



## **ZAMBIA EITI ANNUAL ACTIVITY REPORT FOR 2014**

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Prepared by the Zambia EITI Secretariat

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## Foreword

Zambia EITI carried out several activities in implementing EITI in 2014. However, I would like to focus on one particular milestone which was outstanding in Zambia's history of implementing EITI. This milestone was the production of two (2) reports at the same time using one consultant. This action enabled Zambia to reduce the time lag of producing EITI reports from two (2) years to one (1) year. The usage of one consultant to produce two (2) reports also resulted in the reduction of the cost of producing EITI reports by about 25%. Furthermore, the above mentioned milestone was unique for Zambia because the EITI standard was used for the first time. In this regard, I strongly feel that I should share this achievement with other EITI implementing countries.

The above mentioned milestone was achieved with support of the mining companies and government agencies in providing the requested data on time and following the EITI standard. The office of the Auditor General also contributed to this achievement as it audited the 2013 financial data earlier for government agencies covered by EITI to enable them provide data to EITI in time for the two reports. Last, but not least, the above mentioned milestone was made possible with the available funds from the Government of Zambia and from donors. I have taken time to discuss our 2012 and 2013 reports because I want to share our experience with other EITI implementing countries in making EITI reports up to date and useful for policy makers and other users. I emphasize on this achievement because I realise that it is still a challenge for most EITI implementing countries to reduce the time lag in producing these reports.

Best wishes.

Siforiano S. Banda

**Head – Zambia EITI Secretariat**

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## ABBREVIATIONS

B.O.	Beneficial Ownership
C.I.F	Cost Insurance and Freight
EITI	Extractive Industries Transparency Initiative
EU	European Union
FQML	First Quantum
GRZ	Government Republic of Zambia
IT	Information Technology
MSG	Multi-Stakeholder Group
PS	Permanent Secretary
ST	Secretary to the Treasury
ZAMINEX	Zambia Mining and Engineering Exposition
ZCCM-IH	Zambia Consolidated Copper Mines – Investment Holdings
ZEC	Zambia Extractive Industries Transparency Initiative Council
ZEITI	Zambia Extractive Industries Transparency Initiative
ZIMEC	Zambia International Mining and Energy Conference and Exhibition

## 1. INTRODUCTION

The Zambia EITI Implementation process has progressed well since joining the EITI as a candidate country in May 2009. Zambia has so far produced six reports covering the period 2008 to 2013. The latest report for 2013 was produced a year earlier than the required deadline by the EITI standard of December 2015 in order to address concerns from various stakeholders on the outdated information contained in our reports. The Zambia EITI secretariat has also made a number of strides in its operations in an effort to improve efficiency.

## 2. OBJECTIVE 1: MOVE TOWARDS FULL ADOPTION OF EITI STANDARD BY END OF 2014

### 2.1 The Production of 2012 and 2013 Zambia EITI Reports

In order to address the issues of outdated reports and delays in procurement of consultants, ZEITI decided to engage one consultant to produce both the 2012 and 2013 EITI reports. Moore Stephen LLP a firm based in the United Kingdom was contracted as Independent Administrator as they had an established track record of producing quality EITIs not only for Zambia but across the globe.



*Picture: A workshop with the mining companies underway in Kitwe*

ZEITI managed to also gather information on beneficial ownership of extractive companies and made improvements in the reconciliation of mineral production data.

## **2.2 Establish and Maintain the Zambia EITI Database to Expedite Future Reporting Under EITI**

In an effort to address the quality of reporting, ZEITI Undertook a learning visit to Democratic Republic of Congo, a country that has successfully implemented the real time data base reporting. So far ZEITI has contracted ZAMENT, a locally based IT company to develop the ZEITI Database. The Database is expected to be completed in the second quarter of 2015 and will be launched officially by top government officials.

## **2.3 Enact Zambia EITI Bill as Law**

The Ministry of Finance as well as the African Development Bank observed that there was a need of a policy on EITI before embarking on enactment of the EITI law contrary to sentiments from other wings of government that said the Mineral Resource Development Policy adequately addressed EITI.

