NATIONAL ASSEMBLY OF ZAMBIA

REPORT

OF THE

COMMITTEE ON NATIONAL ECONOMY, TRADE AND LABOUR MATTERS

FOR THE

SECOND SESSION OF THE TWELFTH NATIONAL ASSEMBLY
APPOINTED ON WEDNESDAY 20TH SEPTEMBER, 2017

Printed by the National Assembly of Zambia
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REPORT OF THE COMMITTEE ON NATIONAL ECONOMY, TRADE AND LABOUR MATTERS FOR THE SECOND SESSION OF THE TWELFTH NATIONAL ASSEMBLY APPOINTED ON WEDNESDAY, 20TH SEPTEMBER, 2017

Consisting of:

Dr S Musokotwane, MP (Chairperson); Ms M Miti, MP (Vice Chairperson); Mr G G Nkomb, MP; Mr E M Mwila, MP; Mr C Chali, MP; Mr D Chisopa, MP; Dr S C Kopulande, MP; Mr D Livune, MP; Mr E Kamondo, MP; and Mr M Mubika, MP

The Honourable Mr Speaker
National Assembly
Parliament Buildings
LUSAKA

Sir,

Your Committee has the honour to present its Report for the Second Session of the Twelfth National Assembly.

Functions of the Committee

2.0 The functions of your Committee are to:

a) 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) 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) make, if considered necessary, recommendations to the Government on the need to review certain policies and/or certain existing legislation;

d) examine annual reports of Government ministries and departments under its portfolio in the context of the autonomy and efficiency of Government ministries and departments, and determine whether the affairs of the said bodies are being managed according to relevant Acts of Parliament, established regulations, rules and general orders; and

e) consider any Bills that may be referred to it by the House.

Meetings of the Committee

3.0 Your Committee held eleven meetings during the year under review to consider submissions from various witnesses on the Role of Micro, Small and Medium Enterprises in
Zambia and the Action-Taken-Report on the report of your previous Committee. Your Committee received both written and oral submissions from stakeholders on the topic of study. The list of stakeholders who interacted with your Committee is at Appendix I of the Report.

Arrangement of the Report of the Committee

4.0 Your Committee’s Report is in three parts. Part I highlights the consideration of the Role of Micro, Small and Medium Enterprises in National Development in Zambia. Part II gives the findings arising from the tours and the Committee’s observations and recommendations and Part III deals with the outstanding issues arising from the Action-Taken Reports on the previous Reports of your Committee.

PART I – TOPICAL ISSUE

THE ROLE OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) IN NATIONAL DEVELOPMENT IN ZAMBIA

5.0 Your Committee noted that there is a growing recognition of the important role that Micro, Small and Medium Enterprises (MSMEs) play in National development. MSMEs had the ability to fuel economic growth because they were drivers of innovation, employment creation and the broadening of the tax base. A survey conducted by the Ministry of Commerce, Trade and Industry on MSMEs (2003-2004) revealed that the MSME sector employed 30 percent of the 4.9 million strong labour-force out of which 58 percent were entrepreneurs or self-employed. The study also established that the MSME sector contributed 2 percent towards the Gross Domestic Product.

Further, and as acknowledged by the MSME Development Policy, there was limited documented information regarding the business activities of the MSME sector and its contribution towards national development and economic growth. Although the MSME sector in Zambia has such great potential for economic development, equitable wealth redistribution and poverty alleviation, it faced many business constraints and challenges which hindered growth and limited its ability to contribute effectively to national economic development.

Premised on the above, your Committee resolved to undertake a study to establish how MSMEs could effectively contribute to the growth of the national economy.

Objectives of the study

The objectives of the study were to:

i. assess the policy and legal framework governing the MSME sector;
ii. explore the state of MSMEs in Zambia;
iii. appreciate MSMEs contribution to national development;
iv. ascertain the growth opportunities for MSMEs;
v. assess the effectiveness of the strategies to support the MSME sector;
vi. identify the challenges being faced by MSMEs, if any; and
vii. make recommendations to the Executive on the way forward.

SUMMARY OF SUBMISSIONS BY STAKEHOLDERS

6.0 A summary of the submissions received by your Committee from various stakeholders is presented below.

6.1. Understanding MSMEs
Your Committee was informed that MSMEs in Zambia were defined on the basis of the number of people they employed and their status of registration, among other considerations. According to Zambia’s Micro, Small and Medium Enterprise Development Policy of 2010, the official Zambian definition of enterprises in the MSME sector is broken down as follows:

6.1.1 Micro Enterprises
Your Committee was informed that a micro enterprise was any business enterprise registered with the Registrar of Companies whose total investment, excluding land and buildings, should be up to K80,000 with the annual turnover of up to K150,000 and employing up to ten persons.

6.1.2 Small Enterprises
Your Committee was informed that a small enterprise was any business enterprise registered with the Registrar of Companies whose total investment, excluding land and buildings, in the case of manufacturing and processing enterprises, was between K80,000 and K200,000 in plant and machinery. In the case of trading and services, the total investment should be up to K150,000. Further, the annual turnover should be between K151,000 and K300,000 and employing between eleven and fifty persons.

6.1.3 Medium Enterprises
Your Committee was informed that a medium enterprise was any business registered with the Registrar of Companies, whose total investment, excluding land and buildings in the case of manufacturing and processing, was between K201,000 and K500,000 in plant and machinery. In the case of trading and services, the total investment should be between K151,000 and K300,000. The Annual Turnover should be between K301,000 and K800,000 and the enterprises should employ between fifty-one and one hundred.

Your Committee was informed that the MSME policy further defined an “informal enterprise” as any business enterprise not registered with the Registrar of Companies whose total investments, excluding land and buildings, was up to K50,000 and employing less than ten persons.

6.2 The State of MSMEs in Zambia
Your Committee was informed that the Government recognised the key role that the MSMEs could play in the following areas in promoting inclusive and sustainable economic growth; providing employment and decent work; promoting sustainable industrialisation; and reducing
income inequalities. The business activities of the MSMEs were characterised by the use of low level technology and an orientation towards local and less affluent market segments such as trading and service businesses provision, with a few involved in manufacturing of products such as the textile, wood, metal fabrication, food processing, leather products, handicrafts and ceramics. In the service sector, the predominant businesses included restaurants, hair dressing, passenger and goods transport, simple building construction, telecommunication services, business centre services and cleaning services. The trading sector was concentrated in consumable products, industrial products and agribusiness.

Your Committee was further informed that even though the MSME sector in Zambia had great potential to contribute to economic development, equitable wealth redistribution and poverty alleviation, it faced many business constraints and challenges which hindered its growth and ability to contribute effectively to national economic development. The business constraints and challenges had led to the failure by the sector to grow into a viable bottom up development tool and be an effective contributor to national development as was the case with MSMEs in economies such as India, Central Asia and South Africa.

6.3 Legal and Policy Framework Governing the MSME Sector

Your Committee was informed that the national Policy for MSME Development was the Micro, Small and Medium Enterprise Development Policy of 2009 while the key pieces of legislation governing MSME development were the Zambia Development Agency Act, No.11 of 2006 and the Citizens Economic Empowerment Act, No. 6 of 2009. These pieces of legislation together with specific programmes for MSME development were implemented through the Zambia Development Agency (ZDA) and the Citizens Economic Empowerment Commission (CEEC), respectively.

6.3.1. Micro, Small and Medium Enterprise Development Policy, 2009
Your Committee was informed that the MSME Policy outlined the goals, objectives, strategies, and implementation framework for all MSME development efforts in Zambia. This was in order to create a national vision and leadership for deliberate development of the MSME sector. It was also meant to facilitate the creation and implementation of relevant and effective sector legislation and regulatory framework. The Policy had been under implementation since the year 2009.

6.3.2. Zambia Development Agency Act, No. 11 of 2006
Your Committee was informed that Section 5 of the Zambia Development Agency Act, No. 11 of 2006 provided, among other things, that the Agency was responsible for the following MSMEs related functions:

a. development of entrepreneurship skills and a business culture among citizens of Zambia;

b. promotion and facilitation of the development of micro and small business enterprises;

c. exploring ways of fostering business linkages, such as partnerships, joint ventures and other strategic alliances, in greenfield investments; and

d. providing marketing support services to business enterprises.
Your Committee was informed that due to limitations in the ability of the Government to support MSMEs, the Government was reviewing the legal framework. The review of the law was necessitated by, among others, the recognition that the MSMEs sector formed a large portion of economic players, hence the need for the Government to enhance its efforts to promote the growth of the sector and its contribution to the Zambian economy.

