

REPORT OF THE COMMITTEE ON ECONOMIC AFFAIRS, ENERGY AND LABOUR FOR THE SECOND SESSION OF THE ELEVENTH NATIONAL ASSEMBLY APPOINTED ON WEDNESDAY, 26TH SEPTEMBER, 2012

Consisting of:

Mr C W Kakoma, MP (Chairperson); Ms V Kalima, MP; Dr S Musokotwane, MP; Mr K K Hamudulu, MP; Mr F Mutati, MP; Mr D Mwango, MP; Mr M H Malama, MP and Mr L Zimba, MP.

The membership of your Committee was reduced to seven following the nullification of the election of Mr L Zimba, MP.

Further, following the appointment of Hon D Mwango, MP and Hon M H Malama, MP, as Deputy Ministers, Mr L C Bwalya, MP and Mr A Sichula, MP were appointed to the Committee on Thursday, 21st February, 2013.

The Honourable Mr Speaker
National Assembly
Parliament Buildings
LUSAKA

Sir

Your Committee has the honour to present its Report for the year 2012/2013.

2.0 Functions of the Committee

The functions of your Committee are as set out hereunder:

- a) to study, report and make recommendations to the Government through the House on the mandate, management and operations of Government ministries, departments and/or agencies under its portfolio;
- b) to carry out detailed scrutiny of certain activities being undertaken by Government ministries, departments and/or agencies under its portfolio and make appropriate recommendations to the House for ultimate consideration by the Government;
- c) to make, if considered necessary, recommendations to the Government on the need to review certain policies and/or certain existing legislation; and
- d) to consider any Bills that may be referred to it by the House.

3.0 Meetings of the Committee

Your Committee held ten meetings during the year under review.

4.0 Programme of Work

At your Committee's second meeting held on Thursday, 4th October, 2012, it considered and adopted the programme of work as set out below.

- a) Zambia's Current Trade Policy with Regards to Regional and International Trade Protocols;
- b) Consideration of the Action-Taken Report on the Committee's Report for 2011/2012; and
- c) Consideration of the draft report.

5.0 Procedure adopted by the Committee

Your Committee requested detailed memoranda on the topics under consideration from concerned stakeholders and invited them to appear before it in order to give verbal submissions and clarifications on issues arising from their submissions.

Your Committee also undertook a foreign study tour during the year under review.

SUBMISSIONS ON ZAMBIA'S CURRENT TRADE POLICY WITH REGARDS TO REGIONAL AND INTERNATIONAL TRADE PROTOCOLS

6.0 Your Committee resolved to undertake a study on Zambia's Current Trade Policy with Particular Regard to Regional and International Trade Protocols. The objective of the study was to:

- a) ascertain the Government's trade policy with particular regard to international trade protocols;
- b) ascertain the major provisions of the regional protocols under the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC);
- c) assess the benefits of the Zambian economy from interactions with other countries through international institutions such as the World Trade Organisation (WTO) , the European Union (EU) and the African, Caribbean and Pacific Group of States (ACP);
- d) establish the benefits of Zambia's participation in globalisation through the establishment of regional free trade areas;
- e) assess the ability of Zambian products to compete favourably with imported goods in the open market;
- f) study measures put in place to enhance the Government's ability to monitor and maintain competition and fair practices in the open market;
- g) examine the effects on the Zambian economy following the enactment of the *African Growth and Opportunity Act, (2000)*;
- h) understand the impact of free trade areas on macroeconomic indicators such as foreign exchange, interest rates, inflation and balance of payments;

- i) assess the ability of Government to monitor and maintain competition and fair trading practices in the country following the opening up of borders through free trade areas;
- j) find out what measures have been put in place to enhance the ability of Zambian products to compete favourably in free trade areas; and
- k) assess the ability of the Zambian Government to monitor standards of imported goods following the declaration of free trade areas; and
- l) make appropriate recommendations to the executive.

The following institutions made both written and oral submissions on the subject:

- a) the Jesuit Centre for Theological Reflection;
- b) the United States Agency for International Development;
- c) the Bank of Zambia;
- d) the Zambia National Farmers' Union;
- e) the Zambia Association of Chambers of Commerce and Industry;
- f) the Cross Border Traders Association;
- g) the European Union;
- h) the Private Sector Development Association;
- i) the Common Market for Eastern and Southern Africa;
- j) the Zambia Bureau of Standards;
- k) the Zambia Weights and Measures Agency;
- l) the Economic Association of Zambia;
- m) the Competition and Consumer Protection Commission;
- n) the Ministry of Foreign Affairs;
- o) the Ministry of Finance;
- p) the Ministry of Commerce, Trade and Industry; and
- q) the Zambia Association of Manufacturers (written submission).

CONSOLIDATED SUMMARY OF SUBMISSIONS

GENERAL OVERVIEW OF GOVERNMENT'S CURRENT TRADE POLICY

6.1 Your Committee was informed that Zambia's Trade Policy was designed to serve as an effective tool in stimulating economic growth and reducing poverty in Zambia. Its main emphasis was on simplifying the national trade regime, promoting economic diversification and generating export-led growth.

Your Committee learnt that the key objectives of Zambia's Trade Policy were:

- (i) to enhance Zambia's participation in regional trading arrangements with countries in the East and Southern African region and enable Zambian products to compete freely in regional markets;
- (ii) to encourage domestic value-addition, and promote the export of high value products. High priority export products include; fresh vegetables, tobacco, gemstones, cotton and cotton yarn, leather products, fresh flowers, sugar and oil cakes;
- (iii) to secure duty-free and quota-free market access for Zambian goods into developed country markets within the multilateral framework;

- (iv) to seek reduction in export subsidies and domestic market support in developed country markets, particularly in cases where such subsidised products compete with Zambian products;
- (v) to secure access to important markets using bilateral trading arrangements, with a view of encouraging Foreign Direct Investment (FDI) flows and strengthening business cooperation and transfer of technology;
- (vi) to ensure fair competition between local and foreign suppliers in the provision of goods and services to the various economic sectors in Zambia;
- (vii) to improve transit facilities and procedures in Zambia and thus facilitate commerce within the sub-region;
- (viii) to support the development of services export particularly in the tourism sector as well as other potential sectors; and
- (ix) to ensure the Zambian private sector takes full advantage of market access opportunities provided by preferential schemes such as the African Growth and Opportunity Act (AGOA), the Everything-But-Arms (EBA) Agreement, and other Generalised System of Preferences (GSP).

Further, your Committee was informed that the Policy therefore is aimed at ensuring that Zambia maximised the potential benefits from its current trade arrangements while seeking to enhance domestic productivity and the competitiveness of Zambian products abroad. The key strategies used in implementing these Policy objectives include the following:

- a) seeking improved market access for Zambian products to important export markets;
- b) conducting thorough internal studies to assess potential benefits and costs to Zambia before engaging in further discussions;
- c) cooperating with the African Union (AU), the Least Developed Countries (LDC) group, and other like-minded groupings in pursuing national trade goals;
- d) domestication of bilateral, regional and multilateral trade agreements;
- e) prudent use of tariff policy to support the development of selected infant industries, while minimising adverse effects to domestic exporters and consumers resulting from undue "protection";
- f) promoting domestic value-addition through the use of export taxes in selected cases where the export of particular unprocessed materials was not desired;
- g) working closely with the private sector to provide support services and incentives that promote export diversification, encourage value-addition in export products, and also improve the quality of Zambian export products as well as strengthening the capacity of export promotion institutions to conduct research on product and market diversification for domestic Zambian firms; and
- h) simplifying border procedures to expedite clearance of goods at Zambia's borders and the establishment of one-stop border posts to ensure efficient border clearance procedures.

GOVERNMENT'S TRADE POLICY WITH PARTICULAR REGARD TO INTERNATIONAL TRADE PROTOCOLS

6.2 Your Committee was informed that the Government's Trade Policy with regard to international trade protocols has focused on the following:

- a) improving export opportunities for Zambian producers by negotiating for global reduction in tariffs and the elimination of non-tariff barriers for Zambian goods;
- b) supporting the elimination of various forms of export subsidies and domestic support in developed countries, which tend to distort competitiveness in international markets; and
- c) the domestication of the provisions in international trade protocols in order for the country to be compliant with the Protocols it is signatory to. These include various agreements under the World Trade Organisation (WTO) on which many trade agreements are premised.

MAJOR PROVISIONS OF THE REGIONAL PROTOCOLS UNDER THE COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA AND THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY

6.3 Your Committee was informed that the Common Market for Eastern and Southern Africa (COMESA) was launched in 2000. The common provisions of the COMESA Trade Protocol include the following:

- a) elimination of import duties and other restrictions to trade;
- b) simplified trade procedures and harmonised trade documentation;
- c) safeguards and trade remedies;
- d) harmonisation of products standards;
- e) enforcement of competition laws and policies nationally and regionally; and
- f) an elaborate dispute settlement mechanism.

Your Committee was informed that the SADC Free Trade Area was launched in 2008. In January 2012, Zambia achieved 100 percent tariffs liberalisation in line with the Protocol. Broadly, the common provisions include the following:

- a) national treatment of goods which required that goods originating from the regional block were not directly or indirectly discriminated against by same or like goods of other member states;
- b) reduction and ultimate elimination of duties and other charges of equivalent effect;
- c) reduction and elimination of non tariff measures;
- d) trade facilitation and harmonisation, and cooperation with regard to customs documents and procedures; and
- e) trade remedies such as anti-dumping, safeguard measures as well as protection of infant industries.

BENEFITS OF THE ZAMBIAN ECONOMY FROM INTERACTIONS WITH OTHER COUNTRIES THROUGH INTERNATIONAL INSTITUTIONS SUCH AS THE WORLD TRADE ORGANISATION, THE EUROPEAN UNION, THE AFRICAN, CARIBBEAN AND PACIFIC GROUP OF STATES

6.4 Your Committee was informed that under the World Trade Organisation (WTO), Zambia was entitled to certain privileges extended to it through the Integrated Framework Initiative. These privileges manifest in the form of disciplinary exceptions, extended transitional periods, enhanced export opportunities through the creation of preferential market-access commitments, reduced customs duties, technical assistance and capacity building support. Zambia's interactions with other countries within the WTO assist the nation in becoming conversant with and engaged in emerging trends and discussions such as those on trade in service, allowing for full participation in negotiations that would in turn benefit the country.

Your Committee learnt that similarly, Zambia has enjoyed reduced customs duties extended to the African, Caribbean and Pacific Group of States (ACP) in addition to being eligible for free market access to the European Union (EU) under the Everything-But-Arms Initiative (EBA) which provides duty-free and quota-free access to all imports except arms and ammunition for an unlimited period. The EBA is the most favourable regime available in the EU. However, duty-free access had been phased out on sensitive products such as fresh bananas, sugar and rice exported to the EU. To date, the trading scheme Zambia has been engaged in has been non-reciprocal and has entailed free market access to the EU without requiring the reciprocal action of opening the Zambian market.

Your Committee was informed that more recently, the European Union has pursued a change in its trading regime within the ACP that advocates reciprocal free trade agreements through Economic Partnership Agreements (EPAs). The introduction of EPAs requires that all ACP countries eliminate tariffs on 90% of EU exports within a period of ten to twelve years and open up their economies to the same. This position has been met with significant resistance due to the implications for local industries that would have to compete with the advanced technologies and capacities of EU countries. Furthermore, this move may result in reductions in tax revenue and increased instances of trade diversion with little or no trade created for Zambia.

In addition, your Committee heard that cheap imports from the EU and other advanced economies has continued to threaten the existence of the agricultural sector in Zambia. Notably, the dairy, wheat, soya beans and livestock sectors in Zambia are without any form of protection which have remained vulnerable to rising imports from advanced economies, threatening the livelihood of farmers as well as contributing to rampant unemployment due to declining farm incomes.