ZEITI has since engaged all the relevant stakeholders in order to reach an agreement on the matter. Cabinet Office is yet to convene a meeting of all stakeholders in order to conclude on the matter.

*To expand the Zambia EITI scope to include discussion of non-revenue issues & other initiatives to increase revenue transparency within Zambia*

The ZEITI has not yet embarked on venturing into other non-mining sectors but has instead focused on the need to fulfill the requirements of the EITI standard which include non-revenue issues such as beneficial ownership.

## **3. OBJECTIVE 2: TO CONTRIBUTE TOWARDS ENHANCED ACCOUNTABILITY AND TRANSPARENCY IN THE MANAGEMENT OF REVENUE COLLECTED FROM THE EXTRACTIVE INDUSTRIES.**

### **3.1 Engage with the Relevant Government Institutions to Ensure the Policy is Enacted/Passed**

As mentioned above ZEITI has engaged all the key stakeholders in order to address the issue of the EITI policy to support the EITI Law.

## 4. OBJECTIVE 3: TO CREATE PUBLIC AWARENESS OF EITI IMPLEMENTATION IN ZAMBIA

### 4.1 Enhance Public Awareness of EITI in Zambia

In order to enhance public awareness of EITI in Zambia, ZEITI embarked on a countywide dissemination of the EITI reports. We targeted all the provincial centres so as to engage all relevant stakeholders including the mining communities and the general public. ZEITI conducted community meetings in 10 provinces to discuss revenue and non-revenue issues affecting communities in areas where extractive industries are located.

ZEITI conducted television, radio and print-based discussions on the findings of the 2011 reconciliation report. The 2012 and 2013 Reconciliation reports were extensively published in the both private and state newspapers. In addition, we produced branding materials such as t-shirts, caps and pens for the Zambia EITI to be used during the community engagements and dissemination of the Reconciliation reports



*Picture: A Zambia EITI dissemination workshop underway in Livingstone*

Unfortunately, in the year under review Zambia lost its sitting President in October 2014 and this necessitated the need for the country to go for a bye election in accordance with the constitution on 22<sup>nd</sup> January, 2015. Therefore, after launching the 2012 and 2013 Reconciliation reports on 22<sup>nd</sup> December 2014 the reports were only posted on the Zambia EITI website as well as the international EITI website as we could not embark on a nationwide dissemination during an election campaign period.



#### 4.2 Re-launch Quarterly ZEITI Newsletter for Publication on ZEITI Website and in Printed Format

ZEITI is yet to re-launch the quarterly newsletter which will mainly be available online to all EITI stakeholder and EITI mailing lists. However, the ZEITI Secretariat is a regular contributor to the CSO-EITI Newsletter which is published by a consortium of Civil Society Organisations working in the extractive sector.

### 5. ASSESSMENT OF PERFORMANCE AGAINST TARGETS

ACTIVITY	PROGRESS
Revenue Management and expenditure	<p>All tax revenues for the Government of Zambia are collected by the Zambia Revenue Authority (ZRA) on behalf of the Ministry of Finance. The revenues are deposited in the general account (Control 99) at Bank of Zambia. This account contains all tax revenues from all the sectors of the economy including the mining sector.</p> <p>The Ministry of Finance allocates the revenue from control 99 in the national budget to all sectors of the economy, including districts and provinces. The revenue from extractive industry is not ring-fenced and therefore the allocation in the budget does not distinguish the sources of the revenue by tax source. The payment of property rates and business annual fees paid by mining companies are directly paid by mining companies to local councils located in mining areas.</p> <p>The non-tax revenue paid by mining companies to government agencies such as Ministries of Mines and Lands is paid directly to these agencies but the revenue in turn is sent to Ministry of Finance and deposited in control 99.</p>
Transportation Payments	