6.3.3. **The Citizens Economic Empowerment Act, No.9 of 2006**
Your Committee was informed that the *Citizens Economic Empowerment Act, No. 9 of 2006* was enacted to, in part, promote broad-based and effective ownership and meaningful participation of targeted citizens, citizen-empowered companies, citizen-influenced companies and citizens-owned companies in the economy. The MSMEs by their nature were classified under the categories of citizen-influenced, citizen-empowered and citizens-owned companies. In light of this, more than 90 percent of the support under the Act was targeted at MSMEs.

6.3.4. **Other Pieces of legislation**
In addition to the pieces of legislation highlighted above, the following also governed the MSME sector in Zambia:

a. **The Companies Act, No.10 of 2017**
Your Committee was informed that the *Companies Act, No.10 of 2017* was administered by the Patents and Companies Registration Agency (PACRA). The old Act was repealed and replaced so as to make the law more responsive to the country’s economic development. This was with the view to enhancing the Government policy on economic empowerment of citizens and strengthening the development of micro, small and medium enterprises.

b. **Business Regulatory Review, Act No. 3 of 2014**
Your Committee was informed that the *Business Regulatory Review Act, No. 3 of 2014* was aimed at creating a conducive business environment within which the private sector, particularly MSMEs could grow. The Act, which established the Business Regulatory Agency (BRA), stipulated certain principles to be adhered to in developing and implementing policies and the regulatory frameworks with a view to ensuring that these did not pose unnecessary burdens to business.

Despite the above legal and policy frameworks, the implementation of measures for the development of the MSME sector had not been very effective. This was attributed, in part, to weak and fragmented coordination between government agencies responsible for MSME development and lack of a clear guidance on measures and programmes aimed at the development of the Sector.

6.4 **MSMEs’ Contribution to National Development**

Your Committee was informed that there was limited documented information regarding the business activities of the MSME sector and its contribution to national development and economic growth in Zambia. This was due to the absence of mandatory registration and annual reporting mechanisms on the size and performance of MSMEs, with the national capacity to document the distribution and contribution of MSMEs to the economy.
Your Committee was further informed that the Central Statistics Office (CSO), the official source of national data, did not disaggregate national output in relation to enterprise size. The various stakeholders had recognised this gap and the need to come up with a comprehensive information management system to generate the required and reliable data to inform policy formulation and implementation.

Information based on the 2011 National Economic Census conducted by CSO indicated that about 90 percent of the total enterprises in Zambia were either in small or medium category, implying that only 10 percent constituted the large enterprises. However, the picture was, the opposite in terms of the turnover contribution in which the small and medium enterprise contributed only about 2 percent while 98 percent was attributed to the large enterprises.

6.5 Growth Opportunities for MSMES in Zambia

Your Committee was informed that the domestic market provided many opportunities for the growth of MSMEs in Zambia. This was mainly through the increase in the number of opportunities for MSMEs to supply goods and services to different industries such as mining, manufacturing and distribution, particularly retail trade. In addition, beyond the local market, the liberal trade policy being implemented by the Government provided opportunities for trading in locally manufactured goods and services by MSMEs into the regional markets of COMESA and SADC as well as international markets, particularly if products were of good quality standard.

Your Committee was informed that in order to foster trade and market access opportunities in the regional markets, Zambia recently entered into two important bilateral trade agreements at regional level with the Democratic Republic of Congo (DRC) and the Republic of Angola. These agreements offered many opportunities and benefits to producers, exporters, cross border traders, importers and consumers. Your Committee was further informed about other growth opportunities available to the MSMEs. These included:

- a liberalised market economy with no exchange controls; no price controls; and market driven interest rates;
- an ambitious Seventh National Development Plan (7NDP) with strong emphasis on diversification and job creation anchored on strong private sector development and specific interventions aimed at MSME development;
- an ambitious transportation and communication infrastructure development programme;
- abundant natural resources and favourable climate including vast arable land for agriculture, vast aquifers for irrigation and mini-hydro power, rich forests for timber, rich biodiversity and animals for tourism and eco-tourism and abundant sunlight for solar energy, all provided an opportunity for MSMEs to venture into value addition activities; and
- strategic geographical location of the country and its direct link to eight countries that provided market opportunities.
6.6 Challenges facing the MSMEs in Zambia

Your Committee was informed that the MSMEs in Zambia were characterised by many challenges that negatively affected their performance. The following were some of the challenges:

6.6.1 Limited access to markets
Your Committee was informed that MSMEs had limited capacity to identify and effectively reach both local and export markets. This was partly due to limited access to information on what market opportunities were available and limited knowledge and skills on how to reach those markets.

6.6.2 Limited access to affordable medium to long-term financing
Your Committee was informed that MSMEs had difficulties in accessing appropriate business finance to suit their growth requirements. This was partly because formal financial institutions in the country, such as commercial banks, were not willing to lend to small businesses in Zambia. In addition, the cost of finance was prohibitive and, therefore, beyond the reach of most MSMEs.

6.6.3 Government regulatory barriers
Your Committee was informed that Government regulations were also a barrier to the growth of MSMEs due to the additional transaction costs and challenges arising from registration, reporting, inspection and other compliance procedures. Most of this regulation was burdensome and costly and could also be a source of corruption.

6.6.4 Low innovation and poor technical and management skills
Your Committee was informed that innovation was essential for maintaining competitiveness of an enterprise and its products and services. Regrettably, most MSMEs faced challenges in accessing new technologies which could help improve product quality and productivity. Further, many enterprises under the MSME sector, especially the new start-ups, were associated with inadequate management skills such as book and record keeping, marketing, productivity and quality control approaches and compliance with various regulations.

6.6.5 Inadequate business infrastructure such as roads and telecommunication
Your Committee was informed that MSMEs were associated with inadequate systematically structured and developed business premises and infrastructure that could facilitate the growth of individual enterprises and the sector as a whole. Inadequate operating premises and infrastructure impacted negatively on enterprises at all levels and raised the cost of doing business. Poor business infrastructure, especially in rural areas, was a major challenge to doing business for most MSMEs in Zambia.

6.6.6 Competition from cheap imports
Your Committee was informed that Zambia had a high propensity for consuming imported finished consumer goods. Most of these imports were generally cheap compared to locally produced goods, thus making it very difficult for MSMEs to compete favourably.
6.6.7 Politicisation of Support Funds
Your Committee was informed that there were many people who were allegedly left out of the various facilities set up oftenly to support the growth of MSMEs because of their political affiliation.

6.6.8 Lack of incentives for MSMEs
Your Committee was informed that the incentives provided by the Government favoured the big companies. It was further informed that there were a lot of efforts aimed at improving the business environment for foreign firms and bigger players compared to addressing challenges facing MSMEs. The requirements for setting up a business in the Multi Facility Economic Zones were also a big hindrance to the participation of MSMEs.

6.6.9 Lack of Mentorship Services
Your Committee was informed that there was a general lack of mentorship services and a nurturing environment for start-up entrepreneurs. These services included provision of information on how and where to go in terms of registration of businesses, skills development providers, tax obligations and labour law practices in the sector, including sources of cheap finance, which were crucial to the successful establishment and growth of a business.

6.6.10 Poor policy coordination
Your Committee was informed that poor policy coordination among relevant government institutions was also a key challenge. A case in point was the administration of the 20 percent local participation policy in construction contracts. This policy appeared not to have helped local companies mainly because of poor enforcement.

6.7 Strategies to support the MSMEs Sector

Your Committee was informed that the Government was implementing a number of strategies and interventions to boost MSMEs in Zambia. Some of these are set out hereunder.

6.7.1 Value Chain Development Programme
The Government had been implementing the Value Chain Development Programme since 2013 through the Citizens Economic Empowerment Commission (CEEC). The programme targeted specific value chains in order to promote industrialisation at the district level based on the comparative advantage of each district. In this regard, your Committee was informed that emphasis had been placed on the greater participation of women, the youth and the physically challenged people who constituted the majority of people involved in MSMEs. In excess of 1,600 MSME’s had been supported with finances and technical capacity for value addition in the pineapple, honey, dairy, gemstones, fish, timber, cotton, soya beans, rice, mango, cashew nut, cassava, beef, poultry, palm oil and groundnut value chains. This had been implemented through the Citizens Economic Empowerment Fund.

6.7.2 Entrepreneurship and Skills Development Project
Through Entrepreneurship and Skills Development Project, the Government sought to capacitate MSMEs through various interventions. These interventions included the development of Industrial Yards in seven provinces of Zambia and the implementation of a cassava commercialization initiative in five provinces of Zambia.
6.7.3 Business Linkages
Your Committee was informed that the National Business Linkages Programme was aimed at linking enterprises to business opportunities within and outside the country.

6.7.4 Business Development Services (BDS)
Your Committee was informed that the aim of the Business Development Services (BDS) was to strengthen the provision of Business Development Services in targeted provinces through the establishment of Business Support Centres.

