



## THE ZAMBIA EITI ANNUAL ACTIVITY PROGRESS REPORT - 2015

ZAMBIA EITI

## **1. GENERAL ASSESSEMENT OF ZEITI PERFORMANCE IN 2015**

### **a. ZEITI Secretariat reforms**

During the year under review, the ZEITI undertook the preparation of the strategic plan with technical support from the Management Development Division (MDD) at Cabinet Office. The Strategic Plan will be used as a basis for any future financial support from the World Bank and other cooperating partners. The plan covers the period 2016-2020. The Strategic Plan aims to respond to some of the issues covered in the new 2016 EITI Standard. Notably, the Strategic Plan will seek to help the ZEITI to clarify its activities such as the mainstreaming of the EITI into government and company systems. The plan processes a phased approach where the first part will be done by providing EITI information especially tables from the report on the online cadaster portal. This in turn will help in making the EITI report simpler to read and much cheaper to produce.

The Strategic Plan also provides activities aimed at producing interim reports to the public apart from the annual EITI reports. The interim reports will cover topical issues that have a national character and the ones that have the potential to influence policy formulation in the mining sector.

During the year under review, the ZEITI undertook an Impact Assessment Study for the implementation of the EITI in Zambia. The study seeks to highlight the impact the EITI process has made in Zambia since inception, the contribution of the EITI to the development of Policy, and how the EITI process can be mainstreamed in both government and mining company systems to promote transparency and accountability. The study is being conducted by a Consultant (Dr. Godwin Beene). The draft report has since been circulated to all ZEC members for comments. Unfortunately, only two organizations have provided comments on the report. However, plans are underway to convene an MSG working group to finalise the report before it is submitted for approval. The impact Assessment Study is being conducted with financial support from the International EITI Secretariat.

In 2013 the EITI Board decided that implementing countries should in the future be required to disclose the beneficial owners of the oil, gas, and mining companies operating in their countries. An EITI beneficial ownership pilot took place from 2013-2015, with eleven countries including Zambia piloting beneficial disclosure through their EITI reporting. The ZEITI Secretariat has since prepared a report on Beneficial Ownership disclosures in Zambia based on the pilot results. The report only managed to capture one beneficial owner out of the 30 companies that were under the pilot study. Zambia included beneficial ownership disclosure in the 2012 and 2013 EITI reports.

## **b. The MSG governance reforms**

During the year under review, after expiry of tenure, changes were made to the organisations that sit on the Zambia EITI Council (ZEC). The following below highlights some of the changes that took place in each of the three sectors (Civil Society, Government and Mining Sector).

The Civil Society Organisations (CSOs) elected all six (6) new members to sit on the MSG. The six CSO member representatives are:

- i. Centre for Trade Policy and Development (CTPD)
- ii. Caritas Zambia
- iii. Women for Change (WfC)
- iv. Zambia Land Alliance (ZLA)
- v. Council of Churches in Zambia (CCZ)
- vi. Mine Workers Union of Zambia (MUZ)

The CSOs decided to exclude traditional leaders from their sector and recommended that traditional leaders should be included under the government sector as these leaders now have a Ministry of Chiefs and Traditional Affairs. The assembly by the CSOs was the first of its kind and it demonstrates a developing governance culture among CSOs.

The government also effected changes to their representatives on the council (ZEC). Notably, the Ministry of Finance is now represented by new members on the ZEC. A full list of new representatives on the ZEC from the sector is attached at the end of the report.

The Chamber of Mines elected a new President (Mr. Nathan Chishimba). A full list of new representatives on the ZEC from the sector is attached at the end of the report.

## **c. Peer to peer learning and regional meetings**

During the year under review, the ZEC undertook peer to peer learning study tours to Mozambique and Tanzania. The peer learning was mainly used to deepen the understanding of how EITI legislation has been structured in Tanzania and any plans if any for Mozambique to go along the same line. In addition, the ZEITI Secretariat also hosted a delegation from Malawi on a peer to peer learning study tour. The delegation wanted to learn from Zambia on how to implement the EITI process since Malawi was planning to join the EITI. Malawi has since been admitted as a candidate country under the EITI.