	<p>Nearly all the products produced by Mining Companies (Minerals) are exported. Since Zambia is landlocked, the transportation of minerals involves both land and marine transport.</p> <p>The land transport involves railway and road transport to the sea. The cost of transportation is paid by individual Mining Companies to the railway, road and marine transport companies up to the final destination of the products. The cost of transportation of mineral products includes Cost Insurance and Freight (C.I.F).</p>
Discretionary Social Expenditure	<p>In the year 2014, the Zambia EITI produced two reports at the same time and these are the 2012 and 2013 reports. For the 2012 report, mining companies declared a total of ZMW 218,233,357 in social payments and for the 2013 report, mining companies declared a total of ZMW 177,024,788 in social payments.</p>
Adhoc sub-national transfers	<p>The Ministry of Finance through the national budget allocates and transfers funds to districts and provinces. This budget also includes revenue from the mining sector. For the 2012, and 2013 reports the Government received a total of ZMW 7,790,186,144 and ZMW 8,015,594,511 revenue respectively from the mining companies.</p>
Beneficial Ownership	<p>Information on Beneficial Ownership (B.O.) was collected for the 2012 and 2013 reports which were produced at the same time in accordance with the new EITI Standard. After privatization of the mining sector, the Government of Zambia held some shares in some mining companies through ZCCM-IH a</p>

	<p>publicly listed company. The 2012 and 2013 reports show the percentage of ownership of Government shares in the privatized and the reports also show shares sold. However, the information provided by the 2012 and 2013 reports on Beneficial Ownership was not comprehensive and it needs to be improved. In this regard, Zambia EITI in consultation with the International EITI Secretariat decided to engage a consultant collect more information on Beneficial Ownership in the mining sector in Zambia.</p>
<p>Disclosure of Contract</p>	<p>Contracts between the Government and Mining Companies in the form of Development Agreement were introduced when the Mining sector was privatized in early 2000. However these agreements were revoked in 2008. Therefore, at the moment there are no development agreements between the Government and individual Mining Companies. What is available are Mining licenses issued to all mining companies. The incentives provided in these licenses are applicable to all mining companies.</p>

**6. OVERVIEW OF THE MULTI-STAKEHOLDERS GROUPS RESPONSES TO THE RECOMMENDATIONS FROM RECONCILIATION AND VALIDATION REPORTS, IF APPLICABLE.**

The Zambia EITI Council (ZEC) has taken action on most of the recommendations made by reconciliation reports and validation report. This has been underscored by Zambia being declared EITI compliant in 2012 by the EITI Board because Zambia implemented most of the recommendations made by reconciliation reports and the validation report. Although, action

has been taken on most recommendations however in some cases the intended objective has not been achieved or has not been fully addressed as follows:

- Not all external auditors of mining companies certify templates.
- The EITI Bill is not yet passed. However consultations are still going on. EITI and other stakeholders have held meetings with some MPs to sensitize them about the need for the EITI Bill
- Electronic EITI reporting system has not yet been achieved. However, Zambia EITI has engaged a consultant to facilitate the filling of templates on-line by mining companies and government agencies.
- The challenge of mineral production figures is still being addressed. The Government has put in place a Mineral Value Chain monitoring Project under the Zambia Revenue Authority (ZRA) to address the problem.
- The challenge of meeting EITI reporting deadlines has been addressed by reducing the EITI reporting time lag from 2 years to 1 year.

## 7. RECOMMENDATIONS OF EITI VALIDATION AND RECONCILIATION REPORTS FOR 2008, 2009, 2010 AND 2011 RECONCILIATION REPORTS.

The Information on the action taken on the recommendations of the Validation Report and Reconciliation Reports (2008, 2009, 2010 and 2011) was given in the 2013 Annual Activity Report. However, the sharing of Mineral royalty tax revenue between Central Government and local councils in mining areas is currently not being done.

It should be noted that Zambia EITI has managed to reduce the time-lag for producing EITI reports from 2 years to 1 year to make the reports up to date. This was done by producing the 2012 and 2013 reports at the same in 2014.

## 8. ON-GOING ACTIVITIES CONDUCTED BY THE ZAMBIA EITI SECRETARIAT IN 2014

ACTIVITY	TARGETS ACHIEVED
Efficient functioning of the ZEITI Secretariat	During the year under review, the ZEITI managed to get financial and technical support for the production of the 2012 and 2013 ZEITI reports. The reports were launched in December 2014.