6.7.5 MSME Supplier Development Programme
Your Committee was informed that the Government would implement the SME Supplier Development Programmes where viable MSMEs would be capacitated, provided with finances and linked to market opportunities.

6.7.6 Empowerment Funds
Your Committee was informed that the Citizens Economic Empowerment Fund, Youth Economic Empowerment Fund and the Women Empowerment Fund provided finances mainly to MSMEs to boost their enterprises.

6.7.7 Other Interventions
The Government was also implementing the following in collaboration with various cooperating partners: Cashew Nut Project by the Government through Ministry of Agriculture funded by the African Development Bank (AfDB); and Simplified Trade Regime being implemented under COMESA allowed small-scale cross-border traders to access regional markets in Malawi and Zimbabwe using simplified customs documentation and certificates of origin, thereby facilitating MSME cross border trade.

PART II
LOCAL TOUR TO SOUTHERN, WESTERN AND LUSAKA PROVINCES

7.0 In order to consolidate its findings in relation to “The Role of Micro, Small and Medium Enterprises (MSMEs) in National Development in Zambia” your Committee undertook a local tour to three provinces namely; Southern, Western and Lusaka Provinces.

Specifically, your Committee toured and held meetings with the following institutions:

i) Lusaka Province
   a) Zambia Chamber of Commerce and Industry
   b) SBM Investment Limited

ii) Southern Province
   a) Kubu Crafts;
   b) Zamwood Furnishers; and
c) Winning Travel and Tours.

iii) Western Province
   c) Nandusu Multipurpose Cooperative Society Limited; and
   d) Country Millers and Aqua.

The following are the findings of your Committee.

a) Zambia Chamber of Commerce and Industry
Your Committee was informed that the Zambia Chamber of Commerce and Industry (ZACCI) was an umbrella organisation representing business across all sectors of the economy throughout the country. The organisation was founded in 1933 and was present in all provincial capitals. Your Committee was informed that ZACCI had twenty-six local Chamber members at district and provincial levels, sixty-seven corporate members, ten Academia and eight associations. The main mission of the organisation was to promote and develop all productive economic activities and act as a link between the business community and government and organisations having similar objectives to those of ZACCI.

b) Western Chamber of Commerce and Industry
Your Committee was informed that the Western Chamber of Commerce and Industry (WCCI) was a member of the Zambia Association of Chambers of Commerce and Industry (ZACCI) and operated as a forum for discussions among business people on matters of common concern. The Chamber also communicated the views of the Ministry of Commerce, Trade and Industry by interacting with the local authorities and other Government Departments in order to influence and foster a business friendly economic environment in the Western Province.

Your Committee was also informed that the WCCI’s activities were very limited and mainly restricted to Mongu and as such they were not able to mobilise members from outside Mongu and other districts in the province. In addition, the Chamber was facing serious revenue constraints because its major source of revenue was contributions from the members who were very few.

c) SBM Investments Limited
Your Committee was informed that SBM Investments Limited was a company incorporated in the Republic of Zambia and had its main office in Lusaka. The company also collaborated with other companies and partners in and outside Zambia in order to strengthen the capacity to supply any commodities as may be demanded through tenders and business networks.

Your Committee was also informed that the company had a well stocked boutique with up-market clothing for men, women and children. The company also supplied uniforms and special industry protective clothing to various clients. Your Committee was also informed that SBM Limited also provided printing and advertising solutions. The company’s printing section was a one-stop-shop for digital printing; screen-printing and design work such as office or premise branding; large format digital printing and motor vehicle branding.
d) **Kubu Crafts Limited**

Your Committee was informed that Kubu Crafts Limited, a medium enterprise, was established in 1997 and was owned jointly by two South African citizens. Your Committee was also informed that Kubu Crafts Limited was a Zambian manufacturer and retailer of high quality household, business and lodge furniture, combined with the best of arts and crafts from both Zambia and the Southern African Region. The company had three stores in Livingstone and a main store at Manda Hill Shopping Mall in Lusaka and employed a total of eighty two employees. The Committee was further informed that Kubu Crafts Limited offered active in-house training for its employees and provided opportunities to other small scale manufacturers in the timber industry by procuring quality carved wooden and other products from small manufacturers.

e) **Zamwood Furnishers and General Dealers Limited**

Your Committee was informed that Zamwood Furnishers and General Dealers Limited, a Small Enterprise in Livingstone, was formed and incorporated as a private limited company with the Registrar of Companies in November, 2009. The company had twenty employees on full time basis. Your Committee was also informed that Zamwood Furnishers was one of the seven companies under the Southern Province Timber Association privileged to obtain a loan amounting to $21,500 in 2011. This loan assisted the company to enhance production and therefore, improved and increase quality and quantity of its wood products for the local and international market. During the same period, the company was able to increase its assets by buying extra second hand heavy duty wood working machines and accessories which were installed and being used in the production of wood products, thereby adding value to the local timber resource and ultimately creating the much needed employment for Zambian youth.

f) **Winning Travel and Tours**

Your Committee was informed that Winning Travel and Tours Limited, a Small Enterprise, was registered with the Registrar of Companies in 2011 in compliance with the Companies Act chapter 388 of the laws Zambia of 1994. The company was Zambian owned and regulated by the Zambia Tourism Agency, regulator of tour operations in Zambia. The company stated that it was committed to meeting the expectations of tourists through their shared passion of exceptional travel and tourism and related services. The company noted that since Zambia was endowed with abundant tourist attractions such as wildlife, heritage sites and housed the Victoria Falls – one of the seven natural wonders of the World - there were great opportunities for investment in the tourism sector. Therefore, there was need for the Government to take an interest in marketing the vast tourism potential in Zambia in order to enhance the levels of foreign exchange earned from the tourism sector.

g) **Nandusu Multipurpose Cooperative Limited**

Your Committee was informed that Nandusu Multipurpose Cooperative Limited was established in 2013 following the collapse of the Zambia Cashew Company (ZCC). The cashew industry in Western Province completely collapsed in 1992 due to the sudden withdrawal of financial support by the shareholders from ZCC. Your Committee was also informed that Nandusu currently employed thirty people in production and processing. Through the newly established associations namely; the Cashew Growers of Zambia and the Cashew Exporters of Zambia, the Cooperative had vigorously engaged the Government on various aspects their business.
In addition, Nandusu Cooperative was a beneficiary of the five year (2016-2021) Cashew Infrastructure Development Project (CIDP) funded by the African Development Bank and the Zambian Government. The CIDP was aimed at contributing to poverty reduction, improved household incomes through improved cashew production and processing. The project was expected to see six million cashew trees planted in the ten districts of Western Province where the project was being implemented. However, due to inadequate supply of raw cashew nuts, the cashew business had not yet taken off and begin to make profits due to inadequate supply of raw cashew nuts. As a result:

i. only 5 per cent of the available processing capacity was utilised;
ii. only 10 per cent of the local cashew demand was supplied by the national production. The remaining 90 per cent was supplied by packaged cashew kernels imported from South Africa and Tanzania; and
iii. the Country was not benefiting from the existing and growing local, national, regional and global markets.

h) Country Millers and Country Aqua
Your Committee was informed that Country Millers and Country Aqua was a Medium Enterprise established in 2017 and registered by the Zambia Bureau of Standards. The company employed fifty workers and produced 2,000 bags of mealie meal per day. Despite this production level, the company was still not meeting the demand for mealie meal. Your Committee was informed that the existence of the enterprise had continued to provide benefits to the community such as market for local maize farmers, employment creation as well as providing business opportunities for transporters. The company also had future expansion plans such as construction of a weighbridge, warehouse facilities and rice polishing, among others.

Your Committee was also informed that the cost of landing the maize in Mongu was too high due to transport costs as the maize was being sourced from as far as Central and Southern Provinces. The products were also susceptible to damage due to bad roads. Further, the company experienced regular power outages resulting in disruptions in production.

Regarding Country Aqua, your Committee was informed that the plant had a capacity of producing 100 cases of water per hour and purification of water was being done by reverse-osmosis. The company customer base mainly comprised local retail, banks, lodges and individual households. The company also had plans to invest in a juice plant to take advantage of the abundant local supplies of fruits such as mangoes in Western Province.

COMMITTEE’S OBSERVATIONS AND RECOMMENDATIONS

8.0 Arising from the interactions with different witnesses and from the local tour, your Committee makes the observations and recommendations set out hereunder.

i. Review and operationalisation of the current MSME policy
Your Committee observes that the current MSME Policy is old and outdated. It does not, therefore, respond to the challenges facing the MSME Sector. It further observes
the misalignment between the MSME Policy and the Seventh National Development Plan and other current Government policies such as the CEEC.