During the year under review, the Zambia EITI National Coordinator and the Communications Officer attended the annual meeting in Accra, Ghana. The purpose of the three-day meeting was to strengthen peer learning and have in-depth discussions on technical aspects of the [EITI Standard](#), linking the EITI to national priorities and generating impact. The meeting also served

as a platform where Anglo-phone and Lusophone countries share their experiences of implementing the EITI in their respective countries. Notably, the meeting in 2015 issued a communique urging the EITI Board to consider increasing the number of Board members from the African region. The meeting also resolved to increase peer to peer learning among implementing countries in the spirit of south to south learning.

The National Coordinators and Communication Officers from Ethiopia, Ghana, Liberia, Malawi, Mozambique, Nigeria, Sao Tome & Principe, Seychelles, Sierra Leone, Tanzania, and Zambia participated in the meeting. The full communique can be accessed on the international EITI website at [www.eiti.org](http://www.eiti.org)

Other activities that were undertaken during the year under review, are dissemination workshops to all ten (10) provinces of Zambia which were done jointly with CSOs and the Chamber of Mines, and the production of the 2014 ZEITI report.

## 2. ASSESSEMENT OF PERFORMANCE AGAINST TARGETS AND ACTIVITIES SET OUT IN THE WORK PLAN

ASSESSMENT OF PERFORMAMNCE AGAINST TARGETS AND ACTIVITIES SET OUT IN THE WORKPLAN						
ITEM NO.	OBJECTIVE	TARGET	ACTIVITY	ADDITIONAL ACTIVITIES	MET/ UNMET	COMMENTS
Objective 1:	Continuous implementation of EITI Standard in 2015	2014 ZEITI Report produced	Draft TORS for producing the 2014 Reconciliation reports, in line with EITI Standard		MET	In the year under review, the Zambia EITI Council and Secretariat managed to engage an independent Administrator to produce not one but two EITI reports for
			Prepare tender/bidding documents		MET	
			Selection of Independent Administrator to prepare 2014 and 2015 Reconciliation Reports		MET	

			Production of Scoping Report and		MET	Zambia namely the 2014 and 2015 reports. Over several firms expressed interest in the EOI adverts that had been placed in three of the most widely distributed newspapers in the country.
			Development/adoption of updated reporting template		MET	
			Collection of revenue data		MET	
			Compile accurate production and mineral sales figures from Government/Companies		MET	
			Gather information on beneficial ownership of extractive companies(provide a web link where such data can be accessed)		MET	
			Begin preparation of contextual summaries for 2014-2015 Reports, ahead of Independent Administrator if necessary:		MET	After the entire procurement process had been exhausted and 'no objection' approval from the World Bank, BDO East Africa was selected as the best firm to undertake the assignment. They were working in collaboration with BDO Zambia.  BDO started the reconciliation

						<p>process nearly three months before the year end.</p> <p>On 22nd December the report had been approved and launched by the Minister of Mines and Minerals Development Honourable Christopher Yaluma, MP at the new Government complex at well attended gathering.</p>
		<p><b>Impact Assessment Report</b></p>	<p>Engagement of consultant to conduct an impact assessment of EITI implementation</p>			<p>An Individual consultant Dr. Godwin Beene was contracted to undertake an impact assessment study of the EITI implementation in Zambia. Several stakeholders including civil society and top government officials were interviewed during the</p> <p>MET</p>

						assessment. The report has now been finalised and is scheduled for publication and dissemination to various stakeholders.
		<b>Zambia EITI Strategic Plan</b>	Engagement of cabinet Office (MDD) to facilitate the production of ZEITI strategic Plan			<p>The ZEITI strategic plan has now been finalised having undergone several reviews including World Bank and International EITI Secretariat.</p> <p>MET</p>
		<b>Zambia EITI database to expedite future reporting under EITI established and maintained</b>	Collect all previous reporting templates from 2008-2014 ZEITI Reports, and convert to digital (i.e. Excel) format			<p>This exercise is currently on going as most of the data is sent directly the independent Administrator. As the ZEITI online data base is now completed, all the data will be up loaded onto the system.</p>
			Draft the TORs for the consultant to establish the			<p>MET</p> <p>Zamnet Limited has finalised the</p>

