

Board decision on the Validation of Zambia

Decision reference: 2017-54/BM-38/BP-38-6-D

On 25 October 2017, the EITI Board came to the following decision on Zambia's status:

Following the conclusion of Zambia's Validation, the EITI Board concludes that Zambia has made meaningful progress overall in implementing the EITI Standard.

The Board congratulates the Government of Zambia and national EITI stakeholders on the progress made in improving transparency and accountability in the extractive industries by providing timely and reliable information to the public, including civil society, media and affected communities. EITI has provided valuable information along the value chain, identified gaps and opportunities for strengthening monitoring of production, and improved the public understanding of the revenues generated from oil, gas and mining activities. This work is critical to tackling corruption and addressing tax evasion. The Board encourages the Government of Zambia to increase its leadership of the EITI as a tool to help identify gaps in the way the sector is managed and help identify solutions together with industry and civil society. This can help strengthen the links between Zambia EITI and ongoing government reforms.

After eight years of producing reconciliation reports, Zambia EITI is starting to move from focusing on the production of reconciliation reports to informing and shaping the policy dialogue in Zambia's mining sector. Consultations with stakeholders during Validation have demonstrated that there is a need to focus beyond production of EITI Reports to become a more active proponent of transparency and improved sector governance. This can be done by facilitating the use and analysis of available extractive sector data and coordinating policy discussions between the relevant stakeholders in government, industry and civil society.

The Board takes note of recent efforts by Zambia EITI to place beneficial ownership transparency on the government's agenda, by participating in the beneficial ownership pilot and seeking to understand how to include provisions related to beneficial ownership disclosure in ongoing reforms.

The Board recognises Zambia's achievement of satisfactory progress on requirements of the EITI Standard regarding the engagement of government, industry and civil society (1.1, 1.2 and 1.3), MSG governance (1.4), the EITI work plan (1.5), legal and fiscal framework (2.1), license register (2.3), exploration and export data (3.1 and 3.3), comprehensive disclosure of revenues (4.1), direct subnational payments (4.6), disaggregation, timeliness and quality of data (4.7, 4.8 and 4.9), public debate (7.1) and documenting outcomes and impact of implementation (7.4).

In an increasingly challenging environment for minerals-dependent countries like Zambia, Validation has helped highlight further opportunities for Zambia EITI to contribute to more informed policy and public debate, for example, on issues such as tax evasion and transfer pricing and oversight of the artisanal and small-scale mining sector. The Board notes that continuous and sustained engagement by stakeholders, and particularly high-level support by the government, is essential going forward.

Validation has further highlighted opportunities to make information on licensing more accessible. The Board encourages Zambia to progress their efforts to ensure that information on the licensing system is disclosed in a comprehensive and regular manner, building on ongoing work in the mining cadastre.

Through the regular engagement with the key stakeholders providing, collecting and verifying extractives data, Zambia EITI has the potential to support the government and industry in moving towards routine disclosures of the data currently provided in EITI Reports. This would help 'mainstream' extractives transparency and EITI reporting.







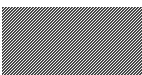
The Board has determined that Zambia will have 18 months to carry out corrective actions regarding the requirements relating to license allocations (2.2), clarity on the government policy on contract disclosure (2.4), production data (3.2), and follow-up on recommendations (7.3). The Board is encouraged by the progress that has been made to date, and urges the Government of Zambia to continue using the EITI process to build trust among stakeholders and ensure that there is reliable information available to help inform public debate and policy discussions related to the extractive sector.

Assessment card

The EITI Board agreed the following assessment card:

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

Legend to the assessment card

-  The country has made no progress in addressing the requirement. The broader objective of the requirement is in no way fulfilled.
-  The country has made inadequate progress in meeting the requirement. Significant elements of the requirement are outstanding and the broader objective of the requirement is far from being fulfilled.
-  The country has made progress in meeting the requirement. Significant elements of the requirement are being implemented and the broader objective of the requirement is being fulfilled.
-  The country is compliant with the EITI requirement.
-  The country has gone beyond the requirement.
-  This requirement is only encouraged or recommended and should not be taken into account in assessing compliance.
-  The MSG has demonstrated that this requirement is not applicable in the country.

Recommendations

The EITI Board agreed the following corrective actions to be undertaken by Zambia. Progress in addressing these corrective actions will be assessed in a second Validation commencing on **25 April 2019**.

1. In accordance with requirement 2.2, Zambia should ensure annual disclosure of which mining, oil, and gas licenses were awarded and transferred during the year under review, highlighting the processes for transferring licenses, technical and financial requirements and any non-trivial deviations from the applicable legal and regulatory framework governing license awards and transfers. This could include the most recent information on the latest licensing rounds to improve the timeliness of the information on license allocations. The ZEC might consider ensuring that EITI reporting includes commentary on any deviations from the license allocation process and on the efficiency of the licensing process.
2. In accordance with requirement 2.4 on contract disclosures, the ZEC should make sure that the description of the government's policy regarding contract and license transparency in the next EITI Report is up to date and reflects the MMDA 2015. It should also clarify whether there are any laws or contractual provisions that affect disclosure of contracts in the petroleum sector. Further, the ZEC may wish to consider whether to include any descriptions regarding what information related to individual licenses is publicly available, such as work programmes and environmental impact assessments, and provide links to further information where applicable.
3. In order to meet requirement 3.2 on production data, the government should ensure disclosure of production data for the fiscal year covered by EITI reporting, including total production volumes and the value of production by commodity. The ZEC should ensure that EITI reporting includes information on the progress made by the government in obtaining reliable production figures, and to refer to the existing information provided by the MDD, ZRA and Chamber of Mines.
4. In accordance with requirement 7.3, the ZEC should consider a more systematic follow-up of the recommendations, for instance by developing a dedicated plan for following up on findings and recommendations from Zambia EITI Reports, outlining actions to address the recommendations that can address the issue raised. The ZEC could further consider ensuring that recommendations from Zambia EITI reporting to a larger extent address key challenges related to extractive sector governance. Such recommendations could take into account feedback recorded from stakeholders as part of Zambia EITI's dissemination and outreach activities.

The ZEC is encouraged to consider the other recommendations in the Validator's Report and the International Secretariat's initial assessment, and to document the ZEC's responses to these recommendations in the next annual progress report.

This decision can be found online under: <https://eiti.org/validation/zambia/2017>

The documentation on this Validation (Validation Report, MSG Comments and initial data collection) can be found here: <https://eiti.org/document/validation-of-zambia-2017-documentation>