In this regard, your Committee strongly urges the Government to review the MSME Policy and ensure that it is operationalised expeditiously so as to respond to challenges facing the MSME Sector.

ii. **Poor policy co-ordination**
Your Committee also observes that there are policy inconsistencies between the Ministry of Commerce, Trade and Industry and the other Government Agencies. While the Ministry of Commerce aims to reduce the cost of doing business, the other Government Agencies want to maximise revenue through collection of various levies.

Your Committee recommends that the Government Ministries should take deliberate steps to harmonise their policies in various sectors in order to provide a conducive business environment for MSMEs.

iii. **Limited access to markets**
Your Committee observes that the growth of MSMEs has been negatively impacted due to limited market access. Your committee observes further that the Government does not buy its products and services from the local MSMEs.

In this regard, your Committee recommends that the Government should formulate policies that would make it mandatory for all its agencies to buy from the local indigenous MSMES up to a specific threshold for services and products that can be accessed and sourced locally. Your Committee also urges the Zambia Bureau of Standards (ZABS) to ensure that Zambian products meet basic standards.

iv. **Sanitary and Phytosanitary Requirements**
Your committee observes that most Zambian products are not accepted across borders due to stringent sanitary and phytosanitary measures compared to those applying in Zambia. On the other hand, the Zambian market is flooded with foreign products.

Therefore, your Committee urges the Government to strengthen bilateral cooperation to ensure that Zambian products can access foreign markets as well. Your Committee further urges the Ministry of Commerce, Trade and Industry through the ZABS to ensure that local products meet the basic sanitary and phytosanitary standards and to make them marketable across borders.

v. **Promoting Linkages with the Mining Sector**
Your Committee observes that while mining is the mainstay of Zambia’s economy, the sector has not adequately supported the growth of MSMEs by creating market opportunities. The mining companies, regrettably, import most of their basic materials, some of which are readily available from local manufacturers and suppliers.

In view of this sad development, your Committee urges the Government to promote value addition so as to increase the value of Zambia’s exports. Further, the
Government should promote local suppliers by compelling mining companies to procure from local companies and provide a threshold which should be reserved strictly for local manufacturers and suppliers.

vi. **High and prohibitive lending Rates**
Your Committee observes that the cost of borrowing is very high and that most MSMEs are unable to honour their credit obligations due to lack of consistent cash inflow, which leads to most MSMEs folding up in the initial stages of business.

Your Committee is aware that in other countries governments have been able to set the interest rates in order to protect the local business because interest rates, like other prices, are generally sticky downwards. Your Committee therefore, strongly recommends that the Government should compel financial institutions to reduce the lending rates in line with declining inflation.

vii. **Access to Finance**
Your Committee observes that access to finance has been a limiting factor to the growth of MSMEs and has therefore, limited their contribution to national development. It also observes that commercial banks are reluctant to extend credit facilities to MSMEs because of the perceived risks associated with lending to MSMEs.

In this regard, your Committee recommends that the Government should facilitate the creation of the Credit Guarantee Scheme to provide guarantees to banks on loans to the MSME Sector so as to widen financial inclusion.

viii. **Local MSMEs in relation to Foreign MSMEs**
Your Committee observes that local MSMEs unfairly compete for funds from lending institutions with foreign MSMEs especially those of Asian origin. This is because these foreign MSMEs have a better financial standing and are better preferred due to their good credit pay back compared to local MSMEs. Your Committee is aware that this is the case because these foreign MSMEs receive support from their countries of origin hence crowding out the local MSMEs.

In light of the above, your Committee recommends that the Government should come up with a policy to ensure that financial institutions reserve a certain threshold of their loan portfolios for the local enterprises only, and the terms and conditions should be commensurate with the capacity of the local MSMEs as these cannot compete on the same conditionalities with foreign MSMEs.

ix. **Reservation Policies not Benefiting the MSME Sector**
Your Committee observes that the Government has put in place a policy that reserves 20 percent of all construction contracts for indigenous Zambian contractors. However, it has observed that most of these contracts are either not given to Zambians or are given to Zambian contractors who lack capacity and later resell their business or acquired contracts back to foreign contracts. This means, therefore, that the policy is not benefiting the intended Zambian local construction industry.
Your Committee urges the Government to translate the policy into legislation. Further the legislation should prohibit reselling of acquired contracts and provide punitive measures for all contractors who resell acquired contracts due to lack of capacity. The law should also revise the threshold in the policy upwards.

x. **Debt Contraction Conditionalities**

Your Committee observes that some of the Government borrowing is not promoting the growth of the MSME sector. This is because some of these debts have conditionalities where the lender provides not only the financial resources but also the raw materials, labour and equipment to the extent that the local players have no role to play.

Your Committee recommends that the Government should ensure that certain conditionalities that do not encourage the growth of the MSME sector are resolved at debt contraction. Further, your Committee recommends that the Government should expedite the presentation to Parliament, amendments, to the *Loans and Guarantees (Authorisation) Act, Chapter 366 of the Laws of Zambia*, so as to provide for the procedure for approval of loans by Parliament before they are contracted by the Government, in the line with the provisions of the Constitution of the Republic of Zambia as amended by the Act No. 2 of 2016.

xi. **Long Licensing Procedures**

Your Committee observes that the Government has put in place a number of license requirement and regulations to govern the MSME sector. Some of these are health permits and registration with PACRA and ZRA. However, your Committee observes that there are so many licenses currently operational. Consequently, they are not only an extra cost to doing business but also make it difficult for the MSMEs to participate effectively, especially those in rural areas, because licensing authorities are often centralised in Lusaka and in provincial centres.

Your Committee recommends that the Government should streamline these essential licenses. The Government should also come up with a one stop shop where an MSME does not have to move to different locations to obtain these licenses. This would improve the ease of doing business in Zambia, thereby promoting investment and growth of MSMEs.

xii. **Wide Spread Between Saving Rates and Lending Rates**

Your Committee observes that there is a wide gap between the savings rates and lending rates offered by the commercial banks, which inhibit both the saving and borrowing desires.

Your Committee urges the Government to ensure that it comes up with workable measures that will reduce the gap between lending and deposit rates as a matter of urgency.
xiii. **Include Entrepreneurship in School Curricula**
Your Committee observes that the high failure rate of MSMEs is partly due to high illiteracy levels among players in this sector. There is lack of financial literacy, inability to prepare bankable documents for them to access funds and generally poor understanding of basic economic trends.

Your Committee further observes that most Zambian citizens are well equipped with skills for white collar jobs instead of skills from vocational training schools which are an anchor for MSME development and growth.

Therefore, your Committee recommends that the Government should scale up the implementation of the revised educational system which provides for inculcation of an entrepreneurship culture among learners.

xiv. **Business Incubation Facilities**
Your Committee observes that the MSME sector lacks mentors; platform for incubation and growth of most MSMEs, especially in the rural areas.

Your Committee recommends that the Government should open up industrial clusters in metal fabrication, wood processing, textile and leather and other manufacturing activities. The Government should also open up incubation centres and industrial parks for MSMEs by focusing on the available strengths and resources of particular provinces. Your Committee is of the view that these will enhance capacity building and also give MSMEs a firm foundation as most of them collapse in the initial stages of operation.

xv. **Disputes between Hunting and Forestry Concession Holders**
Your Committee observes that there are inconsistencies in the management of forests between the Department of National Parks and Wildlife and the Department of Forestry. Particularly, in Sichifulo Game Management Area in Kazungula District, some Zambian timber concession holders and the hunting concession holder (Mulimo Hunting Autifitters) have some ongoing disputes over the right to harvest timber. This ongoing dispute has eventually reduced supply of timber and caused the companies to outsource timber from other places at a much higher price thus increasing the cost of business production and ultimately the cost of their final products.

Your Committee recommends that the Ministry of Lands and Natural Resources and the Ministry of Tourism and Arts should, as a matter of urgency harmonise their interests in the forests so that both industries thrive.

xvi. **Frequent Timber Ban**
Your Committee observes that the frequent ban on timber movement causes serious disruptions in the supply of timber and is detrimental to the business cycles of MSMEs in the timber industry.

Your Committee recommends that the Government should completely stop the ban of timber to allow the timber industry to thrive.
xvii. **High Concession licence fees**
Your Committee observes that timber suppliers are made to pay high concession license fees which are currently at K100, 000 per licence. Your Committee also observes that obtaining the licence has many conditions attached such as meeting the minimum threshold of timber harvest by timber suppliers, among others, making it difficult for the local people to acquire licences. This has an effect on the input cost and ultimately on the final commodity prices which make the local products less competitive.

Your Committee, therefore, recommends that the Government should consider reviewing the concession licence fee in order to make local timber products competitive.

xviii. **Cheap Chinese Imports**
Your Committee observes that the Zambian market is flooded with cheap Chinese timber imports and the Zambian timber products cannot favourably compete on the market.