			Zambia EITI database			bespoke database system for ZEITI which is now undergoing trials runs as a pilot with the major mining companies.
			Appoint a selection committee/prepare and evaluate tender/bidding documents		MET	
			Establish the online data base for the Zambia EITI		MET	Database has been finalised and now being rolled out through trial with training planned for early July 2016 as the companies and Government agencies are being trained on how to fill the reporting templates.
			Integrate the Zambia EITI database with other relevant Government databases and extractive companies		UNMET	Integration of the ZEITI database with other government databases is under discussion with the Mining Cadastre Department and the Mineral Value Chain project both within

						the Ministry of Mines and Minerals Development
			Undertake learning visits to countries that have implemented the online data base reporting (Mozambique)		MET	The ZEITI Team visited Tanzania and Mozambique where it was discovered that they were not yet integrated with the government databases.
		<b>Zambia EITI scope to include discussion of non-revenue issues expanded</b>	Provide a forum for discussion of non-revenue issues such as tax evasion, transfer pricing, environmental degradation, etc.		MET	The ZEITI team has participated in several forums where this discussion has taken centre stage. Some training in conjunction with the OECD and the World Bank has been conducted involving Media houses, Civil Society Organisations and Mining companies
			Conduct joint awareness raising workshops in areas where extractive companies operate		MET	The ZEITI team has conducted various awareness workshops country-wide explaining the

						initiative and the finding of the EITI reports. This has been done in conjunction with the CSO's
		<b>Other initiatives to increase revenue transparency within Zambia</b>	Support mine audits and tax studies to ensure tax compliance by mining companies and also prudent tax management by the government		UNMET	NOT YET DONE
			Mainstreaming of EITI in existing Government reporting mechanisms and building linkages with MMEWD Cadastre unit (flexi-cadastre), Mineral Economics & Geological Survey Dept.		UNMET	Discussions have been underway to integrate the EITI in Existing Government reporting
<b>Objective 2:</b>	<b>To create public awareness of EITI implementation in Zambia.</b>	<b>Public awareness of EITI in Zambia enhanced</b>	Coordinate and conduct television, radio and print-based discussions on the findings of the 2012 and 2013 and future reconciliation reports		MET	An entire 13 weeks television series was aired on National television dubbed ZEITI. This involved participation of mining experts, Government Officials as well as Civil Society

						Organisations with the objective of informing the Nation on the current issues prevailing in the mining sector.
			Conduct stakeholder workshops to disseminate the findings of the 2012 and 2013 Report		MET	Country wide dissemination of the EITI reports has been undertaken even though some stakeholders have criticised the EITI secretariat on the timing.
			Re-launch quarterly ZEITI newsletter for publication on ZEITI website and in printed format		UNMET	The newsletter is yet to be re-launched though EITI website is regularly updated with news items.
			Disseminate the 2014 Reconciliation report on the Zambia EITI website and also the international EITI website		MET	A country wide dissemination program was embarked on to all the provincial centres in the ten provinces of Zambia.
			Publish the 2014 Reconciliation report in the newspapers and other media		MET	ZEITI brought on board civil society

						organisations to help locally organise the Workshops which all had over 100 people in attendance.
			Produce branded materials for the Zambia EITI to be used during the dissemination of the 2014 Reconciliation report		MET	The ZEITI brand has gained a lot of popularity amongst stakeholders and the public at large as the logo bears the Zambian flag as well as the EITI emblem. T-shirts, pens and caps have been produced and distributed to all our events sometimes even running short. This is evidence of the willingness to associate with an initiative that aims to empower citizens with the information that enlightens them about the extractive industry.

<b>Objective 3:</b>	<b>To ensure compliance of EITI Requirements for companies and Government agencies to provide information on the utilization of revenue and to give EITI a legal status</b>	<b>The ZEITI Bill and Policy</b>	Prepare TORs for the drafting of the EITI Bill/Policy		MET	The Terms of Reference have been prepared and approved by the ZEC even though Government is yet to give its position.
			- Include sections on Oil, Gas, Minerals and revenue from non-extractive sectors		MET	
			Engage a consultant to draft the EITI Bill and Policy		MET	
			Make presentations to various selected committees on the draft ZEITI Bill/Policy		MET	
			Conduct stakeholder consultations before, during and after drafting the Bill and the Policy		MET	
			Create technical consultative committees to organise sensitisation meetings on the ZEITI Act among all stakeholders		MET	
			Organise stakeholder meetings to discuss the finding of the draft Policy		UNMET	
			Engage with the relevant government institutions to		MET – ONGOING	

			ensure the Policy is enacted/passed			and Policy. The recommendations from these discussions were that Zambia needed to have the EITI Bill put in place in order to conquer the hurdles encountered in the pursuit to promoting disclosure of payments and receipts.
			Lobbying of the Parliamentarians to support the EITI Bill and Policy		MET-ON GOING	