EFFECTS ON THE ZAMBIAN ECONOMY FOLLOWING THE ENACTMENT OF THE AFRICAN GROWTH AND OPPORTUNITY ACT, (2000)

6.5 Your Committee was informed that the African Growth and Opportunity Act (AGOA) is a United States (U.S.) Trade Act that significantly enhances U.S. market access for Sub Saharan Africa. AGOA provision allows for duty-free access to the U.S. market of approximately 7,000 product tariff lines for preferential market access. These include items such as apparel and footwear, wine, certain motor vehicle components, a variety of agricultural products, chemicals, steel and others. Since the launch of AGOA in December 2001 by Zambia, there had been growing interest among the Zambian business community to increase exports to the United States and strengthen and explore investment opportunities in the two countries.

Your Committee was informed that there has been slow but progressive growth of exports to the U.S. market thereby generating export revenues for development. The table below highlights export gains as a result of the country's exports to the U.S. under the AGOA initiative.

Table 1

YEAR	DIRECTION OF TRADE WITH THE U.S/EVENTS	VALUE
Jan to June 2008-AGOA induced exports	Exports were US\$ 119,000 for 2005 & US\$ 162,000 for 2006 over the same period. Estimated AGOA induced regional exports for cotton Yarn exceeded US\$ 8 million	US\$ 8m
2010	When Zambia took over Chairmanship of AGOA	US\$ 30 m
2011	When Zambia hosted the 10 th AGOA Forum	US\$ 47 m

Source: Ministry of Commerce Trade and Industry 2012

Your Committee was informed that most exports to the U.S. have largely been dominated by mining exports. The agricultural products which Zambia could export to the U.S. under AGOA were constrained by the Pest Risk Assessments which products had to pass before being admitted in the U.S. markets. Zambia exports indirectly through AGOA by exporting products such as cotton yarn and chilli peppers to South Africa, which then exports these as finished products to the United States.

Your Committee learnt that various local Zambian businesses have benefited by receiving business grants to expand business enterprises and create jobs under the AGOA initiative. For instance, during the AGOA Forum in 2011 in Lusaka, the United States African Development Foundation (USADF) committed US\$300,000 in grants for two Zambian agricultural businesses, the Zambezi Organic Rice Growers Association (ZORGA) and the Chipepo Fisheries Company. Further, the AGOA initiative had seen a number of Trade and Investment Promotion Missions being undertaken by the Zambian business community to the U.S. to seek business partnerships and markets.

BENEFITS OF ZAMBIA'S PARTICIPATION IN GLOBALISATION THROUGH THE ESTABLISHMENT OF REGIONAL FREE TRADE AREAS

6.6 Your Committee was informed that Zambia was currently a member of the Common Market for Eastern and Southern Africa (COMESA) Customs Union and was a signatory to the Southern African Development Community (SADC) Trade Protocol. COMESA is a regional integration grouping of nineteen African sovereign states, while SADC comprises of twelve states. Under these Free Trade Areas (FTAs), member countries are granted duty-free and quota-free access to goods originating from the SADC and COMESA region. This made raw materials and intermediate inputs cheaper and has the benefit of raising intra-regional trade as countries traded freely and there was improved domestic competition as a result of reduced prices mainly on industrial inputs for the importing industry.

Your Committee was informed that through Zambia's participation in the FTAs, exports within the region have continued to grow. SADC and COMESA constitute a large percentage of the country's export markets. On average, COMESA and SADC account for over 40 percent of total exports with the largest market being exports to the SADC region. During the period 2010 to 2012, Zambia's total export to both COMESA and SADC member states was approximately US\$7.55bn. For COMESA, the total exports were US\$2.67bn while total exports to SADC were approximately worth US\$4.88bn.

Your Committee heard that despite these benefits having accrued to the Zambian economy, sectors such as agriculture continued to be threatened by porous rules of origin for products such as wheat. The rule in place was that wheat which was wholly grown in a SADC country, qualified to be traded free of duty even if a country was a deficit producer. This rule has been found porous in that in the past, huge amounts of wheat had passed through SADC countries that were deficit producers and landed in Zambia causing distortionary effects.

Further, your Committee learnt that there was currently no rule of origin for wheat flour under SADC. However, there was a push by some SADC countries with huge milling capacities but didn't produce wheat such as Mozambique and Namibia that a rule be agreed to facilitate trading in flour.

Furthermore, your Committee was informed that under COMESA, the rules of origin that were developed and agreed sometime back have been a challenge in that even a single step transformation of wheat into flour confers a wheat product to be originating from a COMESA state and qualifies for lower or zero import duty.

Your Committee was also informed that apart from the current FTAs under COMESA and SADC, the country was also committed to participate in the Tripartite FTA to be established among COMESA, SADC and the East African Community (EAC).

IMPACT OF FREE TRADE AREAS ON MACRO-ECONOMIC INDICATORS SUCH AS FOREIGN EXCHANGE, INTEREST RATES, INFLATION AND BALANCE OF PAYMENTS

6.7 Your Committee was informed that increased trade had an impact on macro-economic indicators such as foreign exchange and inflation as well as the balance of payments through current, capital and financial accounts.

Your Committee learnt that increased trade resulting from these trade agreements had a positive impact on the current account of the balance of payments when the net exports were in surplus. The exports of goods and services also had an impact on the exchange rate. It was reported that when the country exports more than it imports, the exchange rate appreciates. The exchange rate depreciates when the supply of foreign exchange does not match demand from the import sector. Further, the movement in the exchange rate also had pass-through effects into inflation.

Your Committee was informed that there was a positive impact on inflation when the currency appreciates and a negative impact when it depreciates. For example, from the onset of the financial crisis in 2009, the exchange rate started to depreciate by 34.7% to K5,047/US dollar from an average of K3,874.2/US dollar in 2008. This also had an impact on the inflationary pressures which only subsided when the exchange rate began to appreciate towards the second half of 2009. In addition, it was reported that the exports of copper also have an influence on the exchange rate. Further, trade agreements also have an impact on interest rates because of the free flow of capital between member states.

ABILITY OF ZAMBIAN PRODUCTS TO COMPETE FAVOURABLY WITH IMPORTED GOODS IN THE OPEN MARKET

6.8 It was reported that Zambia has been able to develop products that were able to compete favourably with imported products. These include products such as sugar and high-value crops such as cotton and tobacco for which natural growing conditions were well suited.

Other products that were competitive included copper and cement. On the whole however, Zambian products had not been competing very favourably with imported goods in the open market due to several challenges set out below.

Firstly, the high cost of doing business in Zambia which results in final prices of goods being high. Factors negatively affecting the cost of doing business include:

- (i) high lending rates despite the steady reduction in the interest rates over the years resulting in high cost of finance for firms to recapitalise and invest in product improvement;
- (ii) the absence of readily available long-term finance which affects capacity of expansion projects needed to develop a competitive platform for local producers; and
- (iii) limited transportation infrastructure resulting in high transportation costs for Zambian products.

Secondly, the limited availability of highly skilled workers makes it difficult for Zambian producers to keep up with high-tech innovations from other countries.

Thirdly, Zambia's national quality infrastructure and technical regulation regime are not developed to their full potential, and are not harmonised with those of its major trading partners. As a result, there has been ineffective monitoring of both imported and locally produced goods as the current scheme has largely focused on monitoring compulsory standards which are concerned with health or safety of human beings and/or the environment.

MEASURES PUT IN PLACE TO ENHANCE THE ABILITY OF ZAMBIAN PRODUCTS TO COMPETE FAVOURABLY IN FREE TRADE AREAS

6.9 Your Committee was informed that the Government has put in place the measures listed below in order to enhance the ability of Zambian products to compete favourably in free trade areas.

Effective participation in trade negotiations

Zambia had effectively participated in setting the trade agenda in both COMESA and SADC by pushing for trade terms in the interest of the private sector. This entailed negotiating for favourable rules of origin that catered for the interest of the country.

Furthermore, the Government has been negotiating for favourable standards and other requirements that did not disadvantage the competitiveness of Zambian products.

Private Sector Development Reform Programme

The Government was implementing the Private Sector Development Reform Programme that aims at creating a conducive business environment and reducing the cost of doing business in Zambia.

Financial Sector Development Plan

The Government was implementing measures in the Financial Sector Development Plan which aims at improving the financial sector and enhancing access to banking and financial services.

National Quality Policy

The Government was ensuring the implementation of the National Quality Policy whose overall objective was to ensure that Zambia adopts international best practices by the year 2020. The policy aims at strengthening the mandates and capacities of National Quality Infrastructure institutions such as the Zambia Bureau of Standards and the Zambia Weights and Measures Agency.

Proudly Zambian Campaign

The Zambia Bureau of Standards and the Zambia Association of Manufacturers had signed a Memorandum of Understanding for the implementation of the Proudly Zambian Campaign. This is an awareness campaign aimed at promoting Zambian products both locally and internationally, building brand awareness and encouraging increased levels of quality.

Competition and consumer protection

The Government enacted *the Competition and Consumer Protection Act No. 24 of 2010*, which is aimed at curbing anti-competitive and unfair trading practices. The Act provides stringent measures that deter private firms or persons from engaging in anticompetitive practices.

Sensitisation and awareness

The Ministry of Commerce, Trade and Industry through the Zambia Development Agency has been providing information to exporters on preferential market access as well as the rules of origin. Information has also been provided on those products that have the highest demand within these markets.

Technical support to product development

Through various export development initiatives, technical support has been provided to exporters to enable them modify their products to meet the market requirements and market taste. This includes quality standards in market regulations, as well as consumer tastes.

Zambia Export Development Fund

The Zambia Development Agency has been providing a low interest loan facility at London Interbank Offer Rates through the EU financed Zambia Export Development Fund to exporters to help them execute export orders as well as meet certain production related challenges which could have a negative impact on the performance of exports. These cover pre-shipment finance as well as shipment financing over a 12-24 month period.

Trade exhibitions, trade missions and market intelligence

The Zambia Development Agency assists exporters to participate in trade exhibitions and trade missions in regional markets among others; Botswana, Malawi, Mozambique, South Africa, Angola and the Democratic Republic of Congo (DRC). Through trade missions, the country gathers market intelligence in assessing those products which Zambia has comparative advantage.

Infrastructure development

The Government was putting in place various trade-related infrastructure aimed at reducing the cost of doing business in the country. For instance, the Government has been establishing one-stop border posts at selected borders starting with Chirundu. Furthermore, the Government has embarked on road projects such as the Link Zambia 8,000 Project which aims to address the infrastructure challenges faced by the country by transforming Zambia into a land linked country which will result in the construction of roads totalling 8,000 Km. This will be implemented over a period of five years.

ABILITY OF THE ZAMBIAN GOVERNMENT TO MONITOR STANDARDS OF IMPORTED GOODS FOLLOWING THE DECLARATION OF FREE TRADE AREAS

6.10 It was reported that Zambia monitors standards of both locally produced and imported commodities through the Zambia Bureau of Standards (ZABS). ZABS implements import and domestic quality monitoring schemes to ensure that only goods that meet Zambian standards are put on the market.

Further, your Committee was informed that the Import Quality Monitoring Scheme required that any product that was covered by a compulsory standard should undergo inspection at the entry point before it could be permitted entry into the country. The scheme was only limited to standards that had been declared compulsory through a statutory instrument. The basis for declaring a standard compulsory was whether the said product would affect the health or safety of human beings and/or the environment. The compulsory standards were also applied to locally manufactured goods as guided by the World Trade Organisation – Technical Barriers to Trade (WTO-TBT) Agreement to ensure fair competition in international trade.

