



9th Zambia EITI Report

Published December 2018

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LIST OF ABBREVIATIONS

BLL	Blood Lead Level
BoZ	Bank of Zambia
CEP	Copperbelt Environmental Project
CIT	Corporate Income Tax
DA	Development Agreement
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
EITI	Extractive Industries Transparency Initiative
EPF	Environmental Protection Fund
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GRZ	Government of the Republic of Zambia
GSD	Geological Survey Department
ICMM	International Council of Mining and Metals
IDC	Industrial Development Corporation
INTOSAI	International Organization of Supreme Audit Institutions
ISA	International Standard on Auditing
ITA	Income Tax Act
KCM	Konkola Copper Mines
LuSE	Lusaka Stock Exchange
MLC	Mining License Committee
MMMD	Ministry of Mines and Minerals Development
MoF	Ministry of Finance
MoL	Ministry of Lands
MoLGH	Ministry of Local Government and Housing
MSD	Mine Safety Department
MSG	Multi-Stakeholder Group
Mt	Metric tons
MTEF	Medium Term Expenditure Framework
NAPSA	National Pension Scheme Authority
OAG	Office of the Auditor General
PAC	Public Accounts Committee
PACRA	Patents and Companies Registration Agency
PFM	Public Financial Management
SEC	Securities and Exchange Commission
SI	Statutory Instrument
SoE	State Owned Enterprise
SME	Small and Medium Enterprises
SWF	Sovereign Wealth Fund
TPIN	Tax Payer Identification Number
US\$	United States dollar
VAT	Value Added Tax
WHT	Withholding Tax
ZCCM- IH	Zambia Consolidated Copper Mines – Investment Holdings Plc
ZCM	Zambia Chamber of Mines
ZEC	Zambia EITI Council

LIST OF ABBREVIATIONS

ZEITI	Zambia Extractive Industries Transparency Initiative
ZEMA	Zambia Environmental Management Agency
ZICA	Zambia Institute of Chartered Accountants
ZMERIP	Mining and Environmental Remediation and Improvement Project
ZMW	Zambian Kwacha
ZRA	Zambia Revenue Authority

INTRODUCTION

Background

The Extractive Industries Transparency Initiative (EITI) is a global coalition of governments, companies and civil society groups working together to improve transparency and accountability in the management of revenues from natural resources. EITI issued a new global standard for transparency in the oil, gas and mining sectors in February 2016 (the “EITI Standard”). EITI principles are based on the belief that prudent use of natural resources contributes to economic growth, sustainable development and reduction of poverty in resource-rich countries.

Zambia joined EITI as candidate in May 2009 and became fully compliant with the EITI 2011 Standard on 19 September 2012. To date eight (8) annual EITI Reports have been produced covering the period from 1 January 2008 until 31 December 2015. Table below shows a summary of the reports.

Table 1: Summary of the eight EITI Reports published by Zambia

Nº	Period covered	Publication Date	Sectors Covered	Government Revenues (ZMW'Bn)	Companies Payments (ZMW'Bn)	Number of Companies Reporting	Independent Administrator
8	2015	December 2016	Mining	8.95	8.97	33	BDO East Africa & BDO Zambia
7	2014	December 2015	Mining	9.51	9.49	41	BDO East Africa & BDO Zambia
6	2013	December 2014	Mining	8.02	7.64	30	Moore Stephens LLP, London
5	2012	December 2014	Mining	7.79	7.70	30	Moore Stephens LLP, London
4	2011	February 2014	Mining	7.72	7.67	27	Moore Stephens LLP, London
3	2010	January 2013	Mining	3.79	3.79	20	Hart Nurse Ltd (UK) and Baker Tilly Meralis (Zambia)
2	2009	March 2012	Mining	2.57	2.60	31	Moore Stephens LLP, London
1	2008	February 2011	Mining	1.72	1.74	16	PwC, Zambia

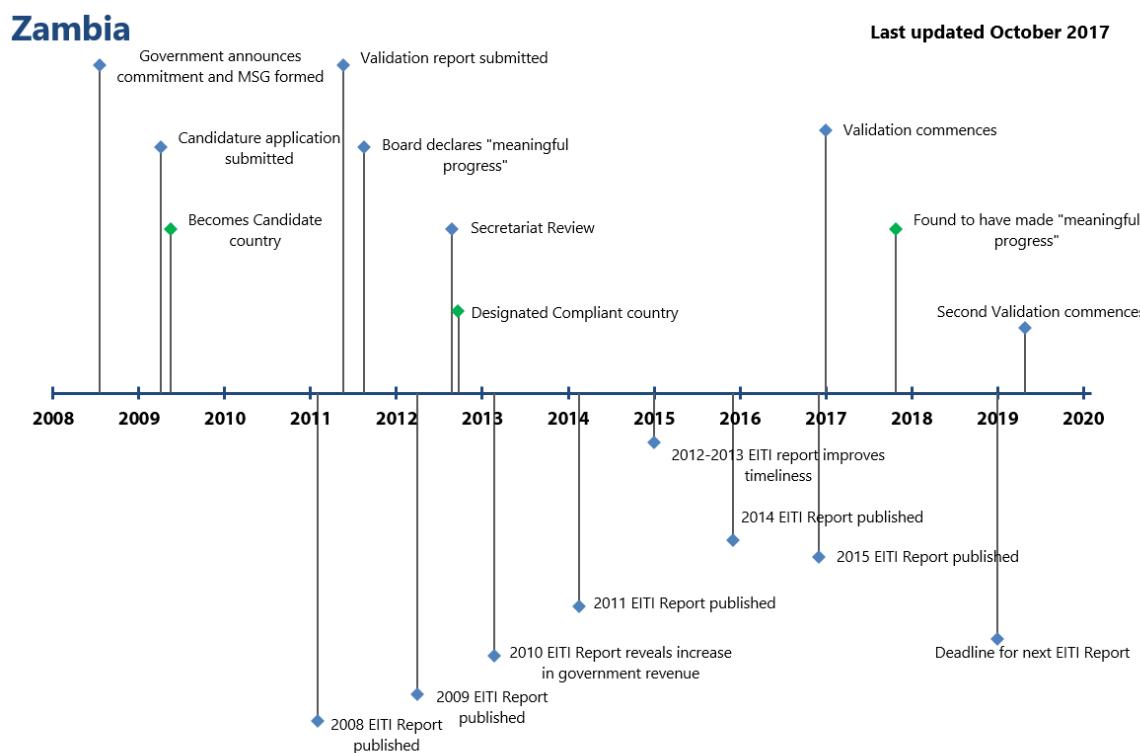
This report is the ninth EITI report, covering the period from 1 January to 31 December 2016. Zambia's first validation against the 2016 Standard started on 1 January 2017. Zambia was found to have achieved meaningful progress in implementing the EITI Standard in October 2017.¹ The next validation is due on 25 April 2019.

¹ See www.zambiaeiti.org/ & <https://eiti.org/zambia> for more information about EITI in Zambia.

EITI Timeline

Figure below summarises the timeline of the ZEITI:¹

Figure 1: EITI Timeline



Objective

The purpose of this report is to reconcile the data provided by extractive companies (hereafter referred to as "mining companies" or "companies") with the data provided by relevant Government Agencies.

The overall objectives of the reconciliation exercise are to assist the Government of the Republic of Zambia (GRZ) in identifying the positive contribution that mineral resources make to the economic and social development of the country and to realise their potential through improved resource governance that encompasses and fully implements the requirements of the EITI Standard.

Nature and Extent of our Work

We have performed our work in accordance with ISRS 4400 (Engagements to perform agreed upon procedures regarding Financial Information). The procedures performed were those set out in the terms of reference as set out in the Contract for Consultants Services.

The reconciliation procedures carried out were not designed to constitute an audit or review in accordance with International Standards on Auditing or International Standards on Review Engagements and as a result we do not express any assurance on the transactions beyond the explicit statements set out in this report. Had we performed additional procedures other matters might have come to our attention that would have been reported to you.

¹ Source: <https://eiti.org/zambia>

The report consists of seven (7) chapters presented as follows:

1. Executive Summary;
2. Approach and Methodology;
3. Contextual Information on the Extractive Industry;
4. Determination of the reconciliation scope;
5. Reconciliation results;
6. Analysis of reported data; and
7. Recommendations.

The amounts in this report are stated in Zambian Kwachas (ZMW) unless otherwise stated.

Our report includes information received up to **31 December 2018**. Any information received after this date has not, therefore been included in this Report.

1. EXECUTIVE SUMMARY

This report summarises information about the reconciliation of fiscal and non-fiscal revenues from the extractive sector in Zambia as part of the implementation of the EITI. In this context, extractive companies and Government Agencies report payments and revenues respectively. In addition; this report includes a reconciliation of revenues collected by the State-Owned Company “ZCCM-IH” from companies and the cash flows contributed by ZCCM-IH to the state budget.

During 2016, the mining sector remained the country's major productive industry with very high contribution in exports and investment but progressively lower contribution in government revenues, GDP and employment.

1.1. Revenue Generated from the Extractive Industry

The receipts reported by the government in 2016, after reconciliation, were as follows:

Evolution and Structure of Revenues

According to the data collected from Government Agencies, revenue generated from the extractive sector totalled ZMW 10.72 billion after the reconciliation work. This revenue includes dividends and other investment income of ZMW 0.14 billion collected by ZCCM-IH and IDC from their subsidiaries which operate in the mining sector, as well as social payments of ZMW 0.29 billion paid by companies, while payments to the Environmental Protection Fund (EPF) amounted to ZMW 0.01 billion.

Government Revenues increased from ZMW 9.07 billion in 2015 to ZMW 10.43 billion in 2016. However, over the same period, social payments decreased from ZMW 0.39 billion to ZMW 0.29 billion. The decrease in social payments is mainly explained by the fact that number of companies selected in the reconciliation scope decreased from 33 in 2015 to 8 companies in 2016.

Table below sets out the variances in the sector revenues.

Table 2: Variances in sector revenues

Revenue streams (in billion ZMW)	2016	2015*	Variance
Import VAT	2.25	1.20	1.05
Company Income Tax	1.33	0.83	0.50
Minerals Royalties	3.08	3.63	(0.55)
Other payments to the budget	1.88	1.65	0.23
Contribution to GRZ budget (excluding PAYE)	8.54	7.31	1.23
Pay as You Earn	1.73	1.54	0.19
Total contribution to the State Budget (a)	10.28	8.85	1.43
Payments to EPF (b)	0.01	0	0.01
Dividends - IDC (c)	0.05	0.02	0.03
Dividends - ZCCM-IH	0.03	0.03	0.00
Other investment incomes	0.06	0.17	(0.11)
Revenues received by ZCCM-IH (d)	0.09	0.20	(0.11)
Total revenue from the extractive sector (a+b+c+d)	10.43	9.07	1.36
Social payments from in-scope companies	0.29	0.39	(0.10)
Total	10.72	9.46	1.26

*2015 ZEITI Report

National Contribution¹

According to MoF's Annual Economic Report, the extractive sector's contribution to GDP for 2016 at constant prices amounted to approximately ZMW 13,608.60 million or 10.5% of the country's GDP.

¹ Annual Economic Report for 2016 – Ministry of Finance

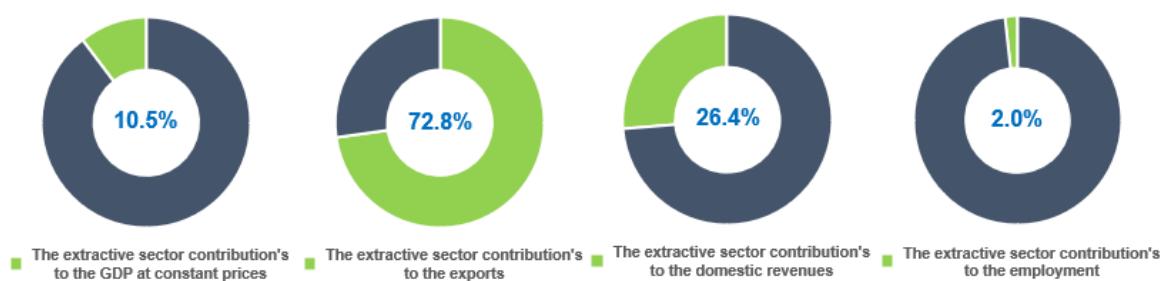
The same report states that the value of metal exports amounted to US\$ 4,738.20 million and represents about 72.84% of the country's total exports.

The extractive sector's contribution to the State's revenue amounted to ZMW 10,275.63 million (26.4%) in 2016 (Total revenues amounting to ZMW 38,884.61 million).

The entire sector's contribution to employment for 2016 was not made available to us. We understand that this information is available from the Labour Force Survey published by the Central Statistical Office. There are two Surveys published relating to the years 2014 and 2017. The figures stated in this report relate to 2017 survey. Mining companies employ about 58,000 persons directly, which represents 2.0% of the country's 2017 labour force of 2,791,170.¹

The charts below show the contribution of the extractive sector to GDP, exports, State revenues and employment figures for 2016. More details are set out in Section 3.4 of this Report.

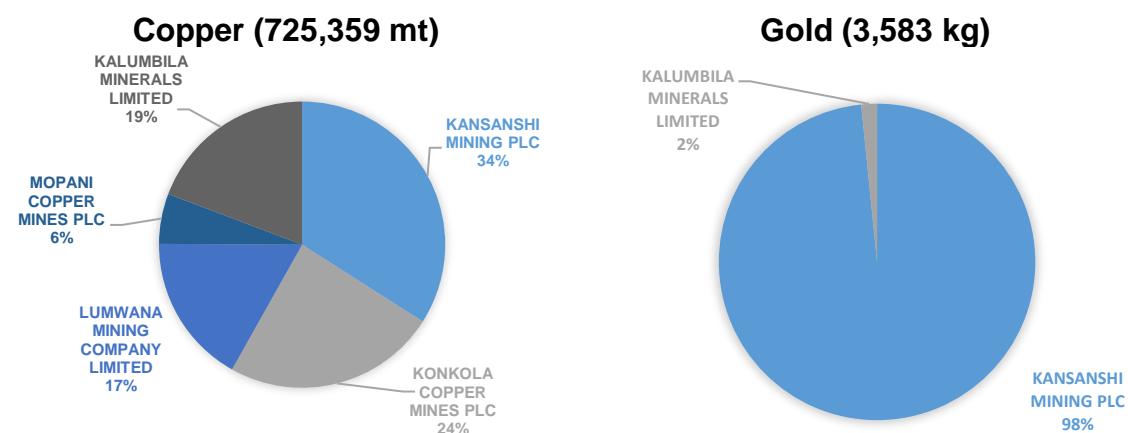
Figure 2: Contribution of the extractive sector to GDP, exports, State revenues and employment



1.2. Production and Exports

Production²

According to data provided by the mining companies selected in the reconciliation scope, copper, cobalt and gold are the key commodities produced in Zambia. In 2016, the production was 725,359 metric tonnes of copper and 3,583 kg of gold.



*The gold production of Kansanshi Mining PLC was declared in ounces and converted to Kg at 1 Kg = 35.274 ounces

As shown in the charts above, the four largest mining companies in Zambia are Konkola Copper Mines from the Copperbelt province and Kansanshi, Kalumbila and Lumwana from the North-Western province, cumulatively account for 94% of copper production companies selected within the

¹ Central Statistical Organisation – Labour Force Survey 2017: Number and Percentage Distribution of Employed persons by Industry

² Purchased and imported content are excluded

reconciliation scope. The production data for the other commodities extracted by companies in the reconciliation scope is set out in Section 6.5 of this Report.

The total production of the sector as provided by the Ministry of Mines and Minerals Development, including out-scope companies, is shown below:

Commodity	Unit	Production Quantity	Value (US \$ million) ¹
Copper	Mt	774,289.80	3,769.16
Gold	Kg	4,543.85	200.19
Zinc	Tonnes	585.00	1.22
Lead	Tonnes	365.00	0.68
Coal	Tonnes	57,293.00	n/a
Emerald and Berl	Kg	71,878.66	n/a
Limestone	Tonnes	3,319,600.00	n/a
Amythest	Kg	1,349,787.00	n/a
Dolomite	Tonnes	1,201,689.00	n/a
Total of the sector			3,971.25

n/a: not available

Exports²

The mining sector accounted for 72.84% of exports revenue in 2016 with copper mining alone accounting for 67.63% of the sector exports as shown below:

	2016 (US \$ million)	% Contribution
Metal exports	4,738.2	72.84%
Copper	4,399.1	67.63%
Cobalt	112.9	1.74%
Gold	191.2	2.94%
Gemstones	28.4	0.44%
Manganese Ores/Concentrates	6.6	0.10%
Zambia Exports (f.o.b)	6,504.7	100.00%

1.3. EITI Scope

Payment flows and data reported

The report covers payments made by companies and revenues received by Government Agencies and other material payments and benefits to Government Agencies as detailed in Section 4.3 of this Report.

The Report also covers mining production, export sales, social payments and loans provided to mining companies.

Reporting entities

The MSG agreed in its meeting held on 27 September 2018 to select companies whose payments are equal to or greater than 5% rounded off the total receipts and ZCCM. This threshold has been applied on the basis of the materiality threshold applied by the Office of the Auditor General. Accordingly, the reconciliation scope allows a coverage of more than 80% of the total revenues collected by ZRA from mining companies. The revenues collected from these companies which were submitted by ZRA during the scoping phase are set out in Section 4.1.2 of this report.

Based on the list of companies and revenue streams included in the scope, all Government Agencies involved in revenue collection were required to report under the EITI Standard. These Government Agencies are listed in Section 4.3 of this report.

¹ Value of production estimated on basis of annual prices provided by the World Bank Commodity Price Data (The Pink Sheet).
² Including imported and purchased production.

Level of disaggregation

The Reporting Entities were requested to submit disaggregated data:

- by extractive company;
- by Government Agency; or SoE for each company/taxpayer selected in the reconciliation scope;
- by tax and by type of payment flow as detailed in the Reporting Template; and
- by project for each payment flow where applicable.

The list of payment flows that should be submitted by project is listed in Section 4.4 of this Report and the Payments reported by project level are presented in Section 6.3 of this Report.

1.4. Completeness and Reliability of Data

Data submission

All companies included in the reconciliation scope submitted their reporting templates.

All Government Agencies included in the reconciliation scope submitted their reporting templates, except the Ministry of Finance.

Details of submission of the reporting templates by reporting entity are set out in Annex 3 of this report.

Data Certification

All the mining companies submitted their reporting templates signed by management, of which only Mopani Copper Mines plc submitted a certified reporting template signed by an external auditor.

Mainly, due to challenges faced with external auditors in providing audit certificates, the MSG agreed in its meeting held on 27 December 2018, that where audit certificates are not available, reliance will be placed on management sign off to ascertain the validity of the data reported.

With regards to Government Agencies, the Ministry of Lands, the Ministry of Mines and Minerals Development, ZRA, Chililabombwe District Council and Mufulira Municipal Council, did not submit reporting templates signed by authorised officers. Only six (6) Local Councils submitted certified reporting templates as follows:

Local Councils	Reporting templates certified by
Kalulushi Municipal Council	Senior Local Government Auditor
Zimba District Council	Provincial Local Government Office
Kitwe City Council	Senior Local Government Auditor
Chingola Municipal Council	Senior Local Government Auditor
Mazabuka Municipal Council	Chief Internal Auditor
Choma Municipal Council	Provincial Local Government Office

We requested a letter from the Auditor General confirming that the accounts of the Government Agencies for 2016 were audited in accordance with International Standards. This letter was not made available by the Office of the Auditor General. However, as indicated in the OAG audit report for 2016, the audit scope included Government Ministries and Provinces as contained in the Financial Report of the Republic. The audit covered revenue and expenditure on the accounts for the Financial Year ended 31st December 2016 as well as physical inspections of projects.

Details of submission of the certified reporting templates are set out in Annex 3 to this Report.

On this basis, and except for the effects of the matters described above, we can reasonably conclude that this Report duly covers the significant contributions made, in 2016, by mining companies to the revenues of Zambia.

1.5. Summary of the Reconciliation Results

Moore Stephens has been contracted to reconcile the taxes reported by companies and Government Agencies in order to identify and clarify any potential discrepancies in the reporting. Section 5 of this Report presents the reconciliation results at disaggregated level.

Cash Flow Reconciliation

At the date of this report, we reconciled **95.10%** of total cash flows reported by the Government. The net unreconciled amount was **ZMW (407.658) million** or **4.90%** of the total cash flows reported by Government Agencies.

Aggregated payments (in ZMW million)	Initial reporting	Adjustments	Adjusted amount
Allocated to the State budget			
Mining companies (I)			
Extractive companies	7,815.371	8.356	7,823.727
Government	8,203.055	-0.086	8,202.969
Discrepancy	(245.502)	(134.100)	(379.602)
ZCCM-IH (II)			
ZCCM-IH	(4.281)	15.147	10.866
Government	39.282	-	39.282
Discrepancy	(43.563)	15.147	(28.416)
Reconciled figures allocated to the state budget (I+II) (a)			
Extractive companies and ZCCM-IH	7,811.090	23.503	7,834.593
Government (i)	8,242.337	(0.086)	8,242.251
Discrepancy	(431.247)	23.589	(407.658)
Revenue from other companies (ii)	2,033.376	-	2,033.376
Contribution to the state budget (i+ii)	10,275.713	-0.086	10,275.627
Environmental Protection Fund (b)			
Extractive companies	14.946	-0.362	14.584
Government	-	14.584	14.584
Discrepancy	14.946	(14.946)	0.000
Allocated to ZCCM-IH (c)			
Extractive companies	-	61.091	61.091
ZCCM-IH	61.091	-	61.091
Discrepancy	(61.091)	61.091	-
Total reconciled figures (a)+(b)+(c)			
Extractive companies	7,826.036	84.231	7,910.267
Government (iii)	8,303.428	14.497	8,317.925
Discrepancy	(477.391)	69.734	(407.658)
Social Contribution (iv) (*)	286.794	-	286.794
Dividends & other revenues (iv) (**)	82.992	-	82.992
Government, ZCCM-IH and other beneficiaries (ii+iii+iv)	10,706.590	14.497	10,721.087

(*) unilateral disclosure from extractive companies; (**) unilateral disclosure from government agencies

These unreconciled differences are mainly due to the discrepancies noted on the following taxes which represent 97.3% of the total difference:

Type of tax	Difference	%
VAT	(99,330,505)	24.37%
Pay- As-You-Earn	(90,171,652)	22.12%
Mineral Royalty	(79,077,809)	19.40%
Import VAT	(66,070,440)	16.21%
Company Income Tax (including Provisional Tax)	(62,263,170)	15.27%
Total	(396,913,576)	97.36%

The table below summarises the most significant differences noted by company:

Company	Difference	%
KONKOLA COPPER MINES PLC	(140,111,140.800)	34.37%
MOPANI COPPER MINES PLC	(180,398,391.079)	44.25%
KANSANSHI MINING PLC	(31,014,820.457)	7.61%
CHAMBISHI COPPER SMELTER LIMITED	(32,287,514.990)	7.92%
Total	(383,811,867.326)	94.15%

The unreconciled differences are above the agreed materiality deviation. Despite our continuous efforts to obtain explanations for these discrepancies from Extractive Companies and Government Agencies, we did not obtain the responses expected from the stakeholders.

1.6. Limitations

We were unable to obtain the following information related to the Zambian extractive sector:

- details of all licenses transferred during 2016 (Date of Ministry validation, Price of transfer, Identity of the seller and buyer ...) (EITI Requirement 2.2);
- confirmation letter from MoF that:
 - ✓ no infrastructure provisions and barter arrangements were entered into during 2016 (EITI Requirement 4.3); and
 - ✓ no sub-national transfers were made during 2016 (EITI Requirement 5.1.a).

The list of key outstanding documentation is presented in Annex 10 of this Report.

1.7. Mainstreaming Data

EITI Mainstreaming is about encouraging and recognising countries that make transparency an integral feature of their governance and management of the extractive industries. EITI implementing countries are increasingly making the information required by the EITI Standard available through government and corporate reporting systems (databases, websites, annual reports, portals etc). In 2016 the EITI Standard was revised to encourage “mainstreamed” EITI implementation.

Moore Stephens has been contracted to produce a scoping note which assesses the probability of systematic EITI disclosures in government systems and corporate reporting. This note is presented in Annex 9 to this Report.

1.8. Follow-up on the Latest Validation Results

Zambia's Validation against the 2016 Standard commenced on 1 January 2017. The Board found that Zambia had made satisfactory progress on most of the EITI Requirements. The areas that will need to be addressed by Zambia in the coming months related to clarity in the access to information on licensing, the government's policy on contract transparency, production data, and following up on recommendations from EITI reporting. The table below summarises the current status of the recommendations proposed by the EITI Board.

Table 3 : Follow up on the latest validation results

Categories	Requirements	Level of Progress	EITI Board comments	Progress
MSG oversight	Government engagement (#1.1)	Satisfactory	A broad range of government agencies are represented on the multi-stakeholder group (MSG), government representatives regularly attend meetings. The attendance of the MSG Chair has been less frequent, but this does not seem to reflect lacking government engagement on the whole. Zambia EITI has also engaged several key government agencies and high-level officials beyond the MSG in the EITI implementation and outreach activities. Government commitment at the higher political level will be important going forward.	
	Industry engagement (#1.2)	Satisfactory	Companies are fully and effectively engaged in the EITI process. The government has ensured an enabling environment for company participation.	
	Civil society engagement (#1.3)	Satisfactory	Civil society is fully and actively engaged in Zambia EITI process and able to speak freely on transparency and natural resource governance issues. The government has ensured that there is an enabling environment for civil society participation and made several efforts to engage civil society beyond the multi-stakeholder group in the design and implementation of the EITI.	
	MSG governance (#1.4)	Satisfactory	It was evident during the stakeholder consultations that multi-stakeholder group (MSG) members have a clear understanding of the Terms of Reference for the MSG and appointment of representatives. Decision-making is conducted in an inclusive way which treats each constituency as a partner. The Terms of Reference for the MSG are followed and the invitation to participate in the group is open and transparent, with stakeholders being adequately represented.	
	Workplan (#1.5)	Satisfactory	Zambia EITI's work plan is a result of consultations with key stakeholders and endorsed by the multi-stakeholder group (MSG), and is made publicly available.	
Licenses and contracts	Legal framework (#2.1)	Satisfactory	The 2015 EITI Report describes the legal framework and fiscal regime governing the extractive industries including the level of fiscal devolution, an overview of the relevant laws and regulations, and information on the roles and responsibilities of the relevant government agencies. There are parts of the report that refer to laws that have been replaced, such as the MMA 2008.	The parts of the report that refer to MMA 2008 has been updated with current legislation.
	License allocations (#2.2)	Inadequate	While the report includes an overview of the licensing process, it is uncertain to what extent the information reflects any changes resulting from the MMA 2015. There are gaps related to the process of license transfers, licenses transferred during the reporting year, and an explanation of the technical and financial criteria for awarding of licences.	The report includes the process of licences transfer, licences transferred during 2016 and a reference to articles 22 and 31 of the MMA which set the criteria to be considered when assessing application. Please refer to sub-section "3.8.1 Mining Rights Allocation" and "3.8.2 Oil and Gas Rights Allocations".

