I. Introduction and Context

Country Context
Zambia has had a long period of political stability. Following strong growth in the last decade, Zambia has reached lower middle income status and investor confidence has been high. However, 60 percent of Zambians lives below the poverty line and 42 percent are considered to be in extreme poverty. There has been some progress on corruption in recent years with Zambia ranked 76th (out of 167 countries) in 2015 by Transparency International.

Sectoral and Institutional Context
Zambia’s economy is heavily dependent on mining as Africa’s largest producer and exporter of copper and cobalt. In 2014, mining accounting for about 12 percent of GDP, 70 percent of total export value and 28 percent of government revenue. The mining sector, which had declined in the late 90s from its peak in the 70s, has been recovering sharply since 2000—with foreign investment playing a major role.

Zambia became an EITI candidate country in May 2009 and was declared EITI compliant in September 2012. The next validation is to begin on July 1, 2016. To date, seven EITI reconciliation reports have been issued covering the years 2008-2014. The 18-member Zambia EITI Council (ZEC) is the multi-stakeholder group overseeing and coordinating EITI implementation in Zambia. It is chaired by the Secretary to the Treasury and is serviced by a Secretariat which is located in the
Ministry of Mines. Zambia's civil society has promoted the EITI, but its influence continues to be limited by a number of factors.

EITI implementation in Zambia has been heavily dependent on donor funding, but financing from the federal budget has increased in recent years to about US$450,000 during 2014. The World Bank has financed EITI implementation in Zambia through three grants from the MDTF (Multi Donor Trust Fund). MDTF I (US$320,000) completed on June 30, 2012, MDTF II (US$350,000) completed on December 31, 2014, and Post Compliance II (US$210,000) completed on December 31, 2015. Implementation was generally satisfactory. Further support from the World Bank under the Governance Partnership Facility (GPF) facilitated capacity building of civil society organization. Zambia EITI also received financial support from the Mining Basket Fund comprising financial contributions from the European Union, DFID, and Norway, which was mainly used to support the operating cost of the EITI Secretariat. The African Development Bank (AfDB) financed the production and dissemination of the EITI Report for 2011.

Relationship to CAS/CPS/CPF
The proposed project is in line and supports World Bank Group’s Country Partnership Strategy (CPS) for Zambia (FY13-16) (Report No. 75089-ZM) and the Performance and Learning Review conducted in July 2015 (Report No. 95986-ZM). Both Outcome 3.1 of the CPS, “Strengthened systems and processes for public sector performance” and Outcome 3.2 “Citizen access to information increased”, are supported by the proposed assistance to the Zambian government in implementing EITI. The proposed project also supports GRZ's efforts for improving governance. The current government, which came to power in September 2011, has identified poverty reduction, jobs creation, and improving governance as its main priorities.

II. Project Development Objective(s)
Proposed Development Objective(s)
The overarching development objective is to improve transparency and accountability in Zambia’s extractive sector by supporting the EITI Zambia Secretariat and the Zambia EITI Council to successfully implement the Extractive Industries Transparency Initiative in Zambia.

Key Results
In line with the PDO above, the following PDO Level Results Indicators will be tracked throughout project implementation:

(a) EITI reconciliation report for 2015 and 2016 are produced and published by end-December 2016 and end-December 2017, respectively.
(b) Dissemination activities (including activities related to the Mining Investment and Governance Review (MInGov) conducted in Zambia throughout 2016-2017.
(c) Mid-year topical report produced by end-July 2017.

III. Preliminary Description
Concept Description
Zambia now has a strong track record in producing timely reconciliation reports. So far the information gained from these reconciliation reports has not been used in informing and shaping the policy dialogue in Zambia's mining sector. ZEITI is trying to move beyond the production and dissemination of reconciliation reports to become a more active proponent of transparency and
accountability in the sector. The strategic plan that is currently being finalized elaborates further on this.

Regarding the new 2016 EITI standard, Zambia has already made significant progress in publishing information on beneficial ownership in its EITI reconciliation reports. The EITI Secretariat has also developed expertise in collecting the data used in the reconciliation reports, which might provide an entry-point for "mainstreaming transparency" in government systems rather than reproducing the data in EITI reporting down the road. Funding for EITI implementation from the GRZ has increased over time and the proposed 2-year US$350,000 grant will provide financing for a smaller portion of the EITI work plan for the next two years.

The proposed grant aims to support ZEITI in these efforts. In addition to financing the production of the next two reconciliation reports, which are needed to keep the momentum of EITI in Zambia, the grant foresees financing more innovative and impact-oriented dissemination methods (including the results of the Mining Investment and Governance Review (MInGov) conducted in Zambia) and a mid-year topical report (in mid-2017) that will support ZEITI’s new role.

IV. Safeguard Policies that Might Apply

<table>
<thead>
<tr>
<th>Safeguard Policies Triggered by the Project</th>
<th>Yes</th>
<th>No</th>
<th>TBD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Assessment OP/BP 4.01</td>
<td></td>
<td></td>
<td>✗</td>
</tr>
<tr>
<td>Natural Habitats OP/BP 4.04</td>
<td></td>
<td></td>
<td>✗</td>
</tr>
<tr>
<td>Forests OP/BP 4.36</td>
<td></td>
<td></td>
<td>✗</td>
</tr>
<tr>
<td>Pest Management OP 4.09</td>
<td></td>
<td></td>
<td>✗</td>
</tr>
<tr>
<td>Physical Cultural Resources OP/BP 4.11</td>
<td></td>
<td></td>
<td>✗</td>
</tr>
<tr>
<td>Indigenous Peoples OP/BP 4.10</td>
<td></td>
<td></td>
<td>✗</td>
</tr>
<tr>
<td>Involuntary Resettlement OP/BP 4.12</td>
<td></td>
<td></td>
<td>✗</td>
</tr>
<tr>
<td>Safety of Dams OP/BP 4.37</td>
<td></td>
<td></td>
<td>✗</td>
</tr>
<tr>
<td>Projects on International Waterways OP/BP 7.50</td>
<td></td>
<td></td>
<td>✗</td>
</tr>
<tr>
<td>Projects in Disputed Areas OP/BP 7.60</td>
<td></td>
<td></td>
<td>✗</td>
</tr>
</tbody>
</table>

V. Financing (in USD Million)

<table>
<thead>
<tr>
<th>Total Project Cost:</th>
<th>0.35</th>
<th>Total Bank Financing:</th>
<th>0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing Gap:</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financing Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extractives Global Programmatic Support</td>
<td>0.35</td>
</tr>
</tbody>
</table>

VI. Contact point

World Bank
Contact: Martin Lokanc
Title: Sr Mining Spec.
Tel: 458-5319
Email: mlokanc@worldbank.org

Borrower/Client/Recipient
Name: Ministry of Finance and National Planning
Contact: Fredson Yamba
Title: Secretary to Treasury
Tel: (260-1) 257-178
Email:

**Implementing Agencies**
Name: EITI SECRETARIAT
Contact: Siforiano Banda
Title: Head of EITI Secretariat
Tel: 260977611790
Email: siforiano2010@gmail.com

**VII. For more information contact:**
The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: http://www.worldbank.org/infoshop