Your Committee learnt that Zambia's national quality infrastructure and technical regulation regime were however, not developed to their full potential, and were not harmonised with those of its major trading partners. The National Quality Infrastructure (NQI) currently falls short of the country's obligations under various regional and international trade agreements. In an effort to correct the situation, the Government launched its first ever National Quality Policy (NQP) in March, 2011. The NQP document spells out specific interventions to be made by the Government on metrology, standards and accreditation in order to adhere to international best practices.

ABILITY OF THE GOVERNMENT TO MONITOR AND MAINTAIN COMPETITION AND FAIR TRADING PRACTICES IN THE COUNTRY FOLLOWING THE OPENING UP OF BORDERS THROUGH FREE TRADE AREAS

6.11 It was reported that the Government through the Competition and Consumer Protection Commission (CCPC), a statutory body constituted under the Competition and Consumer Protection Act No. 24 of 2010 had the ability to monitor competition and fair trading practices in the country. The Commission was able to enforce the competition and consumer laws which were intended to advance fair competition in the market and protect consumers from malpractices such as underweight and expired products.

However, your Committee was informed that competition was a highly technical field that required enhanced skills and sufficient manpower to effectively monitor and maintain competition and fair practices in the open market. And this was what was lacking other than the manpower itself. While the CCPC exists, it seemed to lack sufficient human resource and skills to effectively monitor and maintain competition and fair trading practices in the country.

MEASURES PUT IN PLACE TO ENHANCE THE GOVERNMENT'S ABILITY TO MONITOR AND MAINTAIN COMPETITION AND FAIR PRACTICES IN THE OPEN MARKET

6.12 It was reported that in ensuring that there was competition and fair practices in the open market, the Government enacted the *Competition and Consumer Protection Act No. 24 of 2010* which aims at curbing anticompetitive and unfair trading practices. The Act provides stringent measures that deter private firms or persons from engaging in anticompetitive practices.

Your Committee was informed that the Government had stepped up its efforts in monitoring conducts that lead to prevention, restriction and distortion of competition in Zambia. Some of the conducts that lead to substantial lessening of competition and a negative effect on consumer welfare included abuse of dominant position of market power, cartels, restrictive business practices and anticompetitive mergers.

Your Committee learnt that some of the strategies the Commission had employed in investigating anti-competitive trade practices included carrying out investigations by using tools such as unannounced searches or dawn raids to collect evidence and appointment of inspectors from local authorities across the country. In addition, the Commission also reviewed the trading practices pursued by enterprises doing business in Zambia through conducting studies in critical sectors of the economy such as those that had an impact on the economic and social front of the country.

Your Committee was informed that the Government through the CCPC has further begun the development of a Leniency Programme. The Leniency Programme entails that an enterprise that cooperates with the Commission after voluntarily furnishing the Commission with information relating to the existence of an agreement that was prohibited under the Act would not be subject to all or part of a fine that could otherwise be imposed under the Act.

It was reported that the Government through the CCPC was currently engaging the business companies with dominant position of market power to develop compliance programmes on competition law. The Commission has also enhanced its advocacy and sensitisation programmes aimed at enlightening the business community and consumers about the Competition and Consumer Protection Law. The Commission has further been signing Memoranda of Understanding (MoU) with sector regulators that have an element of competition and consumer protection in their legislation. This measure was aimed at enhancing the monitoring of competition in the domestic economy through coordination and harmonisation of matters relating to competition with sector regulators.

Your Committee was also informed that the Ministry of Commerce, Trade and Industry has increased funding to the Zambia Weights and Measures Agency and was facilitating a phased decentralisation of its offices. This would expand service delivery and facilitate the Agency's standardisation of the measures used for trade in the country and grow trade participation levels as confidence increased. An example of this was the drive to standardise the *meda* measure of maize and of alcohol *tot* measures countrywide in conjunction with local authorities via the Government's Decentralisation Implementation Plan.

Your Committee further learnt that the member states especially under COMESA have agreed to form a Regional Competition Commission. The Regional Competition Commission would monitor, investigate, detect, make determinations or take action to prevent, inhibit and/or penalise undertakings whose business activities appreciably restrained competition within COMESA. Through the establishment of the COMESA Competition Commission, it was envisaged that the promotion of fair competition would boost regional trade and investment in the COMESA Region. The Government through the CCPC would closely work with the COMESA Regional Competition Commission in investigating conducts that had an effect in Zambia.

Your Committee was informed that at SADC level, the member states had formed a Standing Committee on Competition and Consumer Law and Policy which was a forum aimed at fostering cooperation and exchange of best practices in the application of Member States' respective competition and consumer laws and policies. In addition, the Committee served as a forum for discussing and resolving cross-border competition problems such as abuse of dominance, cartels, mergers and restrictive business practices.

It was reported that Zambia was currently negotiating the Economic Partnership Agreements (EPAs) with the EU as part of the Eastern and Southern African (ESA) configuration. The country through its ESA configuration was cognisant of the negative effects of anticompetitive trade practice to the growth of domestic firms as well as consumer welfare. As such, enforcement and monitoring of competition was among the items being negotiated under Trade related issues in EPAs negotiations.

Further, your Committee was informed that at multilateral level, trade and competition policy was among the other three issues introduced to the WTO agenda at the December 1996 Ministerial Conference in Singapore. The others were trade and investment, transparency in government procurement and trade facilitation. However, the negotiations on competition policy were currently on standstill and trade facilitation was currently the only issue that was part of the negotiations.

COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

Your Committee observes that:

- a) the volume of Zambia's trade in the region has expanded substantially through Zambia's participation in the Free Trade Areas, though it is faced with challenges such as failure to add value to products, inadequate infrastructure and high cost of doing business especially for the Small and Medium Enterprises (SMEs);
- b) Zambia has not fully taken advantage of opportunities under the *African Growth and Opportunity Act of 2000* (AGOA), the European Union and other regional groupings due to production of sub standard quality of products;
- c) the existence of sectors such as agriculture continue to be threatened by porous rules of origin for products such as wheat as huge amounts of wheat have passed through SADC countries that are deficit producers and landed in Zambia causing distortionary effects;
- d) there is currently no rule of origin for wheat flour under SADC. However, there has been a push by some SADC countries with huge milling capacities but don't produce wheat such as Mozambique and Namibia that a rule be agreed to facilitate trading in flour;
- e) cheap imports from the EU and other advanced economies have continued to threaten the existence of the agricultural sector in Zambia. Notably, the dairy, wheat, Soya beans and livestock sectors in Zambia without any form of protection which have remained vulnerable to rising imports from advanced economies, threatening the livelihood of farmers as well as contributing to rampant unemployment due to declining farm incomes;

- f) Zambia's national quality infrastructure and technical regulation regimes are not developed to their full potential, and are not harmonised with those of its major trading partners; and
- g) the Competition and Consumer Protection Commission lacks sufficient human resource and skills to effectively monitor and maintain competition and fair trading practices in the country.

In view of the foregoing, your Committee recommends that:

- a) the Government should continue with the policy of trade liberalisation cautiously with emphasis on value addition, infrastructural development, research and reduction in the cost of doing business;
- b) the Government should ensure that Zambians are sensitised on matters regarding the goods that can be exported to the AGOA market, the European Union and other regional groupings with particular emphasis on value addition and the type and quality of goods to be produced. Further, the Government should ensure that Zambia takes advantage of the yawning market in SADC and COMESA;
- c) the Government should ensure that current rules of origin for wheat be amended to only allow trade in wheat under the duty free status if wheat is wholly grown in a SADC country. The SADC country should be a surplus producer so that all the economic benefits accrue to that country and not countries from outside the SADC region;
- d) as negotiations of the SADC-EAC-COMESA Tripartite FTA are gaining ground, the Ministry of Agriculture and Livestock and Ministry of Commerce, Trade and Industry should be alive to all these challenges that the wheat industry is facing and ensure that wheat and wheat products are placed on the sensitive list to safeguard local production capacities;
- e) the Ministry of Commerce, Trade and Industry should be well equipped and have the necessary capacity to enable it implement trade remedies against cheap and subsidised imports in order to prevent injury to key domestic sectors;
- f) the Government should ensure that Zambia's national quality infrastructure and technical regulation regime are developed to their full potential, and harmonised with those of its major trading partners to enable the effective monitoring of both imported and locally produced goods; and
- g) the Competition and Consumer Protection Commission should be capacitated in terms of skills and human resource to enable it effectively monitor and maintain competition and fair trading practices in the country.

PART II

ACTION-TAKEN REPORTS FOR THE YEAR 2011/2012

PART I

TOPIC I

7.0 Status of Zambia's Domestic and External Debt-Para 6.10, Page 9

a) Priority in the Repayment of Debt

7.1 Your previous Committee had recommended that the Government should give priority to the most vulnerable in the repayment of debt such as the pensioners.

The Executive's Response

It was reported in the Action-Taken Report that the Government was committed to addressing the plight of pensioners through timely payment of their terminal benefits. This was evidenced by the recent release of K278 billion to meet its pension obligations under the Public Service Pension Fund. Going forward, the Government will ensure that funds are available to liquidate any pension obligations.

Committee's Observations and Recommendations

Your Committee requests the Government to clearly state the outstanding amounts to be paid to the pensioners. Further, your Committee also requests an update on the final payment of pension arrears.

b) Revision of Legal Framework in Debt Management

7.2 Your previous Committee had recommended that the Government should ensure that the legal framework in debt management was revised and defined clearly the responsibilities and functions of the various agencies involved in debt management in order to avoid duplication of functions and improve transparency in the process of contracting loans.

The Executive's Response

It was reported in the Action-Taken Report that the Government recognised that the legal and institutional framework underpinning the management of public debt had inherent weaknesses which needed to be addressed. There was need to harmonise the various pieces of legislation that dealt with public debt as well as revise these laws to clearly and realistically define borrowing limits, terms of contraction and purpose of the borrowed funds in order to strengthen public debt management. Submissions had been made to the Constitutional Review Committee in this regard. Although subsidiary legislation for public debt had been drafted, its finalisation was dependent on the constitutional review process.

Further, in order to address the institutional weaknesses, the Government had developed a draft Public Debt Management Procedures Manual (PDMPM). The manual provides detailed guidelines and procedures for public debt management and clearly identifies and separates the roles and mandate of institutions and agencies involved in public debt management. The PDMPM was scheduled to be finalised and rolled out to stakeholders by the end of 2012.

Committee's Observations and Recommendations

Your Committee notes the response and requests an update on the Public Debt Management Procedures Manual.

c) Comprehensive Debt Strategy and Policy

7.3 Your previous Committee had recommended that the Government should develop a comprehensive debt strategy and policy that would stipulate when to borrow, on what terms and for what purposes.

The Executive's Response

It was reported in the Action-Taken Report that recognising the need to implement a comprehensive public debt policy and strategy, Cabinet approved the debt strategy in 2009 and deferred approval of the debt policy pending the constitutional review process which was envisaged to provide the appropriate legal framework from which a comprehensive debt policy could be derived. The Government stated that the debt policy would be re-submitted to Cabinet immediately following the enactment of the revised debt legislation which would be enacted on the basis of the new constitution.

Further, the Government stated that a further complimenting tool in the management of public debt in Zambia was the Government's Aid Policy which was adopted in 2007. The policy document underpins external resource mobilisation whose strategic objectives are anchored around debt cancellation; preference for grants and highly concessional loans; preference for direct budget support; and alignment of aid delivery to Zambia's strategic priorities as identified in the national development plans.

Committee's Observations and Recommendations

While noting the response, your Committee emphasises the need for policy to come before legislation. However, it requests an update on the debt policy pending the constitutional review process which is envisaged to provide the appropriate legal framework from which a comprehensive debt policy can be derived.

d) Monitoring and Evaluation

7.4 Your previous Committee had recommended that the Government should enhance monitoring and evaluation of projects to ensure that project objectives and targets were met by way of identifying problem areas during implementation.