In light of the above, Your Committee recommends that the Zambia Bureau of Standards must strengthen and enforce the standards of timber products to avoid crowding out local MSMEs in the timber industry.

xix. **Poor Road Network**
Your Committee observes that the poor roads around the country such as the Mazabuka – Kafue, Kazungula-Sesheke and Shangombo - Sioma Roads deplorable make it difficult for MSMEs to transport both raw materials and finished goods to various towns. This also increases the cost of doing business through increased transportation costs.

In this regard, your Committee urges the Government to urgently work on various key in order to lower transportation costs and encourage growth among both MSMEs and even large enterprises.

xx. **Limited support to MSMEs**
Your Committee observes that while the Zambian Tourism Board has been marketing the tourism sector in Zambia, it has overly concentrated on the large companies to the exclusion of the MSMEs weak coordination between the Zambia Tourism Board and the MSMEs in the Tourism Sector.

In this regard, your Committee recommends that the Zambia Tourism Board should come up with a robust marketing strategy which should include tourism products being offered by the MSMEs.

xxi. **Unfair Levies**
Your Committee observes that business enterprises, particularly those involved in transfers, are subjected to too many levies, thus increasing the cost in doing business.
For instance, the introduction of a levy at the Victoria Falls Bridge of US$10 and US$14 per entry of a seven and twenty two seater buses, respectively, as well as the Kazungula Toll fee for mini-buses currently at K80.00 per trip has negatively impacted on the business of the MSMEs involved in transfers.

Your Committee recommends that the Ministry of Transport and Communication should intervene and consider charging a daily fixed rate in order to make the environment more favourable.

xxii. **Low support to Cashew Industry**
Your Committee observes that the Ministry of Agriculture has not given the necessary attention to the cashew industry. Your Committee further observes that there has been a tendency by the Government to place more emphasis on maize through the Fertilizer and Input Support Programme (FISP) at the expense of other important high value crops such as cashew nuts, rice, cassava and sorghum.

Your Committee recommends that the Government should invest in the cashew industry and other crops and veer away from overly focusing on maize in order to develop the food value chain for cashew nuts and other agriculture products so as to realise the full potential of the agriculture industry.

xxiii. **Unfavourable Conditions by Shoprite**
Your Committee observes that the condition given to Nandusu Cooperative by Shoprite that the Cooperative could only supply cashew nuts to the retailer if they could consistently supply to all Shoprite outlets in Zambia is unrealistic, unfavourable and unacceptable. Your Committee further observes that some local chain stores such as Shoprite are not providing market for local products such as mineral water and mealie meal despite several engagements by the company; an example is the case of Shoprite in Mongu.

Your Committee recommends that the government should immediately get actively engaged in securing markets in Shoprite and other chain stores for local products to encourage production.

xxiv. **Unfair Competition**
Your Committee observes that foreign run hotels are favouring foreign tour operators, thus making it difficult for local tour operators to stay in business. A particular example is Avani and the Royal Zambezi Hotels, some of the biggest hotels in Livingstone, who only authorise Bush Trucks Tour Operator to provide tourism activities for their clients.

Your Committee urges the Government to come up with specific measures to compel the hotels to use Zambian tour operators.

xxv. **Bureaucracy at Food Reserve Agency**
Your Committee observes that MSMEs in the milling industry receive very minimal supply of maize or sometimes none at all from the Food Reserve Agency (FRA) due to
bureaucracies in the FRA management, leading to frustration among these MSMEs. The frustration by MSMEs arises from the requirement by FRA to deposit the money into their account and courier the deposit slip to Lusaka and wait for authorisation, which in most cases takes long, for the maize to be released.

Your Committee recommends that FRA should take a leading role in promoting MSMEs in the milling industry by expediting release of maize from the local FRA offices.

xxvi. **Cashew Infrastructure Development Project (CIDP)**

Your Committee observes that only about 800,000 cashew nut trees have been planted out of the 6 million cashew nut trees that are supposed to be planted under the CIDP. Your Committee further observes that only about 10 per cent of the funding has been utilised and the project is in its third year of the planned five years.

Your Committee recommends that the Government should review the performance of the project to ensure speedy project implementation and consider extending the project until the targeted 6 million trees have been planted.

xxvii. **Lack of Legislation**

Your Committee observed that ZACCI is limited in promoting entrepreneurship and its membership is dwindling. Your Committee further observes weak linkages between local chambers and the MSMEs and as such, most MSMEs do not see the benefit of affiliating to the local chambers.

Your Committee recommends that the operations of ZACCI be governed by legislation which should also make it attractive for business enterprise to become members of ZACCI. Your Committee further recommends that local chambers must be strengthened in order to promote entrepreneurship throughout the country without leaving anyone behind.

xxviii. **Lack of Protective Clothing**

During its local tour, your Committee observed that some MSMEs did not provide protective clothing to protect the employees against health and safety risks.

Your Committee recommends that the Ministry of Labour and Social Security must intensify its efforts to ensure that all MSMEs adhere to the provided guidelines concerning safety.
PART III

9.0 CONSIDERATION OF ACTION TAKEN REPORTS

General observation

In considering the Action-Taken-Report, your Committee expresses concern on the number of issues that have remained outstanding from as far back as the Eleventh National Assembly. It is the strong view of your Committee that its effectiveness is dependent on the implementation of the recommendations it makes to the Executive. In this vein, your Committee wishes to strongly urge the Office of the Vice-President to scale up supervision of line ministries to ensure implementation of recommendations made by your Committee in its various Reports.

The table below illustrates the number of issues that have been closed and those still outstanding in the Action-Taken-Report for the First Session of the Twelfth National Assembly.

<table>
<thead>
<tr>
<th>Session</th>
<th>No. of Issues Closed</th>
<th>No. of Outstanding Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Session of the Eleventh National Assembly Session</td>
<td>Nil</td>
<td>01</td>
</tr>
<tr>
<td>First Session of the Eleventh National Assembly (Auditor General’s Report)</td>
<td>Nil</td>
<td>07</td>
</tr>
<tr>
<td>Third Session of the Eleventh National Assembly</td>
<td>Nil</td>
<td>03</td>
</tr>
<tr>
<td>Fourth Session of the Eleventh National Assembly</td>
<td>01</td>
<td>06</td>
</tr>
<tr>
<td>Fifth Session of the Eleventh National Assembly</td>
<td>01</td>
<td>08</td>
</tr>
<tr>
<td>First Session of the Twelfth National Assembly</td>
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<td>42</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>07</strong></td>
<td><strong>67</strong></td>
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9.1 CONSIDERATION OF THE ACTION-TAKEN REPORT FOR THE FIRST SESSION OF THE TWELFTH NATIONAL ASSEMBLY

The coordination mechanism for Public Private Partnerships in the Country

9.1.1 Your previous Committee strongly recommended that the Government must come up with measures to enhance the coordination mechanisms among all the relevant stakeholders around PPPs. In this regard, the roles of all stakeholders must be clearly defined to avoid duplication of functions, which perpetuated the bureaucracy in the PPP process. This was especially so because the coordination mechanism between the PPP Unit, contracting authorities and other key stakeholders such as the private sector and commercial banks, were too weak to advance the PPP agenda. Further ZDA, CEEC and IDC, which were better placed to market and promote PPPs in the country, had weak linkages with the PPP unit.
**Executive Response**

The Executive responded that the PPP framework was being further developed. The Government had put in place measures to enhance coordination mechanisms among all relevant stakeholders around PPPs. Further, your Committee was informed that the regulations would be developed after the amendment of the Public Private Partnership Act and these would address the concerns, including those of duplicity of functions and bureaucracy in the PPP procurement process.

Further, the Ministry of National Development Planning, was developing standardised systems and guidelines which would be used by all Ministries, Provinces and other Spending Agencies (MPSAs) in the identification, preparation, appraisal and implementation of public investment projects. These systems and guidelines would cover planning and appraisal of all public investment projects, including those that would be implemented using the PPP model.

**Committee’s Observations and Recommendations**

Your Committee reiterates the previous Committee’s recommendation on the matter and resolves to await a progress report on the strides made by the Executive towards improving the weak linkages.

**Stability of the PPP Unit**

9.1.2 Your previous Committee recommended that when Government permanently shifts the domicility of the PPP unit, its domicility should not be at State House in order to allow for easy access and interaction by relevant stakeholders.

In response, the Executive reported that the PPP Act was in the process of being amended and the issue of its domicility would be resolved in the Amendment Bill. It should be noted that the PPP Unit was currently operating very efficiently under the Controlling Officer at State House. The Unit was located on 79 Independence Avenue in Lusaka, outside State House and was easily accessible by relevant stakeholders allowing for interaction with the Unit.

**Committee’s Observations and Recommendations**

The Committee welcomed the move of the PPP unit from State House to the Ministry of Finance. However, Your Committee recommends that the supervision of this Unit should fall directly under the Secretary to the Treasury and not the Controlling Officer at State House.