Categories	Requirements	Level of Progress	EITI Board comments	Progress
	License register (#2.3)	Satisfactory	Comprehensive information on the licenses held by material and non-material companies is included in the mining cadastre. Data on the date of application / submission of bid is not available for petroleum licenses, although this is not sufficient for the requirement to be unmet.	The report includes the application date and how the licence was awarded for Petroleum Licences. Please refer to Annex 1.
	Policy on contract disclosure (#2.4)	Meaningful	While the EITI Report explains that there are currently no active contracts in the mining sector, the references to the MMDA 2008 does not make it clear whether the information is up to date and whether there are any changes resulting from the passing of the MMDA 2015. It is also not clear from the report whether there are any possibilities for entering into contracts with the government with regards to the exploration or production of petroleum, if so, whether there are any laws or contractual provisions that would affect disclosure of contracts in the petroleum sector.	Under the current legislation, the Government is not entering into agreements with petroleum companies. The rights and obligations of licensees are governed by the terms and conditions of the licence. Please refer to sub-section "3.8.3 Disclosure of Licences and Contracts"
	Beneficial ownership (#2.5)	Only encouraged		
	State participation (#2.6)	Satisfactory	The EITI Report provides an overview of state participation in the sector including level of ownership held by Zambia Consolidated Copper Mines – Investment Holding (ZCCM-IH) in mining companies, changes in the level of ownership and funding arrangements provided to by the ZCCM-IH to mining companies. ZCCM-IH's annual audited financial reports are publicly available and include information on the rules and practices regarding transfer of funds between the ZCCM-IH and the state, licences held, reserves, licenses held, the names of operating companies, royalties and dividends. There is limited information on the recently established Industrial Development Corporation (IDC) and how dividends collected from the mining sector are managed, although state asset management companies do not fall under the scope of Requirement 2.6.	Please refer to sub-section "3.6 State-Owned Enterprise" and section "5 Reconciliation Results".
Monitoring production	Exploration data (#3.1)	Satisfactory	The EITI Report provides an overview of the extractive sector, including exploration activities and estimates of mineral reserves.	Please refer to section "3 Contextual Information on the Extractive Industry"
	Production data (#3.2)	Meaningful	The EITI Report provides information on production volumes by commodity and documents the government's effort to collect reliable information on production values.	MMMD was unable to provide production in value, except for copper. Please refer to sub-section "3.5.1 Production Data"
	Export data (#3.3)	Satisfactory	The EITI Report discloses total export values by commodity, and export volumes are disclosed for each of the major commodities exported.	Please refer to Section "3.5.2 Export data"
Revenue collection	Comprehensiveness (#4.1)	Satisfactory	The multi-stakeholder group (MSG) has documented its discussions and rationale for selecting a materiality threshold which has resulted in comprehensive reconciliation of the payments and revenues in the extractive sector.	Please refer to Section "4. Determination of the Reconciliation Scope"
	In-kind revenues (#4.2)	Not applicable		
	Barter agreements (#4.3)	Not applicable		
	Transportation revenues (#4.4)	Not applicable		

Categories	Requirements	Level of Progress	EITI Board comments	Progress
	SOE transactions (#4.5)	Satisfactory	The rules and practices regarding transfer of funds between the Zambia Consolidated Copper Mines – Investment Holding (ZCCM-IH) and the state are disclosed. There is limited information on the recently established Industrial Development Corporation (IDC) and how dividends are managed, although this does not fall under the scope of Requirement 4.5 as IDC is a state-owned asset management company.	Please refer to sub-section "3.6 State-Owned Enterprise".
	Direct subnational payments (#4.6)	Satisfactory	Direct payments made by companies to subnational government entities are reconciled in the EITI Report. These payments consist of property rates and annual business fees paid by companies directly to local councils.	Please refer to sub-section "6.1.4 Analyses of revenues declared by Local Councils"
	Disaggregation (#4.7)	Satisfactory	Direct payments made by companies to subnational government entities are reconciled in the EITI Report. These payments consist of property rates and annual business fees paid by companies directly to local councils.	Some companies disclosed their payments by Project. Please refer to sub-section "4.4 Reporting by Project Level" and "6.3 Analysis of Payments by Project"
	Data timeliness (#4.8)	Satisfactory	The 2015 EITI Report was published one year after the end of the financial year covered by the report, well ahead of the two-year deadline.	
	Data quality (#4.9)	Satisfactory	The EITI Report provides a clear account of the reporting procedures and an assessment of the reliability of the data.	
Revenue allocation	Distribution of extractive industry revenues (#5.1)	Satisfactory	The EITI Report describes the distribution of revenues and explains that only revenues collected by local councils are not deposited into the consolidated account.	Please refer to sub-section "3.7 Collection and Distribution of the Extractive Revenues"
	Subnational transfers (#5.2)	Not applicable		
	Revenue management and expenditures (#5.3)	Only encouraged		
Socio-economic contribution	Mandatory social expenditures (#6.1)	Not applicable		
	SOE quasi-fiscal expenditures (#6.2)	Not applicable		
	Economic contribution (#6.3)	Satisfactory	The 2015 EITI Report provides a brief overview of the contribution of the extractive industry to the economy and provides key figures on contribution to GDP, government revenues, exports and employment.	Please refer to sub-section "3.4 Contribution of the Extractive Industry to the Economy" and "3.5 Production and Exports".
Outcomes and impact	Public debate (#7.1)	Satisfactory	There is ample evidence that a country-wide dissemination campaign has been made and that EITI Reports have been actively promoted. The multi-stakeholder group has agreed on a policy to the access, release and reuse of EITI data.	
	Data accessibility (#7.2)	Only encouraged		
	Follow up on recommendations (#7.3)	Meaningful	The multi-stakeholder group has considered the recommendations from EITI reporting, but this approach has been ad hoc. A more systematic approach to developing and following up on report recommendations is needed to ensure that EITI reporting can help address gaps in the way the sector is managed.	Previous recommendations are not yet implemented. Please refer to sub-section "7.2 Follow up of Recommendations of previous EITI Processes"
	Outcomes and impact of	Satisfactory	The multi-stakeholder group (MSG) has reviewed the outcomes and impact of EITI	Annual progress report for 2016 has

Categories	Requirements	Level of Progress	EITI Board comments	Progress
	implementation (#7.4)		implementation on natural resource governance through the production of annual progress reports, agreed by the MSG and made publicly available.	been published by the MSG.

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.
 Nothing to report

1.9. Findings

We raised several findings and have made recommendations with a view to improve the EITI process in Zambia and governance of the extractive sector and revenue management. We set out below the findings we raised in respect of the 2016 EITI process:

N°	EITI implementation	Priority	N°	Governance of the Mining Sector	Priority
1	Lack of feedback on reconciliation queries	High	1	Lack of revenues sharing system	High
2	Disclosure of the Beneficial Ownership data	High	2	Strengthening and empowerment of the ASM sector	High
3	Implementation of systematic online disclosure	High	3	Improvement of the environmental remediation	High
4	Lack of database for contact details	Medium	4	Review of the ZDA investment Act	High
5	Reporting deadlines not met by Government Agencies and Extractive Companies	Medium	5	Improvement Tax assessment	High
6	Reporting templates not correctly prepared	Medium	6	Improvement of EPF management	High
7	Implementation of MSG sub-groups	Medium			
8	Implementation of a reporting system for Employment data	Medium			

These findings and the associated recommendations are detailed in Section 7 of this Report.

Tim Woodward
Partner
Moore Stephens LLP

150 Aldersgate Street
London EC1A 4AB

31 December 2018

2. APPROACH AND METHODOLOGY

The reconciliation of revenues from the mining sector consisted of the following steps:

- conduct a scoping study to determine the scope of the reconciliation exercise;
- prepare of a reporting template (RT) and reporting instructions (See Annex 6 to this Report);
- collect payments and other data from Government Agencies and companies which provide the basis for reconciliation;
- compare payments and other data reported by Government Agencies and companies to determine if there are discrepancies between the amounts reported as being received by the authorities and the amounts reported as being paid by taxpayers; and
- contact Government Agencies and companies to investigate and resolve identified discrepancies.

2.1. Scoping Study

In accordance with our terms of reference, we carried out a scoping study and reported to the ZEITI Secretariat on matters which should be considered in determining the scope of the 2016 reconciliation, including:

- materiality threshold for receipts and payments;
- taxes and revenues to be covered;
- companies and Government Agencies to be included;
- the reporting template to be used; and
- assurances to be provided by reporting entities to ensure the credibility of the data made available to us.

The results of the scoping study described in Section 4 of this Report were approved by ZEITI MSG.

2.2. Data Collection

We developed instructions, including reporting templates and reporting guidelines, requesting companies and Government Agencies to report all required data in accordance with ZEITI regulations.

We carried out a Stakeholder Workshop in Chingola on **16 October 2018** to present:

- the EITI process;
- the reconciliation scope;
- the reporting template and instructions;
- lessons learnt from the previous reconciliation reports; and
- reconciliation issues.

The reporting package, including the Stakeholder Workshop's presentation, Reporting Template and the Instructions for its completion, was sent electronically to the stakeholders.

Mining companies and Government Agencies were required to report directly to the Independent Administrator (IA), to whom they were also requested to direct any queries about the reporting templates.

2.3. Reconciliation and Investigation of Discrepancies

The process of reconciling the data and investigating discrepancies was carried out between **22 October** and **21 December 2018**. In carrying out the reconciliation, we performed the following procedures:

- figures reported by mining companies were compared item-by-item to figures reported by Government Agencies. As a result, all discrepancies identified have been listed item by item in relation to each Government Agency and mining company;
- where data reported by mining companies agreed with the data reported by the Government, the Government figures were considered to be confirmed and no further action was undertaken; and
- the Government Agencies and the mining companies were asked to provide supporting documents and/or confirmation for any adjustments to the information provided on the original data collection templates.

In cases where we were unable to resolve discrepancies, we tried to contact the reporting entities and reviewed additional supporting documentation evidencing the payments declared. In some cases, these differences remained unresolved. The result of our procedures is presented in Section 5 of this Report.

2.4. Reliability and Credibility of Data Reported

In order to comply with EITI Requirement 4.9 and to ensure the credibility of data submitted, we proposed the following approach in the preparation of the 2016 EITI Report:

- each company “**Reporting Template**” must be signed by a Board level or senior level manager;
- each Government Agency “**Reporting Template**” must be signed by a senior official;
- all figures reported in the “Payment/Receipt Flow Template” must be detailed payment by payment and date by date in the supporting schedule;
- each “**Reporting Template**” must be certified by an external auditor:
 - mining companies, including ZCCM-IH: are required to obtain confirmation from a registered external auditor that their 2016 financial statements have been audited under International Auditing Standards and that the figures reported in the “**Reporting Template**” are in accordance with instructions issued by the IA, are complete and are in agreement with the accounts for the 2016 period; and
 - Government Agencies: are required to obtain confirmation from the Auditor General that the transactions reported in the “**Reporting Templates**” are in accordance with instructions issued by the IA, are complete and are in agreement with the accounts of government for the 2016 period.
- Extractive companies are required to send their audited financial statements for the year 2016.
- The Auditor General is required to provide a letter confirming that the accounts of the Government Agencies were audited under international standards; and
- for any update in respect of the information provided on the original data reported in the templates, supporting documents and/or confirmation from reporting entities will have to be made available to the IA.

2.5. Accounting Records

The reconciliation has been carried out on a cash basis. Accordingly, any payment made prior to 1 January 2016 was excluded. The same applies to any payment made after 31 December 2016.

For payments made in foreign currency, the reporting entities were required to report in the currency of payment. Payments made in US Dollars have been converted to ZMW at the daily average rate for the period per BoZ of USD 1 = 10.29.¹

¹ <http://www.boz.zm/average-exchange-rates.htm>

Mining companies

Mining companies normally prepare their accounting records on the accrual basis, i.e. the tax expense is recognised at the time it is due rather than the time when it is paid. Only amounts actually paid during the period from 1 January to 31 December 2016 were reported in the templates.

A review was also carried out to ensure that all regular payments e.g. monthly salary withholding deductions were accounted for.

Government Agencies

In respect of Government Agencies, care has been taken to ensure that amounts shown on the "Payment/Receipt Report" were received during 2016, irrespective of whether the receipt was recorded in the previous or subsequent financial year.

3. CONTEXTUAL INFORMATION ON THE EXTRACTIVE INDUSTRY

3.1. Key Features of the Extractive Industry

3.1.1. Oil and Gas

Zambia is richly endowed with mineral resources and is one the largest producers and exporters of copper in Africa. However, it has also been increasingly engaged in a quest for its petroleum reserves. Zambia started embracing this vision in the early 1970's as a result of the rise in price of crude oil on the international markets and the dwindling revenues from the country's copper exports.¹

Historically, the country has had two major exploration programmes by Mobil and Placid Oil undertaken between 1986 and 1991 within the Luangwa Rift Valley. Two wild cat drill holes were drilled during the exploration programmes by Placid in the Luangwa rift valley but no oil was found.

During 2016, the Zambian government issued an international tender for oil exploration in 40 blocs in the country's 10 provinces, inviting tenders for explorations of oil and gas. The Minister of Mines and Minerals Development Christopher Yaluma confirmed that the issued samples collected in 2007 confirmed traces of oil hence the government's decision to issue international tenders for companies to explore for oil in the 40 blocs.²

In the same year, two new exploration licenses were awarded for 2 blocks:

Companies	Block numbers	License number	Grant date	Expiry date
Tullow Zambia B.V Limited	31	PEL 028	09/05/2016	08/05/2020
Sargas Oil Limited	54	PEL 029	22/06/2016	21/06/2020

Tullow completed a 20,000 sq km gradiometry gravity survey and passive seismic survey in October 2017. The survey is now being assessed and the next steps are being evaluated.³

3.1.2. Mining

Zambia's mining sector is set to continue the recovery seen over the last decade. The country had declining copper output throughout the 1990s, but a mixture of privatisation and high copper prices has seen a substantial boost to investment and output. Zambia's mining sector has been highly amenable to foreign investment since the privatisation of state-controlled Zambia Consolidated Copper Mines (ZCCM) at the end of the 1990s.

Copper and cobalt mining and refining were the dominant components of Zambia's mineral industry in 2016. Zambia ranked seventh in the world in the production of mined cobalt and seventh in the production of mined copper. Zambia also was an internationally significant producer of semiprecious gemstones.

Many of the country's large copper mining and processing operations are located in the Copperbelt Province in northcentral Zambia. The Government retains minority interests in most of the large copper projects through its holding company Zambia Consolidated Copper Mines Investments Holdings Plc (ZCCM-IH). The mining sector is administered by the Geological Survey Department, the Mines Development Department, and the Mines Safety Department of the Ministry of Mines and Minerals Development.⁴

International Conference on Artisanal and Small-scale Mining & Quarrying 2018

The artisanal and small-scale mining are facing many challenges. A recent census of development minerals in Zambia, conducted by the ministry of mines and ACP_EU development minerals programme, revealed that of the 109 mining plots visited in 10 provinces of the country, approximately 75% held legal licenses. A vast majority of the ASM were unaware that their activities

¹ Ministerial statement, Minister of Mines and minerals development on the status of petroleum exploration in Zambia, (<http://www.parliament.gov.zm>)

² http://www.xinhuanet.com/english/2016-03/31/c_135241303.htm

³ <https://www.tullowoil.com/operations/new-ventures/zambia>

⁴ <https://minerals.usgs.gov/minerals/pubs/country/2014/myb3-2014-za.pdf>

required a licence. According to the Planning department within the MMMD the main challenges of the ASM sector in Zambia are:

- Limited access to financial resources. The majority of ASM workers cannot afford to buy the required equipment;
- ASM is conducted in the unsafe and uncoordinated way;
- Only a few ASM pay taxes since most are illiterate and do not maintain proper records;
- There is none compliance on reporting production returns and annual licence fee renewal; and
- The sector lacks appropriate management and technical skills.

In this context, Zambia hosted the International Conference on Artisanal and Small-scale Mining and Quarrying during September 2018.

Artisanal and small-scale mining (ASM) is an important livelihood activity for millions of people in the developing world representing as many as 90% of the global mining workforce, however, environmental, social, business and labour challenges have hindered the potential of ASM to contribute to sustainable development.

A wide spectrum of commodities has been discussed at ASM18 ranging from the well-known, such as gold, diamonds, tin, tungsten, tantalum, and coloured stones, to those that have yet to receive significant attention, such as Development Minerals, like gravel, and clay that are mined and used locally.¹

ASM18 aims to foster a global dialogue about the development opportunities and challenges of ASM. It is a space for the voices of ASM to share visions of the future. The conference programme consists of a mix of plenary sessions, consisting of Davos-style panels; parallel sessions consisting of workshops, dialogues and demonstrations; as well as cultural events. The final chart of the conference used the traditional name of Victoria Falls, located adjacent to the conference venue "Mosi- oa-Tunya Declaration". The declaration emphasised the importance of Development Minerals mined and used domestically, such as industrial minerals and construction materials.² More information is available on ASM18's website at: <http://www.asmconference.org/>

Mining and Environmental Remediation and Improvement Project

The Government of the Republic of Zambia has commenced implementing a project on mining and environmental remediation. The objective of the Zambia Mining and Environmental Remediation and Improvement project (ZMERIP) is to reduce environmental health risks to the local population. The project is being implemented through various government agencies such as municipal authorities in critically polluted mining areas of Chingola, Kitwe, Mufulira and the lead exposed areas of Kabwe.

The intervention in Kabwe will involve Blood Lead Level (BLL) testing of affected children and subsequent treatment and provision of food supplements. To support this intervention, rehabilitation and development of environmental infrastructure in the affected areas will be undertaken. This includes the Kabwe Canal and the proposed Engineered Sanitary Landfill as well as clean-up of contaminated hotspots in the area.

To achieve this objective and sustain the interventions, the Project has an in-built Livelihood and Income Generation plan which is targeted at vulnerable members of affected communities. This is a unique initiative which is planned to complement interventions in the four municipalities.

The Project will also focus on improvement of the regulatory framework which relates to mining and the environment and will capacity build the Mines Safety Department and the Zambia Environmental Management Agency (ZEMA).

The project has three major components which focus on remediation of contaminated hotspots and improvement of environmental infrastructure, enhancing institutional capacity for environmental

¹ http://www.undp.org/content/undp/en/home/news-centre/news/2018/Global_gathering_of_artisanal_and_small-scale_miners_charts_new_vision_for_sustainable_development.html

² http://www.asmconference.org/pdf/Mosi- oa-Tunya_Declaration_EN.pdf

governance and compliance, and reducing environmental health risks through localised interventions.

The Government has in the past implemented interventions to remedy the impact of mining on the environment. One such example is the Copperbelt Environmental Project (CEP) which closed in 2011.

The ZMERIP is a five-year World Bank funded project with a total sum of USD 65.6 million.¹

3.2. Legal Framework

3.2.1. Oil and Gas

The fundamental law governing upstream activities is the Petroleum (exploration and production) Act of 2008. The key regulators include the Minister for Mines, the Petroleum Committee, the Petroleum Technical Committee and the Hydrocarbon Unit. The main regulator is the Ministry of Mines and Minerals Development, who is also the issuing authority of all petroleum rights under the Act. Despite wielding considerable power, MMMD cannot act without coordinated input from other regulators. For instance, the Minister may not approve the grant or renewal of petroleum rights without first referring the matter to the Technical Committee for scrutiny. Similarly, the Technical Committee is tasked with making recommendations to the Petroleum Committee. Without the approval of the Petroleum Committee, the Minister may not act.

The key responsibilities of each agency in managing the petroleum sector can be summarized as follow:

- The Hydrocarbon Unit is an establishment within the Geological Survey Department who principally ensures carrying out preliminary seismic and geo-physical surveys for hydrocarbons, compiling available seismic, aeromagnetic and geo-physical data into packages that would encourage detailed exploration activities, monitor geological, geophysical and geochemical exploration activities including adherence to approved environmental management plans during petroleum exploration and receiving and processing bids and application for licences.
- The Ministry divides the territory into blocks with the approval of the Petroleum Committee and issue invitations for bids for the grant of the petroleum exploration licences.
- The Petroleum Technical committee ensures evaluation of the bids and applications and makes recommendation to the PC.
- The Petroleum Committee grants the licences based on the recommendation made by the PTC.

3.2.2. Mining

The Ministry of Mines and Minerals Development is responsible for enacting legislations for the mining sector in Zambia. The Mines and Minerals Act (1995) enacted by the Zambian government simplified licensing procedures significantly, placed minimum reasonable constraints on prospecting and mining activities and created a favourable investment environment. At the same time, the act allowed international arbitration to be written into development agreements, if deemed necessary.

In 2008, this act was replaced by the Mines and Minerals Development Act 2008, which ruled that no special agreements should be entered into by the government for the development of large-scale mining licenses and annulled the development agreements concluded under the previous Act.

On 22 December 2014, the Mines and Minerals Development Act [No.11 of 2015] was amended and became effective on 14 August 2015.²

During 2016, a new amendment, Mines and Minerals Development (Amendment) Act [No. 14 of 2016], was further adopted and became effective on 1st June 2016.

¹ <http://www.worldbank.org/en/news/press-release/2016/12/16/zambia-world-bank-approves-1056-million-for-environmental-remediation-and-agribusiness-development> / <http://www.worldbank.org/en/news/loans-credits/2016/12/16/zambia-mining-and-environmental-remediation-and-improvement-project>

² <http://www.parliament.gov.zm/sites/default/files/documents/acts/The%20Mines%20and%20Minerals%20Act%2C%202015.pdf>

Investment in most types of mineral operations are covered by the Zambia Development Agency Act of 2006, although minerals produced for the construction industry, such as clay, sand, and most types of stones, are excluded. The government policy does not participate in exploration or other mining activities, or in any shareholding activity other than in a regulatory and promotional role. The right to explore or produce minerals is authorised by a license granted under the Mines and Minerals Act.

3.3. Fiscal Regime

3.3.1. Oil and Gas

The Zambian government generates revenues from exploration companies operating in the gas and oil industry through taxation.

Taxation in Zambia is governed by the Income Tax Act, Customs and Excise Duty Act, the Property Transfer Tax Act and the Value Added Tax Act and other related legislations. Under the Income Tax Act, corporate tax applicable on taxable income of companies holding petroleum development and production licences is 35%. In addition, 10% withholding tax is charged on rentals, and 15% on bank interest, dividends, management and consultancy fees.

Fees and rentals for the oil and gas sector are also collected and include:

- fees for inspection of the register;
- application fees for the petroleum exploration licence and its renewal;
- application fee for a development and production licence;
- annual licence fee (production);
- annual licence fee (exploration); and
- surface rentals.

The Zambian Petroleum sector is structured as a licence system rather than as a contract regime and production sharing system. The rights and obligations of licensees are governed principally by the terms and conditions of the licence, and the legislation listed above. All companies are using conditions attached to exploration licenses since the Petroleum legislation 2010 is drafted.

3.3.2. Mining

Since the privatisation of Zambia's mining sector, four Tax regimes have been applied:

Fiscal regimes	Key contributions
The Development Agreements (DAs) negotiated with individual mines during privatisation (1997 to March 2008).	<p>Soon after the privatisation process was complete in the early 2000s, global demand for base metals, including copper, rose sharply. Even after the impact of the economic slowdown induced by the global financial and economic crisis in 2008, the price of copper increased between 2003 and 2011 to above US\$ 8,000 per tonne. Investments also increased: gross capital formation averaged 23% of GDP between 2003 and 2009.¹ In the same period, Foreign Direct Investment (FDI) in the mining sector increased to more than 60% (US\$4.5 billion) of total FDI (GRZ, 2010). Despite the price and output booms, weak revenue generation for the government continued even in the post-privatisation period. This was a direct consequence of the contractual agreements and generous incentives granted to private foreign mining companies.² During the privatisation process, the sale of ZCCM assets was negotiated bilaterally between the government and the mining companies and became part of the DAs. Each DA contained a fiscal stability clause.</p> <p>The Foreign Investment Advisory Service (2004) of the World Bank argued that, due to the incentives granted to the mining sector, the marginal effective tax rate³ was in the region of 0%.</p>

¹ <http://www.zccm-ih.com.zm/>

² For instance, in the project document outlining the proposed development of Lumwana Copper Project operated by Equinox (Equinox Minerals Ltd, 2011), it is indicated that the provisions of the Development Agreements would apply to the project, despite the revocation of the instruments in 2008

³ The marginal effective tax rate is designed to measure incentives for investment, is a calculation that takes into account effects of measurement and timing of income in determining the impact of a tax applied to an additional dollar of capital

Fiscal regimes	Key contributions
	The subsidy granted to the purchase of mining machinery, at 18.3% represented the largest in any sector for any asset. Adam and Simpasa (2011) estimate that the positive shock from price increases generated a permanent income stream in excess of 5% of pre-boom GDP, translating into a potential saving of US\$1.4 billion (39% of 2002 GDP) in net present-value terms. However, the private mining companies, through profit repatriation, appropriated the bulk of this windfall and made dividend pay-outs to foreign shareholders. ¹
The “2008 regime” (April 2008 to March 2009)	The 2008 reforms stipulated that no special agreements should be entered into by the government for the development of large-scale mining licences and rendered the development agreements void. A new tax regime with higher tax rates was introduced by this reform.
The “2009 regime” (April 2009 to March 2012)	In response to the concerns of mining companies about the revocation of the DAs, some of the 2008 tax measures were reversed in the 2009 Budget. Details are shown in the table below.
The “2012 regime” (from April 2012)	Further reforms were made to the mining tax regime in the 2012 budget. The two main changes for the mining industry were: (i) the increase of the mineral royalty rates for copper and cobalt and (ii) hedging and operating income were again to be treated separately for income tax purposes.
The “2015 regime” (from January 2015)	<p>The 2015 budget introduced major changes to the mining fiscal regime. It moved away from a system comprising a flat royalty rate (6%), corporate income tax and a variable income tax, to a royalty-only system with differentiated rates for underground mining (8%) and open cast mines (20%). While Corporate Income Tax (CIT) was abolished on mining operations, it was retained for income earned from tolling (processing raw materials owned by another party) and from processing of purchased ores, concentrates and other semi-processed minerals.²</p> <p>The authorities estimated that the change would boost budget revenues from the mining sector by about 1% of GDP, based on an assumption that the change would have no adverse impact on production.</p> <p>However, and reflecting the negative impact on the sector's profitability, some mining companies announced plans to reduce operations and defer new investments.</p> <p>The Zambia Chamber of Mines (ZCM) estimated that annual production lost could reach 150,000 tons and about 12,000 jobs could be lost in 2015. Information from the first quarter of 2015 showed mineral royalties at 41% below the government's target.³ This underperformance was associated with both the new fiscal regime and lower copper prices.</p>
The “2015 regime” (from July 2015)	After several discussions with mining companies and a six-month standoff with miners over the proposed changes, the final royalties were set at 9% for open-cast mining, with underground operations remaining at 6%. CIT on profits earned from tolling was again introduced at 30%.
The 2016 regime (from April 2016)	On 13 April 2016, the Zambian Government tabled the Mines and Minerals Development (Amendment) Bill, 2016 to amend the Mines and Minerals Development Act, 2015 and reduce the mineral royalty payable by mining operators (with retroactive effect to 1 April 2016). The Bill made significant changes to the mineral royalty regime related to copper, setting levies in the range of 4% to 6% depending on copper prices. The previous rates were 6% for underground mining and 9% for open-cast mining. In addition, with effect from 1 June 2016, the 2016 Income Tax (amendment) Bill removed the variable profit tax on income from mining operations. Companies conducting mining operations became subject to corporation tax at the 30% rate. Prior to this amendment income from mining operations was taxed at a flat rate of 30% where the income from mining operations did not exceed 8% of the gross turnover. Where it exceeded 8% it was taxed using the variable profit tax formula.
The 2019 regime (from January 2019)	On 28 September 2018, the Ministry of Finance announced that several changes to the Zambian mining tax regime have been made and included in the country's 2019 budget delivered on 28 September 2018 to the National Assembly. In case they are adopted by parliament, these

income. The marginal effective tax rate on capital income is the expected pre-tax rate of return minus the expected after-tax rate of return on a new marginal investment, divided by the pre-tax rate of return.