The Executive's Response

It was reported in the Action-Taken Report that the Government had a Monitoring and Evaluation Department under the Ministry of Finance whose main responsibility was to coordinate the development of the monitoring and evaluation system for the National Development Plan so that reporting on plans and projects was effective.

However, since the Department could not monitor all Government projects, efforts were being made to develop a Government-Wide Monitoring and Evaluation System in which all levels of the system had the capacity to undertake monitoring of project objectives and targets including ensuring that projects were being implemented in the respective institutions. Under the envisaged Government Wide Monitoring and Evaluation System (G-W M&E), the Ministries, Provinces and other Spending Agencies (MPSAs) were expected to establish M&E Sub Committees. Where M&E Sub-Committees exist, efforts would be made to strengthen them.

Some of the key activities of the M and E Department are as presented below.

- (i) Spot Monitoring of projects/programmes: This involves undertaking field visits to verify progress of implementation in relation to funding availed to the respective projects. This activity provides an opportunity for the M&E Department to identify problems related to the implementation of projects.
- (ii) Development and Management of National Development Plan Database: The Department has been spearheading the development of databases for the National Development Plan. The purpose of the databases is to store information on key socio-economic development indicators which is necessary for the analysis of poverty and other economic issues in the country. In this regard, the Department has already launched the Zambia National Development Plan Database which is called ZamD. The ZamD is a warehouse of databases on various indicators.
- (iii) Coordination of training in the MPSAs: In order to strengthen and develop capacity for Monitoring and Evaluation in the MPSAs, the M and E Department coordinates training for officers in the respective institutions. One of the key achievements in this regard is the development of a short course to be administered by the University of Zambia Institute of Social and Economic Research. This course was developed in conjunction with IDEA International, a leading institution in Development Management based in Canada.
- (iv) Strengthening the Link with the National Statistical System: In an effort to ensure that good quality statistics on the economic and social development of the country are available, the M&E Department works closely with the Central Statistical Department to achieve this objective. At the moment, the two departments are working together on the implementation of the National Strategy for the Development of Statistics.
- (v) Decentralised Monitoring of the National Development Plan: Under this activity, the M&E Department is working in collaboration with other relevant stakeholders to develop a system to facilitate the participation of lower levels in Monitoring. The envisaged system aims to provide space for community level structures such as Resident and Area Development Committees to monitor projects in their respective areas.

Committee's Observations and Recommendations

Your Committee notes the response and requests an update on the matter.

TOPIC II

Citizens' Involvement in Economic Development- Para 7.5, Page 20

(a) Education System

7.5 Your previous Committee had recommended that the Government should establish a well developed education system aimed at instilling a business and entrepreneurship mindset in the youths from an early age.

The Executive's Response

It was reported in the Action-Taken Report that the Government had finalised developing the curriculum framework. The revised framework provides for two pathways to encourage Academic and Vocational Skills development. This would instill entrepreneurship skills in pupils as early as in grade eight. In addition, the approach would help develop business and entrepreneurship mindset and equip pupils with skills so that they do not depend on formal employment for survival.

Committee's Observations and Recommendations

Your Committee notes the response and urges the Government to ensure that entrepreneurship skills are instilled in pupils from as early as the fourth grade.

(b) Training and Development Centers

7.6 Your previous Committee had recommended that the Government should set up Training and Development Centers to equip youths with various skills and trades.

The Executive's Response

It was reported in the Action-Taken Report that the Government intends to equip youths with lifelong survival skills and encourage entrepreneurship especially with the critical shortage of formal jobs. To this effect, the Government had embarked on "A Trades Training Institute per District" campaign which has seen the construction of Kaoma, Mongu, Chipata, Petauke and Mwinilunga Trade Training Institutes. Currently, Milenge, Isoka and Kalabo were under construction and Lundazi, Sesheke and Mumbwa are planned for commencement of construction before the end of 2012. Mwense, Mporokoso, Zambezi and Chavuma are earmarked for commencement in 2013.

Further, the Government continues to Develop Youth Development Centers to cater for adult education and out of school youth across the country.

Committee's Observations and Recommendations

Your Committee notes the response and requests a progress report on the construction of the Trade Training Institutes in each of the Districts.

(c) Violation of Labour Rights

7.7 Your previous Committee had recommended that the Government should adequately fund the then Ministry of Information, Broadcasting and Labour and the relevant departments to enable them investigate violations of labour rights for Zambian employees who may be entitled to or deserving of a more prominent position.

The Executive's Response

It was reported in the Action-Taken Report that the Government through the Ministry of Labour and Social Security conducted an assessment of the financial needs to enable it effectively address the issues raised by your Committee as well as other issues raised by the members of the public. The assessment determined that the Ministry would require around K55.5 billion in order for it to reach out to most of its constituents and make a meaningful impact on the labour market. Further, the Ministry of Labour and Social Security has also had discussions with the Ministry of Finance regarding the issue during which the former had communicated its own recommendations concerning the need for increased funding particularly beginning from the year 2013. It was hoped that these discussions coupled with the recommendations by the Parliamentary Committee on Economic Affairs, Energy and Labour would result into action by the Treasury.

Committee's Observations and Recommendations

Your Committee notes the response and requests an update on the matter once funding has been made available to the Ministry of Labour and Social Security.

(d) Sustainable Financing Mechanisms

7.8 Your previous Committee had recommended that the Government should introduce sustainable financing mechanisms for supporting start-up businesses and capacity building of micro and small enterprises.

The Executive's Response

It was reported in the Action-Taken Report that in order to address the various challenges in the Zambian financial system, and strengthen and broaden the country's financial sector, the Government of the Republic of Zambia in 2004 formulated the Financial Sector Development Plan (FSDP) as a comprehensive strategy for this purpose. Among the key initiatives to develop and support businesses and capacity building of the FSDP (now in its second Phase, 2010- 2012) are:

- (a) the Commissioning of two Finscope Surveys conducted in 2005 and 2009 to research the demand and supply of financial inclusion in Zambia. The first Finscope survey showed a low level of overall financial inclusion. The results of the 2009 Finscope study showed that access to financial services by the adult Zambian population had marginally improved from 33% in 2005 to 37% in 2009. However, this implied that 63% of the country's adult population were still financially excluded, signifying a need for further efforts.
- (b) the opening of bank branches in all districts of Zambia (i.e. commercial banks, National Savings and Credit Bank (NATSAVE) and Zampost/ (Zambia National Commercial Bank (Zanaco) Express) are among the key financial inclusion tools being used by Bank of Zambia /FSDP to make available start-up capital for Small and Medium Entrepreneurs.
- (i) In a bid to support start-up business, the Bank of Zambia (BoZ) incorporated in its strategic objectives the goal of increasing financial inclusion by moving from 37% in 2012 to the targeted 50% by 2015. The rationale of this measure was to provide a response to the need to bring the poor and rural populations as well as informal MSMEs into the financial system and thereby avail them opportunities for financial access and growth.

- (ii) Under the Ministry of Finance's Rural Finance Programme, credit line operations were set-up that target well-established Microfinance Institutions (MFIs), which on-lend the funds to farmers or their groups that sell their produce under pre-negotiated marketing arrangements. The Table below shows the status of the US \$ 4 million (approximately K 20 billion) credit line operations (as provided by the International Fund for Agricultural Development - IFAD) at the end of June 2012.

Table I: Disbursements of RFP funds through the Development Bank of Zambia

CREDIT FACILITY AS AT END-JUNE 2012 (US \$/ZMK)

<i>Financial Institution</i>	<i>Credit Line Approved (US \$)</i>	<i>Credit line Approved (ZMK)</i>	<i>Amount Disbursed by DBZ (US \$)</i>	<i>Amount Disbursed by DBZ (ZMK)</i>
CETZAM I	1,000,000	5,000,000,000	1,000,000	5,000,000,000
Micro Bankers Trust	200,000	1,000,000,000	200,000	1,000,000,000
Entrepreneurs Financial Centre*	1,000,000	5,000,000,000	1,000,000	5,000,000,000
Vision Fund*	750,000	3,750,000,000	400,000	2,000,000,000
CETZAM II	1,000,000	5,000,000,000	1,000,000	5,000,000,000
TOTAL	3,950,000	19,750,000,000	3,600,000	18,000,000,000

*Note the change of names of PULSE Financial Services to Entrepreneurs Financial Services (EFC) and Harmos Micro Enterprise Development to Vision Fund, to reflect the global brands of these international operators.

The recipients of the DBZ-funded loans from the participating MFIs are both small companies (i.e. MSMEs) and cooperatives working in agro-marketing and individual farmers engaged in the actual market-related farming operations. The cumulative number of these sub-borrowers since 2010 reached 9,308 by June 2012. These developments clearly encourage the expansion of this type of rural lending activities in Zambia.

- (iii) In another effort, DBZ in collaboration with Zambia Development Agency (ZDA) formed the Zambian Enterprise Development Fund for which funding is being sought to provide financing for all stages of SME development, including venture (or start-up) funding. The model includes both capacity development and capacity building. The programme is expected to commence as soon as seed funds are raised. In a similar effort, a letter of intent has been received from the China Development Bank setting out the terms and an expression of the bank's willingness to give DBZ a credit Line for SMEs of up to US \$30m (or approximately K150 billion). ZDA and DBZ will support this line of credit via a US \$6m (approximately K30 billion) Risk Mitigation Fund.

- (iv) Additionally, NATSAVE rolled out a Microfinance programme in 2008 on a pilot basis in Luanshya and Petauke which offered start-up loans to individuals coming together in groups of four or five with a structured repayment cycle suitable to the nature of business they were engaged in. These loans do not demand for traditional security which is usually a constraint to access to finance, but ride on member peer pressure. In terms of capacity building, prior to disbursing the loans, NATSAVE trains the intended beneficiaries in business and financial management. So far, this scheme has been extended to 15 NATSAVE branches, countrywide.

Table II: Loan distribution as at end-June 2012 *Gender*

	<i>No. of loans</i>	<i>Value of loans (K)</i>
Men	470	1,501,339,253
Women	917	2,182,951,287
TOTAL	1,387	3,684,290,540

Committee's Observations and Recommendations

Your Committee notes the response and requests an update on the Zambian Enterprise Development Fund formed by the Development Bank of Zambia in collaboration with the Zambia Development Agency for which funding is being sought to provide financing for all stages of SME development, including venture or start-up funding.

(e) Citizens' Financial Literacy

7.9 Your previous Committee had recommended that the Government should establish programmes to ensure that citizens are financially literate to enable them benefit from economic development in the financial sectors and activities from the Stock Exchange.

The Executive's Response

It was reported in the Action-Taken Report that it had been noted in the past that Zambia faces low levels of access to finance and financial literacy. Further, there has been recognition of the fact that financial institutions and certain Non-Governmental Organisations that were engaged in promoting various financial education activities and programmes were operating in isolation. What was therefore clearly missing was a coherent and well-coordinated strategy among these organisations for delivering an effective education to enhance financial literacy and inclusion. This motivated the Bank of Zambia (BoZ), the Pensions and Insurance Authority (PIA) and the Securities and Exchange Commission (SEC) as lead regulators for the financial sector to subsequently formulate a National Strategy for Financial Education for Zambia.

Further, the National Strategy on Financial Education for Zambia sets out the framework for improving the financial education of the Zambian population. The primary objective of the Strategy is to empower Zambians with knowledge, understanding, skills, motivation and confidence to help them to secure positive financial outcomes for themselves and their families. The National Strategy on Financial Education was officially launched on 12 July 2012 by the Government. In addition, the next steps would include the setting up of a Financial Education Coordination Unit (FECU) to be housed at BoZ that would be responsible for the implementation of the strategy. Beneficiaries of financial education programmes will include children, youths and adults as well as a cross cutting component for Micro, Small and Medium Enterprises (MSMEs) who all had programmes spelt out for them in the strategy. Furthermore, this Strategy would initially run from the fourth quarter of 2012 to 2017.

