service Contract to independent reconciler	August 2011	ZEC EITI Secretariat	\$50,000.00 (MDTF) \$50,000.00 (EU Funding)			NOT YET DONE Expected to be completed in October 2011

Goals	Action(s) Needed	Timeframe	Responsible Party	Indicative Cost (USD)	Performance indicator	Expected Output/Outcome	Status
OBJECTIVE FIVE: PUBLICATION AND DISSEMINATION RECONCILIATION REPORT							
5a. Publish and disseminate EITI Reconciliation Report	<ul style="list-style-type: none"> - EITI report posted on EITI web sites; - EITI report highlighted widely in local media (e.g., popular version of the report, via newspaper articles, on local radio in local languages - Develop a wider dissemination strategy for the EITI report (e.g., informational sessions or workshops in the urban and rural areas to explain the findings of the EITI report, etc.) 	February- July 2011	ZEC EITI Secretariat	\$30,000.00 (GRZ)	Reconciliation report produced	EITI report publicly available and widely disseminated	NOT YET DONE
5b. Public Workshop to discuss the EITI Reconciliation Report.	Organize stakeholder workshop for experts to discuss report	March 2011 - July 2011	ZEC EITI Secretariat	\$20,000.00 (GRZ Funding)	Workshop for stakeholders undertaken	- Transparency and accountability of EITI report and process to key stakeholders	NOT YET DONE
5c. Zambia EITI Handbook published	<ul style="list-style-type: none"> -Agree the contents of the handbook -preparation and publication and distribution of Zambia EITI handbook 	March-May 2011	ZEC EITI Secretariat	\$15,000.00 (GRZ Funding)	EITI hand book published	<ul style="list-style-type: none"> -EITI handbook publicly available and widely disseminated -Documents, EITI process and guides future work plans -Increase public knowledge and oversight on the process 	NOT YET DONE

5d. Engaging civil society to discuss the EITI reconciliation Reports		April - May 2011	ZEC EITI Secretariat	\$8,000.00 (MDTF)			NOT YET DONE
5e. Community awareness campaign on EITI		April - May 2011	ZEC EITI Secretariat	\$10,000(EU Funding)			NOT YET DONE
5f.Appointment of Communications consultant		February - May 2011	ZEITI Secretariat Consultant	\$66,000 (EU Funding)			Contract signed

Goals	Action(s) Needed	Timeframe	Responsible Party	Indicative Cost (USD)	Performance indicator	Expected Output/Outcome	Status
OBJECTIVE SIX: SUSUTAINABILITY AND CONTINUED IMPLEMENTATION OF EITI							
6a. Undertake activities to continue implementation of EITI and stabilization of EITI	Develop costed annual work plan for 2011	Nov – Dec 2010	ZEC EITI Secretariat	Costs embedded in ZEC/EITI secretariat	Work plan for 2011 produced	Continued implementation and stabilization of EITI	NOT YET DONE
6b. Obtain support from Government (long term) and donors on implementation of EITI	- Make proposal for grant funding to EITI Multi-Donor Trust Fund (MDTF) to support EITI implementation - Develop projects and submit requests to govt.	Nov – Dec 2010	ZEC EITI Secretariat	Costs embedded in ZEC/EITI secretariat	Proposal for grant funding to EITI MDTF prepared	Obtain government and donor support for EITI implementation	NOT YET DONE
6c. Follow-up on the EITI recommendations for improvement issued by the reconciler	Follow-up actions to be determined following recommendations in EITI report	ongoing	ZEC EITI Secretariat	\$15,000.00 (GRZ)	Follow-up actions undertaken	To ensure that steps are taken to act on lessons learnt, address discrepancies and ensure EITI implementation is sustainable	NOT YET DONE

Goals	Action(s) Needed	Timeframe	Responsible Party	Indicative Cost (USD)	Performance indicator	Expected Output/Outcome	Status
OBJECTIVE SEVEN : VALIDATION OF EITI IN ZAMBIA							
7a. EITI Validation	-Determine and prepare ToRs for validation -Prepare bidding/tender documents	July – November 2010	MMMD ZEC EITI Secretariat	Costs embedded in ZEC/EITI secretariat	ToRs prepared Prepare Bidding/tender documents	Validation report submitted to ZEC, Government and International EITI Board and agreed/rejected	DONE DONE
	Appoint Selection Committee	December 2010		Costs embedded in ZEC/EITI secretariat	Selection committee appointed		DONE
	Selection and Award of Service Contract to Validator	January 2011		\$80,000.00 (GRZ Funding)	Contract awarded	Compliance status attained	DONE
7b. Publication and dissemination of EITI Validation Report	EITI validation report posted on Government, EITI, and other websites and highlighted in local media	April 2011	ZEC EITI Secretariat	\$30,000.00 (GRZ Funding)	Validation report produced and disseminated	Validation report publicly available and disseminated	NOT YET DONE
TOTAL COST:				\$ 764,000			

NOTE: THE GOVERNMENT OF REPUBLIC OF ZAMBIA (GRZ) FUNDING IS INCREASED FROM THE INITIAL \$175,000 TO \$316,000 FOR THE PERIOD 2010 TO 2012

APPENDIX 5 – ZCCM-IH SHAREHOLDINGS

The history of the mining industry and the emergence of ZCCM-IH is described briefly in Section 1.4 above.

ZCCM-IH is owned as to 87.6% by GRZ and 12.4% by private investors and its shares are quoted on the Lusaka Stock Exchange. The company owns shares in various mining companies in Zambia, mainly dating from the privatisation process and also invests in non mining ventures. The latest AFS (y/e 31st December 2007) show holdings in:-

Ndola Lime Company Limited	100%
Konkola Copper Mines plc	20.6%
Kansanshi Mining plc	20%
Copperbelt Energy Corporation plc	20%
Chibuluma Mines plc	15%
NFC Africa Mining plc	15%
Luanshya Copper Mines plc	15%
Chambeshi Metals plc	10%
Mopani Copper Mines plc	10%
Equinox Minerals Limited (Lumwana Copper Project)	4.4%