### 3. ASSESSMENT OF PERFORMANCE AGAINST EITI REQUIREMENTS

*The Requirement 7.2(a)(ii) provides for an assessment of progress with meeting and maintaining compliance with each EITI requirement, and any steps taken to exceed requirements.*

Zambia became EITI compliant in 2012 by fulfilling Requirement 1. During the year under review, the multi-stakeholder group continued to be active, effective and working harmoniously. The MSG is chaired by a senior government official who is the Secretary to the Treasury. The MSG has a costed and an approved work plan with clear objectives and. During the year under review, some MSG members were replaced after the expiry of their tenure period. The Government has shown its commitment to the implementation of EITI by including the EITI operational budget under the national budget. By 2015, the MSG had produced 7 EITI Reports.

#### THE EITI REQUIREMENT 2

## **Timely Publication of EITI Reports**

Zambia over performed in publishing EITI reports by publishing the 2014 EITI report in 2015 which was due in 2016. This has made Zambia's EITI reports to be one year behind instead of 2 years. By 2015, Zambia had produced a total of 7 EITI reports.

## **THE EITI REQUIREMENT 3**

### *The EITI Reports that Include Contextual Information about the Extractive Industries*

Zambia has been including contextual information on the extractive industries in EITI reports starting with the 2012 and 2013 reports. In this regard, Zambia has continued to amass experience in this area. Therefore, the 2014 report which was produced in 2015 included updated contextual information on the extractive industries reflecting various developments in 2015. This makes the report relevant as it is able to highlight the current developments in the mining sector. This section of the report is prepared by the Independent Administrator in consultation with the MSG and other stakeholders in accordance with the EITI requirements.

Since Zambia was one of the pilot countries in the collection of information on beneficial ownership, the 2014 EITI report produced in 2015 contained information on beneficial ownership. The report only managed to document only one beneficial owner out of the 38 reporting companies. However, Zambia does not include information on contracts for extractive industries in the contextual information. The Zambian Government abolished all contracts with mining companies and replaced them with uniform mining licenses with the objective of levelling the playing field.

## **THE EITI REQUIREMENT 4**

*The Production of Comprehensive EITI Reports that Include full Government Disclosure of Extractive Industry Revenues and Disclosure of all material payments to Government by Oil, Gas and Mining Companies*

Since Zambia joined EITI in 2009, seven (7) EITI reports have been produced, including the 2014 report which was produced in 2015. In this regard, Zambia has gained substantial experience in the production of EITI reports which include all relevant payments from the sector. Furthermore, Zambia produced the 2012 and 2013 EITI reports using the 2013 EITI Standard. The 2014 EITI report which was produced in 2015 also used the 2013 EITI Standard.

All our reports, including the 2014 report produced in 2015 have carried out comprehensive reconciliation between mining company payments and government revenue.

The reports also cover mining companies, government agencies, taxes to be covered and state-owned companies as defined by the EITI requirements.

## **THE EITI REQUIREMENT 5**

*A Credible Assurance Process Applying International Standard.*

The appointment of the Independent Administrator for preparing all our reports including the 2014 report produced in 2015 is done through international tender with Terms of Reference approved by the MSG. The 2014 EITI report which was produced in 2015 was prepared by BDO East Africa who were selected through the international tendering process.

All our EITI reports including the 2014 report have used audited data from mining companies and from government agencies based on international standards. It is a legal requirement in Zambia that all companies, including mining companies and government agencies should be audited to international standard by auditors accredited by the Zambia Institute of Chartered Accountants (ZICA). The mining companies are audited by private auditing companies

accredited by ZICA and government agencies are audited by Office of the Auditor, which is a government agency in charge of auditing all government agencies and parastatal companies. All our reports including the 2014 report were endorsed by the MSG before publication.

## **THE EITI REQUIREMENT 6**

### *Stakeholders Engaged in Dialogue about Natural Resource Revenue Management*

Zambia has gained sufficient experience over the years in the production and dissemination of EITI reports. Since Zambia joined EITI in 2009, seven (7) reports have been produced including the 2014 report which was produced in 2015.

In addition, report summaries are prepared for all our reports which are used during the dissemination workshops especially in the rural areas. Furthermore, all ZEITI reports are also available online on the ZEITI website in machine readable formats. In this regard, our reports have been comprehensible, actively promoted, and publicly accessible. This has helped in igniting active public debates.