- (i) The Financial Sector Development Plan (FSDP) Secretariat at BoZ was also working with the Ministry of Education, Science, Vocational Training and Early Education's Curriculum Development Centre to include financial education in the revised syllabi of primary and secondary schools in Zambia. Further, the new syllabi for secondary schools which will include financial education classes is expected to come into effect in 2013. Business Studies will be a compulsory subject in secondary school in a bid to have all pupils exposed to financial education.
- (ii) The Lusaka Stock Exchange (LuSE) was also currently running television programmes on the Zambia National Broadcasting Corporation aimed at sensitising the public on the operations of the stock market. Additionally, LuSE also has an outreach programme for schools, known as the 'LuSE Annual Schools Challenge' that will enable the youth to interact with the stock market in a simulated environment. This is in an effort to expose the pupils to experience the investment market at a young age.

Committee's Observations and Recommendations

Your Committee notes the response and requests a progress report on the Financial Education Coordination Unit (FECU) to be housed at Bank of Zambia which will be responsible for the implementation of the National Strategy on Financial Education.

f) One- Stop Shop

7.10 Your previous Committee had recommended that the Government should come up with a one-stop shop in order to lessen the processes involved when setting up businesses.

The Executive's Response

It was reported in the Action- Taken Report that Government had already set up three One-Stop Shops in Lusaka, Chipata and Livingstone in an effort to lessen the process of setting up businesses in the country.

Committee's Observations and Recommendations

Your Committee notes the response. However, it recommends that the Government should ensure that it establishes more one-stop shops in each of the remaining provincial capitals.

g) Revision of the Citizens' Economic Empowerment Programme

7.11 Your previous Committee had recommended that the Government should review the Citizens Economic Empowerment Programme and its objectives and strategies. Further, the Programme should be aligned to target micro economic reform strategy in priority areas. Furthermore, the Citizens Economic Empowerment Commission (CEEC) should ensure that funds are disbursed evenly across the provinces of Zambia.

The Executive's Response

It was reported in the Action-Taken Report that the Government was also of the view that the Citizens Economic Empowerment Programme should be reviewed and refocused to address the key issues that were pertinent to the initial conception and establishment of the CEEC.

The Government had already initiated a forensic audit of the empowerment fund and this would form the basis of the Government reviewing and subsequent repositioning of the Citizens Economic Empowerment Programme, its objectives and strategies.

Further, the Commission in its Strategic Plan for 2012-2016 intends to align its empowerment objectives and strategies to the Government's sector priorities, target groups and geographical areas in order to enhance the achievement of the objectives of the Sixth National Development Plan.

Committee's Observations and Recommendations

Your Committee notes the response and requests an update on the subsequent repositioning of the Citizens Economic Empowerment Programme, its objectives and strategies.

PART II

ACTION-TAKEN REPORTS FOR THE YEAR 2010/2011

Impact of the Extractive Industries on the Zambian Economy in the Post Privatization Era - A Case of Mining

A. Benefits (Excluding Tax) Attributed to Mining- Para 5.8, Page 23

a) Promotion of Partnerships for Value Addition Enterprises

7.12 Your previous Committee had observed that while efforts to promote value addition were appreciated particularly under the Multi-Facility Economic Zones (MFEZs), and generally through the Commercial, Trade and Industrial Policy, involving Zambians in the trading of metals would be a viable option for economic empowerment. The previous Committee, therefore, did not appreciate the position that there was no need to establish a strategic metal marketing company operated by Zambians. The previous Committee requested an update on the matter.

The Executive's Response

The Government responded that in order to undertake such an initiative, it would require extensive studies centered on the players in the metal trading business from suppliers to end consumers before coming up with an empowerment policy in the trading of metals. Otherwise if studies are done, then it is an option the Government must try to operationalise.

Committee's Observations and Recommendations

Your Committee notes the response and requests a progress report on the establishment of an empowerment policy in the trading of metals after studies have been done.

b) Social and Economic Benchmarks

i) Monitoring of Employment Levels in the Mining Sector

7.13 Your previous Committee had requested for a progress report on the revision of the Regulations under the *Mines and Minerals Development Act of 2008* which would, among other things, enhance monitoring of employment levels in the mining sector.

The Executive's Response

The Government stated in the Action-Taken Report that the revision of the Regulations under the *Mines and Minerals Development Act of 2008* would be concluded after the amendment or repeal and replacement of the Act. The *Mines and Minerals Development Act of 2008* was under review in order to further strengthen the legal framework. Among the changes in the Act was the introduction of penalties which were expected to enhance adherence to the legal and regulatory framework. In addition, penalties will include fees and cancellation of licenses.

Committee's Observations and Recommendations

Your Committee notes the response and requests a further update on the revision of the regulations under the *Mines and Minerals Development Act of 2008* which will, among other things, enhance monitoring of employment levels in the mining sector.

ii) Commitments to Society

7.14 Your previous Committee had urged the Government to ensure that companies were monitored before renewal of licenses in order to ascertain whether they had fulfilled their commitments to society.

The Executive's Response

It was reported in the Action-Taken Report that with the introduction of regulations requiring mining and exploration companies to report on specific areas, the Government would be able to monitor mining companies on a regular basis and take action as and when necessary.

Committee's Observations and Recommendations

Your Committee notes the response and requests an update on how the regulations are affecting the mining companies' commitments to communities they operate in.

(c) Shareholding in Mines

7.15 Your previous Committee had requested the Government to clearly state whether it had any plans to increase its shareholding in the mines.

The Executive's Response

It was reported in the Action-Taken Report that the Government had no immediate plans to increase its current shareholding in mines which ranges from 0.97% to 35%. However, the Government through ZCCM-Investment Holdings was planning to increase participation of Zambians in the mining industry by assisting in the development of small-scale mining.

Committee's Observations and Recommendations

Your Committee notes the response and requests an update on the Government's plans to increase participation of Zambians in the mining industry by assisting in the development of small-scale mining. Further, your Committee requests the Government to site some examples of countries in the region that have increased participation of their citizens in the mining industry by assisting in the development of small-scale mining.

(d) Mineral Sharing Mechanism

7.16 Your previous Committee had requested an update on the Regulations which will pave way for the implementation of the Mineral Royalty Sharing Mechanism.

The Executive's Response

It was reported in the Action-Taken Report that the Government through the Ministry of Mines, Energy and Water Development had developed the draft Regulations which would be finalised once consultations with all stakeholders were concluded. Currently, the Ministry was consulting with the Ministry of Finance who are responsible for establishing the mechanism in accordance with the provisions of the *Mines and Minerals Development Act of 2008*. Section 136 of the Act states that "*the Minister responsible for Finance shall, in consultation with the Minister, establish a mineral royalty sharing mechanism for distributing royalty revenues.*"

Committee's Observations and Recommendations

Your Committee notes the response and urges the Government to expedite the consultations between the Ministry of Finance and the Ministry of Mines, Energy and Water Development. Further, your Committee requests an update on the matter.

B. Adequacy of Mining Taxation - Para 5.8, Page 23

a) Modified Tax for the Mines

7.17 Your previous Committee had recommended that the then Ministry of Finance and National Planning should devise a modified tax for the mines which would incorporate features of Mineral Royalty, Company Income Tax and Variable Profit or Windfall Tax.

The Executive's Response

It was reported in the Action-Taken Report that the Zambia Revenue Authority (ZRA) was continuously building the capacity of its staff to ensure that the correct amount of tax was assessed and collected in accordance with the tax legislations. The capacity building programmes included:

- a) employing and developing qualified and experienced staff to handle mining taxation;
- b) in-house training programmes in taxation, auditing and other relevant fields;
- c) staff exchange programmes with Norwegian Tax Administration (NTA) under the ZRA/NTA Technical Cooperation Programme;
- d) conducting joint activities with NTA officials;
- e) sending staff to attend international training programmes organised by the Commonwealth Association of Tax Administrators (CATA), African Tax Administration Forum (ATAF), Organisation for Economic Cooperation and Development (OECD) and other international organisations; and
- f) deploying officers to conduct tax audits of mining companies.

Further, the Government stated that a Tax Policy Review Committee was formed by the Government spearheaded by the then Ministry of Finance and National Planning to which ZRA had representation. One of the terms of reference of the Committee was to review the mining tax regime with the view to strengthening and sealing any loopholes that may exist in the current regime. The work of the Committee may lead to the modification of the current mining taxes for example Mineral Royalty, Company Income Tax, Variable Profit Tax or introduction of other new appropriate taxes.

Committee's Observations and Recommendations

Your Committee notes the efforts to build the capacity of ZRA staff in taxing the mines. However, your Committee urges the Government to come up with practical measures in the modification of taxes. Further, your Committee requests an update on the matter.

(b) Mining Products to be based on LME Prices

7.18 Your previous Committee had requested the Government to state the mechanism that was in place in order for the Ministry of Mines, Energy and Water Development to adequately police metals contained in concentrates.

The Executive's Response

It was reported in the Action-Taken Report that the Government through the Ministry of Mines, Energy and Water Development amended the Mines and Minerals Development (General) Regulations through Statutory Instrument No.34 of 2012 in order to improve the monitoring of both production and export of minerals. The regulations provide for mining companies to submit specific reports to the Ministry of Mines, Energy and Water Development.

Through the reports, the Government would be in a position to have information on:

- (i) tonnage, type and grade of ore mined;
- (ii) the recovery percentages and efficiency of all mining and metallurgical processes and a metallurgical balance sheet showing the disposition of all metal and mineral products depleted from the ore reserves;
- (iii) operating cost sheet showing in detail the average cost of production expressed in cost per tonne of ore mined and treated and cost per unit of finished product;
- (iv) statement of work carried out on capital projects, and expenditure thereon; and
- (v) quantities and grades of end products produced, quantities sold and average selling prices.

Further, the Government stated that the new Regulations coupled with improved institutional capacity of the Ministry of Mines, Energy and Water Development would enhance information capturing and hence policing of metals contained in concentrates.

Committee's Observations and Recommendations

Your Committee notes the response and resolves to await the implementation of the Statutory Instrument.

c) Increasing Revenue Collection from Mines

7.19 Your previous Committee had advised the Government that the recommendation was clearly addressed to the then Ministry of Finance and National Planning being the tax policy maker. The Ministry should therefore respond and not the Zambia Revenue Authority.

The Executive's Response

The Government stated that the recommendations made in order to increase revenue collection from mines were carried out as set out below.

- (i) Treat current mine operations separately from new mining projects for tax purposes.

The legislation for treating mining operations separately from mining projects is already in place. The law was enacted in 2008.

- (ii) Reduce capital allowance from 100 percent to 25 percent.

In light of the adverse impact of the global economic crisis on the mining sector and with the view of easing the effects, in 2009, the Zambian Government introduced tax concessions which included increasing capital allowance to 100 percent as an investment incentive. The standard rate for capital allowance is 25 percent. However, mining companies have been allowed 100 percent under the law taking into account the nature of investment and operational risks involved in mining. It was reported in the Action-Taken Report that there is no net loss to the Government by allowing capital allowances as the tax advantage is essentially one of timing.

- (iii) Reduce the period for carry forward of losses from ten to five years.

Since most of the mining activities required high cost capital investment acquired through borrowing from commercial banks, it was only prudent that investors in the sector were allowed carry forward of losses for 10 years in order to recoup their investment and be able to move to a tax paying position after the period comes to an end. The standard period for carry forward of losses in the region is 10 years which compares well with what is obtaining in Zambia.

- (iv) Reduce the tax stability period from ten to five years.

Committee's Observations and Recommendations

Your Committee notes the response and requests an update on the actual increase in mining revenue as a result of the measures that have been instituted.

