

Second Validation of Zambia

For decision

Summary

The EITI International Secretariat recommends that the Validation Committee recommends to the EITI Board that Zambia is found to have achieved “meaningful progress” overall in implementing the 2016 EITI Standard, with considerable improvements across some individual requirements. In accordance with Requirement 8.3.c.iv.2, Zambia will be requested to undertake two corrective actions before the third Validation on **<date of Board decision + 12 months>**.

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Supporting documentation

Board decision on the 2017 Validation [[English](#)]

Draft assessment by the International Secretariat [[English](#)]

Comments from the Zambia Multi-Stakeholder Group [[English](#)]

Final assessment by the International Secretariat [[English](#)]

Has the EITI competence for any proposed actions been considered?

The Articles of Association mandate the Board to classify implementing countries as candidate countries or compliant countries (Article 5(2)(i)(a)). The [EITI Standard](#) (Article 4) addresses EITI Validation deadlines and the consequences following Validation.

Financial implications of any actions

The recommendation implies a third Validation commencing in late 2020, or early 2021. The cost of third Validations varies depending on the complexity of the extractive industries and the number of corrective actions. In this case, a third Validation is expected to cost circa 25 000 USD, including staff time and travel (if needed).

Document history

Submitted to the Validation Committee	10 October 2019
Discussed by the Validation Committee	17 October 2019
Discussed by the Validation Committee	7 November 2019
Approval by the Validation Committee	TBC
Submitted to the EITI Board (BC XXX)	TBC

1. Recommendation

The International Secretariat recommends that the Validation Committee recommends that the EITI Board agrees the following:

The EITI Board agrees that Zambia has partly addressed the corrective actions from the country's first Validation. Consequently, Zambia has made meaningful progress overall in implementing the EITI Standard, with considerable improvements across several individual requirements.

The Board is delighted that the Government of Zambia has improved its ability to monitor production data. The improvement in coordination between government agencies and companies is an important step to improving the accuracy of production statistics and related mineral royalty calculations. The Board commends Zambia EITI for more systematic follow-up on findings and recommendations from EITI reporting to drive broader reforms in extractives governance, while encouraging Zambia to further enhance the documentation of its follow-up on EITI recommendations.

The Board takes note of Zambia's plans to build on capacities of the Office of the Auditor General to improve the reliability of government's EITI reporting. Zambia is encouraged to continue progressing towards routine systematic disclosures of EITI data supported by robust audit and assurance practices. The Board recommends that Zambia pursues its efforts to improve the availability of license allocation information as a means of further enhancing the efficiency of the country's management of extractives licenses.








The Board recognises that gaps remain in disclosures related to license allocations, which may also be of greater significance in the petroleum sector in future. Further efforts are also required to ensure the reliability of data on payments and revenues related to the extractive industries.

*The Board has determined that Zambia will have **12 months** before a third Validation, i.e. until **<date of Board decision + 12 months>**, to carry out corrective actions regarding license allocations (2.2) and on data quality (4.9). Failure to achieve satisfactory progress in the third Validation will result in suspension in accordance with the EITI Standard. In accordance with the EITI Standard, Zambia's MSG may request an extension of this timeframe, or request that Validation commences earlier than scheduled.*

2. Assessment card

EITI Requirements		Level of progress					Direction of Progress
Categories	Requirements	No progress	Inadequate	Meaningful	Satisfactory	Beyond	
Zambia Second Validation scorecard							
MSG oversight	Government engagement (#1.1)				█		=
	Industry engagement (#1.2)				█		=
	Civil society engagement (#1.3)				█		=
	MSG governance (#1.4)				█		=
	Work plan (#1.5)				█		=
Licenses and contracts	Legal framework (#2.1)				█		=
	License allocations (#2.2)			█			→
	License register (#2.3)				█		=
	Policy on contract disclosure (#2.4)				█		→
	Beneficial ownership (#2.5)						
	State participation (#2.6)				█		=
Monitoring production	Exploration data (#3.1)				█		=
	Production data (#3.2)				█		→
	Export data (#3.3)				█		=
Revenue collection	Comprehensiveness (#4.1)				█		=
	In-kind revenues (#4.2)		█				=
	Barter agreements (#4.3)		█				=
	Transportation revenues (#4.4)		█				=
	SOE transactions (#4.5)				█		=
	Direct subnational payments (#4.6)				█		=
	Disaggregation (#4.7)				█		=
	Data timeliness (#4.8)				█		=
	Data quality (#4.9)			█			←
Revenue allocation	Distribution of revenues (#5.1)				█		=
	Subnational transfers (#5.2)		█				=
	Revenue management & expenditures (#5.3)						
Socio-economic contribution	Mandatory social expenditures (#6.1)		█				=
	SOE quasi-fiscal expenditures (#6.2)		█				=
	Economic contribution (#6.3)				█		=
Outcomes and impact	Public debate (#7.1)				█		=
	Data accessibility (#7.2)						
	Follow up on recommendations (#7.3)				█		→
	Outcomes & impact of implementation (#7.4)				█		=
Overall assessment	Meaningful progress, with considerable improvements			█			=

Legend to the assessment card

	No progress. All or nearly all aspects of the requirement remain outstanding and the broader objective of the requirement is not fulfilled.
	Inadequate progress. Significant aspects of the requirement have not been implemented and the broader objective of the requirement is far from fulfilled.
	Meaningful progress. Significant aspects of the requirement have been implemented and the broader objective of the requirement is being fulfilled.
	Satisfactory progress. All aspects of the requirement have been implemented and the broader objective of the requirement has been fulfilled.
	Beyond. The country has gone beyond the requirement.
	This requirement is only encouraged or recommended and should not be taken into account in assessing compliance.
	The MSG has demonstrated that this requirement is not applicable in the country.