¹ The price boom started in 2003 and peaked in the first half of 2008 before the global financial and economic crisis pushed the price of copper towards the 2003 levels but remained above the long-run average. Thus, 2002 is used as a counterfactual while the end of 2008 represents termination of the boom when the prices were at all-time low in December 2008.

² As per the original 2015 budget: an 8 percent royalty for underground and 20 percent for open-cast mining operations as final tax; 30 percent CIT on income earned from tolling, and 30 percent CIT on income earned from the processing of purchased mineral ores, concentrates and any other semi-processed minerals, previously taxed as income from mining operations. Income from industrial mineral is taxed at the variable tax rate (30 percent to 45 percent). A mineral royalty of 20 percent is charged on a person possessing minerals where the supplier to that person has not paid mineral royalty tax.

³ <http://mines.org.zm/zambian-mining-sector-expresses-serious-concerns-with-the-2015-zambia-national-budget/>

Fiscal regimes	Key contributions
	<p>changes are expected to take effect from 1 January 2019. The proposed changes to the mining tax regime are as follows:</p> <ul style="list-style-type: none"> a) Increase mineral royalty rates by 1.5 percentage points at all levels of the sliding scale; b) Introduce a fourth-tier rate at 10 percent on the sliding scale mineral royalty regime which would apply when copper prices rise beyond US\$7,500 per metric tonne; c) Make mineral royalty tax non-deductible for income tax purposes; d) Introduce an import duty at the rate of 5 percent on copper and cobalt concentrates; e) Introduce an export duty on precious metals including gold, precious stones and gemstones at the rate of 15 percent; f) Lift the suspension of the export duty on manganese ores and concentrates which was put in place in 2012 and increase this duty to 15 percent from 10 percent; and g) Reduce the company income tax rate to 15 percent from 35 percent for companies that add value to copper cathodes h) Increase the mineral royalty rate for cobalt from 5% to 8% of the "norm value" of cobalt. <p>Other proposed changes are not specific to the mining sector but will have an impact on it. These changes relate to:</p> <ul style="list-style-type: none"> a) Abolish the Value Added Tax and replace it with a simpler and non-refundable Sales Tax; b) Restrict the interest allowable for deduction to 30 percent of the earnings before interest, tax, depreciation and amortization (EBITDA); c) Remove the limitation requirement to retain records for up-to six years in respect of documents for transfer pricing purposes and allow for assessments to be made beyond the period of six years but not beyond 10 years, and increase the penalty for non-compliance with transfer pricing regulations to eighty million penalty units from ten thousand penalty units; and d) Increase the withholding tax rate on dividends, interest and branch profit remittance to 20 percent from 15 percent.

The table below shows the changes made by The Mines and Minerals Development Act (Amendment) on Mining Royalties between 2015, 2016 and 2019:

	Base	2019	2016	2015
Cobalt				
All prices	norm value	8%	5%	9% for open cast mining operations & 6% for underground operations
Copper				
below US\$4,500	norm value	5.5%	4%	
between US\$4,500 and 5,999	norm value	6.5%	5%	9% for open cast mining operations & 6% for underground operations
between US\$6,000 and 7,499	norm value	7.5%	6%	
over (inclusive) US\$7,500	norm value	10%	6%	

3.4. Contribution of the Extractive Industry to the Economy

During 2016, the mining sector remained the country's major productive industry with very high contribution in exports and investment but progressively lower contribution in government revenues, GDP and employments.

3.4.1. Foreign Direct Investment (FDI)

Since the early 2000s, the mining sector has attracted investment in excess of USD 8 billion. It is projected that investments in the mining sector will reach approximately USD 15 billion on account of new projects under implementation and/or exploration by the year 2020 if the international average metal prices hold above those recorded in the year 2014.¹

¹ Zambia Development Agency, Zambia Mining Sector Profile, July 2015

Zambia continued to attract investments in the various sectors of the economy. Total investment pledges were broadly unchanged at about US\$3.0 billion in 2016. Contrarily to this trend, the investment pledges on the mining sector increased by US\$ 147 million (341.86%).

For 2017, the total investment pledges had highly increased to US\$7 billion and the investment pledges on the mining sector increased only by US\$ 0.33 billion (17.74%).

The mining sector investments pledges over the past three years are detailed as follow:

	2017 (US \$ million)	2016 (US \$ million)	2015 (US \$ million)
<i>Investment pledges from mining sector</i>	219	186	43
Total of Sectors	17,402	3,350	3,213
% contribution of mining sector to the investment	1.26%	5.55%	1.34%

(Source: Bank of Zambia, 2017, p. 23)

3.4.2. Government revenues and GDP

The total revenues collected from the mining companies increased by ZMW 1.2 million compared to 2015. Despite this increase, the contribution to the total domestic revenues (Tax and non-tax revenues) remains relatively unchanged more than 26%.

Year	Total domestic revenues collected (ZMW billion) ¹	Mining taxes collected (ZMW billion)	Mining Taxes % domestic. revenues
2016	38.9	10.3 ²	26.4%
2015	34.1	9.1 ³	26.6%
Var	4.78	1.2	(0.2%)
%	14.03%	13.29%	

The Zambian GDP (at constant prices) grew by 3.4% between 2015 and 2016. In the meantime, the mining and quarrying GDP's grew by ZMW 0.89 billion equivalent to 7%. Despite this relatively important increase, the contribution of the sector to the overall GDP's increased only by 0.4%.

Year ⁴	GDP constant prices (ZMW billion)	Mining and quarrying GDP at constant prices	Mining & Quarrying GDP % global GDP
2016	129.3	13.6	10.5%
2015	125.0	12.7	10.2%
Var	4.27	0.89	0.4%
%	3.42%	7.01%	

3.4.3. Employment

The entire sector's contribution to employment for 2016 has not been made available to us. We understood that this information is available in the Labour Force Survey published by the Central Statistical Office. There are two Survey's published for 2014 and 2017. We based our figures on the data related to 2017. The mining companies employs directly about 58,007 individuals representing 2.0% of total Country's 2017 employed persons of 2,791,170. The youth⁵ employment by the sector has reached the number of 25,006 employees in 2017.⁶

The table below summarizes the number and percentage distribution of employed persons (15 years or older) by Sex, Area and Type of employment in the mining and quarrying sector:

¹ BoZ annual report 2016

² ZRA data made available during the reconciliation phase

³ ZEITI Report 2015

⁴ Annual Economic Report for 2016 – Ministry of Finance

⁵ A youth is a person 15 - 35 years of age

⁶ Central Statistical Organisation – Labour Force Survey 2017: Number and Percentage Distribution of Employed persons by Industry

Male		Female	
54,171	93.4%	3,836	6.6%
Rural	Urban	Formal	Informal
9,250	15.9%	48,757	84.1%
51,571	88.9%	6,436	11.1%

For 2016, we only obtained the employment figures of the sector from the MMMD. The total mine employees and contractors has reached respectively 30,420 and 31,600.

3.5. Production and Exports

3.5.1. Production data

a. Oil and Gas

Oil and Gas sector in Zambia is still in the exploration phase. There was no production in the period under review.

b. Mining¹

The Zambian mining production can be captured from different sources. The different sources may have minor differences in production volume for some commodities. However, the value of production is not presented exhaustively for all types of minerals. The MMMD was able to provide us with value of production only for copper. Some small-scale mines were not report monthly mineral production returns to the ministry.

According to the Mines Development Department, there is a challenge in obtaining complete and accurate data from the small-scale mines due to the fact that some small-scale mines were not report monthly mineral production returns to the ministry.

However, new online reporting system and other measures being put in place as part of the implementation of the Mineral Production Monitoring Support Project to address these problems. The objective of the MPMSP is “to strengthen the ability of the Ministry of Mines and Minerals Development ('MMMD') to fulfil its mandate as mining authority to monitor effectively mining activities and mineral production in Zambia, and to share this information with other relevant Government of Zambia agencies to increase domestic revenue mobilisation.”²

The project works closely with Mineral Value Chain Monitoring Project (MVCMP) whose aim is to design and implement a multi-institutional, multi-purpose and multi-stakeholder system for monitoring of the country's mineral value chain from exploration to export.

The MVCMP also serves as a tool in development of Zambia's National Statistical System in that it aims to improve the quality and availability of administrative registers that can be used in production of official statistics pertaining to the mining sector.³

We present below the values from the annual report of the Ministry of Finance and those provided by the MMMD.

i. Production Data extracted from the Annual report of the Ministry of Finance:

Copper Production

Copper production increased by 8.4 percent to 770,598 Mt in 2016 from 710,860 Mt in 2015. The increase was mainly due to ramping up of production at Kalumbila. Production at some mines declined due to scaling down of activities to pave way for refurbishment and completion of expansion projects.

¹ Source: Press release by the Permanent Secretary, Ministry of Mines and Minerals Development on the 2016 Mineral production & Annual Economic Report for 2016 – Ministry of Finance

² For more information about the MPMSP, please visit: <http://mineralproductionmonitoring.co.zm/about-the-project/>

³ http://www.mvc.org.zm/?page_id=72

Copper and Cobalt Imports

In addition to local copper production, a total of 145,905 Tonnes of copper and 4,725 Tonnes of cobalt was imported from the Democratic Republic of Congo in 2016 by some mining companies for purposes of toll treatment and blending at the local smelters.

Gold Production

Gold production decreased by 6.1 percent from 4,807 Kg recorded in 2015 to 4,514 kg in 2016. This was largely attributed to the reduced gold content in the copper ore.

Coal Production

Coal production declined by 44.7 percent from 103,439 Mt recorded in 2015 to 57,211.64 Mt in 2016. This decline was due to low domestic demand for the commodity and competition from other players from neighbouring countries who are more competitive regarding pricing.

Industrial Minerals Production

A total of 3,265,697.00 Tonnes of Aggregates, Gypsum and Natural stone was recorded in 2016 as compared to 1,694,820.59 that was recorded in 2015.

Gemstone Production

Production of emeralds and beryl increased by 42 percent to 74,742 kg in 2016 from 52,833 Kg in 2015. A total of US \$37.13 million was raised in auction of emeralds and beryl from US \$68.4 million in 2015. In addition, one Amethyst auction was held in 2016 generating US \$437,000 higher than US \$400,000 in 2015.

ii. Production Data provided by the Ministry of Mines and Minerals Development:

Copper Production

The large-scale production in 2016 reached 770,588 Mt. The estimated value calculated based on the average monthly LME value of Copper amounts to \$ 3,751 million.

The small-scale sector produced during 2016 3,701.8 Mt. The estimated value calculated based on the average monthly LME value of Copper amounts to \$ 10.80 million.

Cobalt Imports

There is no record of Cobalt Production for 2016 in the ministry data base because that cobalt production was being carried out using cobalt hydroxide imported from Democratic Republic of Congo.

Gold Production

The data provided by the MMMD shows that gold production for 2016 was 4,543.85 Kg and is wholly owned by Kansanshi Mining Plc.

The production volume and value for the commodities presented above and others, are set out on the following table:

Commodity	Unit	Production Quantity	Value (US \$ million) ¹
Copper	Mt	774,289.80	3,769.16
Gold	Kg	4,543.85	200.19
Zinc	Tonnes	585.00	1.22
Lead	Tonnes	365.00	0.68
Coal	Tonnes	57,293.00	n/a
Emerald and Berl	Kg	71,878.66	n/a
Limestone	Tonnes	3,319,600.00	n/a
Amythest	Kg	1,349,787.00	n/a

¹ Value of production estimated on basis of annual prices provided by the World Bank Commodity Price Data (The Pink Sheet)

Commodity	Unit	2016	
		Production Quantity	Value (US \$ million) ¹
Dolomite	Tonnes	1,201,689.00	n/a
Total of the sector			3,971.25
n/a: not available			

3.5.2. Export data

a. Oil and Gas

Oil and Gas sector in Zambia is still in the exploration phase. There were no exports in the period under review.

b. Mining

Export earnings, especially from copper, remained subdued largely on account of low export volumes and average realised prices, despite the increase in copper production in 2016. Exports fell by 11.6% to US\$6,504.7 million in 2016 largely due to a reduction in earnings from copper exports and non-traditional exports. Copper earnings declined to US\$4,399.1 million in 2016 from US\$5,233.6 million in 2015. A decline in export volumes and average realised prices explained lower copper export earnings. Despite an increase in copper production, copper export volumes fell by 8.2% to 937,985.0 metric tonnes (mt) due to lower re-exports of copper following a decline in imports of copper ores and concentrates from the Democratic Republic of Congo (DRC). The average realised copper price declined by 8.4% to US\$4,690.0 per mt. Copper prices were subdued during the first three quarters of the year before posting improvements in the fourth quarter. The subdued copper prices were mainly attributed to low global demand especially the slow growth in China.

However, gold and cobalt earnings rose as both export volumes and average realised prices increased. Gold export earnings grew by 26.0% to US\$191.2 million with average realised prices and export volumes rising by 8.5% and 16.1% to US\$1,174.0 per ounce and 162,892.0 ounces, respectively.

Cobalt export earnings rose by 59.7% to US\$112.9 million due to an increase in volumes exported by 67.2% to 4,981.8mt despite a 4.5% fall in average realised price to US\$22,666.0 per mt.¹

The table below summarizes the evolution of metal exports between 2015-2016:

	2015 (US \$ million)	2016 (US \$ million)	Var Value	Var %
Metal exports	5,568.9	4,738.2	(830.70)	(14.9%)
Copper	5,233.6	4,399.1	(834.50)	(15.9%)
Cobalt	70.7	112.9	42.20	59.7%
Gold	151.8	191.2	39.40	26.0%
Gemstones	111.3	28.4	(82.90)	(74.5%)
Manganese Ores/Concentrates	1.5	6.6	5.10	340.0%
Zambia Exports (f.o.b)	7,362.0	6,504.7	(857.30)	(11.6%)
Contribution of mining sector	75.64%	72.84%		(2.8%)

The table below summarises the evolution of the average realised price per commodity between 2015-2016:

	2016 (US \$)	2015 ² (US \$)	Var Value	Var %
Copper	4,690.0	5,120.5	(430.50)	(8.4%)
Cobalt	22,666.0	23,726.3	(1,060.30)	(4.5%)
Gold	1,174.0	1,082.2	91.80	8.5%

¹ BoZ annual report 2016

² BoZ annual report 2015

3.6. State-Owned Enterprise

3.6.1. ZCCM-IH

The ownership of mines has undergone a sequence of radical changes. Initially a private industry under the colonial administration, the mining industry was nationalised in the early 1970s, with the creation of the state-owned Zambia Consolidated Copper Mines (ZCCM). A combination of low prices and lack of capital to invest resulted in production of copper falling, and ZCCM's operations became increasingly unprofitable and the industry was reprivatised in the late 1990s.

Although the mines are now operated by private companies, the Government retains minority interests in most of the large copper projects through its holding company Zambia Consolidated Copper Mines Investments Holdings Plc (ZCCM-IH).

GRZ is the majority shareholder of ZCCM-IH and therefore the Company has strong links with the government. ZCCM-IH is quoted on the Lusaka, London, and Euronext Stock Exchanges.

ZCCM-IH's annual audited financial reports are publicly available and include information on reserves, the names of operating companies, royalties, and dividends. ZCCM-IH also publishes information on its board of directors and decision-making rules.¹

The Company has close links with two Government ministries namely, the Ministry of Mines and Mineral Development and the Ministry of Finance. Both ministries have representation on the Board of ZCCM-IH. The Company also maintains a close relationship with Government through representatives of some autonomous Entities on the Board of ZCCM-IH namely the Zambia Revenue Authority and the Bank of Zambia (Central Bank).

In 2015 the Government transferred all its shares held in ZCCM-IH to Industrial Development Corporation (IDC). IDC has been created and given direct mandate and authorisation by the Government of Zambia to oversee performance and accountability of all the Government Owned Enterprises (SOE'S). IDC is mandated to work towards maximising the value of government shareholding and ensure that SOEs contribute to the Sovereign Wealth Fund (SWF) which will focus on stimulating investment in strategic non-mining industries to increase exports.

Through its shareholding in mining associate companies, ZCCM-IH serves as an entity holding the government's minority interests in the privatised mining companies. The investment portfolio for ZCCM-IH comprises primarily investments in Zambian mining companies detailed as follows:

Mining company	Shares held on 31 March 2015(*)	Shares held on 31 March 2016(*)	Shares held on 31 March 2017(*)
Ndola Lime Limited	100%	100%	100%
Misenge Environmental and Technical Services Limited	100%	100%	100%
Nkandabwe Coal Mine Limited	100%	100%	100%
Mawe Exploration and Technical Services Ltd	100%	100%	100%
Kariba Minerals Limited	50%	50%	50%
Investrust Bank Plc	10.6%	10.6%	45.4%
Maamba Collieries Ltd	35%	35%	35%
Konkola Copper Mines Plc	20.6%	20.6%	20.6%
Kansanshi Mining Plc	20%	20%	20%
Lubambe Copper Mine Ltd	20%	20%	20%
CNMC Luanshya Copper Mines Plc	20%	20%	20%
Copperbelt Energy Corporation Plc	20%	20%	20%
CEC Africa Investments Limited	20%	20%	20%
NFC Africa Mining Plc	15%	15%	15%
Chibuluma Mines Plc	15%	15%	15%
Chambishi Metals Plc	10%	10%	10%
Mopani Copper Mines Plc	10%	10%	10%
Nkana Alloy Smelting Company Limited	10%	10%	10%

*ZCCM-IH Annual reports <http://www.zccm-ih.com.zm/investor-center/annual-reports/>

¹ www.zccm-ih.com.zm/

During the financial period, Investrust Bank embarked on a capital raising exercise through a Clawback Rights Offer to meet the minimum capital requirement set by Bank of Zambia. ZCCM-IH fully underwrote the offer. Subsequent to the completion of the Rights Offer, ZCCM-IH's shareholding increased from 10.6% to 48.6%. In the latter part of the financial period, Investrust undertook another capital raise through the issuance of non-voting preference shares, which saw the bank's primary capital increase beyond the minimum capital requirement.

ZCCM-IH also contributes to the direct financing of mining projects. According to the company financial reports, funding was granted to its subsidiaries operating in the mining sector; and the terms of the transactions can be summarised as follows:¹

Beneficiary	Terms of the transaction
1. Maamba Collieries Limited	On 17 June 2015, ZCCM –IH entered into an intercompany loan agreement for a cash advance of K263.1 million (US\$23.53 million) as part of its contribution towards the implementation of the Integrated Mining Project and the setting up of the 300MW Thermal Power plant project. The loan attracts an interest rate of 6 % per annum. The principal and interest accrued is repayable in 5 annual instalments commencing a year after the Commercial Operations Date which i.e. in November 2016.
2. Lubambe Copper Mines Limited	On 15 September 2012, ZCCM – IH entered into an intercompany loan agreement with Lubambe Copper Mines Limited, for cash call loan amounting to K850 million (US\$76 million). The loans attracts an interest rate of Libor plus 5% and is not secured. The loan was to be repaid in twelve equal quarterly instalments, none of which was made. This loan is fully impaired.
3. Ndola Lime Company Limited	The total loans and advances due from Ndola Lime, including interests was K29 million (2015: K516 million) which is fully impaired. During the year, ZCCM-IH resolved to convert a total of K659 million of the outstanding loans to equity. The advances are not secured over any Ndola Lime Company assets and ZCCM-IH has indicated that it will not demand immediate repayment of these advances.
4. Kariba Minerals Limited.	On 10 December 2012, ZCCM-IH and Kariba Minerals Limited entered into an intercompany loan agreement for a cash advance of K16.43 (US\$1.47) million. Repayment was to commence at the end of the 12 months from the date of disbursement and payable annually. The loan attracts an interest rate of 6 % per annum. As at 31 March 2016, no repayments had commenced. This loan is fully impaired
5. Nkandabwe Coal Mines	During the year, ZCCM-IH advanced a loan to Nkandabwe Coal Mine of K32 million. There are no repayment terms and it is interest free and is not secured. This loan is fully impaired. No additional information has been communicated by ZCCM-IH (i.e. purpose of the loan, etc.)
6. Misenge Environmental and Technical Services Limited	Loans totalling K3 million have no repayment terms and are interest free and are not secured. The loan is not impaired. No additional information has been communicated by ZCCM-IH (i.e. purpose of the loan, etc.)
7. Mawe Exploration and Technical Services Limited	Loans totalling K27 million have no repayment terms and are interest free and are not secured. The loan is fully impaired. No additional information has been communicated by ZCCM-IH (i.e. purpose of the loan, etc.)

ZCCM-IH is also a holder of various licenses as detailed in Annex 5 to this report. It should be noted that no payment flows related to barter arrangements involving infrastructure works have been identified nor confirmed by MoF.

Litigation with KCM

In 2016, the English High Court granted default judgment in favour of ZCCM-IH in its claim against KCM, brought pursuant to a settlement agreement entered by the parties in 2013, for a sum of US\$103 million. The claim relates to outstanding payments under a 2013 copper price participation settlement agreement between ZCCM-IH and KCM.²

¹ *ZCCM-IH 2016 Annual report "<http://www.zccm-ih.com.zm/investor-center/annual-reports/>

² <http://www.zccm-ih.com.zm/kcm-pays-zccm-ih-70-million/>

According to Reuters, a London court has later ordered Zambia Vedanta (VED.L) unit KCM to pay a state mining company \$139 million (£102.6 million), raising by \$36 million the amount it was originally ordered to pay.¹

3.6.2. Industrial Development Corporation

The Industrial Development Corporation (IDC) of Zambia is an investment company wholly owned by the Zambian government, incorporated in early 2014 whose mandate objective is a catalytic role in deepening and supporting Zambia's industrialisation capacity to promote job creation and domestic wealth formation across key economic sectors. After the establishment if IDC, it was agreed that all SOEs incorporated under the Companies Act and the Banking and Financial Services Act from the ministry of Finance to the IDC. The corporation was going to hold shares on behalf of Government, supervise and manage all GRZ's shares in the SOEs.

In February 2014, IDC was incorporated as a company limited by shares under the Companies Act. It is 100% owned by the Minister of Finance pursuant to the Minister of Finance (Incorporation) Act Cap 349 of the Laws of Zambia, for the President on behalf of the Government of the Republic of Zambia (GRZ). IDC commenced operations in March 2014. IDC owns 20% shares in Kagem and 60.3% in ZCCM-IH².

Among the objectives of the IDC, through its Basic Metals and Mining Strategic Business Unit is to ensure a globally and domestically competitive downstream manufacturing in the metals value chains. The aim is to ultimately contribute towards the creation of a globally competitive and diversified local basic metal and mineral resource industry that produces a significant amount of the metals products and minerals for the local market and the rest of Africa.

This should ultimately lead to increased exports of value-added minerals. Accordingly, the Basic Metals and Mining SBU, offers financial assistance, to a range of entities in the basic metals and mining space.

IDC is funding development of basic metals manufacturing capacity, mining of minerals that supports the inputs to metals value chain and strategic minerals such as energy and food security minerals. IDC is also funding projects, that benefit and add value to locally mined minerals in support of downstream manufacturing.

IDC operates under the provisions of the Companies Act and it is neither a Government Agency nor a statutory body. Like any other company, IDC pays taxes to tax authorities, distributes dividends to its shareholders and has its own board of directors and a professional management team. Its sole shareholder is Zambia's Minister of Finance.

During the presentation of the 2015 Zambian National Budget, the Minister of Finance directed the Securities and Exchange Commission (SEC) to ensure that all listed companies on the Lusaka Stock Exchange (LuSE) complied with the minimum LuSE minimum free (public) float requirement of 25% of the shares. In this regard the Minister of Finance announced that the Government of the Republic of Zambia (GRZ) would reduce its shareholding in ZCCM-IH from 87.5% to 60.3% via the sale of its shares proportionate to the required reduction. Subsequent to year end, and pursuant to the above, on 08 June 2015 GRZ sold 15,850,631 of its 43,811,861 Class B shares in ZCCM-IH to the National Pension Scheme Authority (NAPSA) of Zambia (As Tranche 1 of the sale down). As a result of the sale, GRZ's shareholding in ZCCM-IH decreased from 87.5% to 77.5%. Tranche 2 of the sale relates to the sale of the balance of 27,961,237 Class B shares and was launched on 30 July 2015. Tranche 2 involves a preferential secondary market offer of the shares to preferred applicants (Zambian persons) which closed in November 2015. Thereafter the offer was open to general applicants (Foreign persons).

¹ <https://uk.reuters.com/article/uk-zambia-mining/court-orders-zambia-vedanta-unit-to-pay-state-firm-139-million-idUKKBN1ER0TM>

² According to IDC declaration.

3.7. Collection and Distribution of the Extractive Revenues

3.7.1. Budget process

The Zambian budget process has four main stages involving drafting, legislating, execution, auditing and publishing.

(i) Drafting

This is the first phase in the budget process. In the Medium-Term Expenditure Framework (MTEF) arrangement, the government is required to engage in consultations with various stakeholders.

(ii) Legislative

Budgets are allocated taking into account the relevant acts in the constitution. Budgetary allocations are enshrined in Article 117 (1) of the Constitution of Zambia. At this stage, the final result still lies heavily with legislature.

(iii) Execution

At the implementation stage, Parliament questions the effectiveness and efficiency with which funds are utilised. Members of Parliament look out for issues of service delivery, overspending, misuse and misapplication – to areas other than those authorised or planned for.

(iv) Auditing

The budgeting system in Zambia is audited by the office of the Auditor General which verifies whether funds have been spent on the authorised items. It also checks for any under or over spending, misappropriation, theft and whether resources have been utilised efficiently or not. The Report of the Auditor General on the accounts are available on the OAG website¹. The Auditor General follows the standards issued by the International Organization of Supreme Audit Institutions (INTOSAI).

Post-budget period audits are the responsibility of the Public Accounts Committee (PAC). PAC examines historical records for disbursements and budget performance. A substantial part of the supplementary expenditure is often incurred on items and areas other than those which were originally envisaged. PAC has a specific mandate under the standing orders of Parliament and as such cannot initiate an investigation into any matter of public interest. PAC only makes recommendations to the Executive which is expected to enforce them.

(v) Publishing

Part X of Article 118 of the Republican Constitution requires that the National Treasury prepares and tables the State's consolidated Annual Financial Report, which includes information on revenues and other funds received and spent by the Government during the financial year. Besides being mandated by legislation, the Annual Financial Report is meant to provide a summary on National Government financial resources and their application for the benefit of the people of Zambia and other interest groups. The 2016 Annual Financial Report is available on the MoF website.²

3.7.2. Revenues Collection

(i) Revenues Recorded in National Budget

Once minerals are monetised, the revenues due to the State have to be collected through the revenue collection framework. Under the current regime, all the payments are made in cash.

Payments are made by the companies to various Government Agencies. ZRA receives most of its funds from mining companies. ZRA has two operating divisions which are Customs Services Division and Domestic Taxes Division; with both collecting over 98% of all Zambia's taxes from the mining sector.