	<p>In terms of staffing, the ZEITI still continued relying on seconded staff from the government for the position of Project Secretary and driver. The Project Secretary has been withdrawn by the government. In view of this, the MSG decided to employ a full time Project Secretary and also develop a structured internship programme for project support officers who will assist at the ZEITI Secretariat. The staff establishment for full time staff remained the same (four members of staff)</p>
<p>Capacity building for stakeholders, ZEC and Secretariat</p>	<p>During the year under review, the ZEITI organized a retreat for the ZEC members from the civil society sector. The main objective of the retreat was to discuss how the civil society can improve its engagement in the EITI process. The civil society organisations that attended the workshop pledged to continue working closely with the ZEITI Secretariat to support the implementation of the EITI in Zambia.</p>
<p>Dissemination of 2012 and 2013 ZEITI Reconciliation Report</p>	<p>The dissemination of the 2012 and 2013 ZEITI reports has commenced. Already two provinces have been tackled. These are Solwezi and Kitwe. The dissemination of the reports will be conducted in all the ten provinces.</p> <p>The ZEITI will conduct a series of television and radio discussion programmes. The programmes will be aired in the second quarter of 2015. The recording of these programmes has already commenced. All stakeholders are required to actively participate in the programmes. In addition,</p>

	<p>radio programmes will also include a local language segment of recorded materials from the dissemination workshops.</p> <p>The ZEITI will also publish the 2012 and 2013 EITI reports in newspapers and magazines. The procurement process has now commenced. We also gladly note that the First Quantum Minerals Limited (FQML) has indicated their desire to publish EITI information in Business magazines.</p> <p>The ZEITI Secretariat will also publish the reports on Bill boards in Lusaka. The procurement process for these Bill boards is in progress. Furthermore, Kagem Mine has also indicated their desire to erect Bill Boards to publish EITI information relating to Kagem Mine.</p> <p>Finally, the ZEITI will also participated in the various public events such as the Zambia International Mining and Energy conference (ZIMEC), the ZAMINEX show in Kitwe and the Trade Fair in Ndola.</p>
<p>Drafting of ZEITI Bill</p>	<p>During the year under review, the ZEITI engaged a consultant to draft the ZEITI Bill. The Bill will be used to legally establish the ZEITI and also encourage all mining companies and government agencies to disclose payments and receipts from the extractive sector respectively.</p> <p>The ZEITI is now engaging the government to develop the Zambia EITI Policy before the enactment of the Bill.</p>

## 9. LESSONS FROM THE PROCUREMENT PROCESS OF THE 2012 AND 2013 ZEITI REPORTS

The recruitment process for the engagement of an Independent Administrator has been a major challenge over the years. The major cause of this delay is largely attributed to the bureaucratic procedures within government and with Donors.