3. Corrective actions

The EITI Board agreed the following corrective actions to be undertaken by Zambia. Progress in addressing these corrective actions will be assessed in a third Validation commencing on **<date of Board decision + 12 months>**:

1. In accordance with **Requirement 2.2**, Zambia should ensure that all relevant laws and regulations governing mineral rights allocations are adequately referenced and publicly available. With this availability they should confirm the statutory procedures, as well as technical and financial requirements, for mining license awards and transfers. Future EITI reporting should clarify the existence of non-trivial deviations from statutory procedures of license transfers and awards. Lastly, Zambia should ensure that the full list of bidders for each license awarded through competitive bidding is publicly disclosed.
2. In accordance with **Requirement 4.9.b**, and the Standard Terms of Reference for the Independent Administrator agreed by the EITI Board, Zambia should ensure that the Independent Administrator provides a clear assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested quality assurances for their EITI reporting. Zambia should ensure that the Independent Administrator provides an assessment of comprehensiveness and reliability of the (financial) data presented. Any gaps or weaknesses in reporting to the Independent Administrator must be disclosed in the EITI Report, including naming any entities that failed to comply with the agreed procedures.

Zambia is encouraged to also consider the strategic recommendations in the Secretariat's assessment.

4. Background

Zambia joined the EITI in 2009 and was declared compliant with the EITI Rules in September 2012. Zambia's second Validation commenced on 25 April 2019. The EITI International Secretariat has assessed the progress made in addressing the four corrective actions established by the EITI Board following Zambia's first Validation in 2017. The corrective actions related to:

1. License allocations (Requirement 2.2),
2. Contract disclosure (Requirement 2.4),
3. Production data (Requirement 3.2),
4. Follow up on recommendations (Requirement 7.3).

The Board asked Zambia to address these corrective actions to be assessed in the second Validation. Zambia has undertaken a number of activities to address the corrective actions:

- In July 2017, Zambia EITI (ZEITI) launched a new website where information on the extractive sector is published alongside EITI reports.¹
- On 14 December 2017, Minister of Mines and Minerals Development Chris Yaluma published a press release commenting on the corrective actions, calling for a detailed action plan.
- In March 2018, Zambia EITI conducted a workshop for the multi-stakeholder group on mainstreaming EITI disclosures, focusing on the corrective actions.
- In July 2018, the Zambia EITI Council (ZEC) published their 2017 ZEITI Annual Progress Report (APR), containing the action plan called for by the Minister.
- ZEC approved the ToR for the 2016 EITI Report and the MSG appointed Moore Stephens as the Independent Administrator (IA) in June 2018.
- On 27 September 2018 the MSG approved the IA's scoping report, and the inception report in December 2018.
- The MSG approved and published the 2016 EITI Report on 31 December 2018.
- In December 2018 and early 2019, Zambia EITI coordinated a financial modelling workshop to build capacity in government agencies (Ministry of Mines and Minerals and Zambia Revenue Authority) and help inform public debate and government policy on taxation in the mining industry.
- On 25 July 2019, the Minister of Mines Richard Musukwa clarified the government's policy on disclosure of the full-text of licenses and their additional documentation, which was published on ZEITI's website.² The speech took place after the commencement of Validation, however, the Board decided to consider this additional information as it satisfied the criteria agreed in February 2019.³

Zambia's second Validation commenced on 25 April 2019. The Secretariat assessed the progress made in addressing the four corrective actions established by the EITI Board, as well as progress

¹ Zambia EITI (2019), Zambia EITI website. Accessed on 14 June 2019, available at: <http://zambiaeiti.org>

² Speech of Minister of Mines Richard Musukwa (July 2019), Speech, accessed in August 2019. Available at:

³ EITI (2019), 'The Board adopted criteria to consider developments and information disclosed after the commencement of Validation'. Available at: <https://eiti.org/BD/2019-15>

in meeting Requirement 4.9 related to data reliability. **The EITI International Secretariat's assessment is that Zambia has fully addressed three of the four corrective actions, with significant improvements on one other outstanding requirement. Progress in meeting Requirement 4.9 on data reliability has declined from 'satisfactory progress' to 'meaningful progress'.**

The draft assessment was sent to the Multi-Stakeholder Group (MSG) on 17 July 2019. Following MSG comments received on 19 August 2019, the assessment was finalised for consideration by the EITI Board.

The Validation Committee reviewed the case on 17 October and 7 November 2019 and agreed to consider the MSG's submission of new information subsequent to the commencement of Validation, clarifying the government's policy on the disclosure of licenses and addressing outstanding gaps related to Requirement 2.4. The Committee upgraded the assessment of Requirement 2.4 to "satisfactory progress".