C. Labour Matters in the Mining Sector--Para 5.8, Page 24

(a) Challenges facing workers in the Mining Industry

7.20 Your previous Committee had urged the Government to expedite the process of reviewing the *Employment Act* which would among other things address the issue of contracts and gratuity for mine workers.

The Executive's Response

It was reported in the Action-Taken Report that the Ministry of Labour and Social Security had submitted a Cabinet Memorandum for the amendment of the *Employment Act* to the previous Cabinet. However, because of the change of Government, the memorandum would need to be resubmitted to the current Cabinet.

Committee's Observations and Recommendations

Your Committee notes the response and requests a further update on the process of reviewing the *Employment Act* which will among other things address the issue of contracts and gratuity for mine workers.

(b) Proactivism in Addressing Labour Matters

7.21 Your previous Committee had requested an update on the programme to review the operational mechanism of the Tripartite Consultative Labour Council to make it more efficient and effective. Further, your Committee urged the Immigration Department not to give out work permits to foreigners before consulting the then Ministry of Information, Broadcasting and Labour.

The Executive's Response

The Government stated that the process of reviewing the operational mechanism of the Tripartite Consultative Labour Council (TCLC) had in earnest began with the engagement of a consultant to facilitate labour law reform. This was because the operational mechanism of the TCLC was provided for in the Industrial and Labour Relations Act which was one of the pieces of legislation that was earmarked for review under the reforms. Additionally, a study of the working modalities of the TCLC including a visit to South Africa to appreciate operations of the National Economic Development and Labour Advisory Council (NEDLAC) have been commissioned with assistance from the International Labour Organisation.

Committee's Observations and Recommendations

While noting the response, your Committee requests a progress report on the revision of the operational mechanism of the Tripartite Consultative Labour Council meant to make it more efficient and effective.

(c) Capacity of District Labour Officers

7.22 Your previous Committee had recommended that the then Ministry of Information, Broadcasting and Labour, should build capacity of its District Labour Officers so that they could closely monitor labour related matters in mining companies. The Ministry should further impress upon union mother bodies to be providing the necessary support to their local branches in the respective mines. Your previous Committee had requested an update on the matter.

The Executive's Response

It was reported in the Action-Taken Report that the Government through the Ministry of Labour and Social Security developed a Training Plan for Labour Officers but the plan had not been implemented in 2012 due to inadequate funding. Further, the Government plans to resubmit the Training Plan to Public Sector Management Division with a view of operationalising it under the 2013 budget if funds will permit. Concerning the support of union mother bodies to their local branches, the Ministry has been engaging the union mother bodies through the Tripartite Consultative Labour Council and has urged them to provide education, among other things, to their members through the local branches as part of their responsibility.

Committee's Observations and Recommendations

Your Committee notes the response and requests a progress report on the implementation of the Training Plan for labour officers developed by the Government through the Ministry of Labour and Social Security.

(d) Shortage of Artisanal Skills

Possible Way Forward

Participants suggested several possible strategies to improve the quality of graduates as set out below.

- (i) Increased investment in training and training institutions.
- (ii) The mining industry to take a more proactive role.
- (ii) Improve communication between industry, Government and training providers.

Based on the above, the then Ministry of Mines and Natural Resources, Technical Education, Vocational and Entrepreneurship Training Authority (TEVETA) and the Chamber of Mines agreed to work together to identify and implement activities that could help improve the situation.

i) Consultants Report

7.23 Your previous Committee had requested an update on the implementation of recommendations contained in the consultant's Report.

The Executive's Response

The Government stated that no meaningful progress had been made in implementing the recommendations.

Committee's Observations and Recommendations

Your Committee notes the response and strongly urges the Government to expedite the implementation of the recommendations contained in the consultant's Report. Further, your Committee requests a progress report on the matter.

ii) The Mining Industry to take a more Proactive Role

7.24 Your previous Committee had urged the Government to persuade mining companies to offer scholarships in the short term to address the shortage of artisanal skills as there were many unemployed youths who would take up the opportunity.

The Executive's Response

The Government stated that consultations amongst the stakeholders on how to implement the recommendations have continued.

Committee's Observations and Recommendations

Your Committee while noting the response, urges the Government to expedite the consultations amongst the stakeholders on how to implement the recommendations. Further, your Committee requests an update on the matter.

D. Transparency and Accountability Initiatives in Mining-Para 5.8, Page 25

a) Criteria for Awarding Investment Concessions

7.25 Your previous Committee had requested an update on the computerised mining concession licensing system meant to make the process transparent.

The Executive's Response

The Government stated that a business rule had been introduced in the mining cadastre system to enforce the principal of "First In First Out". In addition, the Ministry was developing an online application and report system to enable wider access to the mining rights database and application system. These measures would make the system more transparent.

Committee's Observations and Recommendations

Your Committee notes the response and requests an update on the online application and report system being developed by the Ministry to enable wider access to the mining rights database and application system meant to make the system more transparent.

b) Publication of Development Agreements

7.26 Your previous Committee had re-emphasised that for purposes of transparency, all mining agreements should be made public.

The Executive's Response

It was reported in the Action-Taken Report that the Government was in the process of establishing an online licensing system which would not only allow for applications to be made online but would also provide for the public to have access to information on the status of mining rights. It was hoped that this would increase transparency and efficiency in the management of mining rights.

Committee's Observations and Recommendations

Your Committee notes the response and urges the Government to clearly state that it would be publishing development agreements as publishing applications did not necessarily mean publishing development agreements.

E. Environmental Matters in Mining-Para 5.8, Page 25

Consultation with Local Councils and Relocation of Kankoyo Township

7.27 Your previous Committee had urged the Government to liaise with Mopani in facilitating the relocation of the residents of Kankoyo Township to an appropriate area and requested an update on the matter.

The Executive's Response

The Government stated that the Consultations with Mopani had not commenced as the problem in Kankoyo was a carryover from Zambia Consolidated Copper Mines Limited. The Government has to study the matter to establish the contribution of Mopani to the problem before approaching the company.

Committee's Observations and Recommendations

Your Committee notes the response and urges the Government to open consultations with Mopani. Further, your Committee urges the Government to expedite the process.

F. Impact of Mining on the Road Infrastructure - Para 5.8, Page 26

(a) Sharing the Burden to Develop Road Infrastructure

i) Revamp Railway Transport

7.28 Your previous Committee had requested an update on the Post Evaluation meeting which was part of the process to revamp railway transport in Zambia.

The Executive's Response

The Government stated that following the cancellation of the Concession Agreement, the Government had put in place measures to revamp the railway transport by rehabilitating the existing railway line.

Committee's Observations and Recommendations

In noting the response, your Committee requests an update on the rehabilitation of the existing railway line.

G. Gemstones Mining Sub-Sector - Para 5.8, Page 26

a) Creation of Linkages

7.29 Your previous Committee had urged the Government to assist the small scale miners in polishing, marketing and link them to large scale miners. Further, your previous requested an update on the matter.

The Executive's Response

It was reported in the Action-Taken Report that the Government was planning to introduce measures to combine individual small scale gemstone plots which were too small to be technically and economically viable for mining and to attract large scale gemstone investors and increase value added production.

Committee's Observations and Recommendations

Your Committee notes the response and requests an update on the matter.

b) Value Addition and Security

7.30 Your previous Committee had requested the Government to state the actual plans and time frame involved in ensuring that monitoring of production and sales of gemstones was enhanced.

The Executive's Response

It was reported in the Action-Taken Report that the Government would enhance monitoring of production and sales of gemstones by strengthening the regulations on reporting. The Government introduced new regulations through Statutory Instrument No. 34 of 2012 to enhance reporting by mining companies. The Government was also in the process of introducing additional regulations to provide for placement of seals and certification after mineral valuation prior to export or sale of gemstones and precious metals.

Committee's Observations and Recommendations

While noting the response, your Committee requests an update on the additional regulations to provide for placement of seals and certification after mineral valuation prior to export or sale of gemstones and precious metals.

CONSIDERATION OF THE ACTION-TAKEN REPORT ON THE COMMITTEE'S SECOND REPORT FOR THE FOURTH SESSION OF THE TENTH NATIONAL ASSEMBLY

Consideration of the Pension System in Zambia

A Exemption of Certain Institutions from Contributing to the National Pension Scheme Authority Para 6.1, Page 27

i) Actuarial Valuation

7.31 Your previous Committee had requested an update on the actuarial valuation.

The Executive's Response

It was reported in the Action-Taken Report that the 2012 statutory actuarial valuation of the National Pension Scheme Authority (NAPSA) for the period 2009-2011 had not yet been conducted because all the institutions that submitted bids to carry out the evaluation did not meet the tender requirements. To this effect, NAPSA was in the process of re-advertising the tender. It was envisaged that the consultant to undertake the said evaluation would be engaged by December 2012.

Committee's Observations and Recommendations

Your Committee notes the response and requests a further update on the 2012 statutory actuarial valuation of the National Pension Scheme Authority for the period 2009-2011.

ii) Konkola and Mopani Copper Mines

7.32 Your previous Committee had requested an update on the revoking of the exemption from contributing to NAPSA by Konkola and Mopani Copper Mines.

The Executive's Response

It was reported in the Action-Taken Report that with regard to the exemption of the two mining firms from contributing to NAPSA, the Government held consultative meetings with the two firms on 26th March 2012. Indications from both management and the unions were that they favour maintenance of the status quo i.e. exemption. However, the Government remains open to consultations with other stakeholders on the way forward regarding this matter.

Committee's Observations and Recommendations

Your Committee notes the response and urges the Government to expedite the consultations with other stakeholders on the way forward regarding the exemption of the two mining firms from contributing to NAPSA. Your Committee awaits an update on the matter.

B. PSPF and LASF as Supplementary Schemes - Para 6.2, Page 29

i) Winding up of the two Pension Schemes

7.33 Your previous Committee had requested an update on the matter and urged the Government to make a definite decision on whether or not it would wind up the two pension schemes.

The Executive's Response

It was reported in the Action-Taken Report that the Government was concerned with the liquidity of the Public Service Pension Fund and the Local Authorities Superannuation Fund. To this effect, holistic pension reforms covering the entire sub sector had been planned.

Committee's Observations and Recommendations

Your Committee notes the response and requests an update on the holistic pension reforms.

ii) Pensioners

7.34 Your previous Committee had requested an update on how pensioners would be taken care of if the pension schemes were wound up.

The Executive's Response

The Government stated that an Inter-Ministerial task team comprising officers from PSPF, LASF, Ministry of Local Government and Housing, and Ministry of Labour and Social Security had been appointed under the leadership of the Public Service Management Division. Further, the task team had since prepared a Cabinet Memorandum proposing the policy reforms for consideration by Cabinet.

Committee's Observations and Recommendations

Your Committee notes the response and requests an update on the policy reforms meant to ensure that pensioners were taken care of if the pension schemes were wound up.

C. Supervision of PSPF and LASF by the PIA - Para 6.3, Page 30

7.35 Your previous Committee had requested a progress report on the Technical Team and on when the PSPF and LASF would begin to be supervised by the PIA.

The Executive's Response

It was reported in the Action-Taken Report that currently, PSPF and LASF are both supervised by the Pensions and Insurance Authority. The supervision of the two schemes specifically applies to fiduciary duties of the two schemes. Regarding supervision of NAPSA, the Ministry of Labour is awaiting feedback on the appointment of the technical team from the Ministry of Finance. Once appointed, the team will review the options as contained in the concept note.

Committee's Observations and Recommendations

Your Committee notes the response and requests an update on the supervision of NAPSA once a technical team from the Ministry of Finance has been appointed. Further, your Committee urges the Government to expedite the process.