Arising from the debates on EITI reports, the Solwezi Municipal Council has enacted a by-law to allocate 10% of the direct payments to the local council by mining companies to the local communities located in mining area. This initiative was championed by a local CSO which actively works in the extractive sector. It is hoped that other local authorities located in mining areas might emulate the decision made by Solwezi Municipal Council.

## **THE EITI REQUIREMENT 7**

### *The MSG Takes Steps to Act on Lessons Learned and Review the Outcomes and Impact of EITI Implementation*

The lessons learnt during the implementation of the EITI are used to improve future planning and implementation of EITI activities. One of the major lessons we have learnt is that debates on EITI reports can influence policy reforms which in turn can benefit ordinary citizens. A case in point is the decision by the Solwezi Municipal Council to allocate 10% of its direct payments by mining companies to local communities and this is as a result of EITI debates.

All discrepancies in the reports are followed up. So far the implementation of EITI in Zambia has been stable as Zambia has been implementing EITI for the past 7 years and all main stakeholders participate in the preparation of annual activity reports.

### **The Requirement 3.7-3.8**

#### *Revenue Management and Expenditure*

All tax revenues in Zambia, including tax revenues from the mining sector are collected by the Zambia Revenue Authority (ZRA) on behalf of the government and are deposited in the general account (Control 99) at Bank of Zambia. This bank account contains revenue from all the sectors of the economy. The revenue from the extractive industry is not ring-fenced and therefore the allocation in the budget does not distinguish the sources of the revenue by tax source. However, only the payments such as property rates and business annual fees which are directly paid by mining companies to local councils located in mining areas can be tracked.

### **The Requirement 4.1.f**

#### *Transportation Payments*

Zambia does not receive any transportation revenue of minerals, oil and gas from other countries.

### **Requirement 4.1.e**

#### *Discretionary Social Expenditure*

Most of the social payments are reported in the EITI reports. The social payments disclosed in the 2014 report amounted to **K433** million compared to **K177** million disclosed in the 2013 report. The social payments are decided by mining companies.

### **Requirement 4.2.e**

#### *Ad hoc sub-national transfers*

The ad hoc sub-national transfers from the mining sector cannot be isolated as the revenue from the mining sector is not ring-fenced but mixed with revenues from other sectors of the economy.

### **Requirement 3.11**

#### *Beneficial Ownership*

Zambia was one of the EITI countries that was included in the pilot study to collect information on Beneficial Ownership for the 2013 report. Therefore, the 2014 EITI report included no new information on Beneficial Ownership. However, the collected information on Beneficial Ownership only managed to reveal one Beneficial Owner. The conclusion of our pilot study was that it was difficult to collect information on Beneficial Ownership in the absence of a legal framework.

### Requirement 3.12

#### *Contract*

The Contracts between mining companies and the government were abolished in 2008. These have been replaced with uniform mining licenses in order to level the playing field.

#### **4. OVERVIEW OF THE MULTI STAKHOLDER GROUP RESPONSE TO RECOMMENDATIONS FROM THE RECONCILIATION**

<b>RECOMMENDATION</b>	<b>STATUS/PROGRESS</b>
I. ZEITI EITI Law	The ZEC has will convene a meeting between the Ministry of Mines and Cabinet Office to seek guidance on how to proceed with the process of drafting the ZEITI policy. The meeting will take place in the middle of July, 2016. It is hoped that the clarification will revive the drafting process of the EITI legislation which will reinforce the implementation of the Beneficial Ownership reporting among other things.
II. Up-to-date contact information at the Mining Cadastre	The Ministry of Mines and Minerals Development has agreed to include EITI data on the Mining Cadastre portal. This means contact details of companies reporting under the EITI will also be captured and updated.
III. Some Companies not fully complying with EITI reporting requirements	The ZEC resolved that the Civil Society Organisations should lead in the dissemination process of EITI reports. This action will help in bridging the differences between the two sectors as mining companies will now be confident that the EITI information is actually being used and disseminated to the public. This was during a council meeting that was held on 16.06.16.
IV. The Discrepancy	The Office Of the Auditor General will follow up on the discrepancy. However, proposals have been made by the ZEITI Secretariat to include EITI information in the official report

	for the Auditor General. This report is presented to Parliament annually.
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## **5. STRENGTHS AND WEAKNESSES IDENTIFIED IN THE EITI PROCESS**

The lack of an EITI legislation continues to hamper the collection of EITI information especially from the Mining companies. Notably, the collection of Beneficial Ownership information has been difficult because of lack of legislation that compels mining companies to provide such information. The existing pieces of legislation re company and mining law are also inadequate in terms of compelling companies to provide Beneficial Ownership information. It is hoped that the current amendment of the companies Act will include provisions for Beneficial Ownership information. This will help to strengthen the implementation of the Beneficial Ownership requirement in future.