¹ <http://www.ago.gov.zm>

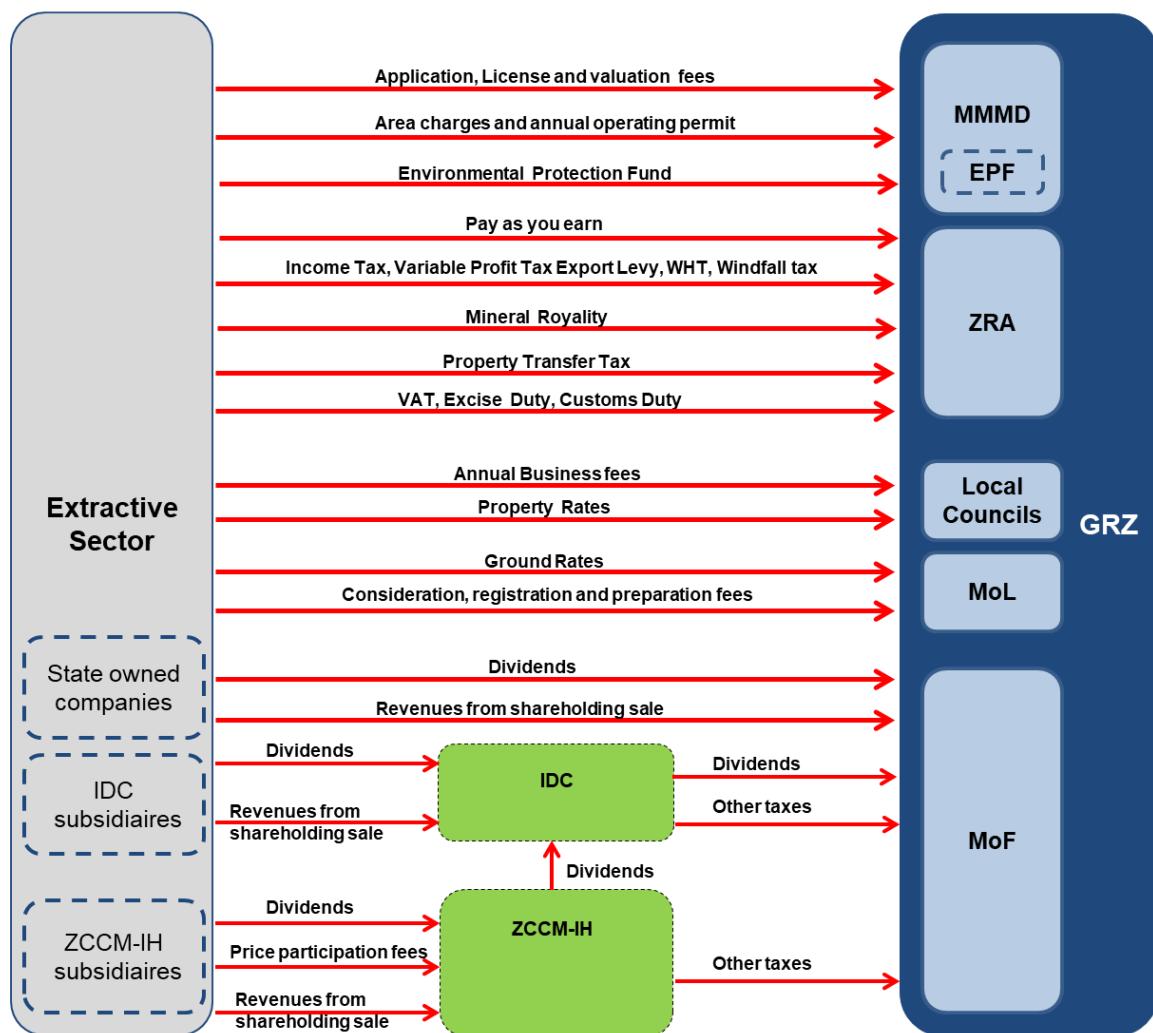
² <http://www.mof.gov.zm/>

The other payments from the mining sector are made to local councils, where mining companies are based, to MoL and to the Ministry of Mines and Mineral Development.

The Ministry of Finance is also part of the revenues collection framework through investments held in some Zambian mining companies (see Section 4.6 of this Report).

The extractive revenue collections framework can be represented diagrammatically as follows:

Figure 3 : Flow chart of extractive revenue collection



(ii) Environmental Protection Fund

The Government enacted the Mines and Minerals Development Act 2008, which stipulates that an Environmental Protection Fund (EPF) should be set up. This legislation provides for contributions to EPF by mine operators in form of cash as well as other forms of security. The new MMDA 2015 has renewed the same provisions for this fund in its article 86.

EPF has been set up with the appointment of EPF committee members by the Minister of Mines. It aims to:

- provide assurance to the Director of the Mines Safety Department that the developer shall execute environmental and social impact statements in accordance with the Mines and Minerals (Environmental) Regulations 1997; and
- provide protection to the Government against the risk of having the obligation to undertake the rehabilitation of mining areas where the mining licence holder fails to do so.

The contributions to the fund are dependent on the environmental audits on the mining firms that are enforced by the Director of Mine Safety. The audits are conducted to ascertain the extent of the environmental liability caused by each individual mining firm.

The payment obligations to the fund has two components. The first component consists of the following categories: five percent (5%), ten percent (10%), or twenty percent (20%), which depend on the classification of each mine and represents the component of the liability that needs to be paid as cash directly into the fund. The second component consists of the balance which is allocated as 95%, 90% or 80% of the environmental liability which needs to be secured in form of a bank guarantee.

EPF is supervised by MMMD through Statutory Instruments, (SIs) in particular SI No. 102 of 1998. EPF operates under the following fundamental guidelines:

- cash payment into EPF to be in hard currency;
- the developer's contributions to EPF shall be made in hard currencies (Cap. 213, S.76 (2) (b) and S.I 102 of 1998 (Regulation 8 (2));
- the balance on deposits lodged under S.I. 29 of 1997, Regulation 66 (1), (2) and (3) shall be secured with the Fund by the developer by way of lodgement of a Bond or Bank Guarantee to be determined by the Minister (Cap. 213, S. 76 (1) (b);
- funds to be Index-Linked, no interest earned;
- the developer's contribution shall retain its time-value with respect to inflation as calculated relative to hard currency (S.I. 102 of 1998 Regulation (8) (3)). At the expiry of a licence or permit, the developer shall be refunded the amount deposited to the extent that such amounts were not appropriated by government for payment of any progressive rehabilitation costs (Cap. 213, S. 82 (3) (a) and (b)). The refund shall not accumulate interest; and
- only the Fund Committee can approve withdrawals from EPF.

In the event that a developer is directed by the Director of MSD to take specific remedial action, and fails to do so, the Director shall execute the remedial action using the developer's contributions to the Fund which becomes recoverable (Cap 213, S/78 (1)). The developer's fund so used shall not exceed the amount of cash deposit lodged by him to the Fund (Cap 213, S. 82 (3) (b). This therefore means that each developer can use only his contribution and will only get his contribution back.

Administrative expenses of operating the fund shall not exceed 1% of the total income of the Fund except during the commissioning of the office of the EPF Manager (S.I. 29, 1997 Regulation (5)).

Payments are made to the Fund in US Dollars and are retained in a USD bank account outside the state budget.

According to the committee on lands, environment and tourism on the auditor general's, the EPF, put in place by the Government, had not worked effectively. Mining companies were not complying with the EPF's regulations in that the majority were not paying the stipulated contributions. For those that had issued the bank guarantees and bonds, the bank guarantees or bonds were not validated by BoZ as per investment policy. The MSD had failed to enforce sanctions on defaulters to the Fund. The operation account was not functional, and the hedging strategy put in place to ensure time value of money for the Fund was maintained was also poor. Only bank interests had been used as a hedging strategy thus not taking advantage of the full array of options the Fund's investment policy provides for. The MSD had also failed to appoint a competent External Fund Manager.¹

Recently, the MSD has revealed that an investment policy for the management of the Environmental Protection Fund (EPF) has been drafted to guide the investment decisions of the Fund. The policy is yet to be signed by the Minister of Finance. It is hoped that the policy will energise the fund administrators to explore more investment opportunities beyond the current practice of placing of

¹ Report of the committee on lands, environment and tourism on the auditor general's report on environmental degradation caused by mining activities for the fourth session of the eleventh national assembly appointed on 25th September, 2014 http://www.parliament.gov.zm/sites/default/files/documents/committee_reports/Report%20%20Auditor%20General's%20Report%20-%20Environmental%20degradation.pdf

investments on fixed term deposits with various financial institutions. As at 30 September 2018, a total of USD 27.5 million was held in the fund.¹

(iii) ZCCM-IH

ZCCM-IH is also part of the revenues collection framework through investments held by the company in Zambian mining companies (detailed in Section 4.6.1 of this report).

As a State-owned company, ZCCM-IH pays taxes to several Government Agencies in accordance with prevalent laws and pays dividends to the government (as shareholder). In addition, the company is entitled to dividends from the private companies in which it holds shares as well as price participation fees, under arrangements dating back to the privatisation of the industry.

In 2015 the Government transferred all its shares held in ZCCM-IH to IDC. IDC has been created and given direct mandate and authorisation by the Government of Zambia to oversee performance and accountability of all the Government Owned Enterprises (SOEs). IDC is mandated to work to maximize the value of government shareholding and ensure that SOEs contribute to the Sovereign Wealth Fund (SWF) which focuses on stimulating investment in strategic non-mining industries to increase exports.

The Company publishes annual financial statements, which are certified by a statutory auditor. ZCCM-IH annual reports and 2016 audited financial statements are available on the company website.²

3.7.3. Mining Revenues Management

The Effective PFM and expenditure management are critical to transforming revenue from natural resources into broad-based sustainable economic and social development. The areas of spending that have broader external benefits for the economy as a whole include, infrastructure and education.

However, as stated under Part III (13) of the Public Finance Act of 2004 of the Republic of Zambia, “There shall be established a Consolidated Fund into which all general revenues and other public funds accruing to the Treasury shall be credited. The amounts payable to the Consolidated Fund under sub-section (1) shall be deposited into the Treasury Account which shall be maintained at the Bank of Zambia.”

The contributions by mining companies therefore lose their identities once they are deposited into the consolidated fund. Their use cannot therefore be tracked to public investment/expenditure or to expenditure unit/cost centers or project.

3.7.4. Mining Revenues Transfers to Sub National Level

The government’s 2002 National Decentralisation Policy (officially launched in 2004) sets out greater responsibilities for local government in the delivery of public goods and services. However, in practice, the delivery of public goods and services in Zambia remains highly centralised. The budget does not show expenditure by urban or rural areas, but rather by line ministry, which means it is difficult to track where money is actually spent.

During 2010, the Zambian Government introduced a formula-based grant system, with the dual aim of making local government funding more predictable and transparent, and allowing government to better track the use of grants by councils. Data was not available to assess whether this reform initiative has operated as intended.

In accordance with Section 136 of the MMDA 2008, the Minister of Finance shall, in consultation with the Minister responsible for Mines, establish a mineral royalty sharing mechanism for distributing royalty revenues. This provision was repealed after the promulgation of the new MMDA 2015. The new code does not provide provision for the sharing of royalties.

¹ ZEITI newsletter on 22 October 2018

² <http://www.zccm-ih.com.zm/>.

3.8. Licenses

3.8.1. Mining Rights Allocation

(i) Mining Rights Process

There is a strict requirement that a person shall not prospect for minerals or carry on mining operations or mineral processing operations without the authority of a mining right or mineral processing licence granted under the Mines and Minerals Development Act (2015).

The act sets up two cadastre offices – one at the central level (to process applications for mining rights) and one at the provincial level (to forward applications to the central office).

The Mining Cadastre Office receives, processes and administers applications for mining rights and mineral processing licenses; and maintains public cadastral maps and cadastre registers.

The following procedure is followed for each application:

- client submits application forms, duly filled in with coordinates in prescribed format with application fee;
- client countersigns against an assigned number in the appropriate Register;
- a physical file is opened by an officer; and
- the application is recorded electronically;
- The application should go through a validation process which checks whether:
- the shape complies with the grid prescribed;
- the area falls within the prescribed limit;
- the area applied for is free; and
- the applicant has priority over the area applied for.

Once the application has been validated, it is submitted to the Mining License Committee (MLC), which is responsible for grant, renewal, termination, suspension, cancellation and amendment of mining and non-mining rights. MLC comprises the following persons:

- (a) the Director of Mines;
- (b) the Director of Geological Survey;
- (c) the Director of Mines Safety;
- (d) the Director of Mining Cadastre who shall be secretary;
- (e) one representative each of the Ministries responsible for:
 - (i) the environment;
 - (ii) land;
 - (iii) finance; and
 - (iv) labour; and
- (f) a representative from:
 - (i) the Attorney-General Office;
 - (ii) the Zambia Development Agency; and
 - (iii) the Engineering Institution of Zambia.

The allocation of mining titles is governed by the principle of "first in time, first in right". In the case where more than one person applies for a mining right over the same area of land, the Committee shall dispose of the applications in the order in which they are received.¹

The criteria considered when assessing the application for a mining exploration and exploitation permit are described respectively in Articles 22 and 31 of the MMDA.

¹ MMDA 2015 – Article 15

In accordance with the new MMDA, auctioning shall be undertaken in areas where known mineral resources exist. The Minister shall issue invitations for bids for mining rights over identified areas or mineral resources which are not subject to mining rights or non-mining rights¹. In the latter case the following procedure is followed:

Stages	Procedure
1. Notice publication	The notice is published in a newspaper of general circulation in Zambia
2. Bids Invitation Notice	<p>The notice is issued by the Minister of Mines and shall include:</p> <ul style="list-style-type: none"> - a description of the areas with map and geographical coordinates for which the bids are to be solicited; - the procedures and rules relating to the submission of the bids; - the period within which the bids shall be submitted.
3. Bids submission for evaluation	<p>The Minister shall set up a technical committee to evaluate bids</p> <p>The Minister shall, within fourteen days from the date of the expiry period, refer the bids for evaluation by the technical committee set up.</p>
4. Bids Evaluation	<p>The technical committee shall consider the following in evaluating the bids:</p> <ul style="list-style-type: none"> - the bidder's investment and financial plans; - in the case of a holder of a mining right, whether the holder has been compliant with the provisions of this Act and the terms and conditions of the mining right; - the bid price; and - any other relevant matters for purposes of this Act. <p>The technical committee shall provide a detailed analysis of all the bids, ranked in accordance with pre-determined parameters, and recommend to the Committee the bidder with the highest score to be granted the relevant mining right in accordance with the provisions of this Act.</p>
5. Granting of Licences	The MLC shall, upon receipt of the recommendation by the technical committee, grant a mining right to the recommended bidder in accordance with the provisions of this Act.

According to the Cadastre Department no bidding has taken place to date since the enactment of the MMDA 2015.

¹ MMDA 2015 – Article 19

(ii) Types of Licences

A number of mining and non-mining rights can be granted under the Mines and Minerals Development Act in Zambia.

Mining right	Area in cadastre units*	Area in ha	Duration	Rights conferred
Artisanal Mining Right	Min 1 Max 2	6.68ha	2	The exclusive rights to carry on mining, processing and exploration in the mining area and to do all such other acts and things as are necessary for, or incidental to, the carrying on of those operations.
Small Scale Mining Licence	Min 3 Max 120	400ha (4km2)	10	
Large Scale Mining Licence	Min 121 Max 7 485	25,000ha (250km2)	25	
Large Exploration Licence	Min 300 Max 59 880	200,000ha (2,000km2)	4 years renewable for two periods of 3 years**	The exclusive rights to carry on exploration in the exploration area for the minerals specified in the licence and to do all such other acts and things as are necessary for, or incidental to, the carrying on of those operations.
Small Scale Exploration Licence	Min 3 Max 300	10,000ha	4 years renewable for two periods of 3 years***	
Non-Mining right	Area in cadastre units*	Area in ha	Duration in years	Rights conferred
Mineral Processing License	Max 7 485	25,000ha (250km2)	25 years	The exclusive rights to carry out mineral processing in the mineral processing area of the minerals specified in the licence and to do all such other acts and things as are necessary for, or reasonably incidental to, the carrying on of those operations.
Mineral trading permit			3 years renewable	The exclusive rights to trade in minerals
Mineral import & Mineral export permits	N/A	N/A	1 year limited to the quantities specified on the permit.	The exclusive rights to import or export any mineral, ore or mineral product.
Gold panning certificate	N/A	N/A	2 years renewable for 1 further period	The exclusive rights to pan for gold and shall be issued only over areas specified by geographical coordinates along water courses and bodies.

*One Cadastre unit equals 3.34 hectares

**A holder of an exploration licence shall relinquish fifty percent of the exploration area at each renewal

***Exploration licence for small-scale exploration and gemstones, other than diamonds, is not renewable.

A mining right over an area between a minimum of two cadastre units and a maximum of one hundred and twenty cadastre units in extent shall only be granted to the following companies:¹

- (a) citizen-influenced company;
- (b) citizen-empowered company; and
- (c) citizen-owned company.

A mining right over an area exceeding two cadastre units shall only be granted to a company.

A citizen, a citizen-influenced company, a citizen-empowered company or a citizen-owned company may apply for a mineral trading permit to the Director of Mines in the prescribed manner and form upon payment of the prescribed fee.²

According to the Mining Cadastre data, there were 2,336 active mining rights in 2016³. The types of rights are set out in the table below:

¹ MMDA 2015 – Article 13

² MMDA 2015 – Article 45

³ These licenses are detailed in Annex 5 to this Report.

Type	Description	2016 Number of Licences
AMR	Artisanal Mining Right	137
LEL	Large Scale Exploration Licence	753
LML	Large Scale Mining Licence	114
MPL	Large Scale Prospecting Licence*	5
SEL	Small Scale Exploration Licence	757
SML	Small Scale Mining Licence	570
Total		2,336

*Old Licenses granted under the Mines Act (2008).

Source: Ministry of Mines

The register of mining licenses is publicly available on: <http://portals.flexicadastre.com/zambia/>. These licenses are detailed in Annex 5 to this Report.

(iii) Transfer of Licenses

Transfer of mining or mineral processing licence

The transfer, assignment, encumbrance or otherwise deal with a mining right or a mineral processing licence, or an interest in a mining right or a mineral processing licence, is subject to the prior approval of the Minister and the presentation of a tax clearance certificate.

A holder of a mining right or mineral processing licence or a person with an interest in a mining right or mineral processing licence who intends such operations shall apply for approval by the Minister and give such details of the transferee as would be required in an application for a mining right or mineral processing licence upon payment of the prescribed fee.¹

The MMDA 2015 does not provide the technical and financial criteria for licence transfers.

During 2016, 17 licenses were transferred. The types of rights transferred are set out as follows:

Type	Description	2016	
		Transferred Licences	Number of Holders*
LEL	Large Scale Exploration Licence	5	5
LML	Large Scale Mining Licence	1	1
MPL	Large Scale Prospecting Licence*	2	1
SEL	Small Scale Exploration Licence	4	4
SML	Small Scale Mining Licence	5	5
Total		17	16

* the same entity may hold two types of rights.

These licenses are detailed in Annex 7 to this Report.

Transfer of control of company

Furthermore, a holder of a mining right or mineral processing licence shall not, after the date of the grant of the right or licence, without the prior written approval of the Minister:

- register the transfer of any share or shares in the company to any person or that person's nominee if the effect of doing so would give that person control of the company; or
- enter into an agreement with any person, if the effect of doing so would be to give that person control of the company.

Article 67 of the MMDA 2015 stipulates that a person is deemed to have control of a company:

- if the person or that person's nominee holds, or the person and that person's nominee together hold, a total of 50% or more of the equity shares of the company; or
- if the person is entitled to appoint, or to prevent the appointment of, half or more than half of the number of Directors of the company.

¹ MMDA 2015 – Article 66

According to the cadastre department, there is no record on transfers of control of companies during 2016.

3.8.2. Oil and Gas Rights Allocation

In accordance with the Petroleum Act 2008, the blocks are licenced in Zambia through a competitive bidding. The Minister, with the approval of the Petroleum Committee, shall divide the territory of the Republic of Zambia into blocks according to the grid system. The Minister may, by notice in the Gazette and in two newspapers of general circulation in the Republic, issue invitations for bids for the grant of a petroleum exploration licence in respect of any block or blocks specified in the notice.

The notice includes:

- a description of the blocks for which the bids are to be solicited;
- the procedures and conditions relating to the submission of the bids; and
- the period within which the bids shall be submitted.

Applicants can access application forms at the Geological Survey Department upon payment of US\$10,000 for the Bidding Document Fee and US\$20,000 for the Data Package Fee.¹

A bid submitted should include at least:

- full information regarding the bidder's financial status, technical competence and experience;
- a description of the area constituted by the blocks in respect of which the bid is being made;
- the proposed programme and the estimated cost of exploration operations including:
 - a) Desktop study;
 - b) Aerial/ground survey;
 - c) Exploratory drilling;
 - d) Evaluation and appraisal; and
 - e) Feasibility study.
- the bidder's proposals with respect to the employment and training of citizens of Zambia;
- the bidder's proposals for the promotion of local business development;
- an environmental commitment plan including:
 - a) Identification of anticipated impacts
 - b) Proposed mitigation measures; and
 - c) Timeline for submission of the Strategic Environmental Assessment report to the ZEMA (Within twelve months from date of grant of license).
- a tax clearance certificate issued under the Income Tax Act.

After closing the tender, the tender box is immediately opened in the presence of applicants. A person whose bid is successful may apply for a petroleum exploration licence to the Minister upon payment of the prescribed fees of US\$1,000. Within five days, the application should be forwarded to the technical committee for consideration. The Technical Committee shall within thirty days of receiving an application forwarded, consider such application and may, within that period, cause such investigations to be made or such consultations to be carried on as the Technical Committee may consider necessary to assess whether or not the criteria have been met.

The Technical Committee shall, in considering an application take the following into account:

- that the applicant has, or has secured access to, adequate financial resources, technical competence and experience to carry on effective exploration operations;
- that the proposed programme of exploration operations is adequate and makes proper provision for environmental protection;
- that the proposed exploration area is not the same as, nor does it overlap an existing exploration area; and
- if the applicant is a holder of another petroleum exploration licence, the applicant has not contravened any condition of the licence or any provision of this Act.

The Technical Committee shall, after considering an application, recommends to the Petroleum Committee:

¹ These fees are paid by block.

- the grant of a petroleum exploration licence where the application meets the requirements above; or
- the refusal to grant a petroleum exploration licence where the application does not meet the requirements.

The Minister shall, with the approval of the Petroleum Committee, grant a petroleum exploration licence to the applicant. This licence is valid for 4 years and is renewable for two three-year terms.

Three licencing rounds have so far been held in 2011, 2013 and 2016. Accordingly, seventeen licences were issued in 2011, nine in 2013 and two in 2016.

The licensing round held in 2016 was advertising for forty blocks. However, only four (4) applications were lodged including three (3) for Block 54 and one (1) for Block 31 which was not advertised. The PTC recommended to the PC the highest scoring bidder, Sargas, for grant of the licence over Block 54. It was observed during the evaluation process that a number of amendments may have to be made.

The applicants were scored based on financial capacity demonstrated by documents such as a financial guarantee. There was no specified amount as a minimum requirement. However, after Sargas was recommended for grant, the company was offered to apply for the block and to provide detailed information on its financial guarantees, documentary support of resources to support cash flow statement and evidence of available credit facilities. This was a requirement in order for the company to demonstrate financial capacity to support the proposed programme of exploration as attached in the application. Additionally, the company was requested to provide other ownership information regarding the legal backing and structural chart indicating all the affiliated companies and their relationships to one another.

According to the Hydrocarbon unit, the Evaluation Criteria is currently being reviewed. Among the amendments is the inclusion of 'a minimum line of credit.' Each of the current 35 available blocks are being assessed in order to determine the minimum cost of exploration to be included in future Evaluation Criteria.

The format of evaluation for Block 31 was the same as above. The only difference was that Tullow Zambia and Rift Petroleum were selectively invited to bid. However, Rift Petroleum declined to bid for Block 31.

The financial and technical criteria used during 2016 licensing round are presented in annex 8 of this report.

Currently, ten licences are active. This is because sixteen licences were cancelled due to:

- eight licences reached expiration in 2015 and the decision of the Petroleum Technical Committee was not to renew them due to non-performance;
- four licences were merged into one block (Block1) in 2015 under ZCCM-IH;
- five licences granted in 2013 were relinquished; two under Sogecoa in 2015, and three under Bowleven in 2016.

The detail of active licenses is included in Annex 1 to this Report.

3.8.3. Disclosure of Licenses and Contracts

The Zambian Ministry of Mines and Mineral Development and Trimble Land Administration have developed an online Mining Cadastre Portal to improve transparency and promote investment in the Zambia mining sector (<http://portals.flexicadastre.com/zambia/>). Information on this map is typically updated each business day. It allows to see the licensed areas, all assigned mining titles, beneficiaries, the type of product, the date of the license application, the date of attribution and the validity of the license.

The Zambian Petroleum sector is structured as a licence system rather than as a contract regime and production sharing system. The rights and obligations of licensees are governed principally by the terms and conditions of the licence, and the legislation listed above. All companies are using conditions attached to exploration licenses since the Petroleum legislation 2010 is drafted. The petroleum licenses are listed in the online cadastre.

3.9. Audit and Assurance Practices

3.9.1. Extractive Companies

The Companies Act 2017 requires every company to appoint auditors within 3 months after incorporation. In case of failure, each director commits an offence and is liable, on conviction, to a fine not exceeding one hundred thousand penalty units.

The Annual financial statements of extractive companies are not systematically available to the public except for listed companies.

The Zambia Institute of Chartered Accountants (ZICA) is legally mandated to set auditing standards for application in Zambia. Since 2005, ZICA has adopted ISA as issued by the IAASB without modification and including effective date.

The Securities Act and the Lusaka Stock Exchange listing requirements demands that auditors of listed companies be practicing members of ZICA and apply standards set by ZICA. These requirements ensure that only auditors who are ISA compliant can audit these public interest entities.

The Public Finance Act (2004) gives the Auditor General the responsibility of auditing state-owned enterprises. Section 44 (1) states, "It shall be the duty of the Auditor General to audit, in accordance with the provisions of the Public Audit Act the accounts of any statutory corporation." The Auditor General follows the standards issued by the International Organisation of Supreme Audit Institutions (INTOSAI).

Depending on the nature of companies, respective regulatory bodies require audited financial statements. For example

- ✓ Insurance body requires all insurance companies to submit audited accounts;
- ✓ Bank of Zambia requires all banking institutions to provide audited accounts;
- ✓ Lusaka Stock Exchange and the Securities and Exchange Commission requires all listed companies to provide audited financial statements.

The Zambia Revenue Authority does not require companies to have audited accounts for tax purposes. However, it is widely acknowledged that an environment of high-quality financial reporting would also improve efficiency in tax assessment.

3.9.2. Government Agencies

The annual Financial Statements of Government are prepared by the respective Ministries, Provinces and Spending Agencies (MPSAs). Within three months after the end of each financial year, the Ministry of Finance should consolidate the Financial Statements and prepare the annual Financial Report of the Republic. the information that should be included in the Financial Report are as follows:

- Revenue received by the Republic during that financial year;
- The expenditure of the Republic during that financial year;
- Gifts, donations and aid-in-kind received on behalf of the Republic in that financial year, their value and how they were disposed of;
- Debt repayments;
- Payments made in that financial year for purposes other than expenditure;
- The financial position of the Republic at the end of that financial year; and
- Other information as prescribed.

The Auditor-General of Zambia has a constitutional mandate to audit all public resources in the republic. The Office of the Auditor General (OAG) is the only Supreme Audit institution in Zambia mandated to audit all Government institutions, parastatal organizations, statutory boards, donor funded agencies and any other organisation in which public resources have been invested.