**Creation of an Enabling Environment for PPPs**

9.1.3 Your previous Committee, strongly recommended that the Government should create an enabling environment for private sector participation by committing to its policy pronouncements on PPPs as the lack of policy consistency and commitment on the part of the Government, including (perceived on real) political interference, tended to weaken the Government’s negotiating power, especially in PPP investments. In case of any policy changes, there was need for the Government to clearly state the reasons for the changes and
the implications that the changes would have on the stakeholders. This would cushion the impacts of such policy shifts and enable the private sector to easily accept the shifts.

**Executive Response**
The Executive responded that the Zambian PPP policy and legal framework followed international best practice and, as such, the Government had facilitated the creation of an enabling environment for private sector participation. This was facilitated through a sound legislative and policy framework. Government was also committed to its policy pronouncements on PPPs. The Executive made an undertaking that where there were any policy changes, the Government would clearly state the reasons for the changes and the implications the changes would have on the stakeholders.

**Committee’s Observations and Recommendations**
Your Committee notes the response from the Executive. However, your Committee is of the view that the law is still being flouted and urges the government to follow the provisions of the Act in its policy shifts.

**Private sector participation in the implementation of PPPs in Zambia**

**9.1.4** Your previous Committee recommended that Government should come up with policies aimed at helping the local private sector to access finances and to participate in PPP projects. Your Committee bemoaned the fact that the financial environment was characterised by high interest rates, inhibiting the private sector from mobilising resources to finance PPP projects.

**Executive Response**
The Executive responded that it had reduced commercial bank reserve ratios, controlled the inflation rates and other key economic fundamentals through the Bank of Zambia. These measures were expected to allow more business participation in Public Private Partnership projects. The PPP Unit was not only focusing on the public sector when it came to promoting public-private partnership awareness and advocacy in Zambia. As a follow up to the capacity building and training workshops which were initially targeted at the public sector, the Executive made an undertaking that the PPP unit would network and sensitise the private sector.

**Committee’s Observations and Recommendations**
Your Committee notes the response from the Executive and resolves to keep the matter active, as the steps taken by the government have not enhanced the participation of the local Zambians in the larger economic activities. Your Committee urges the government to have a more affirmative action targeted at allowing the local business sector to participate in the larger economy.

**9.1.5** Your previous Committee further urged the Government to come up with policies aimed at incentivising local participation through such schemes as tax incentives, guarantees and/or equity contribution.
Executive Response
The Executive responded that the tax laws already provided for tax incentives for priority sectors and businesses which were set up in Multi Facility Economic Zones, Industrial Parks and rural areas. Therefore, if a PPP was in a priority sector, Multi Facility Economic Zone, Industrial Park or rural area, it benefited from tax incentives. With regard to other options of incentivising PPPs, the option of equity would be the most prudent to undertake in order to keep Government debt at sustainable levels and this would also create space. However, the PPP Unit provided advisory services with regard to guarantees obtainable from development finance institutions such as Development Bank of Southern Africa, the International Finance Corporation and the Department for International Development. The issue of equity contribution was also being addressed through the involvement of public and private pension funds that had already taken equity on some PPPs.

Committee’s Observation and Recommendation
Your Committee resolves to await a progress report on the performance of equity contributions through the involvement of public and private pension funds.

9.1.6 Your previous Committee urged the Government to consider adopting a more targeted approach as a strategy to encourage local participation, whereby certain PPP projects which did not require huge outlays of capital such as the service or management contracts, reserved for the local private sector.

Executive Response
The Executive reported in the Action Taken Report that the capacity building and training workshops which were initially targeted at the public sector would be undertaken by the PPP unit through a networking and sensitising campaign targeted at the private sector. For instance, in the first six months of 2017, concerted efforts were made to promote PPP opportunities in Zambia in the United Arab Emirates and the United Kingdom. Various projects were already being developed as a result. Currently four active PPP projects that had been approved by the PPP Council were led by Zambian citizens. These projects were still being developed and were being promoted by citizen-owned companies as the lead members of the consortia, supported by international partners for technical expertise and accessed by international financing agencies.

Committee’s Observations and Recommendations
Your Committee resolves that the matter should remain active, as there is no specific action plan from the Executive to encourage local participation.

9.1.7 Your previous Committee recommended that the Government should put in place a deliberate policy to have interactions with the local private sector, in order to understand their capacities. This would then help the Government to formulate PPP policies that would be more targeted towards the local private sector.

Executive Response
The Executive responded that this would be addressed through the networking and sensitisation campaigns targeted at the private sector.
Committee’s Observation and Recommendation
Your Committee resolves to await a progress report on the interactions of the Government with the local private sector through its networking and sensitisation campaigns and to what extent these would benefit the local private sector.

Private Sector Representation in the PPP structure
9.1.8 Your previous Committee noted that the Technical Committee has no representatives from the private sector and recommended that organisations or associations representing the private sector must be part of the Technical Committee as a way of encouraging buy in by the private sector in the PPP agenda.

Executive’s Response
The Executive responded that the interests of the private sector were represented by the Economics Association of Zambia and the Engineering Institution of Zambia.

Committee’s Observations and Recommendations
Your Committee is of the view that Economic Association of Zambia and the Engineering Institution of Zambia were not representatives of the private sector but professional associations. Your Committee urges the Executive to ensure that the interests of the private sector are ably represented on the Technical Committee of the PPP unit.

PPP Strategic Development Plan for strengthening PPPs in Zambia
9.1.9 Your previous Committee recommended that Government should urgently put in place a comprehensive strategic plan which should outline Government’s priority focus in the immediate, medium and long term, including defining clear roles for the key players in the PPP framework.

Executive’s Response
The Executive responded that it had started the process of developing the PPP Strategic Plan. The Unit had been in constant consultation with Cabinet Office through the Management Development Division which was responsible for development of Strategic Plans. A position paper on the operations of the PPP Unit had since been drafted for submission to Management Development Division. In addition, the Unit sent a letter to Cabinet Office asking for permission to start the process of collecting information for use during the preparations of the Strategic Plan. The Management Development Division had assigned an officer to guide the Unit during development of the Strategic Plan. State House had also taken note of the good counsel the Honourable Committee had given. It would ensure that all issues raised were incorporated in the Strategic Plan.

Committee’s Observations and Recommendations
Your Committee reiterates the previous Committee’s recommendation and resolves to await a progress report on the development of the PPP Strategic Plan and finalisation of the position paper.

9.1.10 Your previous Committee further recommended that the PPP Strategic Plan should clearly spell out the list of pipeline projects which would form a bankable document for the
private sector to use for mobilising resources to finance the projects under the PPP arrangement.

**Executive’s Response**
The Executive responded that it had already prepared a list of pipeline projects and it was being updated.

**Committee’s Observation and Recommendation**
Your Committee requests that the list be availed to it, subject to which the matter should close.

**Challenges faced in the implementation of the PPP framework in Zambia**

**9.1.11** Your previous Committee recommended that the Government must provide resources in the budget for undertaking feasibility studies, and must also outline the estimated cost of the project and potential risks, so that such costs and risks were properly provided for in the PPP contracts. This was because feasibility studies were a key component in the PPP framework as they provided information on the viability of the project to be listed as a pipeline PPP project or to be implemented through the traditional public procurement method.

**Executive’s Response**
The Executive responded that the Treasury had taken note of your Committee’s recommendation that the Government must provide resources in the budget for undertaking feasibility studies in order to mitigate the potential risks associated with the PPP Projects. The Treasury wished to indicate that a new department, known as the Public Investments Planning Department, had been established under the Ministry of National Development Planning to, among other things, deal with project identification, appraisal, risk assessment and other feasibilities which could be incidental to projects. Further, other than providing for the cost of the projects, the Treasury would also, in the medium-term, endeavor to scale-up funding to various projects that required feasibility studies to be undertaken.

**Committee’s Observations and Recommendations**
Your Committee reiterates its previous recommendation. It also resolves to keep the matter active and urge the Executive to budget for feasibility studies. Your Committee further wonders why the new Public Investments Planning Department has been established under the Ministry of National Planning and not the Ministry of Finance as provided in the Act and also wonders if the Ministry of National Planning has become part of the Technical Committee.

**9.1.12** Your previous Committee further recommended that the Cost of Service Study be finalised as soon as possible so that the parameters to be used to move to cost reflective tariffs could be known and the implications for the economy clearly highlighted.

**Executive Response**
The Executive responded that the Minister of Energy on 13th April, 2017 launched the study on electricity Cost of Service and determination of economic cost reflective tariffs. The study was being undertaken by the Economic Consulting Associates (ECA) of the United Kingdom (UK). In June, 2017, the consultants had completed the inception report that was presented to
the Technical Committee and to the Steering Committee on 1st August, 2017. The Study would be completed in the first quarter of 2018.