The ZEITI has managed to integrate its dissemination activities in programmes that are undertaken by the Chamber of Mines and the Civil Society Organisations. For example, the EITI has participated in the Corporate Social Responsibility forums and also the Mining Expo on the Copperbelt.

Finally, the Civil Society organisations have also facilitated the dissemination of the EITI report in various forums. This has enabled the EITI to be report to be disseminated by specialized CSOs that deal in various aspects of the extractive, e.g, Environment, labour issues, tax, etc.

## **6.0 TOTAL COST OF IMPLEMENTATION**

### **i. Funding**

The Zambia Extractive Industries Transparency Initiative (ZEITI) Secretariat received funds for the financial year 2015 from various sources that included the Government of the Republic of Zambia, as well as Cooperating Partners that included the World Bank, European Union and the EITI International Secretariat for the purpose of funding the efficient functioning of the EITI secretariat as well as the production and dissemination of the reports 2012, 2013 and 2014 reports.

The total receipts during the year under review was US\$ 1,134,000.00 broken down as follows:

The US\$ 437,000.00 annual grants from the government, US\$ 15,000.00 funding the International Secretariat for the impact assessment, US\$ 210,000.00 from the World Bank under the Multi Donor Trust Fund (MDFTIII) and US\$ 472,000.00 was funds under the European Union Mining Basket fund which was received in November 2014 but utilised in 2015.

*ii.*     **Expenditure**

The Secretariat had a total expenditure of US\$ 1,038,309.18 during the year 2015 with a surplus of income against expenditure of US\$ 95,690.82. This represented a total burn rate of 91.56%. The expenditure is broken down as follows.

*iii.*     **Training of MSG and Staff Capacity Building**

This relates to costs for the induction of the new MSG members, training of staff such as continuous Professional developments, and peer to peer learning. The total cost was US\$ 34,436.35 against a budget of US\$ 50,000.00 with 68.87% burn rate for the year under review.

*iv.*     **Production of scoping and final EITI reports**

The costs were for the payments of the production of theZEITI reports for the 2012, 2013 and 2014 reports. The 2012 and 2013 reports were paid under the European Union funding while the 2014 report was paid under the World Bank funds. Also included is the cost of the pre-production expenditure such as data collection, training of mining and government agencies as well as advertisements for tendering.The total expenditure is US\$ US\$ 350,181.25 against a budget of US\$ 398,000.00 representing a burn rate of 87.99%.

*v.*     **Dissemination of EITI reports**

Thesecosts were incurred for the Country wide dissemination of the report through various stakeholder meetings such as workshops as well as television, radio and newspaper production. The total expenditure was US\$ US\$ 302,795.13 against a budget of US\$ 292,000.00 representing an expenditure of 102% or 2% over expenditure. This was caused by the fluctuation of the local currency against the US Dollar as the funding from European Union was in local currency. The

expenditure also included costs of printing the reports and also costs associated with the launch of the reports.

vi. **Follow up of report discrepancies**

This relates to costs for the follow-ups of the discrepancies identified in the ZEITI reports. The follow-ups were conducted by the Office of the Auditor General. This cost was in relation to the discrepancies in the 2012 and 2013 reports. The total cost was US\$ 18,308.02 against a budget of US\$ 20,000.00 representing a burn rate of 91.54% for the year under review.

vii. **The ZEITI Strategic Plan**

This relates to costs for the workshops and logistics for the drafting of the ZEITI strategic plan. The total cost was US\$ 23,403.46 against a budget of US\$ 10,000.00 representing an expenditure of 234.03% or over expenditure of 134.03%. The over expenditure was caused by the delayed process of finalising the strategic plan as more consultative meetings had to held.

viii. **Validation Process-Review**

This relates to costs for the workshops during the review and feedback of the current validation reporting process to the International Secretariat. The total cost was US\$ 6,133.78 against budget of US\$ 5,000.00 representing an expenditure of 122.68% or over expenditure of 22.68%.

ix. **Production of annual assessment reports**

This relates to the cost of producing of annual assessment reports. The main costs relate to the auditing of financial statements and the total expenditure was US\$ 17,518.76 against a budget of US\$ 15,000.00 representing an expenditure of 117% or over expenditure of 17%.