The OAG produce an annual audit report called the "Report of the auditor general on the audit of the accounts of the republic" not later than nine months after the end of the next financial year. The

annually reports produced since 2003 are publicly available through are available on the OAG website.¹

The audit cover revenue and expenditure on the accounts for the Financial Year well as physical inspections of projects. The Report contains:

- Audit scope;
- Limitation of Scope;
- Audit Methodology;
- Audit Opinion;
- Key Audit Matters; and
- findings and recommendations identified during the audit process.

¹ <http://www.ago.gov.zm/report.html>

4. DETERMINATION OF THE RECONCILIATION SCOPE

The EITI Standard defines materiality as follows: "Payments and revenues are considered material if their omission or misstatement could significantly affect the comprehensiveness of the EITI Report."

Different ways could be used to define materiality for the 2016 EITI Report. The most common way consists of defining materiality in terms of a minimum value of payment to government; the other could be based on the size of the company (for example, a minimum annual size) or the type of permit held (large scale, production).

The purpose of this section is to propose thresholds so that the reconciliation report covers all material payments and revenues from the extractive sector in Zambia. The materiality analysis in this report was based on company data provided by ZRA based on the aggregate of their projects rather than on the projects themselves.

The aggregate tax data used include the revenues collected by the Large Taxpayers office and the Customs Office of ZRA. The review of previous EITI reports, shows that ZRA collected more than **95%** of the total Government revenues during the last 4 years as shown below:

Year	ZRA receipts (ZMW)	Government receipts (ZMW)	%
2015	8,797,139,769	8,951,620,016	98.27%
2014	8,620,918,788	9,507,032,171	90.68%
2013	7,684,323,586	8,015,594,511	95.87%
2012	7,479,338,973	7,790,186,144	96.01%
Total	32,581,721,116	34,264,432,842	95.09%

4.1. Revenue Streams

During the scoping phase, we consulted Government Agencies which received cash flows from the extractive sectors. We have also considered the relevant legislations in force and previous EITI Reports.

4.1.1. Ministry of Mines and Minerals Development

After reviewing the previous EITI reports and legislations in force, particularly the 2015 MMDA, we have identified 12 categories of fees and charges payable by mining companies to MMMD. These fees and charges are set out in the table below:

No.	Category
1	Application Fees (New and Renewals)
2	Licence Fees (New and Renewals)
3	Area Charges
4	Application Fees – Compliance
5	Licence Fees
6	Alteration - Application Fee
7	Alteration - Licence Fee
8	Transfer Application Fee
9	Transfer Licence Fees
10	Search and Other Fees
11	Environmental Protection Fund
12	Annual Operating Permits

According to the table above we can regroup the fees and charges payable to MMMD in six (6) categories:

No.	Category
1	Application Fees
2	Licence Fees
3	Area Charges
4	Valuation Fees
5	Annual Operating Permit
6	Environmental Protection Fund

These fees and charges payable by mining companies to MMMD were included in the scope of reconciliation for the exercise 2016.

4.1.2. Zambia Revenue Authority

The table below is a summary of the taxes paid by the mining companies to the Large Taxpayers office and the Customs Office of ZRA during 2016:

No.	Category	Amount (ZMW million)	Cumulative (ZMW million)	Cumulative in %
1	Mineral Royalty Tax	3,082.33	3,082.33	30%
2	Value Added Tax (On Imports)	2,254.57	5,336.90	52%
3	Pay as You Earn	1,734.30	7,071.19	70%
4	Income Tax	1,329.36	8,400.56	83%
5	Value Added Tax	681.94	9,082.50	89%
6	Withholding Tax	644.55	9,727.05	96%
7	Customs Duty	415.17	10,142.22	100%
8	Import Excise Duty	20.16	10,162.38	100%
9	Property Transfer Tax	8.01	10,170.39	100%
10	Domestic Excise	2.72	10,173.11	100%
11	Advance Income Tax	0.17	10,173.28	100%
12	Motor Vehicle Fees	0.14	10,173.42	100%
13	Motor Vehicle Surtax	0.12	10,173.53	100%
14	Carbon Emissions Surtax	0.04	10,173.57	100%
15	Turnover Tax	0.01	10,173.58	100%
16	Fuel Levy	0.00	10,173.59	100%
Total		10,173.59		

Given the significant amount of taxes paid to ZRA, our selection of material payments and companies was based on the amount of revenue collected by ZRA. Based on the above, the MSG agreed:

- (i) to maintain the list of payment flows selected for the 2015 reconciliation;
- (ii) deferral VAT refunded to mining companies by ZRA should be included in order to reflect a better net contribution of mining companies to the budget during the period covered by the EITI Report;
- (iii) wind fall and variable profit taxes should be excluded as they have now been repealed; and
- (iv) Motor Vehicle Fees, Motor Vehicle Surtax, Carbon Emission Surtax, Turnover Tax and Fuel Levy do not present material flows with less than 0.003% of the total payments to ZRA, and as such should be excluded from the scope.

4.1.3. Ministry of Local Government and Housing (Sub National Payments)

The contribution to the Ministry of Local Government and Housing (MoLGH), and specifically the Local Councils, will be restricted to two fees as per the last 4 Reconciliation exercises:

- Property rates; and
- Annual Business Fees.

These payments were included because they are important to the areas served by local councils and based on information set out in the previous reconciliation reports.

4.1.4. Ministry of Lands

Four types of fees are payable to the Ministry of Lands by mining companies:

No.	Category
1	Ground Rent
2	Consideration Fees
3	Registration Fees
4	Preparation Fees

It was agreed that all the above 4 types of fees will be included in order to ensure completeness of income.

4.1.5. Ministry of Finance

The dividends received from State Owned Enterprises in the 2016 reconciliation exercise as well as the revenues received from the sale of GRZ shareholding in these companies, were included in the scope of the reconciliation.

However, the Ministry of Finance has not yet confirmed in writing the lack of infrastructure provisions and barter arrangements in 2016.

4.1.6. ZCCM-IH

As per the previous reconciliation exercises, we propose that the 2016 reconciliation exercise should include the following revenue streams:

No.	Category
1	Dividends from ZCCM-IH Shares
2	Price participation fees
3	Revenues from ZCCM-IH shareholding sale
4	Revenues from ZCCM-IH mining rights transfer

4.1.7. Industrial Development Corporation

IDC is a state-owned asset management company and does not fall under the scope of Requirement 4.5. However, the 2016 reconciliation exercise should include dividends and other significant payments through unilateral disclosure of mining companies.

4.1.8. Social Payments

These consist of all contributions made by extractive companies to promote local development and to finance social projects in line with EITI Requirement 6.1. This Standard encourages MSG to apply a high standard of transparency to social payments and transfers, the parties involved in the transactions and the materiality of these payments and transfers to other benefit streams, including the recognition that these payments may be reported even though it is not possible to reconcile them.

These contributions can be made in cash or in kind. This category includes, inter alia: health infrastructure, school infrastructure, road infrastructure, market gardening infrastructure, projects related to the promotion of the agriculture and the grants provided to the population.

We understand that there are no legal or contractual provisions for mandatory social payments in Zambia. However, the voluntary social payments were included in the 2016 EITI scope through unilateral disclosure of mining companies. These payments can be summarised as follows:

No.	Category
1	Corporate Social Responsibility In kind payments
2	Corporate Social Responsibility cash payments

4.1.9. Sub National Transfer

In accordance with Section 136 of the Mines and Minerals Development Act 2008, the Minister of Finance shall, in consultation with the Minister responsible for Mines, set up a mineral royalty sharing mechanism for distributing royalty revenues.

However, after the promulgation of the new MMA 2015, the provisions of former Article 136 were repealed. The new code does not provide provision for royalty sharing.

The Ministry of Finance has not yet confirmed in writing the lack of subnational transfers were made in 2016.

4.1.10. State's share of production and other in-kind revenues

a. Oil and Gas

All Oil and Gas companies are in the exploration phase. Therefore, there are no in-kind revenues in the oil and gas sector. Furthermore, the current Petroleum regulations does not provide provisions for production sharing. In the event of a discovery and commencement of oil production, the company would be subject to pay royalties at a rate of 12.5% of the wellhead value for the crude oil and 5% of the wellhead value for the natural gas.¹

b. Mining

After reviewing the previous EITI reports and legislation in force we understand that there are no in-kind revenues in the mining sector. Additionally, ZCCM-IH has confirmed in writing that there were no in-kind revenues collected during the year 2016.

4.1.11. Infrastructure provisions and barter arrangements

a. Oil and Gas

All Oil and Gas companies are in the exploration phase. We understand that there are no infrastructure provisions and barter arrangements in mining sector.

b. Mining

After reviewing the previous EITI reports and legislations in force, we understand that there are no infrastructure provisions and barter arrangements in mining sector. Additionally, ZCCM-IH has confirmed in writing that there were no quasi-fiscal expenditures during the year 2016.

4.1.12. Other Significant Payments

¹ First Schedule, Part 2 of the Petroleum Exploration and Production General Regulations 2010.

The reporting template included an additional heading in order to report any other significant payments made/collected during 2016 and not included in the previous revenue streams like Litigations and others.

4.2. Extractive Companies

4.2.1. Oil and Gas

According to the information made available by MMMD, there were no activities carried out by extractive companies during 2016 in the Oil and Gas sector.

The Geological Survey Department (GSD) of MMMD has confirmed that ten (10) petroleum exploration licenses were active during 2016. GSD has also confirmed that there were no contracts signed between the Government and oil and gas companies

The fees and surface rentals related to Exploration licences are due in USD or Kwacha equivalent and are as follows:¹

Fees & surface rentals	Fee units	Kwacha (K0.3/unit)
1. Fees for inspection of the Register		
for general search and examination of the Register	3,000	900
for the supply of a copy of, and entry on, the Register	5,278	1,583
2. Application fee for petroleum exploration licence and its renewal	26,389	7,917
3. Annual licence fee (exploration)	300,000	90,000
4. Surface rentals		
Initial exploration period per square kilometer or kwacha equivalent	53	16
first renewal period per square kilometer or kwacha equivalent	106	32
second renewal period per square kilometer or kwacha equivalent	158	47

These payments are considered to be non-material in the context of the 2016 reconciliation exercise. We have been able to obtain information on the payment made by Tullow Zambia B.V Limited from Tullow Oil Plc Annual report & accounts.² According to the 2016 report, there was no payment made to the GoZ. However, the 2017 report shows a total payment of USD 178,000 (i.e. around ZMW 1.7 million) including a social payment for an amount of USD 100,000 and licenses fees for an amount USD 78,000.

As a result, it was agreed to include the Oil and Gas companies in the 2016 EITI report through a unilateral disclosure by the government agencies of the combined benefit stream from Oil and Gas operator listed in Annex 1 to this Report.

4.2.2. Mining

The information provided to us during the scoping study and related to the 2016 tax collection was limited to the payments received by ZRA from the mining sector. Nevertheless, we set out in the table below the amount of tax collected by ZRA based on the previous 4 EITI reconciliation exercises:

¹ <http://www.mmmmd.gov.zm/index.php/downloads/download/4-mining-regulations/12-petroleum-exploration-and-production-general-regulations-2010>

² 2016 Report : <https://www.tullowoil.com/Media/docs/default-source/2016-Annual-Report-Accounts/2016-Annual-Report-Accounts.pdf?sfvrsn=18>

2017 Report: https://www.tullowoil.com/Media/docs/default-source/3_investors/tullow-oil-plc-2017-annual-report.pdf?sfvrsn=2

			(ZMW million)
Year	ZRA receipts	Government receipts	%
2015	8,797.14	8,951.62	98.27%
2014	8,620.92	9,507.03	90.68%
2013	7,684.32	8,015.59	95.87%
2012	7,479.34	7,790.19	96.01%
Total	32,581.72	34,264.43	95.09%

From the above table, we can conclude that ZRA is the main recipient of payments from the mining sector. As a result, the materiality has been based on payments made by mining companies to the Large Taxpayers office and the Customs Office of ZRA.

The data made available on receipts from the mining sector in 2016 amounts to ZMW 10,834 million from 208 companies including those not operating in the mining sector.

For each company where reported receipts in 2016 exceeded ZMW 5 million, we reviewed the licensing information provided by the Online Mining Cadastre and identified companies which held active licenses or made royalty payments, categorising them as “mining companies” or “non-mining companies”.

For companies which reported receipts equal or under ZMW 5 million, we considered that they are exclusively mining companies.

Based on the above, the profile of payments to ZRA is set out in the following table:

Payment threshold	Mining Companies		Non-Mining Companies	
	Number of companies	Revenue collected by ZRA (ZMW million)	Number of companies	Revenue collected by ZRA (ZMW million)
Amount > ZMW 500 million	6	7,654	-	-
ZMW 100 million <Amount <ZMW 500 million	9	2,096	3	425
ZMW 50 million <Amount <ZMW 100 million	2	110	1	68
ZMW 20 million <Amount <ZMW 50 million*	4	125	3	95
ZMW 10 million <Amount <ZMW 20 million	4	57	4	63
ZMW 5 million <Amount <ZMW 10 million	7	38	1	9
ZMW 2 million <Amount <ZMW 5 million	15	56	-	-
ZMW 1 million <Amount <ZMW 2 million	12	15	-	-
ZMW 0.5 million <Amount <ZMW 1 million	13	8	-	-
Amount <ZMW 0.5 million	124	14	-	-
Total	196	10,174	12	660

The profile of payments to ZRA in 2016 based on the most twenty important mining companies, is set out in the following table:

N°	Company	Revenue collected by ZRA (ZMW million)	Weight (%)	Cumulative weight (%)
Mining companies				
1	KANSANSHI MINING PLC	2,342	23.02%	23.02%
2	KONKOLA COPPER MINES PLC	1,243	12.22%	35.24%
3	LUMWANA MINING COMPANY LIMITED	1,173	11.53%	46.76%
4	MOPANI COPPER MINES PLC	1,083	10.64%	57.40%
5	KALUMBILA MINERALS LIMITED	1,063	10.45%	67.85%
6	FIRST QUANTUM MINING AND OPERATIONS LTD BM M S	751	7.38%	75.24%
7	CHAMBISHI COPPER SMELTER LIMITED	480	4.72%	79.95%
8	CHAMBISHI METALS PLC	425	4.18%	84.13%
9	CNMC LUANSHYA COPPER MINES PLC	313	3.08%	87.21%
10	MAAMBA COLLIERIES LIMITED	174	1.71%	88.91%
11	LAFARGE CEMENT ZAMBIA PLC	168	1.66%	90.57%
12	KAGEM MINING LIMITED	153	1.50%	92.07%
13	LUBAMBE COPPER MINE LIMITED	138	1.36%	93.43%

N°	Company	Revenue collected by ZRA (ZMW million)	Weight (%)	Cumulative weight (%)
14	NFC AFRICA MINING PLC	125	1.23%	94.66%
15	CHIBULUMA MINES PLC.	120	1.18%	95.84%
16	ZAMBEZI PORTLAND CEMENT LIMITED	60	0.59%	96.43%
17	SINO-METALS LEACH ZAMBIA LTD	51	0.50%	96.93%
18	CHANTETE MINING SERVICES LIMITED	38	0.37%	97.30%
19	NEELKANTH LIME LIMITED	26	0.26%	97.56%
20	UNIVERSAL MINING AND CHEMICAL INDUSTRIES LIMITED	21	0.21%	97.77%
Sub-total		9,946	97.77%	
Other (176 companies)		227	2.23%	100.00%
Total revenues collected		10,174	100.00%	

Based on the Auditor General thresholds, the MSG agreed in its meeting held on 27 September 2018 to retain mining companies whose payments are equal to or greater than 5% rounded of the total receipts and ZCCM. This threshold has been applied on the basis of the materiality threshold applied by the Office of the Auditor General. Accordingly, the reconciliation scope allows a coverage of more than 80% of the total revenues collected by ZRA from mining companies.

N°	Company	Revenue collected by ZRA (ZMW million)	Weight (%)	Cumulative weight (%)
Mining companies				
1	KANSANSHI MINING PLC	2,342	23.02%	23.02%
2	KONKOLA COPPER MINES PLC	1,243	12.22%	35.24%
3	LUMWANA MINING COMPANY LIMITED	1,173	11.53%	46.76%
4	MOPANI COPPER MINES PLC	1,083	10.64%	57.40%
5	KALUMBILA MINERALS LIMITED	1,063	10.45%	67.85%
6	FIRST QUANTUM MINING AND OPERATIONS LTD BM M S	751	7.38%	75.24%
7	CHAMBISHI COPPER SMELTER LIMITED	480	4.72%	79.95%
State owned company		8,134	79.95%	
8	ZCCM INVESTMENTS HOLDINGS PLC	39	0.39%	80.34%
Reconciliation scope		8,174	80.34%	
Other (188 companies)		2,000	19.66%	100.00%
Total revenues collected		10,174	100.00%	

4.3. Reconciliation Scope

According to the above, the agreed perimeter includes **36 revenue streams, 7 extractive companies and 24 Government Agencies**.

These revenue streams are listed in the table below:

Ref	Type of Tax	Description
MMMD		
1	Application Fees	Fees paid when applying for a prospecting license or mining license.
2	Licence Fees	Fees payable by an applicant of mining rights is granted a mining license or permit.
3	Area Charges	Fees payable by all Extractive Companies to MMMD in order to obtain the appropriate permit to undertake the mining and exploration operations.
4	Valuation Fees	Fees paid for laboratory analysis of mineralogical samples.
5	Annual Operating Permit	Annual fee payable by all Extractive Companies to MMMD in order to obtain the appropriate permits from the Director of Mines Safety to undertake mining operations.
6	Environmental Protection Fund	Fee charged to Extractive Companies for environmental rehabilitation purposes.

Ref	Type of Tax	Description
7	Other fees & charges	To be used by Government Agencies and mining companies in case there were any material receipts or payments not listed elsewhere on the ZEITI template (> ZMW 20 million).
ZRA		
8	Pay- As-You-Earn	Tax paid by employees on all their emoluments. The employer acts as an agent for the Government and deducts the tax from the employee emoluments which it remits to ZRA.
9	Import VAT	Value Added Tax paid by Extractive Companies on the import of goods into Zambia including imports of minerals and concentrate from other jurisdictions.
10	Mineral Royalty	Royalty payable is calculated at 3% of the market value of minerals FOB less the cost of smelting, refining and insurance, handling and transport from the mining area to the point of export or delivery within Zambia. Royalty payments may be deferred if the cash operating margin of a holder of a Large-Scale Mining falls below zero.
11	Company Income Tax (including Provisional Tax)	All Extractive Companies are taxed on their taxable income which is determined in line with the Zambian Income Tax Act. Income in this case relates to revenue less all tax allowable expenditure. The company tax rates are 30% for mining incomes and 35% for hedging incomes. This also includes the compulsory instalments paid during the year as a provisional tax.
12	VAT	This payment type refers to the net Output VAT payable by the Extractive Companies, after taking into account Input VAT incurred on business purchases and/or business expenditure.
13	Import/Customs Duty	Customs/Import duty is a tax levied on ZRA specified goods imported into Zambia.
14	Withholding Taxes	This is a tax where any person or company making certain payments is required to deduct from such payments and remit to ZRA. The payments that attract WHT include management and consultant fees, commissions, rent dividends and payments to non-resident contractors. The WHT rate is 15%.
15	Excise Duty	Excise duty is a tax levied on ZRA specified goods imported into Zambia.
16	Property Transfer Tax	This is a tax paid upon the sale or transfer of property by the person selling or transferring the property based on the value of the property. Property in our case refers to land, buildings, shares and mining rights (effective 1 January 2013).
17	Advance Income Tax	A 6% advance income tax is levied on commercial imports, subject ministerial remission. Where paid, this tax may be deducted from the taxpayer's final income tax for the fiscal year.
18	Export Levy	This tax is levied at 10% on concentrate minerals.
19	Other taxes (ZRA)	To be used by Government Agencies and mining companies in case there are any material receipts or payments not listed elsewhere on the ZEITI template (> ZMW 20 million).
20	VAT credit	Amount of VAT paid by mining companies on purchases of goods and services, excluding import VAT and VAT collected and paid directly to ZRA, and which is not yet refunded to the company. This line should be filled by mining companies only.
Local Councils		
21	Annual Business Fees	Operating fees paid to the local councils in which the Extractive Companies operate.
22	Property Rates	Property taxes payable to the local authority by all Extractive Companies who own properties.
MoL		
23	Ground Rent	Annual lease payments made to the Ministry of Lands in respect of leasehold properties owned by the Extractive Companies.
24	Consideration Fees	These are fees paid to show that the offeree to land has accepted the offer. They are only paid once at the beginning when the land has been offered. In short, payment of these fees symbolises acceptance of offer to buy land.
25	Registration Fees	These are service charges that go towards the process of registration and formulation of the certificate of title at the Lands Deeds Department.
26	Preparation fees	These are service charges towards the preparation of the lease document by the office of the Commissioner of Lands before it goes to the Lands and Deeds Department for final registration and formulation.
MoF		
27	Dividends from Government Shares	This is the distribution of profits in proportion to the shares held directly in the Extractive Company and ZCCM-IH by GRZ.
28	Revenues from GRZ shareholding sale	This relates to revenues received by GRZ from the transfer of the shares held in State owned companies operating in the mining sector.
ZCCM-IH		

Ref	Type of Tax	Description
29	Dividends from ZCCM-IH Shares	This is the distribution of profits in proportion to the shares directly held in the Extractive Company by ZCCM-IH.
30	Price participation fees	Price participation fees received from the companies in which it has shareholding.
31	Revenues from ZCCM-IH shareholding sale	This relates to revenues received by ZCCM-IH from the transfer of the shares held in Extractive Companies operating in Zambia including in their parent companies.
32	Revenues from ZCCM-IH mining rights transfer	This relates to revenue received by ZCCM-IH from the transfer of the mining rights held.
	IDC	
33	Dividends and other revenues from IDC-Shares	Dividends and other significant payments made to IDC.
	Social Payments	
34	Corporate Social Responsibility In kind payments	These flows affect all contributions made by extractive companies in the local development area including expenditure incurred by extractive companies to finance infrastructure projects, health, education, roads, and market gardening for individuals.
35	Corporate Social Responsibility cash payments	These flows relate to contributions made by extractive companies in the local development. Flows covered in this section include: cash payments made by extractive companies to support actions of local communities including compensation others than those granted directly for the individuals.
	Other Significant Payments	
36	Other Significant Payments	To be used by Government Agencies and mining companies in case there were any material receipts or payments not listed elsewhere on the ZEITI template (> ZMW 20 million).

These companies are listed in the table below:

Nº	Company
Mining companies	
1	KANSANSHI MINING PLC
2	KONKOLA COPPER MINES PLC
3	LUMWANA MINING COMPANY LIMITED
4	MOPANI COPPER MINES PLC
5	KALUMBILA MINERALS LIMITED
6	FIRST QUANTUM MINING AND OPERATIONS LTD BM M S
7	CHAMBISHI COPPER SMELTER LIMITED

These Government Agencies are listed in the table below:

Ministries	
1	Zambian Revenue Authority (ZRA)
2	Ministry of Mines and Minerals Development
Stated Owned Enterprises	
5	ZCCM-IH
6	Industrial Development Corporation (IDC)
District Councils	
7	Mufulira Municipal Council
16	Ndola City Council
8	Kalulushi Municipal Council
17	Lufwanyama District Council
9	Zimba District Council
18	Lusaka City Council
10	Kitwe City Council
19	Mumbwa District Council
11	Chililabombwe District Council
20	Sinazongwe District Council
12	Luanshya District Council
21	Solwezi Municipal Council
13	Chingola Municipal Council
22	Kafue District Council
14	Kabwe District Council
23	Choma Municipal Council
15	Mazabuka District Council
24	Chilanga District Council

Additionally, the State-Owned Enterprise ZCCM-IH, will also report on payments made to other Government Agencies.

4.4. Reporting by Project Level

The EITI Board decision of 8 March 2017, reaffirmed that project level reporting is required. The national multi-stakeholder group should devise and apply a definition of the term project that is consistent with relevant national laws and systems as well as international.

According to Guidance Note 29 on project level reporting, the global practice in defining project shows that one of the key take-aways is that what constitutes a project is linked to the forms of legal agreement(s) governing extractive activities between the government and companies. In other words, in a production-sharing regime, a project is typically the contract that gives rise to payment liabilities. In a tax/royalty regime, a project is typically the license that gives rise to payments.

Therefore, the following definition for projects was adopted:

"In Zambia, a project is defined as the operational activities that are governed by a single licence and forms the basis for payment liabilities with a government".

The table below summarizes which payment flows are levied at project level and therefore can be disclosed at this level:

Ref	Type of Tax	Disclosed by company	Disclosed by project
MMMD			
1	Application Fees		✓
2	Licence Fees		✓
3	Area Charges		✓
4	Valuation Fees		✓
5	Annual Operating Permit		✓
6	Environmental Protection Fund		✓
7	Other fees & charges		
ZRA			
8	Pay- As-You-Earn	✓	
9	Import VAT	✓	
10	Mineral Royalty		✓
11	Company Income Tax (including Provisional Tax)	✓	
12	VAT	✓	
13	Import/Customs Duty	✓	
14	Withholding Taxes	✓	
15	Excise Duty	✓	
16	Property Transfer Tax		✓
17	Advance Income Tax	✓	
18	Export Levy	✓	
19	Other taxes (ZRA)		
20	VAT credit	✓	
Local Councils			
21	Annual Business Fees		✓
22	Property Rates		✓
MoL			
23	Ground Rent		✓
24	Consideration Fees		✓
25	Registration Fees		✓
26	Preparation fees		✓
MoF			
27	Dividends from Government Shares	✓	
28	Revenues from GRZ shareholding sale	✓	
ZCCM-IH			
29	Dividends from ZCCM-IH Shares	✓	
30	Price participation fees	✓	
31	Revenues from ZCCM-IH shareholding sale	✓	
32	Revenues from ZCCM-IH mining rights transfer	✓	
IDC			
33	Dividends and other revenues from IDC-Shares	✓	

Ref	Type of Tax	Disclosed by company	Disclosed by project
Social Payments			
34	Corporate Social Responsibility In kind payments		✓
35	Corporate Social Responsibility cash payments		✓
Other Significant Payments			
36	Other Significant Payments		

Where payments are attributed to a specific project, then the total amounts per type of payments shall be disaggregated by project. Where payments are levied at an entity level rather than at a project level, the payments will be disclosed at an entity level rather than at a project level.

Furthermore, the SoEs should disclose their payments to other government agencies by project where applicable.

4.5. Level of Disaggregation

The Reporting Templates and the data are submitted:

- by extractive company;
- by Government Agency; or SoE for each company/taxpayer selected in the reconciliation scope;
- by tax and by type of payment flow as detailed in the Reporting Template; and
- by project for each payment flow where applicable.

For each payment flow reported, companies/taxpayers and Government Agencies must produce details by receipt / payment, by date and by beneficiary.

The companies will also be requested to provide:

- information on their beneficial ownership; and
- the audited financial statements for 2015-2016.

All data and the level of detail that would be required as part of the reconciliation period are presented in Annex 6 of this Report.

4.6. Materiality Deviation

The materiality deviation is the threshold of immaterial differences per revenue stream for which the IA will not carry out investigation.

It was agreed to set the final reconciliation difference at **1%** as a maximum which is fairly acceptable.

Based on the scope proposed in Section 4.3 of this Report, revenue streams included in the reconciliation scope totalled **ZMW 10,174 million**. Therefore, the projected final reconciliation difference should not exceed **ZMW 101.74 million**.

This amount should be allocated to each company.

The materiality deviation per company, can therefore be obtained by dividing the projected final reconciliation difference by the number of revenue streams, which gives a total **ZMW 12.717 million**.

