

Zambia



The Resource Governance Index (RGI) measures the quality of governance in the oil, gas and mining sector of 58 countries. Learn more and explore findings at www.revenuewatch.org/rgi.

Background

Zambia is the sixth-largest producer of copper in the world and the fifth-largest producer of cobalt. The extractive industries, led by the copper sector, accounted for 27 percent of gross domestic product and 87 percent of exports in 2010. Zambia's economy has seen strong growth in recent years, but poverty rates remain high.

Zambia	2000	2005	2011
Population (million)	10.20	11.46	13.47
GDP (constant 2011 international \$ billion)	4.2	8.1	19.2
GDP per capita, PPP (constant 2005 international \$)	1,028	1,158	1,431
Extractive exports (% total exports)	75%	72%	86%

SOURCES: World Bank. Extractive exports 2011 data from 2010.

Zambia's Performance on the RGI

Zambia received a "partial" score of 61, ranking 17th out of 58 countries. Strong performance on the Institutional and Legal Setting and Safeguards and Quality Controls components was partly undone by a "failing" Enabling Environment score.

Institutional and Legal Setting

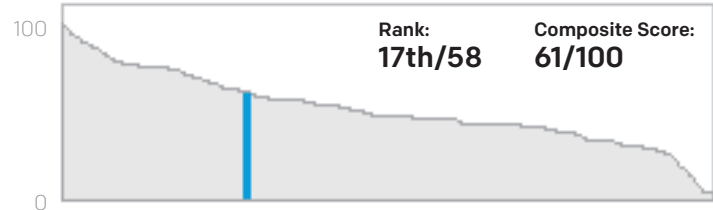
(Rank: 18th/58 Score: 71/100)

Significant disclosure requirements and a clear system for collecting resource revenues led to a "satisfactory" score of 71.

The Mines and Natural Resources Ministry conducts open bidding and grants mining licenses in exchange for royalties. The Zambian Revenue Authority, an agency within the Finance Ministry, collects all payments from mining companies and deposits them in the treasury.

Environmental and social impact assessments are required prior to project implementation. There is no freedom of information law, and the Mines and Mineral Development Act of 2008 prohibits the Mines and Natural Resources Ministry from disclosing industry information without companies' consent.

Zambia has been an Extractive Industries Transparency Initiative (EITI) compliant country since September 2012.



Reporting Practices

(Rank: 17th/58 Score: 62/100)

The government discloses only partial data on most aspects of the mining industry, resulting in a "partial" score of 62.

National law clearly outlines the licensing process, including royalty and tax obligations that must be included in mining agreements. Information about granted licenses is available for a fee from the register of the Mines and Natural Resources Ministry, but contracts with companies remain confidential. The Environmental Council of Zambia provides the results of environmental and social impact assessments.

The Zambian Revenue Authority regularly publishes production volumes for copper, cobalt, and gold, and the names of companies operating in the country, but it does not provide data on disaggregated revenues. The Mines and Natural Resources Ministry does not regularly publish production or revenue data. Most of the ministry's information on mining operations is provided by companies; it lacks the capacity to require greater disclosure or to disseminate the information it receives. The Bank of Zambia regularly publishes production and export volumes, along with figures on the overall contribution of the mining sector to GDP. The Parliamentary Committee on Economic Affairs and Labor provides some information on mining revenues, but only on an ad hoc basis.

Zambia's 2012 EITI report, which assesses revenues for the 2009 fiscal year, includes copper prices, the value of resource exports, the names of companies operating in the country, production by company, social payments, production stream values, royalties, special taxes, dividends, license fees, and acreage fees.

Safeguards and Quality Controls

(Rank: 14th/58 Score: 72/100)

Zambia earned a "satisfactory" score of 72, reflecting thorough auditing requirements.

Parliament is responsible for overseeing the mineral sector, but often lacks the capacity to do so effectively. The Office of the Auditor General reviews the financial accounts of all mining companies and the Zambian Revenue Authority, which conducts its own internal reviews. Audit reports are presented to legislators, though not always in a timely manner, and are reviewed by Parliament's Public Accounts Committee and the Committee on Economic Affairs and Labor.

Licensing decisions may be appealed. Zambia requires companies to disclose beneficial ownership information, and government officials must report their financial interests in the sectors they oversee.

Enabling Environment

(Rank: 30th/58 Score: 37/100)

Zambia scored relatively poorly on global rankings of government effectiveness and budget openness, contributing to a “failing” score of 37.

State-Owned Companies

(Rank: 15th/45 Score: 68/100)

ZCCM-IH is a majority government-owned company that invests in private mining ventures. It is under the oversight of the Mines and Natural Resources Ministry. 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.

Zambia's Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
17	COMPOSITE SCORE	61
18	Institutional and Legal Setting	71
	Freedom of information law	0
	Comprehensive sector legislation	67
	EITI participation	100
	Independent licensing process	100
	Environmental and social impact assessments required	100
	Clarity in revenue collection	100
	Comprehensive public sector balance	0
	SOC financial reports required	100
	Fund rules defined in law	..
	Subnational transfer rules defined in law	..
17	Reporting Practices	62
	Licensing process	50
	Contracts	0
	Environmental and social impact assessments	100
	Exploration data	50
	Production volumes	83
	Production value	67
	Primary sources of revenue	67
	Secondary sources of revenue	60
	Subsidies	67
	Operating company names	100
	Comprehensive SOC reports	83
	SOC production data	14
	SOC revenue data	29
	SOC quasi fiscal activities	..
	SOC board of directors	100
	Fund rules	..

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	..
	Subnational transfer rules	..
	Comprehensive subnational transfer reports	..
	Subnational reporting of transfers	..
14	Safeguards and Quality Controls	72
	Checks on licensing process	78
	Checks on budgetary process	67
	Quality of government reports	50
	Government disclosure of conflicts of interest	100
	Quality of SOC reports	83
	SOC reports audited	100
	SOC use of international accounting standards	100
	SOC disclosure of conflicts of interest	0
	Quality of fund reports	..
	Fund reports audited	..
	Government follows fund rules	..
	Checks on fund spending	..
	Fund disclosure of conflicts of interest	..
	Quality of subnational transfer reports	..
	Government follows subnational transfer rules	..
30	Enabling Environment	37
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	42
	Open Budget (IBP Index)	37
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	42
	Government effectiveness (WGI)	23
	Rule of law (WGI)	38

■ Satisfactory	■ Weak
■ Partial	■ Failing