Committee’s Observations and Recommendations
Your Committee resolves to await a progress report on the matter after the study is concluded in the first quarter of 2018.

9.1.13 Your previous Committee recommended that as a matter of urgency, the Government should put in place sector specific guidelines and standards, including manuals to move forward the implementation of the PPP framework. Such guidelines needed to be continuously updated and publicised in order to guide the PPP process.

Executive’s Response
The Executive responded that the Government, through the PPP Unit, was in talks with some cooperating partners to finance the development of standardised bidding documents, and sector specific technical and best practice guidelines by project type, including manuals where applicable. The PPP Unit would ensure that these were made available to the general public and were continuously updated.

Committee’s Observations and Recommendations
Your Committee resolves to await a progress report on the formulation of the standardised bidding document and manuals, which should be availed to the Committee once published.

9.1.14 Your previous Committee recommended that Government must embark on a programme to build the capacity of local Transaction Advisors (TAs) and ensure that they participated in PPPs for them to gain experience in the execution of PPP instead of depending on foreign expertise which tended to add to the cost of PPP projects, thus resulting in unusually long concessioning periods, which then eroded the benefits of PPPs to the Government and the public as a whole.

Executive’s Response
The Executive responded that the PPP Unit had taken note of the counsel of the Committee and would embark on a programme to build capacity of local TAs and ensure that they participated in PPPs for them to gain experience in the execution of PPP projects. It was envisaged that a cadre of PPP Specialists would be developed through training which had been arranged with the Institute for Public-Private Partnerships (IP3) in Washington DC. In June, 2017, the Permanent Secretary at State House obtained Cabinet Authority to commence with three basic PPP skills training courses for both the PPP Unit and contracting authorities. This training would lead to the accreditation as PPP Specialists, which can form a basis for establishment of a Panel of TAs within the public sector that could be called upon to focus on specific project development and project appraisal functions, as required.

Committee’s Observations and Recommendations
Your Committee resolves to await a progress report on the implantation of the training that was arranged with the Institute for Public-Private Partnerships (IP3) in Washington DC, so as to appreciate the expertise that will be gained by local TAs.
9.1.15 Your previous Committee recommended that the Government should consider coming up with a training programme on PPPs to capacitate the Ministries, Parastatals and Spending Agencies (MPSAs) on the PPP process. Such a training programme must also be extended to include training of local TAs and the local private sector to enable them embrace the PPP concept and participate in PPPs fully. This training programme is necessary considering that most of the contracting authorities, including the PPP Unit, do not have adequately trained personnel with skills in project identification and appraisal, contract negotiation, financial modelling, monitoring and evaluation, and PPP project management.

Executive’s Response
In response, the Executive explained that discussions commenced at the World Bank PPP Readiness Assessment Mission on Zambia during the third week of July 2017 where the World Bank, AfDB and DfID agreed to come up with an integrated approach fund and provide the advanced training through IP3 in 2018, which would require the PPP Unit and contracting authority staff to travel to Washington for specialised training in PPPs.

The current capacity building and training workshops were targeted at creating a cadre of local TAs in the public sector, while the networking and sensitisation campaigns were targeted at the local private sector to enable them embrace the PPP concept and participate in PPPs more comprehensively. State House, through the PPP Unit, had been coordinating some capacity building programmes to enhance the technical capacity of members of staff at the PPP Unit as well as in contracting authorities. In March, 2017, the Unit trained forty-eight officers including twelve Ministries, the three defense wings, two road sector agencies, seven state owned enterprises and five city councils in the Fundamentals of PPPs through a facility financed by the African Development Bank (AfDB). In addition, the PPP Technical Committee members from the Zambia Public Procurement Authority, the Attorney General’s Office, and the Economics Association of Zambia, the Engineering Institution of Zambia, Zambia Environmental Management Agency and directors in six ministries were trained during the first week of July, 2017. The PPP Unit had also trained thirty-one officers including six Ministries, the three road sector agencies and the Lusaka City Council in the Advanced PPP project identification, appraisal and structuring, PPP roles and obligations, risks, anticipating change and bankability, as well as the use of guarantees, through a facility financed by the AfDB.

Further, the PPP Unit had now partnered with the International Senior Lawyers Project financed under the African Legal Support Facility of AfDB to build the capacity of targeted officers. It was planned that in due course some would be trained to take on the role of Project Officers in the contracting authorities and become focal point persons who would drive the PPP implementation processes.

Committee’s Observations and Recommendations
Your Committee is concerned that State House is still coordinating the capacity building programmes targeted at the local TAs and other participating agencies. The Committee resolves to leave the matter active and strongly urges the Executive to shift the responsibility of spearheading such programmes to the Ministry of Finance. Your Committee also resolves to await a progress report on the discussions that had commenced with the World Bank, AfDB
and DfID to formulate an integrated approach fund to provide training for PPP Unit and contracting authority staff through IP3 in 2018.

**9.1.16** Your previous Committee recommended that the Government, through the ZPPA, needed to take measures to simplify the procurement procedures as well as come up with standards and guidelines including building the capacity of contracting authorities in tendering procedures to ensure that the procurement process of PPPs was efficient, unlike the current scenario where the procurement procedures for PPP were too long to attract more investors in PPPs.

**Executive’s Response**
Your Executive responded that it had noted your Committee’s recommendation and that through ZPPA it would work with the PPP Unit in the development of the guidelines and procurement standards for implementation of PPP projects. The ZPPA was also amenable to continued cooperation with the PPP Unit in improving the procurement process for PPP projects and appropriate capacity building would be provided to procuring entities involved in such projects once called upon by PPP Unit. Government was to further address the matters through an amendment Bill and thereafter come up with regulations and guidelines in tendering procedures that had a shorter turnaround period. Currently, the legal framework provides for use of the *Public Procurement Act* as Government develops a statutory instrument on PPP Regulations.

**Committee’s Observations and Recommendations**
Your Committee resolves to await a progress report on the development of the guidelines and procurement standards for implementation of PPP projects which it hopes will be addressed by the proposed amendments. Further your Committee awaits a progress report on the consultations on formulating a standardised bidding document and sector specific technical and best practice guidelines by project type.

**Use of other sources of finance in the Country such as Pension Funds**

**9.1.17** Your previous Committee recommended that Government should be remitting its monthly contributions to the pension funds timely in order to contribute to the pool of excess funds for investment in some of the PPP projects as such funds provided a good platform for cooperation in PPPs and Government could use excess funds held by the pension funds to finance some of the PPP projects in the country.

**Executive’s Response**
The Executive responded that it had taken note of your Committee’s recommendation that the Government should remit its monthly contributions to the pensions funds timely in order to contribute to the pool of excess funds for investment in some of the PPP projects which could be vital for investments in some of the PPP projects. Your Committee was informed that the Treasury had made significant strides towards ensuring that Government remained current with its remittance of employer’s contributions to various pension funds in the country. The Government was current with its pension contributory obligations for the mainstream public service and was working on significantly cutting down the delay in pension remittances from most parastatals and grant-aided institutions, as well as some sections of the defence forces, by the end of the year.
Committee’s Observations and Recommendations
Your Committee resolves to seek a comprehensive report on the strides that the Government has so far made in terms of which pension houses have received their monthly contributions and the outstanding periods for any outstanding dues.

9.1.18 Your previous Committee further recommended that such investments by the pension funds must be fully indemnified by institutions that were competent to handle and manage risks in order to protect the interests of the pensioners.

Executive’s Response
The Executive responded that it agreed with your Committee’s observation that investment management required specialisation, innovation and experience. One of the proposed reform parameters in the on-going pension reforms was the separation of pension administration from fund management where it was further proposed that the private sector be allowed to invest pension Funds within clearly laid down procedures and guidelines.

Committee’s Observations and Recommendations
Your Committee resolves to await a progress report on the on-going pension reforms that aim to separate pension administration from fund management.

Sharing of information on the performance of PPPs, Campaigns and Advocacy
9.1.19 Your previous Committee recommended that the Government should document the key lessons and benefits of PPP projects implemented so far, including failed PPP projects, as a way of providing information to the private sector for them to make informed investment decisions.

Executive’s Response
The Executive responded that it would, pursuant to this guidance, document the key lessons and benefits learnt and obtained from PPP projects implemented so far, including those that had failed.

Committee’s Observation and Recommendation
Your Committee calls for expeditions action on this matter and resolves to await a progress report on the documentation of lessons learnt.

9.1.20 Your previous Committee further recommended that Government should put in place a policy to sensitise the public and create awareness on the performance of PPPs in the country, including the sector focus for Government in the medium to long term and incentives available for attracting private investors. It was your Committee’s view that the use of Information Centres or online web-portals could help address this challenge.