As a simplification measure, we recommend setting the materiality deviation per revenue stream at **ZMW 10 million**.

Accordingly, the worst-case scenario in which all revenue streams will be showing an immaterial difference of ZMW 10 million (accepted by the IA with no further investigation), which gives a total reconciliation difference of **ZMW 80 million** or **0.79%**.

4.7. Beneficial Ownership

In the past, Zambia has made several attempts at disclosing beneficial ownership, including in their 2013 and 2014 and 2015 EITI Reports as well as in a separate beneficial ownership report.¹ Despite capacity building and outreach to companies, the response rate has been low. The report cites lack of legislation requiring beneficial ownership disclosure and difficulty in obtaining the information from companies located in foreign jurisdictions as some of the reasons for non-disclosure. It recommends further work on setting up a beneficial ownership register.

In December 2016, ZEITI produced a beneficial ownership roadmap outlining the plans to implement beneficial ownership disclosure by January 2020. The roadmap is publicly available on the ZEITI website.²

In their new Beneficial ownership roadmap, Zambia EITI plans to organise workshops to provide technical capacity building to relevant stakeholders on reporting and law enforcement related to beneficial ownership implementation.

A review of the legal and institutional framework to understand where there are gaps in the existing framework, as well as opportunities for reform, was done in March 2017 by an independent consultant.³

In November 2017, the Government of Zambia amended the Companies legislation to include beneficial ownership disclosure. The Companies Act No. 10 of 2017 provides for the disclosure of beneficial owners and the creation of a register of beneficial owners that will be kept at the Patents and Companies Registration Agency (PACRA). The government is currently developing regulations for the legislation.

“Ownership” is defined in Art. 3 of Companies Act 2017 and means a natural person who:

- (a) directly or indirectly, through any contract, arrangement, understanding, relationship or any other means ultimately owns, controls, exercises substantial interest in, or receives substantial economic benefit from a corporate; or
- (b) exercises ultimate and effective control over a legal person or legal arrangement; and the terms “beneficially own” and “beneficial ownership” shall be construed accordingly.

On the other hand, and under the same article, “Control” means the control of a company by a person who:

- (a) beneficially owns more than twenty-five percent of the issued share capital of the company;
- (b) is entitled to vote a majority of the votes that may be cast at a general meeting of the company, or has the ability to control the voting of a majority of those votes, either directly or through a controlled entity of that person;
- (c) is able to appoint or to veto the appointment of a majority of the directors of the company;
- (d) is a holding company and the company is a subsidiary of that company as provided for in this Act;
- (e) in the case of a company that is a trust, has the ability to control the majority of the votes of the trustees, to appoint the majority of the trustees or to appoint or change the majority of the beneficiaries of the trust; or
- (f) has the ability to materially influence the management policy or affairs of the company in a manner comparable to a person who, in ordinary commercial practice, can exercise an element of control referred to in paragraphs (a) to (e);

In view of the above, the MSG agreed to adopt the following definition:

¹ https://eiti.org/sites/default/files/zeiti_bo_report - final_version_13_07_15_0.pdf

² <http://zambiaeiti.org/beneficial-ownership-roadmap/>

³ <http://zambiaeiti.org/wp-content/uploads/2017/05/Beneficial-Ownership-Disclosure-Report-March-2017-1.doc>

“The beneficial owner in respect of a company means the natural person(s) who directly or indirectly ultimately owns or controls more than twenty-five percent of the issued share capital of the company.

The “ultimate beneficial ownership” shall mean a natural person, and not another company or a trust. For companies with complicated ownership structures, involving many different corporate vehicles or private agreements over ownership and/or control, the ultimate beneficial owners are the individuals who are right at the very top of the chain.

Publicly listed companies, including wholly-owned subsidiaries, are not required to disclose information on their beneficial owner(s). They have to provide only guidance on how to access this information.

In the case of joint ventures, each entity within the venture should disclose its beneficial owner(s), unless it is publicly listed or is a wholly-owned subsidiary as per above. Each entity is responsible for the accuracy of the information provided.”

The data collected is detailed in Annex 4 to this report.

5. RECONCILIATION RESULTS

5.1. Payment Reconciliation between Extractive Companies and Government Agencies

5.1.1. Reconciliation by Extractive Company

The tables below summarise the differences between the payments reported by extractive companies and receipts reported by Government Agencies.

The tables include consolidated figures based on the reporting templates prepared by every extractive company and Government Agency, adjustments made by us following the reconciliation work and the residual unreconciled differences.

No. Company	Templates originally lodged			Adjustments			Final amounts			Amounts in ZMW
	Company (a)	Govt (b)	Difference (a-b)	Company (d)	Govt (e)	Difference (d-e)	Company (f) = (a+d)	Govt (g) = (b+e)	Difference (f-g)	
	1 KANSANSHI MINING PLC	2,340,741,518	2,359,756,420	(19,014,901)	(1,808,250)	10,191,669	(11,999,919)	2,338,933,268	2,369,948,089	(31,014,820)
2 KONKOLA COPPER MINES PLC	1,128,827,368	1,328,883,720	(200,056,352)	59,945,211	-	59,945,211	1,188,772,579	1,328,883,720	(140,111,141)	
3 LUMWANA MINING COMPANY LIMITED	1,185,153,985	1,185,713,850	(559,865)	(362,380)	(13,200)	(349,180)	1,184,791,605	1,185,700,650	(909,045)	
4 MOPANI COPPER MINES PLC	912,651,005	1,088,730,652	(176,079,647)	-	4,318,744	(4,318,744)	912,651,005	1,093,049,396	(180,398,391)	
5 KALUMBILA MINERALS LIMITED	1,050,904,140	1,064,743,228	(13,839,088)	11,309,249	-	11,309,249	1,062,213,389	1,064,743,228	(2,529,839)	
6 FIRST QUANTUM MINING AND OPERATIONS LTD BM M S	759,516,877	751,508,103	8,008,774	-	-	-	759,516,877	751,508,103	8,008,774	
7 CHAMBISHI COPPER SMELTER LIMITED	452,522,505	484,810,020	(32,287,515)	-	-	-	452,522,505	484,810,020	(32,287,515)	
8 ZCCM INVESTMENTS HOLDINGS PLC	(4,280,954)	39,281,613	(43,562,567)	15,146,953	-	15,146,953	10,865,999	39,281,613	(28,415,614)	
Total	7,826,036,445	8,303,427,606	(477,391,161)	84,230,783	14,497,214	69,733,569	7,910,267,228	8,317,924,820	(407,657,592)	

5.1.2. Reconciliation by Revenue Stream

The table below shows the total Basic Payments reported by extractive companies and Government Agencies, taking into account all adjustments:

Nº	Description of payment	Amounts in ZMW								
		Templates originally lodged			Adjustments			Final amounts		
		Company (a)	Govt (b)	Difference (a-b)	Company (d)	Govt (e)	Difference (d-e)	Company (f) = (a+d)	Govt (g) = (b+e)	Difference (f-g)
	MMMD	20,199,903	6,072,370	14,127,533	(362,380)	14,497,214	(14,859,594)	19,837,523	20,569,584	(732,061)
1	Application Fees	-	22,500	(22,500)	-	-	-	-	22,500	(22,500)
2	Licence Fees	811,647	-	811,647	(509,290)	-	(509,290)	302,357	-	302,357
3	Area Charges	4,421,124	5,880,818	(1,459,694)	509,290	-	509,290	4,930,414	5,880,818	(950,404)
4	Valuation Fees	20,900	169,052	(148,152)	-	(86,475)	86,475	20,900	82,577	(61,677)
5	Annual Operating Permit	-	-	-	-	-	-	-	-	-
6	Environmental Protection Fund	14,946,232	-	14,946,232	(362,380)	14,583,689	(14,946,069)	14,583,852	14,583,689	163
7	Other fees & charges	-	-	-	-	-	-	-	-	-
	ZRA	7,743,199,857	8,173,408,378	(430,208,522)	23,502,615	-	23,502,615	7,766,702,471	8,173,408,378	(406,705,907)
8	Pay- As-You-Earn	1,354,210,689	1,441,654,122	(87,443,433)	(2,728,218)	-	(2,728,218)	1,351,482,470	1,441,654,122	(90,171,652)
9	Import VAT	1,652,045,948	1,718,116,388	(66,070,440)	-	-	-	1,652,045,948	1,718,116,388	(66,070,440)
10	Mineral Royalty	2,451,163,437	2,535,299,314	(84,135,878)	5,058,069	-	5,058,069	2,456,221,506	2,535,299,314	(79,077,809)
11	Company Income Tax (including Provisional Tax)	1,098,264,087	1,160,527,257	(62,263,170)	-	-	-	1,098,264,087	1,160,527,257	(62,263,170)
12	VAT	308,833,744	452,311,202	(143,477,458)	44,146,953	-	44,146,953	352,980,697	452,311,202	(99,330,505)
13	Import/Customs Duty	397,437,037	385,210,795	12,226,242	(3,278,460)	-	(3,278,460)	394,158,577	385,210,795	8,947,782
14	Withholding Taxes	406,676,940	461,357,874	(54,680,935)	35,153,866	-	35,153,866	441,830,805	461,357,874	(19,527,069)
15	Excise Duty	19,543,382	18,660,203	883,179	-	-	-	19,543,382	18,660,203	883,179
16	Property Transfer Tax	175,000	269,550	(94,550)	-	-	-	175,000	269,550	(94,550)
17	Advance Income Tax	-	1,672	(1,672)	-	-	-	-	1,672	(1,672)
18	Export Levy	-	-	-	-	-	-	-	-	-
19	Other taxes (ZRA)	54,849,595	-	54,849,595	(54,849,595)	-	(54,849,595)	0	-	0
20	VAT credit	(4,054,866,209)	-	(4,054,866,209)	-	-	-	(4,054,866,209)	-	(4,054,866,209)
	Local Councils	62,385,262	62,853,634	(468,372)	-	-	-	62,385,262	62,853,634	(468,372)
21	Annual Business Fees	-	24,669	(24,669)	-	-	-	-	24,669	(24,669)
22	Property Rates	62,385,262	62,828,965	(443,702)	-	-	-	62,385,262	62,828,965	(443,702)
	MoL	251,423	-	251,423	-	-	-	251,423	-	251,423

Amounts in ZMW

Nº	Description of payment	Templates originally lodged			Adjustments			Final amounts		
		Company (a)	Govt (b)	Difference (a-b)	Company (d)	Govt (e)	Difference (d-e)	Company (f) = (a+d)	Govt (g) = (b+e)	Difference (f-g)
23	Ground Rent	251,423	-	251,423	-	-	-	251,423	-	251,423
24	Consideration Fees	-	-	-	-	-	-	-	-	-
25	Registration Fees	-	-	-	-	-	-	-	-	-
26	Preparation fees	-	-	-	-	-	-	-	-	-
	<i>MoF</i>	-	-	-	-	-	-	-	-	-
27	Dividends from Government Shares	-	-	-	-	-	-	-	-	-
28	Revenues from GRZ shareholding sale	-	-	-	-	-	-	-	-	-
	<i>ZCCM-IH</i>	-	61,090,548	(61,090,548)	61,090,548	-	61,090,548	61,090,548	61,090,548	-
29	Dividends from ZCCM-IH Shares	-	-	-	-	-	-	-	-	-
30	Price participation fees	-	61,090,548	(61,090,548)	61,090,548	-	61,090,548	61,090,548	61,090,548	-
31	Revenues from ZCCM-IH shareholding sale	-	-	-	-	-	-	-	-	-
32	Revenues from ZCCM-IH mining rights transfer	-	-	-	-	-	-	-	-	-
	<i>IDC</i>	-	-	-	-	-	-	-	-	-
33	Dividends and other revenues from IDC-Shares	-	-	-	-	-	-	-	-	-
	<i>Other Significant Payments</i>	-	2,675	(2,675)	-	-	-	-	2,675	(2,675)
34	Other Significant Payments	-	2,675	(2,675)	-	-	-	-	2,675	(2,675)
	Total payments	7,826,036,445	8,303,427,606	(477,391,161)	84,230,783	14,497,214	69,733,569	7,910,267,228	8,317,924,820	(407,657,592)

Unadjusted residual differences are detailed in Section 5.1.4 of this Report.

5.2. Adjustments

5.2.1. Extractive Companies Adjustments

The adjustments were carried out on the basis of confirmations from extractive companies and Government Agencies and were supported by adequate evidence wherever deemed appropriate. The adjustments made are detailed as follows:

Adjustments to extractive company payments	Total amount ZMW
Tax paid not reported	89,290,259
Tax paid reported but outside the period covered	(15,782,632)
Tax paid reported but outside the reconciliation scope	(4,423,797)
Tax incorrectly classified	15,146,953
Total added/deducted to amounts originally reported	84,230,783

(a) Tax paid not reported

These are payments reported by Government Agencies but were not reported by extractive companies. We set out in the table below a summary of the adjustments made to company payments:

Company	Tax paid not reported
KANSANSHI MINING PLC	1,470,210
KONKOLA COPPER MINES PLC	61,090,548
KALUMBILA MINERALS LIMITED	26,729,501
Total adjustments	89,290,259

After receiving and examining details of payments sent by extractive companies we noted that the amounts originally recorded in the reporting templates were incorrect. Several taxes were underreported including Price Participation Fees, Pay-As-You-Earn, Withholding Taxes and others. We therefore made adjustments to reported payments based on confirmations from the companies and/or a review of the supporting documents.

(b) Tax paid reported but outside the period covered by the EITI Report

These are payments reported, but which fall outside the reconciliation period, i.e. before 1 January 2016 or after 31 December 2016. We set out in the table below a summary of the adjustments made to company payments:

Company	Tax paid reported but outside the period covered
LUMWANA MINING COMPANY LIMITED	(362,380)
KALUMBILA MINERALS LIMITED	(15,420,252)
Total adjustments	(15,782,632)

(c) Tax paid but outside the reconciliation scope

These are adjustments made to amounts reported but not foreseen in the reporting templates:

Company	Tax paid reported but outside the reconciliation scope
KANSANSHI MINING PLC	(3,278,460)
KONKOLA COPPER MINES PLC	(1,145,337)
Total adjustments	(4,423,797)

(d) Tax incorrectly classified

These are adjustments made to reported but incorrectly classified:

Company	Tax incorrectly classified
ZCCM INVESTMENTS HOLDINGS PLC	15,146,953
Total adjustments	15,146,953

5.2.2. Adjustments to Government Agencies templates

The adjustments were carried out on the basis of confirmations received from extractive companies or from Government Entities and supported by payment receipts wherever deemed appropriate. These adjustments are detailed as follows:

Revenue stream	Tax received not reported	Tax received reported but outside the reconciliation scope	Total amount ZMW	Amounts in ZMW
Valuation Fees			(86,475)	14,583,689
Environmental Protection Fund	14,583,689			(86,475)
Total added/deducted to amounts originally reported	14,583,689		(86,475)	14,497,214

We contacted the Government Agencies on numerous times in order to confirm payments reported by extractive companies, especially payment flows collected by ZRA, but we did not receive any responses to date.

5.3. Unreconciled Differences

Following the adjustments made, the total unreconciled discrepancies amounted to **ZMW (407,657,592)** representing **4.9%** of total payments reported by Government Agencies. This is the sum of positive differences of **ZMW 8,008,774** and negative differences of **ZMW (415,666,366)**. These unreconciled differences can be analysed as follows:

	Total payments (ZMW)
Reporting template not submitted by the Govt Body	299,895
Missing extractive company detail by payment	14,948,056
Missing Govt Body detail by payment	(2,675)
Tax not reported by the extractive company	(439,989,921)
Tax not reported by the Govt Body	17,119,932
Not material difference < ZMW 10,000	(32,880)
Total differences	(407,657,592)

(a) Reporting template not submitted by the Government Agencies

This difference relates to Licence Fees and Valuations Fees paid by ZCCM-IH to the MMMD.

Company	Reporting template not submitted by the MMMD
ZCCM INVESTMENTS HOLDINGS PLC	299,895
Total unreconciled differences	299,895

(b) Missing Extractive Company detail by payment

This final unreconciled difference relates to three companies which failed to submit detail by payment totalling **ZMW 14,948,056**.

Company	Missing extractive company detail by payment
KONKOLA COPPER MINES PLC	(1,252,712)
LUMWANA MINING COMPANY LIMITED	5,188,725
KALUMBILA MINERALS LIMITED	11,012,043
Total unreconciled differences	14,948,056

(c) Missing Government Agencies detail by payment

These unreconciled differences relate to the revenues reported by MoL which failed to submit detail by payment totalling **ZMW 2,675**.

Company	Missing Govt Body detail by payment
KANSANSHI MINING PLC	(414)
MOPANI COPPER MINES PLC	(893)
CHAMBISHI COPPER SMELTER LIMITED	(1,368)
Total unreconciled differences	(2,675)

(d) Taxes not reported by extractive companies

These differences relate mainly to some taxes declared by ZRA amounting to ZMW **(439,989,921)**. In most cases we were unable to confirm the amounts declared by the companies, given the lack of their feedbacks despite several reminders from us.

The table below shows a breakdown of unreconciled differences by company:

Company	Tax not reported by the extractive company
KANSANSHI MINING PLC	(31,533,327)
KONKOLA COPPER MINES PLC	(139,120,470)
LUMWANA MINING COMPANY LIMITED	(6,097,770)
MOPANI COPPER MINES PLC	(185,701,619)
KALUMBILA MINERALS LIMITED	(13,521,617)
FIRST QUANTUM MINING AND OPERATIONS LTD BM M S	(804,540)
CHAMBISHI COPPER SMELTER LIMITED	(33,724,486)
ZCCM INVESTMENTS HOLDINGS PLC	(29,486,091)
Total unreconciled differences	(439,989,921)

The table below shows a breakdown of unreconciled differences by payment flow:

Revenue stream	Tax not reported by the extractive company
MMMD	(1,028,115)
Application Fees	(17,700)
Area Charges	(936,463)
Valuation Fees	(73,952)
ZRA	(430,037,749)
Pay- As-You-Earn	(90,668,239)
Import VAT	(76,015,257)
Mineral Royalty	(79,077,809)
Company Income Tax (including Provisional Tax)	(62,263,211)
VAT	(99,330,505)
Import/Customs Duty	(2,430,298)
Withholding Taxes	(19,595,343)
Excise Duty	(564,936)
Property Transfer Tax	(92,150)
Local Councils	(8,924,057)
Annual Business Fees	(24,639)
Property Rates	(8,899,418)
Total unreconciled differences	(439,989,921)

(e) Taxes not reported by Government Agencies

These differences relate mainly to taxes declared by ZRA and Local Councils amounting to ZMW 8,389,432 and ZMW 8,455,715 respectively. In most cases we were unable to confirm the amounts declared with the final recipient, given that the companies were unable to provide us with relevant supporting documents.

The table below shows a breakdown of unreconciled differences by company:

Company	Tax not reported by the Govt Body
KANSANSHI MINING PLC	528,134
KONKOLA COPPER MINES PLC	262,041
LUMWANA MINING COMPANY LIMITED	-
MOPANI COPPER MINES PLC	5,307,256
KALUMBILA MINERALS LIMITED	(11,640)
FIRST QUANTUM MINING AND OPERATIONS LTD BM M S	8,815,744
CHAMBISHI COPPER SMELTER LIMITED	1,447,816
ZCCM INVESTMENTS HOLDINGS PLC	770,582
Total unreconciled differences	17,119,932

The table below shows a breakdown of unreconciled differences by payment flow:

Revenue stream	Tax not reported by the Govt Body
MMMD	23,362
Licence Fees	23,362
ZRA	8,389,432
Pay- As-You-Earn	496,587
Import VAT	2,705,673
Import/Customs Duty	5,118,898
Withholding Taxes	68,274
Local Councils	8,455,715
Property Rates	8,455,715
MoL	251,423
Ground Rent	251,423
Total unreconciled differences	17,119,932

5.4. Unilateral Disclosure of Revenues by Government Agencies

Government Agencies were requested to disclose unilaterally revenue streams collected from companies but not included within the reconciliation scope in accordance with EITI Requirement 4.1.d. Details of revenues by Payment Flow are set out in the table below:

Nº	Description of payment	Revenues in ZMW
	ZRA	1,999,863,175
1	Pay- As-You-Earn	292,642,049
2	Import VAT	536,452,154
3	Mineral Royalty	547,029,679
4	Company Income Tax (including Provisional Tax)	168,837,489
5	VAT	229,627,318
6	Import/Customs Duty	29,959,294
7	Withholding Taxes	183,196,763
8	Excise Duty	1,474,558
9	Property Transfer Taxes	7,737,330
10	Advance Income Tax	170,820
12	Other taxes (ZRA)	2,735,720
	Local Councils	33,505,677
13	Annual Business Fees	264,310
14	Property Rates	33,241,367
	ZCCM-IH	31,691,624
15	Dividends from ZCCM-IH Shares*	31,691,624
	IDC	51,300,000
19	Dividends and other revenues from IDC-Shares**	51,300,000
	Other Significant Payments	7,391
20	Other Significant Payments	7,391
		2,116,367,867

*Dividend received from CEC. Amount declared in both Currencies ZMW and USD (2,787,915 USD).

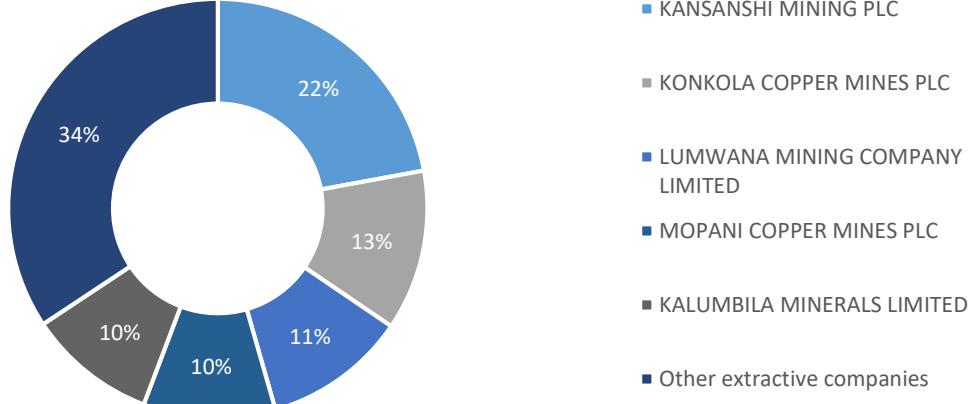
**Dividend received from Kagem.

6. ANALYSIS OF REPORTED DATA

6.1. Analysis of Government Revenues

6.1.1. Analyses of payments by companies' contribution

The analysis of Government revenues by companies' contribution indicates that 5 companies contributed approximately 65% to the total Government revenues in 2016 and that Kansanshi Mining Plc accounts for almost 22% of the country's extractive revenues for that period.

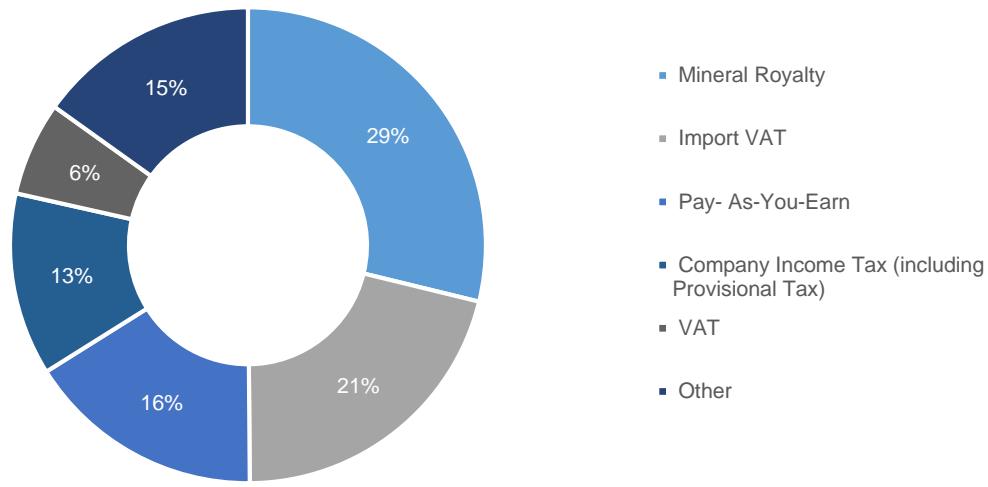


The list of payments by company is shown in the table below:

Company	Government receipts (ZMW)	% of total payment
KANSANSHI MINING PLC	2,369,948,089	22.11%
KONKOLA COPPER MINES PLC	1,328,883,720	12.40%
LUMWANA MINING COMPANY LIMITED	1,185,700,650	11.06%
MOPANI COPPER MINES PLC	1,093,049,396	10.20%
KALUMBILA MINERALS LIMITED	1,064,743,228	9.93%
FIRST QUANTUM MINING AND OPERATIONS LTD BM M S	751,508,103	7.01%
CHAMBISHI COPPER SMELTER LIMITED	484,810,020	4.52%
ZCCM INVESTMENTS HOLDINGS PLC	39,281,613	0.37%
Social payments unilaterally declared by extractive companies	286,794,143	2.68%
Receipts from companies out of the reconciliation scope unilaterally declared by Government Agencies	2,116,367,867	19.74%
Total extractive sector	10,721,086,830	100%

6.1.2. Analysis of payments by contribution flows

The analysis of the payments by flow shows that the top 5 taxes contributed 84.9% of the total Government extractive revenues collected by ZRA. We also note that Mineral Royalty accounts for the highest proportion of total government revenue (28.75%).



The list of payments by contribution flows is shown in the table below:

Revenue stream	In-scope companies (ZMW)	Out-scope companies (ZMW)	Government receipts (ZMW)	% of total payment
Mineral Royalty	2,535,299,314	547,029,679	3,082,328,993	28.75%
Import VAT	1,718,116,388	536,452,154	2,254,568,542	21.03%
Pay- As-You-Earn	1,441,654,122	292,642,049	1,734,296,171	16.18%
Company Income Tax (including Provisional Tax)	1,160,527,257	168,837,489	1,329,364,746	12.40%
VAT	452,311,202	229,627,318	681,938,520	6.36%
Withholding Taxes	461,357,874	183,196,763	644,554,638	6.01%
Import/Customs Duty	385,210,795	29,959,294	415,170,089	3.87%
Property Rates	62,828,965	33,241,367	96,070,332	0.90%
Price participation fees	61,090,548	-	61,090,548	0.57%
Dividends and other revenues from IDC-Shares	-	51,300,000	51,300,000	0.48%
Dividends from ZCCM-IH Shares	-	31,691,624	31,691,624	0.30%
Excise Duty	18,660,203	1,474,558	20,134,761	0.19%
Environmental Protection Fund	14,583,689	-	14,583,689	0.14%
Property Transfer Tax	269,550	7,737,330	8,006,880	0.07%
Area Charges	5,880,818	-	5,880,818	0.05%
Other taxes (ZRA)	-	2,735,720	2,735,720	0.03%
Annual Business Fees	24,669	264,310	288,979	0.00%
Advance Income Tax	1,672	170,820	172,492	0.00%
Valuation Fees	82,577	-	82,577	0.00%
Application Fees	22,500	-	22,500	0.00%
Other Significant Payments	2,675	7,391	10,066	0.00%
Social payments unilaterally declared by extractive companies	286,794,143		286,794,143	2.68%
Total extractive sector	8,604,718,963	2,116,367,867	10,721,086,830	100.00%

6.1.3. Analyses of payments by Government Agencies

During 2016, ZRA collected the largest value of taxes included in the reconciliation followed by ZCCM-IH as shown in the table below:

Government Agencies	Government receipts (ZMW)	% of total payment
Zambian Revenue Authority (ZRA)	10,173,271,553	97.50%
ZCCM- IH	92,782,172	0.89%
Local Councils	96,359,311	0.92%
IDC	51,300,000	0.49%
Ministry of Mines and Minerals Development	20,569,584	0.20%
Ministry of Lands	10,066	0.00%
Ministry of Finance	-	0.00%
Total extractive sector (*)	10,434,292,687	100%

(*) This total does not include the social payments

6.1.4. Analyses of revenues declared by Local Councils

According to the above table, the contribution of the Local Councils through the Property Rates and Annual Business Fees collected from the extractive companies to the total extractive revenue is immaterial. However, these payments were included in the reconciliation scope because they are important to the areas served by Local Council.