D. Increasing Coverage of Pensions - Para 6.4, Page 30

a) Nation-wide Research Study

7.36 Your previous Committee had requested a progress report on the Nation-wide Research Study.

The Executive's Response

The Government stated that the National Social Security Reform Implementation Committee was expected to meet in the last quarter of 2012 to consider the Terms of Reference for the Nation-wide Research Study.

Committee's Observations and Recommendations

Your Committee notes the response and requests a further update on the Nation-wide Research Study.

b) Outcome of results

7.37 Your previous Committee had requested an update on the results of the previous five studies that had been undertaken.

The Executive's Response

It was reported in the Action-Taken Report that the Government through the Ministry of Labour and Social Services had compiled a draft report of the findings from the data that was collected from Lusaka, Eastern, Northern and Southern Provinces.

Committee's Observations and Recommendations

Your committee notes the response and requests a further update on the results of the previous five studies that have been undertaken.

E. Adoption of the National Social Security Policy - Para 6.5, Page 31

7.38 Your previous Committee had requested a progress report on the Social Security Policy.

The Executive's Response

The Government stated that as indicated in the foregoing, Government had decided to carry out holistic pension reforms to address the various challenges in the sub-sector. Adoption of the proposed National Social Security Policy would only be considered after Cabinet had considered the memorandum referred to above and made decision (s) regarding membership to PSPF, LASF and NAPSA.

Committee's Observations and Recommendations

Your Committee notes the response and requests a further update on the National Social Security Policy.

F. Harmonisation of the Supervision and Regulation of Pensions – Para 6.6, Page 31

7.39 Your previous Committee had requested for a progress report on the harmonisation of laws governing pensions.

The Executive's Response

It was reported in the Action-Taken Report that harmonisation of the supervision and regulation of pensions was also part of the issues in the memorandum to be considered by Cabinet. Commencement of actual law revision would therefore be guided by the decision Cabinet would make.

Committee's Observations and Recommendations

Your Committee notes the response and requests a further update on the harmonisation of laws governing pensions.

G. Portability of Benefits - Para 6.9, Page 33

7.40 Your previous Committee had requested an update on the study regarding the portability of pension benefits between public pension schemes.

The Executive's Response

It was reported in the Action-Taken Report that the current status was that Terms of Reference for the study had been developed and the Government was in the process of engaging a consultant to undertake the study. The focus of the study will be on appropriate design of pension schemes to allow for portability of accrued rights across different schemes.

Committee's Observations and Recommendations

Your Committee notes the response and requests a further update on the study regarding the portability of pension benefits between public pension schemes.

H. The High Supervisory and Administrative Costs--Para 6.10, Page 33

7.41 Your previous Committee had requested a further update on the comparative study and the reviewing of the 0.3 % pension levy.

The Executive's Response

It was reported in the Action-Taken Report that the Pensions and Insurance Authority concluded the study and the Pensions Regulation Amendment Bill includes a provision that the pension levy could either be levied on net assets or on the contributions.

Committee's Observations and Recommendations

Your Committee requests the Government to clearly state if the 0.3% pension levy on net assets will be reviewed.

CONSIDERATION OF OUTSTANDING MATTERS FROM THE FIRST REPORT OF THE COMMITTEE ON ECONOMIC AFFAIRS AND LABOUR FOR THE FOURTH SESSION OF THE TENTH NATIONAL ASSEMBLY

Impact of the Global Economic Crisis on Zambia's Economy and the Stability and Operations of the Financial Markets

Matters Arising out of the Tour of the Lusaka Stock Exchange (LuSE)

Amendment of the Securities and Exchange Act - Para 6.26, Page 46

7.42 Your previous Committee had requested a progress report on the amendment of the *Securities and Exchange Act*.

The Executive's Response

The Government stated that the Draft Securities (Amendment) Act had been merged with the Central Securities Depository Act which was currently appearing as a chapter. The Government through the Financial Sector Development Plan (FSDP) had made enormous strides towards having a new and appropriate legislative framework in place. The Draft Securities (Amendment) Act 2012 was expected to be presented to the Government before the end of the year.

Committee's Observations and Recommendations

Your Committee notes the response and requests a further update on the matter. Further, your Committee requests the Government to expedite the process.

PART III

LOCAL TOUR TO LUSAKA, COPPERBELT AND NORTH WESTERN PROVINCES

Para 10.0, Page 43

a) Completion of road from Roma Industrial Park to the International Airport

7.43 Your previous Committee had recommended that the Zambia Development Agency (ZDA) should liaise with the Road Development Agency (RDA) to ensure that the road from Roma Industrial Park to the Kenneth Kaunda International Airport (KKIA) was completed.

The Executive's Response

It was reported in the Action-Taken Report that the Government through ZDA had been liaising with RDA on the upgrading of the Zambezi Road and as a result the road was tarred up to the Roma Park and slightly beyond. Efforts are continuing to ensure that the road is upgraded up to Ngwerere Road to ensure connectivity to the Great North Road and the KKIA.

Committee's Observations and Recommendations

Your Committee notes the response and requests an update on the matter.

b) Construction of Road from Lusaka East MFEZ to the Airport Junction

7.44 Your previous Committee had recommended that the Government should allow the developers of the Lusaka East Multi-Facility Economic Zone (MFEZ) to construct the road leading up to the airport junction.

The Executive's Response

It was reported in the Action-Taken Report that the Developers of the Lusaka East MFEZ were prepared to consider tarring the road up to the Lusaka East MFEZ but would like the Government through the ZDA to provide logistical support in the construction of the road.

Committee's Observations and Recommendations

Your Committee notes the response and requests an update on the matter.

c) Water Supply to the MFEZs located in Lusaka

7.45 Your previous Committee had recommended that ZDA should liaise with the Lusaka Water and Sewerage Company to ensure that water supply was made available to the MFEZs located in Lusaka.

The Executive's Response

The Government stated that the Lusaka Water and Sewerage Company had been collaborating with the Zambia Development Agency in the provision of water supply to Roma Industrial Park and Lusaka South MFEZ. Arrangements were being made by the Lusaka Water and Sewerage Company in identifying water sources for the Lusaka East MFEZ where boreholes would be drilled. The Lusaka Water and Sewerage Company technical staff are members of the MFEZ Expert Team which coordinates the development of MFEZs and Industrial Parks.

Committee's Observations and Recommendations

Your Committee notes the response and requests an update on the matter.

d) Adequate Provision of Electricity at the MFEZs in Lusaka

7.46 Your previous Committee had recommended that ZDA should ensure that the Zambia Electricity Supply Corporation Limited (ZESCO) committed and ensured that electricity was adequately provided at the MFEZs in Lusaka.

The Executive's Response

It was reported in the Action-Taken Report that ZDA had been liaising with ZESCO in ensuring that all MFEZs not only in Lusaka but the rest of the country regardless of where the MFEZs were situated were provided with electricity. Some of the technical staff at ZESCO are also members of the MFEZ Expert Team.

Committee's Observations and Recommendations

While noting the response, your Committee requests the Government to clearly state when exactly it will provide adequate electricity to all the MFEZs in Lusaka.

e) Operations by Alliance One

7.47 Your previous Committee had recommended that the Ministry of Finance should facilitate the commencement of operations by *Alliance one* as soon as possible.

The Executive's Response

It was reported in the Action-Taken Report that ZDA had been collaborating with all stakeholders involved in the development of the Lusaka South MFEZ (LS-MFEZ) to ensure all procedures and systems were put in place including the incorporation of a Special Purpose Vehicle (SPV) to own and manage the affairs of the LS-MFEZ. The SPV was incorporated on 24th June, 2012 and is 100% owned by the Government through the Ministry of Finance.

Committee's Observations and Recommendations

Your Committee notes the response and requests the Government to clearly state the progress made on facilitating the commencement of operations by *Alliance one* at the Lusaka South MFEZ.

f) Illegal Settlers at the Lusaka MFEZ

7.48 Your previous Committee had recommended that the Government should ensure that the illegal settlers at the Lusaka MFEZ should be removed and relocated elsewhere.

The Executive's Response

It was reported in the Action-Taken Report that the Government had given adequate notice to the illegal settlers, who were being removed with the assistance of the Office of the Vice President, Disaster Management and Mitigation Unit.

Committee's Observations and Recommendations

Your Committee notes the response and requests an update on the matter.

g) Kitwe/Chingola Road

7.49 Your previous Committee had recommended that the Kitwe/Chingola road should be widened and/or made into a dual carriage way.

The Executive's Response

It was reported in the Action-Taken Report that the Government was in agreement with your Committee's recommendation especially in view of the increased traffic load on this route. Therefore, the Government had taken note on the need of either widening the road or go for a dual carriage way. Further, the Government stated that it would engage the Ministry of Transport, Works, Supply and Communication for advice on how to go about this needful.

Committee's Observations and Recommendations

Your Committee notes the response and requests an update on the matter.

h) Value Addition

7.50 Your previous Committee had recommended that manufacturing industries that focus on value addition should be encouraged to invest in the MFEZ.

The Executive's Response

The Government stated that manufacturing industries focusing on value addition were encouraged to invest in MFEZs especially that manufacturing was a priority sector for the Government. This was the reason why the Government was working hard to achieve its goal of developing a diversified and competitive export led value adding manufacturing sector which would contribute 12.5% to GDP as clearly stipulated in the Sixth National Development Plan. Therefore, encouraging manufacturing in the MFEZ could significantly contribute to achieving this goal.

Committee's Observations and Recommendations

Your Committee notes the response and requests an update on whether the Government is achieving this with particular regard to the participation of locals.

LUMWANA MULTI- FACILITY ECONOMIC ZONE

Para 10.0, Page 47

(a) Development of Lumwana MFEZ

7.51 Your previous Committee had recommended that Barrick Gold should state when exactly they will start developing the Lumwana MFEZ and give an update on the number and names of companies that have shown interest in the Lumwana MFEZ.

The Executive's Response

Your Committee was informed that Barrick Gold reviewed the area that was declared as an MFEZ, and found that it was not conducive for them to establish a Multi-Facility Economic Zone within the Mine vicinities as the area was endowed with Minerals. Therefore, they observed that the proposed location of Lumwana Multi-Facility Economic Zone (MFEZ) is located within the restricted mine area which is endowed with mineral resources which Barrick Gold intends to mine in future.

Further, the new owners noted the following challenges in developing the current MFEZ:

- (i) current infrastructure may be in conflict with future developments of the Mine;
- (ii) the town layout and design may have to be revisited in order to take account of new developments;
- (iii) there are security concerns in accessing the MFEZ area and the Mine area;
- (iv) town welfare is also seen as an issue and it is difficult to attract enterprises with limited accommodation, office space and shopping space; and
- (v) there has been a slow uptake of investors with only eight expressions of interest received from potential investors with only one registered MFEZ enterprise.

In this regard, Barrick Gold wrote to the Government through the Ministry of Commerce, Trade and Industry informing the Government of this development and their intention of relocating the MFEZ. Barrick Gold is proposing that the new MFEZ be within the Lumwana Town Integrated Development Plan (IDP), which has already been approved by the Ministry of Local Government and Housing.

In view of this, the Government, through the Ministry of Commerce, Trade and Industry in consultation with the stakeholders such as the Ministry of Local Government and Housing and the Provincial Lands Department had informed the developers of the Lumwana MFEZ to go ahead and develop the MFEZ within the Integrated Development Plan as requested. The developers of the Lumwana MFEZ are Lumwana Property Development Company Limited (LPDCL).

Further, the Government had requested the developers to submit a Master Plan which should be in line with the Lumwana Town Integrated Plan. The LPDCL had also been requested to work closely with the Provincial Lands Department and other Stakeholders in the Integrated Development Plan (IDP) so that the identified area is clearly defined and is supported by a land use plan.