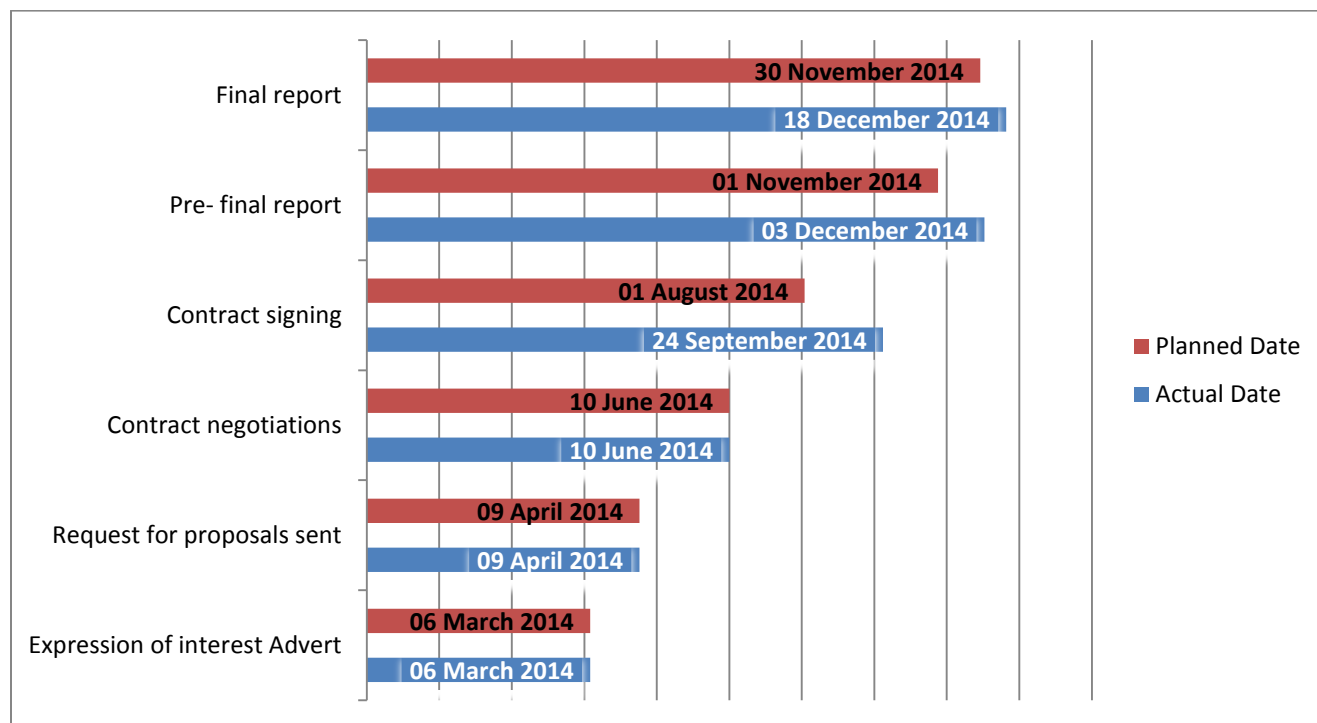
The government procedures are largely emanating from contract clearance from Ministry of Justice whereas the donor procedures on procurement are the major causes. With donors, at every stage of the procurement process we are required to obtain 'no objection' in order for us to proceed to the next stage. The '**no objection**' request usually takes a long time to obtain from the respective donors and this may add on to the delays experienced.

Below is an illustration of the dates for the process against the planned timeline.

**TABLE 1: TABULATION OF THE PROCUREMENT TIMELINE**

<i>Item</i>	<i>Procurement stage</i>	<i>Actual</i>	<i>Planned</i>
1	Expression of interest Advert	6 <sup>th</sup> March, 2014	6 <sup>th</sup> March, 2014
2	Request for proposals sent	9 <sup>th</sup> April, 2014	9 <sup>th</sup> April, 2014
3	Contract negotiations	10 <sup>th</sup> June, 2014	10 <sup>th</sup> June, 2014
4	Contract signing	24 <sup>th</sup> September, 2014	1 <sup>st</sup> August, 2014
5	Pre- final report	3 <sup>rd</sup> December, 2014	1 <sup>st</sup> November, 2014
6	Final report	18 <sup>th</sup> December, 2014	30 <sup>th</sup> November, 2014

**TABLE 2: GANTT CHART – ILLUSTRATING PROCUREMENT TIMELINE**



## 8.1 Challenges

- I. The major delay as seen above is from Ministry of Justice and donors on contract clearance. This problem seems to be common amongst similar projects.
- II. The other delays are as a result of delays by Companies and government agencies in sending their templates to the independent Administrator for reconciliation and meet deadlines.
- III. In addition, the Mining Companies have been delaying submission because their External Auditors have been demanding additional audit fees in order to certify the EITI templates.

## 8.2 Measures used to mitigate the Challenges

- In order to mitigate the delays experienced in the production of EITI reports the ZEITI Secretariat decided to combine the production of the 2012 and 2013 reports to be done by one consultant and there was not much delay in the procurement procedures except at the initial stages before getting a blanket approval by the EU to follow GRZ procedures.