We present in the table below details of these receipts by Local Councils:

Local Council	Property rates (ZMW)	Annual Business Fees (ZMW)
Mufulira Municipal Council	5,434,512	47,113
Kalulushi Municipal Council	8,861,755	-
Zimba District Council	-	10,000
Kitwe City Council	7,258,840	-
Chililabombwe District Council	11,530,000	126,240
Luanshya District Council	10,853,286	-
Chingola Municipal Council	12,000,000	-
Kabwe District Council	86,371	-
Mazabuka District Council	259,320	34,944
Ndola City Council	4,490,056	-
Lufwanyama District Council	944,600	-
Lusaka City Council	53,043	27,081
Mumbwa District Council	2,400,000	-
Sinazongwe District Council	1,200,200	30,000
Solwezi Municipal Council	28,847,835	-
Kafue District Council	122,334	12,791
Choma Municipal Council	-	-
Chilanga District Council	1,728,180	810
Total	96,070,332	288,979

6.2. Analysis of Social Payments

Companies were requested to report social payments and transfers made during 2016 unilaterally. We set out in the tables below the amounts reported by extractive companies and by category for cash payments:

N°	Company / Category	Education	Health	Infrastructure	Sport	Other	Total
1	Mopani Copper Mines Plc	17,655,186	120,618,539	-	-	12,442,104	150,715,829
2	Lumwana Mining Company Ltd	4,249,700	3,806,760	1,192,130	-	2,179,650	11,428,240
3	Konkola Copper Mines Plc	1,128,618	191,011	-	3,894,289	835,478	6,049,395
4	Kalumbila Minerals Ltd	-	-	-	-	4,605,164	4,605,164
5	ZCCM Investments Holdings Plc	5,000	-	-	-	49,500	54,500
6	First Quantum Mining and Operations Ltd	13,306	2,016	-	-	18,218	33,540
7	Chambishi Copper Smelter Limited	-	-	-	-	32,000	32,000
Total		23,051,810	124,618,326	1,192,130	3,894,289	20,162,113	172,918,668

We set out in the tables below the amounts reported by extractive companies and by category for in kind payments:

N°	Category/company	Education	Farming	Health	Infrastructure	Sport	Other	Total
1	Kansanshi Mining Plc	5,207,440	6,237,036	64,835	50,334,505	4,253,593	3,288,644	69,386,052
2	Kalumbila Minerals Ltd	1,306,816	-	2,502,565	4,457,495	-	35,821,040	44,087,915
3	Chambishi Copper Smelter Limited	-	-	398,507	-	-	3,000	401,507
Total		6,514,256	6,237,036	2,965,907	54,791,999	4,253,593	39,112,684	113,875,475

Total social payments by company are as follows:

N°	Company / Category	In cash	In Kind	Total
1	Mopani Copper Mines Plc	150,715,829	-	150,715,829
2	Kansanshi Mining Plc	-	69,386,052	69,386,052
3	Kalumbila Minerals Ltd	4,605,164	44,087,915	48,693,079
4	Lumwana Mining Company Ltd	11,428,240	-	11,428,240
5	Konkola Copper Mines Plc	6,049,395	-	6,049,395
6	Chambishi Copper Smelter Limited	32,000	401,507	433,507
7	ZCCM Investments Holdings Plc	54,500	-	54,500
8	First Quantum Mining and Operations Ltd	33,540	-	33,540
Total		172,918,668	113,875,475	286,794,143

6.3. Analysis of Payments by Project

Companies were requested to report, where possible, some payment flows made during 2016 by project. The following definition for projects was adopted:

"In Zambia, a project is defined as the operational activities that are governed by a single licence and forms the basis for payment liabilities with a government".

Tables below set out the amounts reported by extractive companies by project and payment flows:

n°	Company	License n°	MMMD						ZRA		Local councils		MoL			in ZMW	
			Application Fees	Licence Fees	Area Charges	Valuation Fees	Annual Operating Permit	Environmental Protection Fund	Mineral Royalties	Property Transfer Tax	Annual Business fees	Property rates	Ground Rent	Consideration Fees	Registration Fees	Preparation fees	
1	Kansanshi Mining Plc	7057 HQ LML	-	-	417,726	-	-	10,208,555	1,129,425,242	-	-	8,899,418	105,238	-	-	-	1,149,056,179
		17019 HQ LEL	-	23,362	-	-	-	-	-	-	-	-	-	-	-	-	23,362
		N/c	-	-	16,544	-	-	-	-	-	-	-	-	-	-	-	16,544
		19061 HQ SEL	-	-	554	-	-	-	-	-	-	-	-	-	-	-	554
2	Lumwana Mining Company Ltd	N/c	-	-	-	-	-	-	362,982,552	-	-	23,727,895	-	-	-	-	386,710,447
3	Konkola Copper Mines Plc	N/c	-	-	2,004,373	-	-	-	525,836,453	-	-	11,049,000	-	-	-	-	538,889,827
4	Kalumbila Minerals Ltd	15868-HQ-LML	-	-	339,933	-	-	-	82,772,517	-	-	10,972,532	-	-	-	-	94,084,982
5	Mopani Copper Mines Plc	7073 HQ - LML	-	-	169,357	-	-	-	19,165,943	-	-	-	-	-	-	-	19,335,300
		7625 HQ - LML	-	-	-	-	-	4,375,299	-	-	-	-	-	-	-	-	4,375,299
		N/c	-	-	1,591,388	-	-	-	330,980,728	-	-	-	-	-	-	-	332,572,116
6	Chambishi Copper Smelter Limited	N/c	-	-	-	-	-	-	-	175,000	-	2,609,978	146,185	-	-	-	2,931,163
7	First Quantum Mining and Operations Ltd	N/c	-	-	-	-	-	-	-	-	-	4,932,360	-	-	-	-	4,932,360
8	ZCCM Investments Holdings Plc	N/c	-	278,995	-	20,900	-	-	-	-	-	194,081	-	-	-	-	493,976
Total			-	302,357	4,539,875	20,900	-	14,583,853	2,451,163,436	175,000	-	62,385,263	251,423	-	-	-	2,533,422,109

6.4. Analysis of Employment Data

Companies were requested their foreign and domestic employees' number during 2016. We set out in the tables below the number of direct employees reported by extractive company:

Nº	Company	Direct domestic employees	Direct foreign employees	Total
1	Mopani Copper Mines Plc	5,420	98	5,518
2	Kansanshi Mining Plc	2,723	141	2,864
3	Kalumbila Minerals Ltd	2,076	150	2,226
4	Chambishi Copper Smelter Limited	1,627	151	1,778
5	Lumwana Mining Company Ltd	1,575	59	1,634
6	ZCCM Investments Holdings Plc	74	-	74
7	Konkola Copper Mines Plc	n/r	n/r	-
8	First Quantum Mining and Operations Ltd	n/r	n/r	-
Total		13,495	599	14,094

n/r: Information not reported in the reporting template

6.5. Analysis of Production Data¹

On the basis of data reported by extractive companies, we present below the production quantities by mining company and by mineral type:

Copper

Company	Total extracted in Metric Tonnes (Zambia's Own)	%
KANSANSHI MINING PLC	246,794	34.02%
KONKOLA COPPER MINES PLC	174,985	24.12%
LUMWANA MINING COMPANY LIMITED	122,871	16.94%
MOPANI COPPER MINES PLC	41,109	5.67%
KALUMBILA MINERALS LIMITED	139,600	19.25%
FIRST QUANTUM MINING AND OPERATIONS LTD BM M S	n/r	0.00%
CHAMBISHI COPPER SMELTER LIMITED	0	0.00%
ZCCM INVESTMENTS HOLDINGS PLC	n/r	0.00%
Total	725,359	100%

n/r: Information not reported in the reporting template

Cobalt

Company	Total extracted in Metric Tonnes (Zambia's Own)	%
KONKOLA COPPER MINES PLC	815	100.00%
Total	815	100%

Other Minerals

Company	Mineral	Unit	Production Quantity
Kansanshi Mining Plc	Gold	Ounces	124,370
Konkola Copper Mines Plc	Pyrite	Tonne	17,632
FIRST QUANTUM MINING AND OPERATIONS LTD BM M S	Gold	Kg	57.59

¹ Purchased and imported content are excluded

6.6. Analysis of Export Data¹

We present below export data as provided by mining companies detailed by mineral type:

Copper

Company	Exported Quantity (Mt)	Exported Value (in ZMW)	Exported Value (in USD)
KANSANSHI MINING PLC	286,193	n/r	1,289,355,465
KONKOLA COPPER MINES PLC	177,900	5,366,898,078	517,405,600
LUMWANA MINING COMPANY LIMITED	128,367	4,977,171,927	484,970,000
MOPANI COPPER MINES PLC	110,766	n/r	n/r
KALUMBILA MINERALS LIMITED	70,617	n/r	312,302,008
FIRST QUANTUM MINING AND OPERATIONS LTD BM M S	n/r	-	-
CHAMBISHI COPPER SMELTER LIMITED	206,380	9,183,220,930	893,836,897
ZCCM INVESTMENTS HOLDINGS PLC	n/r	-	-
Total	980,223	19,527,290,935	3,497,869,970

n/r: Information not reported in the reporting template

Cobalt

Company	Exported Quantity (Mt)	Exported Value (in ZMW)	Exported Value (in USD)
KONKOLA COPPER MINES PLC	903	461,036,920	41,422,904
Total	903	461,036,920	41,422,904

Gold

Company	Unit	Exported Quantity	Exported Value (in ZMW)	Exported Value (in USD)
KANSANSHI MINING PLC	Ounces	152,612	n/r	180,413,155
KONKOLA COPPER MINES PLC	Kg	14.76	n/r	580,388
KALUMBILA MINERALS LIMITED	Kg	755	n/r	27,227,315
Total	153,382		208,220,857	

¹ Including imported and purchased production.

7. RECOMMENDATIONS

We present in the sections 7.1 and 7.2 below additional measures we recommend should be implemented in order to improve the Zambia EITI process and the governance of the mining sector.

The follow-up of the previous year's Report is presented in Section 7.3 below.

7.1. EITI Implementation

7.1.1. Lack of feedback on reconciliation queries (*Priority: High*)

Despite having chased up reporting entities both by e-mail and telephone calls, we note the lack of responses with regards to comments and explanations of the reconciliation differences raised. As a result, we ended up with unreconciled differences between amounts reported by extractive companies and Government Agencies of ZMW (407,657,592), which represents 4.9% of total payments reported by Government Agencies. This is significantly higher than the agreed materiality deviation set at 1%.

We recommend that the ZEITI Secretariat engages with the reporting entities and explains the importance of their collaboration within the EITI process following the submission of their templates.

Each reporting entity should be encouraged to appoint a focal point to address queries and concerns of the Independent Administrator and to ensure that the EITI process runs smoothly.

7.1.2. Disclosure of the Beneficial Ownership data (*Priority: High*)

EITI Requirement 2.5.d Stipulates that "As of 1 January 2020, it is required that implementing countries request, and companies disclose, beneficial ownership information for inclusion in the EITI Report".

"Information about the identity of the beneficial owner should include the name of the beneficial owner, his/her nationality, country of residence, as well as identifying any politically exposed persons. It is also recommended that the national identity number, date of birth, residential or service address, and contact details of the beneficial owners are disclosed".

We note that not all companies complied with the disclosure of beneficial ownership. The companies disclosed only the direct shareholders and their capital structures.

We recommend that the ZEITI Secretariat raises awareness of the companies to communicate accurate beneficial ownership data for future EITI reports.

We also recommend that MSG consider conducting a Beneficial Ownership workshop to expose stakeholders to the definition and disclosure requirements.

7.1.3. Implementation of systematic online disclosure (*Priority: High*)

According to EITI Requirement 7.2.c, the MSG is encouraged to consider automated online disclosure of extractive revenues and payments by Government Agencies and companies on a continuous basis.

We note that ZRA, the main Government Agency involved in the reconciliation exercise, does not publish its payments/repayments.

The MSG should be encouraged to explore opportunities to disclose data as soon as practically possible, for example through continuous online disclosures or, where possible, by publishing additional, more recent, non-financial EITI data than covered by the accounting period.

To achieve this, we recommend that the MSG considers the following:

i. Reporting entities

The MSG may consider either unilateral disclosure by Government Agencies or asking extractive companies to disclose their payments as well.

ii. Frequency of the automated online disclosure

The MSG should agree on the frequency of the automated online disclosure. This can be done on a monthly, quarterly, or half-yearly basis.

iii. Technical feasibility

A detailed study should be carried out in order to obtain a full understanding of the technical abilities of the reporting entities to disclose their interim data.

iv. Legal feasibility

A detailed study should be carried out in order to obtain a full understanding of the legal obligations of the reporting entities to disclose their interim data.

7.1.4. Lack of database for contact details (*Priority: Medium*)

We note that the ZEITI Secretariat does not have a comprehensive database for contact details of key persons involved in the EITI process including extractive companies, Ministries and Local Councils. A recommendation to that effect had already been made in previous EITI reports.

The lack of such a database has caused a significant delay in the data collection process.

We recommend that the ZEITI Secretariat considers putting in place a database for contact details of key persons involved in the EITI process. That database should include at least the following information:

- the name of the reporting entities (extractive company / Government Agency);
- the name of key persons;
- e-mail addresses; and
- telephone numbers.

The database should be updated on a regular basis.

7.1.5. Reporting deadlines not met by Government Agencies and Extractive Companies (*Priority: Medium*)

We have been in touch with all reporting entities both by e-mails and telephone calls to follow up the submission of their reporting templates within the agreed deadline of 19 October 2018. However, none of the companies submitted their reporting templates within the stipulated deadline. Additionally, the reporting templates of the Ministry of Finance and the Ministry of Mines and Minerals (for ZCCM-IH) were not submitted while the reporting templates of the Ministry of Lands were not comprehensive.

In order to ensure that all stakeholders commit to the EITI cause, we recommend the enactment of an EITI Act that may include sanctions against reporting entities which refuse to collaborate in the EITI process.

The ZEITI Secretariat should also undertake outreach events to spread awareness about the importance of the EITI process and the role of each reporting entity.

7.1.6. Reporting templates not correctly prepared (*Priority: Medium*)

The purpose of developing an EITI report is to provide reference to the public and shape better understanding of the reconciliation process. To this end, it is vital that the public obtains information and clarification from parties which are directly involved in the extractive governance.

However, we note that reporting templates were not adequately prepared. We list below the major issues noted during our work:

- several reporting templates were not signed off;
- several reporting templates were not detailed by licence number;
- several reporting templates did not include data regarding production and exports;
- several reporting templates did not include license details of the extractive company;
- several reporting templates did not include data regarding beneficial ownership;
- several reporting templates did not include employment figures;
- some reporting templates did not include comprehensive payment flow details (i.e. type of payment, company name, etc.);
- the Ministry of Lands did not provide the breakdown of taxes by type for each payment reported;
- The Ministry of Mines and Minerals Development did not provide the payments related to the Environmental Protection Fund; and
- receipts reported by local councils failed to disclose the appropriate revenue streams and/or the taxpayer.

As a result, it was not possible for the Independent Administrator to prepare an EITI report in line with all EITI requirements. Given the constraints we faced, there was not enough time to perform data analysis properly, which could have been informative to users of the Report. Such issues could have an impact on the validation of Zambia as an EITI country.

MSG is recommended to consider the necessary actions to be taken in order to encourage the focal points of reporting entities to take more prominent roles in providing data and information as well as to give comprehensive explanations and confirm statements made in the EITI report. Additionally, we recommend that all stakeholders attend the ZEITI workshop for further understanding of the compliance with EITI Requirements.

MSG could also consider additional training workshops to reporting entities in order to improve the EITI process and quality of data provided by reporting entities.

7.1.7. Implementation of MSG sub-groups (*Priority: Medium*)

For operational efficiency purposes, we propose to create sub-groups within MSG. Sub-groups will be tasked with following-up on regular aspects raised by the EITI process such as data collection and reconciliation, communication, and publication, etc.

These sub-groups should comprise MSG members or representatives and can meet at any time if needed without involving all stakeholders. They can deal with urgent issues rapidly, especially aspects of the EITI process with a view to come to a swift conclusion.

Sub-group members should be approved by MSG with clear definition of their prerogatives and areas of work. Sub-groups should prepare short reports at MSG meetings to present their work and help MSG to take decisions.

7.1.8. Implementation of a reporting system for Employment data (*Priority: Medium*)

In accordance with the EITI Standard, implementing countries must disclose information about employment in the extractive industries in absolute terms and as a percentage of the total employment. (EITI Requirement 6.3.d).

We note that the Central Statistical Office of Zambia does not publish annually figures of employment by sector. Thus, employment data collected and stated in this report is related to 2017 and does not give a true and fair view of the extractive sector contribution in 2016.

In order to improve the accuracy and accessibility of contextual information, we recommend that the Ministry of Mines and Minerals Development and the Central Statistical Office periodically (at least annually) update their system with information on the contribution of the industry to labour and employment.

7.2. Governance of the Mining Sector

7.2.1. Lack of revenues sharing system (*Priority: High*)

Extractive revenues are generated in many regions of Zambia. In these areas and others, extractive activities have significantly impacted livelihoods of the local population as well as the environment.

Although there are some payments made to the Local Councils, the largest share is collected by ZRA.

Given that local communities are the ones which are directly affected by extractive activities, we recommend that the Government considers setting up a revenue sharing mechanism so that these localities may be allocated a fairer share of the extractive revenues through projects that would contribute to:

- the rehabilitation and development of communities affected by extractive activities;
- respond to local claims for benefits, based on ideas of local ownership; and
- promote regional income equality between resource and non-resource rich regions.

For better transparency and efficiency, the revenue sharing system would require stakeholder consensus on any revenue sharing formula.

7.2.2. Strengthening and empowerment of the ASM sector (*Priority: High*)

The Artisanal and Small-Scale (ASM) sector is experiencing a number of challenges. In order to improve the situation of the sector, its workers and the collection of taxes, we recommend that the Ministry of Mines and Minerals Development considers the following actions:

- Capacity building of ASM workers by training them on safe mining practices and basic managerial and accounting knowledge;
- Improving the capacity of the staff at the ministry to allow a proper monitoring and training of ASM sector; and
- Work with local banks and international institutions to develop loan schemes that would be tailored to the sector.

7.2.3. Improvement of the environmental remediation (*Priority: High*)

Extractive activities are being carried in many regions of Zambia, impacting significantly citizens' health of affected communities as well as the environment. In order to improve environmental remediation, we recommend that the Ministry of Mines and Minerals Development considers the following actions:

- Increased awareness of ZMERIP activities in municipalities. This will assist in identifying effects of pollution at early stages at local level;
- Capacity building for ZEMA and Mine safety department;
- Training on new green methods of rehabilitation and closure of mines; and

7.2.4. Review of the ZDA investment Act (*Priority: High*)

A number of changes have been made in the principal acts governing the operations in the extractive sector. These changes have included the revising of the Mines and Mineral Development Act 2015, and Companies Act 2017. However, it has been observed that the ZDA act guiding investors in the extractive sector has remained unchanged since 2006. Further, the information on investment in mining on ZDA website is not updated with current changes.

We recommend to the ZDA to periodically update its website with the current information concerning the investment in the extractive industry. Furthermore, the Government should consider reviewing the ZDA act in order to harmonise the legal framework of the extractive sector.

7.2.5. Improvement of Tax assessment (*Priority: High*)

The Zambia Revenue Authority does not require companies to have audited accounts for tax purposes. This situation may encourage the taxpayers to use accounting manipulation for tax minimisation. We understand this exercise may involve companies increasing their costs (audit related costs) especially for Small and medium enterprises (SMEs).

Therefore, we recommend that ZRA consider setting up a thresholds system to require audited accounts from the taxpayers.

7.2.6. Improvement of EPF management (*Priority: High*)

The current EPF fund implementation, as required by the SI 102 of 1998, is not being complied with by most companies:

- the administration of bank guarantees by the companies is not done;
- funds in the EPF are not remitted by some companies in the extractive sector; and
- no external fund manager has been appointed.

In order to serve the affected communities by the extractive activities and live out its role in environmental remediation, we recommend that Government conduct a review of the legal framework (SI 102) on the EPF with the aims to make it more practical and improve monitoring by the Mine Safety Department.

7.3. Follow up of Recommendations of previous EITI Processes

Recommendation	Implemented (Yes/no/ongoing)	Comments
<p>Enactment of EITI reporting regulations</p> <p>We understand that the EITI reporting obligations are not covered in the current Extractive Sector Legislation. This is one of the main reasons which led to delays to submit EITI reporting templates by some extractive companies.</p> <p>We recommend a review of the mining regulation by introducing EITI reporting provisions such as:</p> <ul style="list-style-type: none"> • reporting obligations for extractive companies and government entities alike, while specifying the level of disaggregation of the data to be submitted; and • a time frame set for updating and publishing forms and instructions and selection of the reporting entities and submission of declarations and completion of all reconciliation work. 	No	
<p>Completeness of the data reported on license register</p> <p>We noted that the Mining Cadastre does not have up-to-date information regarding the extractive companies who hold active licenses. The register does not include Tax Identification Numbers so it is difficult to reconcile the information from ZRA data with the mining cadastre and this makes the process of searching for information ineffective and time consuming</p> <p>We recommend that the cadastre should include Tax Identification Numbers for each company which held mining right to enable ease of reconciliation with ZRA information during the scoping phase of the assignment.</p>	No	

ANNEXES

Annex 1: List of Petroleum Companies

Companies	Block numbers	License number	Application date	Awarded by	Award date	Expiry date
Tullow Zambia B.V Limited	31	PEL 028	21/04/2016	Selective bid	09/05/2016	08/05/2020
Sargas Oil Limited	54	PEL 029	15/04/2016	Competitive bid	22/06/2016	21/06/2020
Mafula Energy Ltd	32	PEL 008	11/01/2011	Competitive bid	23/06/2011	09/12/2018
Surestream Petroleum Limited	42	PEL 026	11/01/2011	Competitive bid	14/12/2015	13/12/2019
Tower Ressources - Rift Petroleum Limited	40	PEL 025	28/06/2013	Competitive bid	02/12/2013	01/12/2017
Tower Ressources - Rift Petroleum Limited	41	PEL 024	28/06/2013	Competitive bid	02/12/2013	01/12/2017
Barotse Petroleum Company Ltd	20	PEL 002	11/01/2011	Competitive bid	11/01/2011	09/12/2018
Barotse Petroleum Company Ltd	21	PEL 001	11/01/2011	Competitive bid	11/01/2011	09/12/2018
Troisade Energy Zambia	8	PEL 023	28/06/2013	Competitive bid	02/12/2013	01/12/2017
ZCCM-IH	1	PEL 012	11/01/2011	Competitive bid	07/12/2015	06/12/2019

Annex 2: List of Mining Companies Below the Materiality Threshold

TPIN	Companies
1001657479	CHAMBISHI METALS PLC
1001591709	CNMC LUANSHYA COPPER MINES PLC
1001594184	MAAMBA COLLIERIES LIMITED
1001666382	LAFARGE CEMENT ZAMBIA PLC
1001612576	KAGEM MINING LIMITED
1001582192	LUBAMBE COPPER MINE LIMITED
1001604906	NFC AFRICA MINING PLC
1001663731	CHIBULUMA MINES PLC.
1001806300	ZAMBEZI PORTLAND CEMENT LIMITED
1001784618	SINO-METALS LEACH ZAMBIA LTD
1001658684	CHANTETE MINING SERVICES LIMITED
1002021633	NEELKANTH LIME LIMITED
1001767200	UNIVERSAL MINING AND CHEMICAL INDUSTRIES LIMITED
1001644303	GRIZZLY MINING LIMITED
1001722079	SCIROCCO ENTERPRISES LIMITED T A ORIENTAL QUARRIES
1001731655	SABLE TRANSPORT LIMITED
1001919331	MPANDE LIMESTONE LIMITED
1001611092	NDOLA LIME COMPANY LIMITED
1001784228	SAN HE (ZAMBIA) LIMITED
1001607381	KALULUSHI CLAY BRICKS LIMITED
1001870755	LIONS GROUP QUARRIES LIMITED
1002102982	ANGLO EXPLORATION (ZAMBIA) LIMITED
1001734451	UNITURTLE INDUSTRIES (ZAMBIA) LIMITED
1002125713	PLR PROJECTS ZAMBIA LIMITED
1001666696	COLLUM COAL MINING INDUSTRIES LIMITED
1002075860	RIO TINTO EXPLORATION ZAMBIA LIMITED
1001731662	SABLE ZINC KABWE LIMITED
1002390478	LAYNE DRILLING ZAMBIA
1002245993	HANDYMAN'S LIME LIMITED
1001579962	KARIBA MINERALS LIMITED
1002020953	CHINA COPPER MINES LIMITED
1002242500	BAUDOT CEMENT ZAMBIA LIMITED
1001861407	SYNITE QUARRIES ZAMBIA
	INTREPID MINES ZAMBIA LIMITED
1002053543	MMG (ZAMBIA) EXPLORATION LIMITED
1001827640	REDRILZA LIMITED
1001804529	CALCITE LIMITED
1001620992	MATALLOY COMPANY LIMITED
1001788764	OX DRILLING LIMITED
1002113417	T - THREE DRILLING ZAMBIA LIMITED
1002190848	CHINA NONFERROUS METAL (Z) GEOLOG. EXPLOR. CO. LTD
1002058479	SOUTHERN AFRICA FERRO ALLOYS LIMITED
1001935065	TEICHMANN AGRICULTURE CONTRACTING LIMITED-INCOME TAX
1001649060	E & M STORTI MINING LIMITED
1002218840	BUSHBUCK RESOURCES LIMITED
1001923594	DANGOTE QUARRIES ZAMBIA LIMITED
1001911015	FERRO ALLOYS CORPORATION LIMITED
1001702113	JEWEL OF AFRICA LIMITED
1001740592	TRIPLE S RANCH LIMITED
1002350484	DRUG ENFORCEMENT COMMISSION
1002195270	FOVEROS MINING LIMITED
1001733467	UNITED QUARRIES LIMITED
1002847897	JOINT MINING LIMITED
1001794912	DENISON MINES ZAMBIA LIMITED
1001789244	DOLOMITE AGGREGATES LIMITED