The Government further stated that preparations and discussions of relocating the MFEZ to the new area under the Integrated Development Plan (IDP), are progressing well. However, this will require amending the Statutory Instrument No. 51 of 2010 to be issued for the process to be expedited.

Committee's Observations and Recommendations

Your Committee requests an update on the number and names of companies that had shown interest in the Lumwana MFEZ and on the commencement of the development of the Lumwana MFEZ by Barrick Gold. Your Committee also urges the Government to amend the Statutory Instrument No.51 of 2010.

(b) Gold and Cobalt

7.52 Your previous Committee had recommended that the Government through the Ministry of Mines, Energy and Water Development should institute investigations into the gold and cobalt produced with the view to determine whether they have economic value or not.

The Executive's Response

It was reported in the Action-Taken Report that the Government through the Ministry of Mines, Energy and Water Development would commence conducting mine audits beginning with large scale mines. The audits would enable the Government establish whether the gold and cobalt mined at Lumwana were of economic value.

Committee's Observations and Recommendations

Your Committee notes the response and requests an update on the mine audits which would be conducted by the Government in order to establish whether the gold and cobalt mined at Lumwana were of economic value.

PART IV

PUBLIC HEARINGS – COPPERBELT AND NORTH WESTERN PROVINCES

Para 11.0, page 50

a) Preferential Procurement

7.53 Your previous Committee had recommended that Preferential Procurement which was provided for in the *Citizens Economic Empowerment Act No. 9 of 2006*, should be tied to the private sector as well, since it only seemed to apply to Government tenders and orders.

The Executive's Response

The Government stated that Preferential Procurement was a challenge to implement directly in the private sector. This requires moral persuasion and effective implementation of the Codes of Good Practice, which at the moment were awaiting gazetting. The implementation of Codes of Good Practice could ensure private sector involvement while safeguarding the general principle of non intervention of Government in private business.

Committee's Observations and Recommendations

Your Committee urges the Government to expedite the implementation of the Codes of Good Practice which can ensure private sector involvement while safeguarding the general principle of non intervention of the Government in private business. Further, your Committee requests an update on the matter.

b) Small Scale Miners

7.54 Your previous Committee had recommended that there should be a deliberate policy to ensure that the small scale miners were protected.

The Executive's Response

It was reported in the Action-Taken Report that the Government would develop regulations for local content. The regulations would provide for thresholds for contracts and categories of contracts, businesses that were reserved for Zambians and small scale miners inclusive.

Committee's Observations and Recommendations

While noting the response, your Committee requests a progress report on the regulations meant to provide for thresholds for contracts and categories of contracts, businesses that are reserved for Zambians and small scale miners inclusive.

c) Sharing of Mineral Royalties

7.55 Your previous Committee had recommended that part of the mineral royalties collected should be given to the local community in accordance with the *Mines and Minerals Development Act of 2008 section 136*, which provides that there will be sharing of mineral royalties.

The Executive's Response

The Government stated that the sharing mechanism would be implemented once consultations were concluded and regulations finalised.

Committee's Observations and Recommendations

Your Committee notes the response and requests an update on the sharing mechanism.

d) Pollution and Garbage Disposal

7.56 Your previous Committee had recommended that the Zambia Environmental Management Agency (ZEMA) should look into the issue of pollution and garbage disposal including issuing sanctions against mining companies, which will not adhere to their directives.

The Executive's Response

The Government stated that there was currently no Environmental Management Plan (EMP) regarding the general operations of the Chambishi MFEZ. However, all the mining facilities operating in the Chambishi MFEZ had Environmental Management Plans that were approved by ZEMA. ZEMA conducts licensing and compliance monitoring inspection of all the mining facilities every year to ascertain the levels of compliance in respect of EMP commitments. In addition, all the mining facilities in the Chambishi MFEZ submit statutory returns on the levels of emissions and also effluent discharge every six months. The submitted returns are then analysed and compared with the statutory limits. Any non-compliance on the returns attracts punitive measures as provided for in the *Environmental Management Act, 2011*.

Further, the Government stated that there was need to have a general EMP for the Chambishi MFEZ to enable ZEMA regulate issues such as garbage disposal from non mining facilities in the economic Zone when it was fully operational.

As for the mining facilities, ZEMA monitors their operations from time to time based on their EMPs among other commitments.

Committee's Observations and Recommendations

Your Committee notes the response and requests the Government to clearly state when exactly the Chambishi MFEZ is going to have an Environmental Management Plan.

e) Empowerment Programmes

7.57 Your previous Committee had recommended that there was need to have established Citizens Economic Empowerment Commission (CEEC) offices in the districts to allow citizens more access to information concerning empowerment programmes.

The Executive's Response

The Government stated that this was the ideal situation with resources allowing. However, Government funding to CEEC for operations would require increasing in order to support this move as the current funding was not sufficient. The agenda for decentralisation might address this deficiency but the challenge still remains of building capacity at district level in the shortest time possible.

Committee's Observations and Recommendations

Your Committee notes the response and requests the Government to clearly state the mechanisms that have been put in place to ensure the funds were distributed equally among the districts in the provinces in the absence of established offices in the districts.

f) Resettlement and Compensation

7.58 Your previous Committee had recommended that the Government should review and establish a comprehensive policy on resettlement and compensation of displaced people which should be strictly enforced.

The Executive's Response

It was reported in the Action-Taken Report that the Government, through the Office of the Vice President was already in the process to establish a comprehensive national resettlement policy which had taken into account compensation of displaced people. Once the draft policy is approved by Cabinet, then the Office of the Vice President shall have the mandate to strictly enforce it.

Committee's Observations and Recommendations

Your Committee notes the reply and requests an update on the comprehensive national resettlement policy which has taken into account compensation of displaced people.

g) Credit Officers

7.59 Your previous Committee had recommended that the CEEC should have credit officers who could be able to evaluate projects and make recommendations to the Committees.

The Executive's Response

It was reported in the Action-Taken Report that the presence of credit officers so far was at provincial level. However, intentions and attempts had been made to develop the capacity at district level through the establishment of Empowerment Committees both at district and provincial levels. However, the Commission faces the challenge of limited resources and has therefore been unable to proceed with its initiatives for developing the necessary capacity.

Committee's Observations and Recommendations

Your Committee urges the Government to assist the CEEC by funding it adequately so that it can proceed with its initiatives for developing the necessary capacity.

h) Remove the Citizens Economic Empowerment Fund from Politics

7.60 Your previous Committee had recommended that the Government must remove the Citizens Economic Empowerment Fund (CEEF) from politics so that loans could be disbursed based on the viability of the project and this would enhance recovery of loans.

The Executive's Response

It was reported in the Action-Taken Report that the CEEC had endeavoured to remove politics from the administration of the CEEF as evidenced in the expanded points of collection of the application forms. The CEEC was intending to improve on its lending processes with limited influence from those perceived to be operating on political lines. It hoped that the Government direction on the future empowerment funding would also endeavour to ensure that the Commission operates without undue political influence.

Committee's Observations and Recommendations

Your Committee notes the response and requests the Government to clearly state the measures that have been put in place to improve the lending process.

PART III

FOREIGN TOUR TO UGANDA

8.0 Your Committee undertook a foreign tour to Uganda. The objectives of the tour were to learn the best practices in monitoring standards of imported goods following the declaration of free trade areas and ensuring that local products compete favourably in the free trade areas.

MATTERS ARISING OUT OF THE TOUR

8.1 In view of the objective of the tour, your Committee visited the following foreign institutions:

- i) the Uganda Export Promotion Board;
- ii) the Uganda National Bureau Of Standards;
- iii) the Uganda National Chamber Of Commerce and Industry;
- iv) the Cotton Development Organisation;
- v) the Ministry of Trade, Industry and Cooperatives;
- vi) the Uganda Industrial Research Institute; and
- vii) Port Bell.

The findings of your Committee during its foreign tour are as set out below:

- a) the Ugandan Government is in the process of implementing the Pre-Export Verification of Conformity of Products (PVoC);
- b) the Uganda Industrial Research Institute (UIRI) has a Technology Development Centre (TDC) which provides engineering support services such as equipment maintenance, repair and refurbishment;
- c) one of UIRI's technology transfer activities includes the fabrication of basic machinery, such as the machine that is used in the process of making toothpicks (bamboo processing);
- d) that the industrial chemistry and microbiology laboratories at UIRI offer a diverse range of analytical services in the area of product analysis and in support of product development to clients;
- e) the Ugandan Government has a strong drive for value addition;
- f) the Ugandan Government has placed emphasis on the development of standards and the establishment of laboratories to check standards;
- g) there is political will to support Research and Development;

- h) the Ugandan Government offers price support to farmers in instances where prices of cotton fall;
- i) the UIRI through Public Private Partnerships assists SMEs to produce and package their products at a minimal fee and also offers free training such as Information and Communication Technology (ICT) services to the public; and
- j) the Government is implementing the “Buy Uganda, Build Uganda” policy which is particularly beneficial to the textile industry. This is a drive where the Government, where capacities allow, is to purchase locally made products for use in public institutions especially schools, security and defence forces.

In view of the foregoing, your Committee recommends that:

- a) there is need for the Zambia Government to implement PVoC at an expedited rate in order to have a dramatic reduction of sub standard goods in the market, reduction of cost of doing business by importers and an increase in consumer confidence;
- b) the Zambian Government should capacitate the Technology Department and Advisory Unit (TDAU) at the University of Zambia (UNZA) to enable it carry out its mandate both to public and private sectors especially the SMEs;
- c) the Zambian Government should put up measures to enable Zambians through a development centre to fabricate machinery as this will reduce the cost of production faced by most Small and Medium Enterprises;
- d) the Zambian Government should ensure that laboratories in Zambia are enabled to help clients especially SMEs in solving quality issues, enhancing research projects and also mitigating risk;
- e) the Zambian Government should place emphasis on adding value to raw materials before goods can be exported;
- f) the Zambian Government should place emphasis on the development of standards and ensure that laboratories have the capacity to check standards;
- g) there should be political will to support research and development;
- h) the Zambian Government should consider establishing a price stabilisation fund for high value crops such as tea, tobacco, coffee and cotton for farmers when prices fall on the international market;
- i) the Zambian Government should provide help for SMEs who cannot manage to package goods to required international standards; and
- j) the Zambian Government should ensure that it purchases locally made products for use in public institutions especially schools, security and defence forces , where capacities allow to promote the Buy Zambian Campaign.

PART IV

CONCLUSION

9.0 Your Committee considered Zambia's Current Trade Policy with Particular Regard to Regional and International Trade Protocols. It also undertook a foreign tour to Uganda so as to benchmark on the best practices in monitoring standards of imported goods following the declaration of free trade areas and ensuring that local products compete favourably in the free trade areas.

Mr Speaker, your Committee wishes to extend its gratitude to you for appointing it to serve on your Committee on Economic Affairs, Energy and Labour and for the support rendered to them throughout the year.

It is indebted to all the stakeholders who appeared before it for their co-operation in providing the necessary memoranda and briefs.

Your Committee is very hopeful that the observations and recommendations contained in your Report will be favourably acted upon by the Executive.

Finally, Sir, your Committee wishes to express its appreciation to the Office of the Clerk of the National Assembly for the invaluable and tireless assistance rendered throughout its deliberations.

**June 2013
LUSAKA**

**Mr C W Kakoma, MP
CHAIRPERSON**

APPENDIX 1

LIST OF OFFICIALS National Assembly

Mr S M Kateule, Principal Clerk of Committees
Mr S Kawimbe, Deputy Principal Clerk of Committees
Ms M K Sampa, Committee Clerk (SC)
Mr F Nabulyato, Committee Clerk (FC)
Ms M E Zimba, Assistant Committee Clerk
Ms H Namuchimba, Acting Stenographer
Mr R Mumba, Committee Assistant
Mr C Bulaya, Committee Assistant