During the year under review, the country experienced drastic variations of the exchange rate, the local currency depreciated from an average ZMW 7.3 to US\$ 1 at the beginning of the year to an average of ZMW 14.4 to US\$1 during the year and ZMW 10.4 to US\$1 at the close of the financial year.

The depreciation of the local currency can be attributed to a number of factors. Notably, the volatility in the copper prices is one of the key factors. The link between the kwacha and the price of copper is transmitted through foreign exchange earnings from the export of copper.

In view of the above, there was an exchange loss for the funds received in local currency from government and European Union while the funds received in foreign currency from World Bank recorded a gain.

#### x. **Challenges and Success**

The ZEITI Secretariat had some financial challenges and successes during the year under review. The challenges and successes are therefore highlighted below as follows:

- **Gap Analysis-Challenges**

The project had challenges of meeting up the financing gap to recruit new staff for the positions of Project Assistant, Secretary and Driver as the government funding could not absorb all the staff costs. The project had to depend on the two seconded staff from the ministry and two interns to fill up the gap.

- **Positive outcomes 2015**

The project financial management had various achievements in the period under review as highlighted below:

- ✓ The project received all grant funding from the Government on time.
- ✓ All the major activities were financed
- ✓ The financial statements for all the previous years have been audited up to date.

## **7.0 REPORT DISCUSSIONS BEYOND THE MSG**

The implementation of EITI in Zambia has grown from year to year. This growth has had its fair share of challenges as outlined in detail above. However, various platforms have been identified for the dialogue among stakeholders and dissemination of the EITI information.

The annual Alternative Mining Indaba which is organized by civil society provides space for dialogue and feedback from various stakeholders on the governance of the extractive sector. This platform has grown from year to year with the active participation of government and civil society. We are as yet to see the active participation of individual mining companies at senior level, although the Chamber of Mines normally represents the mining sector at the event.

Another notable platform that has grown in relevance to the implementation of the EITI is the annual Corporate Social Responsibility (CSR) forum which is normally organized by the Chamber of Mines. This forum provides an in-depth examination of CSR payments in local mining areas.

The EITI reports provide a barometer upon which figures from various sources can be compared and discussed with various stakeholders. This is critical in building local governance in the extractive sector as the community is able to provide feedback to mining companies on how well their CSR programme is doing. Further, the local authorities are also provided an opportunity to raise concerns regarding their collaboration with the mining sector in fostering local development in the various communities.

Finally, the 2016 EITI standard clarifies some of the grey areas that the 2013 EITI standard could not provide clarity. Of interest is the ASM sector and also the implementation of the Beneficial Ownership reporting. The ASM in Zambia is still struggling to get the right records in terms of the size of the sector and also the contribution of the sector to tax payments among others. It is hoped that the reporting requirements under the new 2016 EITI standard will help the government to sanitize the sector and make it more productive so that it can contribute towards tax payments.

As for the beneficial ownership reporting, the consensus within and outside the MSG is tilted towards having an EITI legislation. The current position is that of enacting a stand along EITI law in Zambia. However, a number of opportunities have arisen from the various governance reforms taking place at the Ministry of Mines and Minerals Development. A case in point is the domestication of the African Mining Vision (AMV). Among the activities that have been planned under the AMV is the review of the Mines Policy and Law so as to align and respond to the requirements of domesticating the AMV. It is hoped that the ZEITI will take advantage of this opportunity and ensure that the review by the AMV takes into account EITI requirements.

## 8.0 DETAILS OF MSG MEMBERS

No.	Name	Organization	Email	Phone Number
	<b>CHAIRPERSON</b>			
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10.	MrsNjekwaMalama	<b>GRZ- MMMD(Proxy)</b>	njekwasmalama@hotmail.com	0966-752245
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17.	Mr. David Patterson	<b>MS- CMZ</b>		
18.	Mr. Shula Shula	<b>MS- CMZ(Proxy)</b>	sshula@mines.org.zm	0979-004929
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21.	<b>CIVIL SOCIETY ORGANISATIONS</b>			
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