TPIN	Companies
1002099599	MEP INDUSTRIAL DEVELOPMENT LTD
1001867103	GENESIS PROCUREMENT LIMITED
1002023832	ZAMASTONE LIMITED
1001750468	UNIRATE INVESTMENTS LIMITED
1001576265	KATIMA STONES LIMITED
1001635991	ALBIDON ZAMBIA LIMITED
1002672472	V-PLUS DEVELOPERS AND TRADERS LIMITED
1003262491	LIAN CHAO AND YUE VENTURES LIMITED
1001948621	MUSAMU RESOURCES LIMITED
1002243649	CRUSHTEK HUMESTONES ZAMBIA LIMITED
1001973423	REDDY LOGISTICS ZAMBIA LIMITED
1002160212	ZUMRAN MINING AND EXPLORATION LIMITED
1001797042	CAPITAL DRILLING ZAMBIA LIMITED
1002005530	TAURIAN MANGANESE LIMITED
1002019593	NDOLA COAL PROCESSING INDUSTRY LIMITED
1002011574	BLUE OCEAN VENTURES ZAMBIA LIMITED
1002647542	CHANGZHOU ZAMBIA RESOURCES COMPANY LIMITED
1001860903	BYRNECUT MINING INTERNATIONAL LIMITED
1001999858	BIG MOUNTAIN MINING ZAMBIA LIMITED
1002097314	ASTRO QUARRIES LIMITED
1001895371	CLASSIC LIME LIMITED
1002236345	ZAMBIAN GOLD TIGER CONSTRUCTION MATERIAL LIMITED
1002229334	GRIZZLY COPPER MINES LIMITED
1001948614	BETELE SMALL MINERS LIMITED
1002035624	STE DRILLING & EXPLORATION LIMITED
1001873565	MAOSHENG MINERAL RESOURCES ZAMBIA LIMITED
1001620730	MINDECO SMALL MINES LIMITED
1001829749	AFRICA DRILLING AND EXPLORATION LIMITED
1001864911	TAWAKKAL GEMS INVESTMENTS COMPANY LIMITED
1001801122	LIANGYUN LTD
1002237094	RAMA INVESTMENTS LIMITED
1002001460	YUZAN MINING COMPANY LIMITED
1001899375	COPA INVESTMENT ZAMBIA LIMITED
1001769271	LUIRI GOLD MINES LIMITED
1001974811	BLACKTHORN RESOURCES ZAMBIA LIMITED
1002017394	SAMSTONE CRUSHING LIMITED
1001913918	ADVANCE - TECH RESOURCES LIMITED
1002235551	CHARIZMA ENTERPRISES LIMITED
1002031806	ENVIRO PROCESSING LIMITED
1001971245	MOOLMAN MINING ZAMBIA LIMITED
1001768753	GALLANT DRILLING AND EXPLORATION LIMITED
1002036090	DATONG INDUSTRY CORPORATION LIMITED
	Goviex Uranium Zambia Ltd
1003752845	COPPER CROSS ZAMBIA LTD
1001965297	PENETRATIVE EXPLORATION AND MINING LIMITED
1002190610	METEX MINING LIMITED
1002041741	VALE ZAMBIA LIMITED
1002101318	SEW TRIDENT (ZAMBIA) PRIVATE LIMITED
1002217594	NDOLA QUARRIES LIMITED
1002206078	PULE GEMS COMPANY LIMITED
1001774984	SUHAIRS INTERNATIONAL LIMITED
1001772861	AGGREGATES LIMITED
1002059553	SAI DRILLING & EXPLORATIONS LIMITED
1001810028	BAO XING MINING LIMITED
1002069505	LUSAKA DRILLING COMPANY LIMITED
1002238554	SANMU COMPANY LIMITED
1001921202	AWAN ZAMBIA LIMITED

TPIN	Companies
1002124025	KYULU DEVELOPMENT TRUST LIMITED
1001773976	ZAMBEZI NATURAL STONE COMPANY LIMITED
1001677749	DIA-STAR GEMSTONES LIMITED
1002230335	BALAJI DRILLING & EXPLORATION LIMITED
1001816307	CHIBULUMA SOUTH MINE LIMITED
1002128530	K.P.R INVESTMENTS LIMITED
1001752149	ROYAL SESHEKE QUARRY LIMITED
1002281479	BABA KABASO MULENGA
1001631976	HI-QWALIME MINING LIMITED
1000772042	JOSEPH MWANSA
1002174206	AURIEL MINING LIMITED
1002072591	LUNGA MINERALS AND EXPLORATION LIMITED
1002121060	EMCO ENERGY ZAMBIA LIMITED
1002029286	CHINA NON-FERROUS KABWE MINING COMPANY LIMITED
1001912351	KROUP MINING AND PROCESSING LIMITED
1002250346	LILUME QUARY ZAMBIA LIMITED
1001912848	WISE FOCUS MINING LIMITED
1001387381	TROY SIMUTUNDA
1002153729	TEMBA MINING CONTRACTING LIMITED
1002257395	BETAMIN INVESTMENT LIMITED
1002399367	FIVEWOOD INTERNATIONAL MINING LIMITED
1002124160	CHANGFA RESOURCES LIMITED
1002096161	ZAWAR NATURAL RESOURCES LIMITED
1002395235	FRESH DEW INVESTMENT COMPANY LIMITED
1000758500	SANDY KAMZIMBI
1002155569	FINE GEMSTONE PROCESSING LIMITED
1001855297	SHAHEEN INTERNATIONAL CO. LIMITED
1002124840	SINOZONCHA RESOURCES INVESTMENT COMPANY ZAMBIA LTD
	CHILIBWE MINING LIMITED
1000925678	GORDONS NYASULU
1001808851	CHILIBWE MINING LIMITED
1001723729	SUMMERSKY ZAMBIA LIMITED
1002040636	IMME ZAMBIA LIMITED
1001757493	ZAMBIAN INDUSTRIAL MINERALS LIMITED
1001903911	JADD MINING LIMITED
1001857886	SUPERDEAL INVESTMENTS LIMITED
1001954023	LM KRISTALS LIMITED
1000063331	KALEMBA MARC
1001730982	SOUTHERN QUARRIES LIMITED
1002138551	WATERBUCK RESOURCES LIMITED
1002681292	ZAMBARA SUPPLIES LIMITED
1001665091	CALEDONIA NAMA LTD
1002150222	JOSHEAL ENTERPRISES LIMITED
1001840136	KUANGZHJIE MINING COMPANY LIMITED
1003399796	WINTER LIBOHOLE LIMITED
1001850868	CHISTYA INTERNATIONAL COMPANY LIMITED
1001638314	ABAR INTERNATIONAL INVESTMENTS LIMITED
1002160947	SOUTHERN DREAM QUARRIES LIMITED
1001725424	ROYAL MUKUNGA LIMITED
1001944254	TRESMMOS GENERAL SUPPLIERS LIMITED
1000129291	BOWA DAVID
1002152569	KUSHYA MINING VENTURES LIMITED
1001965594	ZAMBIA-ZHENGYUAN MINING COMPANY LIMITED
1001476058	SHADRECK KALIMA
1002231726	BLUE DREAM INVESTMENT LIMITED
1002008657	TAYU MINING IMITED
1000683406	EPIPHANIA KAUNDULA

TPIN	Companies
1001758563	ZAMGEM INTERNATIONAL LIMITED
1000652145	DAVID STEPHEN MULENGA
1001768011	GEMFIELDS HOLDINGS ZAMBIA LIMITED
1001186639	JAN CHRISTIAAN SWART
1000845275	JAZZMAN CHIKWAKWA
1002127370	TRIDENT ALLOYS ZAMBIA LIMITED
1000517056	SUNDAY SINYANGWE
1001933415	TONGYI LEAD AND ZINC MINING ZAMBIA LIMITED
1002154119	GRASSROOTS COPPER LIMITED
1002232130	PRAJA MINERALS ZAMBIA LIMITED
1002181148	MUSIBA MINING LIMITED
1002183775	BEST MINING COMPANY LIMITED
1002013476	KUNYUAN NONFEROUS ZAMBIA MINING LIMITED
1002148023	KAZUWA RESOURCES LIMITED
1003431920	LUTAZ INVESTMENTS LIMITED
1001780041	KAMPAS MINING COMPANY LIMITED
1002239172	TWALIKATANA MINING LIMITED
1001677701	DHARTI MINING LIMITED
1003525392	FAVOURITE EMERALD MINE LIMITED

Annex 3: Tracking table of certified reporting templates

Extractive Companies	Reception of the initial reporting templates	Reception of the revised reporting templates	Reporting Templates signed by the management	Reporting Templates certified by an external auditor	2016 Financial Statement audited	2016 Financial Statement Auditor
KANSANSHI MINING PLC	n/s	30/10/2018	Yes	No	Yes	PwC
KONKOLA COPPER MINES PLC	n/s	13/11/2018	Yes	No	n/r	n/r
LUMWANA MINING COMPANY LIMITED	08/10/2018	n/s	Yes	No	n/r	n/r
MOPANI COPPER MINES PLC	08/10/2018	n/s	Yes	Yes	Yes	Deloitte
KALUMBILA MINERALS LIMITED	08/10/2018	n/s	Yes	No	n/r	n/r
FIRST QUANTUM MINING AND OPERATIONS LTD BM M S	08/10/2018	06/11/2018	Yes	No	Yes	PwC
CHAMBISHI COPPER SMELTER LIMITED	n/s	27/10/2018	Yes	No	Yes	Deloitte
ZCCM INVESTMENTS HOLDINGS PLC*	08/10/2018	n/s	Yes	No	Yes	KPMG

*Audited Financial statements are published on the website of the company: <http://www.zccm-ih.com.zm/investor-center/annual-reports/>

Government Agencies	Reception of The Initial Reporting Templates	Reception of the revised reporting templates	Reporting Templates signed by the management	Reporting Templates certified by an auditor	Agency in charge of the certification
Administrations					
Zambian Revenue Authority (ZRA)	26/08/2018**	n/s	No	No	-
Ministry of Mines and Minerals Development	n/s	13/11/2018	No	No	-
Ministry of Lands	n/s	19/11/2018	No	No	-
Ministry of Finance	n/s	n/s	No	No	-
Local Councils					
Mufurlira Municipal Council	08/10/2018	n/s	No	No	-
Kalulushi Municipal Council	08/10/2018	n/s	Yes	Yes	Senior local Government Auditor
Zimba District Council	05/11/2018	n/s	Yes	Yes	Provincial local Government Office
Kitwe City Council	14/11/2018	n/s	Yes	Yes	Senior local Government Auditor
Chililabombwe Municipal Council	08/10/2018	n/s	No	No	-
Luanshya Municipal Council	08/10/2018	n/s	Yes	No	-
Chingola Municipal Council	08/10/2018	n/s	Yes	Yes	Senior local Government Auditor
Kabwe District Council	08/10/2018	n/s	Yes	No	-
Mazabuka Municipal Council	08/10/2018	n/s	Yes	Yes	Chief Internal Auditor
Ndola City Council	26/10/2018	n/s	Yes	No	-
Lufwanyama District Council	n/s	22/10/2018	Yes	No	-
Lusaka City Council	08/10/2018	n/s	Yes	No	-
Mumbwa District Council	08/10/2018	n/s	Yes	No	-
Sinazongwe District Council	08/10/2018	n/s	Yes	No	-
Solwezi Municipal Council	08/10/2018	n/s	Yes	No	-
Kafue District Council	08/10/2018	n/s	Yes	No	-
Choma Municipal Council	05/11/2018	n/s	Yes	Yes	Provincial local Government Office
Chilanga District Council	08/10/2018	n/s	Yes	No	-

**For ZRA we received data exported from their computer system and not a Reporting Template.

Annex 4: Extractive companies profile and beneficial ownership

Nº	Company	Shareholder(s)	Nationality of Shareholder(s)	% Interest	Listed entity (yes/no)	Stock exchange	Beneficial ownership information (for entity holding a total of 25% or more of the equity shares)
1	Kansanshi Mining Plc	ZCCM-IH First Quantum Minerals FQM		20.00% 80.00%		https://www.tmx.com/ https://www.londonstockexchange.com/	FQM: First Quantum's common shares are listed for trading on the Toronto Stock Exchange in Canada and the London Stock Exchange in the United Kingdom (*).
2	Konkola Copper Mines Plc	Government of Zambia (GRZ) ZCCM-IH Vedanta	British	1.00% 20.00% 79.00%	Yes	https://www.londonstockexchange.com/	KCM is a subsidiary of Vedanta Resources Plc, a London Stock Exchange listed (*).
3	Lumwana Mining Company Ltd	Barrick Africa Copper Limited	Australian	100.00%	No	https://www.nyse.com/ https://www.tmx.com/	The Company's shares trade on the New York Stock Exchange and the Toronto Stock Exchange under the symbol ABX. (*)
4	Mopani Copper Mines Plc	ZCCM-IH Carlisa Investments	N/c	10.00% 90.00%	N/c	N/c	
5	Kalumbila Minerals Ltd	First Quantum Mining and Operations Ltd (Through Kiwara Resources Zambia Ltd) Kwalela Mubita Lamaswala	Canadian Zambian	100.00%	Yes	https://www.tmx.com/ https://www.londonstockexchange.com/	FQM: First Quantum's common shares are listed for trading on the Toronto Stock Exchange in Canada and the London Stock Exchange in the United Kingdom (*).
6	First Quantum Mining and Operations Ltd	Cover Investments Ltd Kwalela M Lamaswala	Irish Zambian	99.98% 0.02%	No		
7	Chambishi Copper Smelter Limited	n/c	n/c	n/c	n/c	n/c	

Annex 5: Register of Licenses

Register of licenses is included in a separate document to be published on ZEITI website.

Annex 6: Reporting Templates and Supporting Schedule

Reporting Templates and Supporting Schedule are included in a separate document to be published on ZEITI website.

Annex 7: List of Licenses Transferred

Code	Parties	Type	Commodities	Status	Application Date	Award Date	Expiry Date	Area	Map Reference
7972-HQ-SML	Musanya Quarries Limited	SML	SDG	Active	19/03/2003 14:30	01/08/2003	31/07/2018	397.5914 ha	North Western, Solwezi
8055-HQ-SML	Rayn Mining Limited	SML	Au, Co, Cu, Cu ₂ CO ₃ (OH) ₂ , EM, QTZ	Active	01/08/2002 14:26	05/02/2010	04/02/2020	332.9112 ha	North Western, Solwezi
12710-HQ-SML	South East Gemstone Mining Limited	SML	Be ₃ Al ₂ (SiO ₃) ₆ , EM, QTZ	Active	28/07/2008 15:16	21/04/2009	20/04/2019	23.3290 ha	North Western, Solwezi
14182-HQ-LML	Kashime Copper Limited (100%)	LML		Active	23/11/2009 15:11	08/03/2010	07/03/2035	24176.5256 ha	Central, Mkushi
16956-HQ-LEL	Kingsun Resources Limited	LEL	Ag, Au, Co, Cu, Fe, Mn, Ni, Zn	Active	04/06/2012 09:33	22/11/2012	21/11/2019	11950.5890 ha	Copperbelt, Mpongwe
17083-HQ-LEL	Kingsun Resources Limited (100%)	LEL	Au, Co, Cu, Fe, Mn, Ni, Zn	Active	04/06/2012 14:41	20/06/2013	19/06/2020	7193.3740 ha	Copperbelt, Chililabombwe, Chingola
18804-HQ-LEL	Cemline Limited	LEL	Ag, Au, Co, Cu, LST, Pb	Active	26/03/2013 09:20	01/10/2013	30/09/2017	10149.4722 ha	Copperbelt, Masaiti, Ndola
19415-HQ-SEL	Muchize Exploration and Mining Company	SEL	LST	Active	18/12/2013 09:30	03/03/2014	02/03/2019	455.5361 ha	Central, Chibombo
19653-HQ-LEL	Enviro Processing Limited (100%)	LEL	Ag, Au, Cu, Fe, Ga, Ge, Mn, Ni, Pb, V, Zn	Active	17/04/2014 11:37	14/08/2014	13/08/2018	82.9722 km ²	Central, Chibombo, Chongwe; Lusaka, Chongwe
20013-HQ-SML	Fleuve Stones Limited (100%)	SML	am, AMT, QTZ, TML	Active	26/09/2014 09:48	17/10/2014	16/10/2024	99.4570 ha	Eastern, Nyimba
20027-HQ-SEL	Harmony Copper Mines Limited	SEL	Au, Co, Cu, Fe, Mn, Sn, Zn	Active	29/09/2014 12:17	21/10/2014	20/10/2019	700.6405 ha	North Western, Mufumbwe
20409-HQ-LEL	African Pearl Estates Limited	LEL	Ag, Au, Co, Cu	Active	31/03/2015 12:27	22/04/2016	21/04/2020	89717.1404 ha	Central, Chibombo, Kapiri Mposhi, Mumbwa
20604-HQ-SML	Richarz General Dealers Limited (100%)	SML	AQM, GAR, QTZ, TML	Active	25/06/2015 11:46	13/08/2015	12/08/2025	187.0862 ha	Eastern, Lundazi
20737-HQ-SEL	RAZIMA Mining Limited	SEL	Au, Co, Cu	Active	18/08/2015 10:17	06/06/2016	05/06/2020	240.4343 ha	Copperbelt, Chililabombwe
20747-HQ-SEL	Texxon Energies Limited	SEL	COA	Active	20/08/2015 09:22	28/04/2016	27/04/2020	836.0056 ha	Southern, Sinazongwe
20951-HQ-MPL	Copper Tree Minerals Limited (100%)	MPL	Cu	Active	07/05/2013 09:29	16/09/2013	15/09/2028	276.7740 ha	Copperbelt, Kitwe
20953-HQ-MPL	Copper Tree Minerals Limited (100%)	MPL	Co, Cu	Active	23/07/2013 12:17	16/09/2013	15/09/2028	240.1072 ha	Copperbelt, Kitwe

Annex 8: Evaluation Criteria for Bids for Petroleum Exploration Licence

	Evaluation Criteria	Maximum score (%)
1	Pre-Qualification Documentation Photocopy of registration card/certificate of incorporation/original power of attorney/original proof of data package purchase	-
2	a) Report on execution of past operation N.B. 0 years – 0%, 1 to 5 years – 5%, 5 to 10 years – 7% and Above 10 years – 10%	10
3	b) Programme for employment and training of Zambians i) Employment: <ul style="list-style-type: none">• Zambian in Senior Management• Graduate Zambian• More than five (05) Zambians ii) Training <ul style="list-style-type: none">• Plan for professional training• Plan for skills training	1 1 1 1 1
	c) Programme to support local business development (amount spent locally) N.B. One point awarded for each US\$100,000 per annum up to a maximum of five points	5
4	Particulars of technical qualifications and industrial experience of applicant and key employees a) Company/applicant <i>N.B. Petroleum exploration experience – 5%, General exploration experience – 3%, and No exploration experience – 0%</i> b) Qualification and experience of key staff <ul style="list-style-type: none">• Any Zambians listed as key staff• Highest relevant academic qualification (PhD degree – 5%, Master's degree – 4%, Bachelors' degree – 3%, Diploma – 2%, Certificate – 1%)• Relevant experience (10 years – 5%, 8 years – 4%, 6 years – 3%, 4 years – 2%, 2 years – 1%, 0 years – 0%) N.B. One point for every two years of experience.	5 5 5 5
5	a) Financial resources available (>US\$200m – 5%, US\$150m to US\$200m – 4%, US\$100m to US\$150m – 3%, US\$50m to US\$100m – 2%, US\$20m to US\$50m – 1%, <US\$20m – 0%) b) Financial guarantees c) Projected cash flow statement for four years d) Documentary support of resources to support cash flow statement e) Evidence of available capital f) Evidence of available credit facilities	5 1 1 1 1 1
6	Audited financial statements and annual report for the last three years N.B. Three years – 5%, Two years – 3%, One year – 1%, and 0 year – 0%	5

	Evaluation Criteria	Maximum score (%)
7	<p>Proposed programme of exploration operations and the estimated cost</p> <p>a) Exploration phases and activities</p> <ul style="list-style-type: none"> • Desktop study • Aerial/ground survey • Exploratory drilling • Evaluation and appraisal • Feasibility study <p>b) Exploration programme costs</p> <ul style="list-style-type: none"> • Desktop study (<10% of total cost – 2%) • Aerial/ground survey (less than or equal to 30% % of total cost – 4%) • Exploratory drilling (less than or equal to 30% % of total cost – 3%) • Evaluation and appraisal (less than or equal to 30% % of total cost – 4%) • Feasibility study (> 10% of total cost - 2%) <p>N.B. Desktop study – 2% if less than 10% of total exploration cost, Aerial and/or ground survey – 5% if 50% or more of total exploration cost, Exploratory drilling – 5% if 40% or more of total exploration cost, and Feasibility study – 3% if equal to or greater than 10% or more of total exploration cost</p>	3 5 5 5 2 2 4 3 4 2
8	<p>Environmental Impact Assessment</p> <p>a) Identification of anticipated impacts</p> <p>b) Proposed mitigation measures</p> <p>c) Timeline for submission of the Strategic Environmental Assessment report to the Zambia Environmental Management Agency (ZEMA) – Within twelve months from date of grant of licence</p>	3 3 4
	TOTAL	100%

Annex 9: Systematic disclosure assessment table

EITI requirements	2016 Standard	Comments
Can be immediately mainstreamed		
Legal framework and fiscal regime	2.1	Coverage of the legal and fiscal regime on public sources is comprehensive, but spread across multiple sources. The information on these sources is kept up-to-date. Available disclosures satisfy EITI requirement.
Register of licenses	2.3	Reference can be made to http://portals.flexicadastre.com/zambia/
State participation	2.6	This source is comprehensive, and the information is provided on multiple parts of the annual report.
Exploration	3.1	No single source provides a full summary of the extractive industry. Separate sources provide information for mining and oil & gas. Online cadastre provides exploration licence information.
Production volume	3.2	Annual economic report of the MoF disclose aggregate data on Zambia production by commodity. Chamber of Mines report with varying levels of disaggregation
Exports	3.3	In addition to copper, CSO should provide the breakdown of other minerals.
Data quality (4.9)	4.9	Government revenues are audited by Office of the Auditor General. The OAG annual audit report is published annually not later than nine months after the end of the next financial year. Due to budget constraint, the OAG is unable to comprehensively audit all Government Agencies.
Distribution of extractive industry revenues	5.1	Budget performance published in the Annual Economic Report
The contribution of the extractive sector to the economy	6.3	Collectively, MoF, BoZ and CSO provide coverage of the sector's contribution to the Zambian, but there is no succinct summary available outside EITI reporting. The production is not disaggregated by region or company. Most sources updated on an annual basis (Economic report of the MoF, Annual report of the BoZ) except for the Labour Force Survey published by the CSO.
Cannot be immediately mainstreamed		
License allocations	2.2	No public online sources for both Mining and Oil & Gas sectors. No coverage of technical and financial criteria available for any set of licences.
Beneficial ownership	2.5	The government amended the companies' legislation on to include beneficial ownership disclosure. The legislation was amended in November 2017 and the regulations for the legislation were passed in June 2018. However, the legislation does not include any provision on Politically Exposed People (PEPs). PACRA is in charge to establish and manage the Register of Beneficial Owners. In addition, it is not yet fully established whether the register for beneficial owners will be publicly available.
State participation	2.6	No online for IDC's participations
Production value	3.2	
Comprehensive disclosure of taxes and revenues	4.1	
Subnational payments	4.6	
Revenue management and expenditures	5.3	
Social expenditures by extractive companies	6.1	
Not applicable		
Contracts	2.4	
Sale of the state's share of production or other revenues collected in kind	4.2	
Infrastructure provisions and barter arrangements	4.3	
Transportation revenues	4.4	
Transactions related to state-owned enterprises	4.5	
Subnational transfers	5.2	
Quasi-fiscal expenditures	6.2	

Annex 10: List of Outstanding Documents

N°	Theme	Document	Comments
1	Licenses transferred	Detail of all licenses transferred during 2016 (Date of Ministry validation, Price of transfer, Identity of the seller and buyer ...) (EITI Requirement 2.2).	Partially provided: We received the list of the transferred licenses and the current holders.
2	Infrastructure provisions and barter arrangements	List of infrastructure provisions and barter arrangements, or letter conforming (EITI Requirement 4.3).	We requested a confirmation letter from the MoF confirming that no infrastructure provisions and barter arrangements entered into force during the 2016. Not yet provided.
3	Subnational transfer	Details of subnational transfers made during 2016 (EITI Requirement 5.1.a).	We requested a confirmation letter from the MoF confirming that no subnational transfer were made during the 2016. Not yet provided.

Annex 11: Persons Contacted or Involved in the 2016 ZEITI Process

Independent Administrator	
Tim Woodward	Partner - Moore Stephens LLP
Ben Toorabally	Mission Director - Moore Stephens LLP
Hedi Zaghouani	Team Leader - Moore Stephens LLP
Helaine Henning	Head of Office IFI Zambia
Barack Kalima	Local taxation expert - Moore Stephens LLP
Muma Kapapa Nondé	Audit Senior- Moore Stephens LLP
Karim Limam	Audit Senior- Moore Stephens LLP
Mohamed Rdissi	Audit Senior- Moore Stephens LLP
ZEITI Secretariat	
Siforiano S. Banda	Head of ZEITI Secretariat
Ian Mwiinga	Communications officer
Kaonga Mazaba	Administrative Officer
Emmanuel Sibongo	Project Accountant
Violet Sakala	Secretary
Industrial Development Corporation (IDC) Zambia	
Chearyp Mkandawire-Sokoni	Chief Finance Officer
Malama Milambo	Senior Accountant – Financial reporting
ZCCM-IH	
Simon C Kanyanja	
Cecilia Lungu	
Zambian Revenue Authority (ZRA)	
Spyton Phiri	Audit Manager (Direct Taxes Mining Audit Unit)
Ministry of Mines and Minerals Development	
Caristo Mutale	
Tabila Mazhamo	
Ministry of Lands	
Phillimon Mukimba	
Ministry of Finance	
Joseph Tumba	
Duncan Mtonga	
KANSANSHI MINING PLC	
Nicholas Mwape	Tax Manager
KONKOLA COPPER MINES PLC	
Chisanga Simfukwe	Chisanga Simfukwe
LUMWANA MINING COMPANY LIMITED	
Malcolm Kaluba	Senior Accountant

MOPANI COPPER MINES PLC

CHIKUSI BANDA	Tax Manager
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KALUMBILA MINERALS LIMITED

Nicholas Mwape	Tax Manager
Luke Brooks	Finance Manager
Chabinga Katumbi	Officer

KALUMBILA MINERALS LIMITED

Nicholas Mwape	Tax Manager
Chalwe Musunga	Finance Manager
Merab Mutembo	Officer

CHAMBISHI COPPER SMELTER LIMITED

Shadrick Lindunda

District Councils

Mufulira Municipal Council	Muwovo Bwalya Group Accountant
Kalulushi Municipal Council	Kelvin Hazemba Snr Accountancy Assistant Collins Chibuye Assistant Accountant
Zimba District Council	Lukwesa
Kitwe City Council	Bornwell Luanga Mweemba
Chililabombwe District Council	Elijah Mukulama Snr Accountancy Assistant
Luanshya District Council	Mathew Mtonga
Chingola Municipal Council	Marvin Mambwe Chisenga Senior Accountant Assistant Darwin musonda katapa Accountancy assistant Chales shachinda Group accountant
Kabwe District Council	Mwansa Makukula Senior Accountant Assistant
Mazabuka District Council	
Ndola City Council	Patrick Chowa
Lufwanyama District Council	Chalwe Moore Geoffrey Mulowa
Lusaka City Council	Zidah D Mwiinde Group Assistant Olinda Chirwa Sikazwe Assistant Director Finance
Mumbwa District Council	Himagaya Makwembo District Accountant
Sinazongwe District Council	Kaluba Kenneth Council Treasurer
Solwezi Municipal Council	Sikazwenewton Group Accountant
Kafue District Council	Ethel Kasolo Accounts Officer
Choma Municipal Council	Musangu
Chilanga District Council	Alfa Ngoma Revenue Collector