- The ZEITI secretariat has lodged a complaint through the PS (Mines) and ST to try and help to expedite the procurement process.
- In addition, the ZEITI secretariat had asked the World Bank to engage with the Ministry of Justice to try and resolve the issue of delayed contract clearance. The World Bank has been meeting with the entire affected projects together with MOJ and certain measures are now being put in place to resolve this challenge.
- The Mining Companies are now being advised to include the auditing of EITI data as part of their routine audit assignments by their external auditors to avoid incurring excess fees.
- The enactment of the ZEITI Act is envisaged will help mitigate the issue on non-compliance with the reporting deadlines by reporting agencies and mining companies.

## 10. GENERAL STRENGTHENS AND WEAKNESSES IDENTIFIED IN THE EITI PROCESS IN 2014

During the year under review, the ZEITI Secretariat managed to collaborate with the mining companies in disseminating the EITI reports. The mining companies disseminated the EITI report in various media at their own cost. This is indication of the value that the mining industry has on the EITI process. It is hoped that the ZEITI Secretariat will leverage on this goodwill and encourage other mining companies to actively participate in the dissemination of the EITI reports.



*Picture: The Zambia EITI during a mine visit in 2014*

## 11. ZAMBIA EITI COUNCIL MEMBERS IN 2014

No.	ORGANISATION	NAME	NUMBER	EMAIL
1	Secretary to the Treasury	Mr. Fredson Yamba		<a href="mailto:fkymba@yahoo.co.uk">fkymba@yahoo.co.uk</a>
2	Bank of Zambia /Ministry of Finance	Dr. Chipimo	0966 134938	<a href="mailto:fchipimo@gmail.com">fchipimo@gmail.com</a>
3	Ministry of Local Government	Mr. Brian Simukoko	0977-615311	<a href="mailto:bcksims@yahoo.com">bcksims@yahoo.com</a>
4	Ministry of Justice	Francis Chilunga	0977422994	<a href="mailto:Franchilunga@yahoo.com">Franchilunga@yahoo.com</a>
5	Ministry of Mines	Mr. Movens Nswana	0971959567	<a href="mailto:fnswana@yahoo.com">fnswana@yahoo.com</a>
6	Zambia Revenue Authority	Mr. Hambani Ngwenya	0977828238	<a href="mailto:NgwenyaH@zra.org.zm">NgwenyaH@zra.org.zm</a>
7	Mine Workers Union of Zambia	Mr. Leonard Phiri	0966787855 or 0977679300	<a href="mailto:phirileonard@yahoo.com">phirileonard@yahoo.com</a>
8	Centre for Policy Dialogue	Dr Neo Simutanyi	0977 702089	<a href="mailto:neo.simutanyi@gmail.com">neo.simutanyi@gmail.com</a>
9	MISA Zambia National Chapter	Ms. Sarah Ngwenya	0978816207 or 0977615775	<a href="mailto:sarahngwenya@yahoo.co.uk">sarahngwenya@yahoo.co.uk</a>
10	Transparency International Zambia	Mr. Kalungu J. Sampa	0977854666	<a href="mailto:bishopsampa@yahoo.com">bishopsampa@yahoo.com</a>
11	Caritas Zambia/PWYP	Mr. Edmond Kangamungazi	0965830365	<a href="mailto:edmondkanga@gmail.com">edmondkanga@gmail.com</a>
12	Chamber of Mines/Tranter	Dr Sixtus Mulenga	0977771 345	<a href="mailto:sixtus.mulenga@iwayafrica.com">sixtus.mulenga@iwayafrica.com</a>
13	Chamber of Mines	Ms. Maureen Dlamini	0974779833	<a href="mailto:jangulom@mines.org.zm">jangulom@mines.org.zm</a>
14	Chamber of Mines	Mr. Hugh Caruthers	0977790955	<a href="mailto:Hugh.Carruthers@fg">Hugh.Carruthers@fg</a>

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15	Chamber of Mines	Mr. Jackson Sikamo	0978157818	<a href="mailto:jackson.sikamo@chib.com.zm">jackson.sikamo@chib.com.zm</a>
16	Federation of Small Scale Miners Ass. of Zambia	Ms. Gertrude Phiri	0977715560 or 0955371431	<a href="mailto:thabo1961@yahoo.co.uk">thabo1961@yahoo.co.uk</a>