Executive’s Response
The Executive responded that the Public-Private Partnership Unit was currently working on an awareness and publicity campaign that would be rolled out in the near future. This would include television, radio and print media and other stakeholders would be engaged through media breakfasts and networking workshops.
Committee’s Observation and Recommendation
Your Committee resolves to await a progress report on the rolling out of the awareness and publicity campaign.

9.1.21 The previous Committee recommended that in terms of advocacy, the Government should take advantage of the civil society organisations in the country to create awareness and encourage citizen buy-in by participation and acceptance, especially at early stages of the PPP projects, to avoid rejection.

Executive’s Response
The Executive responded that the Public-Private Partnership Unit had embarked on a publicity awareness campaign in order to educate and enlighten citizens on what PPPs were as well as how they were implemented. Through this campaign, awareness on PPPs would be created among the citizens and it would encourage citizen buy-in by participation and acceptance.

Committee’s Observations and Recommendations
Your Committee urges the Executive to provide data on the citizens that are benefiting from the publicity awareness campaigns and those that have participated and accepted.

Promote the implementation of PPPs in Multi-Facility Economic Zones
9.1.22 Your previous Committee recommended that the Government should take advantage of the Multi-facility Economic Zones to promote investments in PPP projects, which would also serve the needs of the firms operating within the zone.

Executive’s Response
The Executive responded that it had in fact taken advantage of the Multi-Facility Economic Zone (MFEZ) and it intended to have some projects implemented in the MFEZ. One example of a project in such an area was the establishment of a computer assembly plant by Zambia Information Communication Technology Authority (ZICTA). ZICTA would implement this project through a PPP arrangement.

Committee’s Observations and Recommendations
Your Committee resolves to await a progress report on the PPP projects to be undertaken under the Multi-Facility Economic Zone (MFEZ), especially on the establishment of a computer assembly plant by Zambia Information Communication Technology Authority (ZICTA).

Meeting with the Management of University of Zambia and East Park Mall
9.1.23 Your previous Committee recommended that Government should clearly explain the rationale for the extension of the concession from twenty five to fifty years between University of Zambia and the investor for East Park Mall.

Executive’s Response
The Executive responded that it would, in collaboration with UNZA, provide a clear cost-benefit analysis of the project, including the project cash flow and the expected payback period of the project.
Committee’s Observations and Recommendations

Your Committee notes the response from the Executive. However, your Committee notes that its concerns regarding the reasons that necessitated the extension of the concession period have not been addressed. Your Committee therefore, urges the Executive to respond specifically to its concerns. Your Committee is nonetheless agreeable that the Executive should, in collaboration with UNZA, provide a clear cost-benefit analysis of the project, including the project cash flow and the expected payback period.

9.1.24 Your previous Committee recommended that Government should consider reviewing the PPP Act to allow for variations to enable public learning institutions that have the capacity to undertake feasibility studies to do so with a requirement that such studies were underwritten or qualified by an external party. Such a provision would make it easier for public institutions to implement PPP projects.

Executive’s Response

The Executive responded that that, through the PPP Unit, it had taken note of the counsel of your Committee. However, the PPP Act did not require an external investor to undertake a feasibility study. The Act required UNZA to undertake the feasibility study as the contracting authority and the feasibility study was currently underway. Government has embarked on a capacity building programme to address such misconceptions.

Committee’s Observation and Recommendation

Your Committee resolves to await a progress report on the feasibility study for the construction of hostels. It also reiterates its calls for review of the PPP Act to allow public learning institutions to undertake feasibility studies as long as key were underwritten by an external party.

9.1.25 Your previous Committee recommended that the Government should come up with strategies of helping public institutions, including UNZA, to become self-sufficient so that they could improve their financial standing and be able to attract new investment, including PPP projects. Your Committee had noted that UNZA’s poor balance sheet which included a debt of K 2.5 billion, made the institution unattractive for investment purposes.

Executive’s Response

The Executive responded that it recognised the importance of ensuring that universities were self-sufficient and managed prudently. In this light, the Ministry engaged all relevant stakeholders to come up with a sustainable financing mechanism for public universities. A report on the findings was developed and a Cabinet Memo had since been submitted to Cabinet proposing a number of measures that would see the liquidation of the debt and implementation of prudent management strategies at University of Zambia, Copperbelt and Mulungushi Universities.

Committee’s Observations and Recommendations

Your Committee resolves to await a progress report on the proposed measures that were submitted to cabinet, aimed at liquidating the debt and implementing prudent management strategies at the said Universities.
9.1.26 Your previous Committee recommended that the Government should urgently develop sector-specific guidelines and procedures to help institutions in identifying projects for implementation under PPP.

Executive’s Response
The Executive responded that it had engaged some cooperating partners to finance the development of standardised bidding documents, and sector specific technical and best practice guidelines by project type, including manuals where applicable. The PPP Unit would ensure that these were made available to the general public and continuously updated.

Committee’s Observations and Recommendations
Your Committee resolves to await a progress report on the preparation of the standardised bidding documents, and sector specific technical and best practice guidelines by project type, including manuals where applicable.

9.1.27 your previous Committee strongly urged the Government to release funds to the institutions as appropriated in the national budget to meet salaries and other administrative costs so that funds received from the Project could be expended on construction of hostels and carrying out rehabilitation works in order to improve the capacity of the institutions.

Executive’s Response
The Executive responded that every year Government disbursed funds to the University of Zambia (UNZA) to the full extent as appropriated by Parliament in the national budget. The challenge of insufficient funds which UNZA had been experiencing was mainly due to the institution’s high expenditure requirements outstripping its expected revenues in a given period. Therefore, the Treasury was working with the Ministry of Higher Education and the managements of the three main public universities to come up with feasible measures of resolving these financial problems. Some of those measures included the introduction of a Student Loan Scheme, which would be a sustainable alternative financing option as it would allow graduates (former students) to contribute to the continued provision of the universities education in subsequent years. Other measures included the process of permitting the Universities to access publicly-guaranteed credit facilities which would go a long way in paying down personnel related obligations, which comprised well over 80% of the public universities’ liabilities.

Committee’s Observation and Recommendation
Your Committee resolves to leave the matter active and to await a comprehensive progress report on the proposed solutions of resolving the financial challenges at the public univeristies.

Meeting with Management of the Kenneth Kaunda International Airport (KKIA)
9.1.28 Your previous Committee recommended that the Government should strongly consider coming up with a national flag carrier, where the private partner should take the lead in the management of the airline. This would help the Government to tap into the expertise of the private partner and bring in the necessary efficiencies, which would result in increased revenues for the airport and guarantee the repayment of the debt acquired to upgrade the KKIA, without falling back on the Treasury.
Executive’s Response

The Executive responded that process of establishing a national airline was ongoing and the Ministry of Transport and Communication was undertaking the necessary consultative steps to ensure the best outcome. The Ministry was evaluating the best financing options for the airline and was considering a partnership with Ethiopian Airlines through a 55%-45% shareholding arrangement. Government shareholding (55%) would be through the Industrial Development Corporation. The Ministry would update your Committee on progress made as and when required.

Committee’s Observations and Recommendations

Your Committee notes the progress made and resolves to request the Executive to avail information on how it intends to finance its equity/shareholding the model it will use and the shareholding arrangement, to avoid contracting more debt as this activity is not provided for in the 2018 national budget.

9.1.29 Your previous Committee recommended that the Government should seriously consider establishing a national airline as a way of making the industry competitive; thereby reducing the prices of air tickets and attracting more clients as the existence of few airline industries in the Country had contributed to high prices for the air tickets.

Executive’s Response

In response, the Executive responded that it had taken note of your Committee’s observations and recommendations. The Government through the Ministry of Communication and Transport submitted as outlined below.

1. The high cost of air travel into and within Zambia was attributed to the price of Jet A-1 fuel. Market findings by the Competition and Consumer Protection Commission (CCPC) indicated that aviation fuel in Zambia was more expensive relative to selected countries, namely Zimbabwe, Kenya and South Africa. The cost was then passed on to the customers.

The following factors were deemed responsible for the different prices in Jet A-1:
a) Transportation cost: Countries like Zambia which transported jet fuel by road tended to have higher prices than those who transported the product through pipelines such as Zimbabwe;
b) Proximity to the coastline: Countries that were on or closer to the coastline such as Tanzania had lower costs of Jet A-1 fuel; and
c) Regulation: The price of Jet A-1 was regulated in certain countries namely, Botswana and Malawi, and not regulated in the remaining countries particularly Zambia, Tanzania, Namibia and Zimbabwe. Further, the price was influenced by different procurement systems such as competitive bidding in Tanzania. Regulating prices ensured that only margins that were considered just and reasonable would be passed on to the airlines.

The Government was, therefore, considering the following actions to reduce the cost of air travel:
a) the ERB would commence regulation of the Jet A-1 retail price by reviewing the price build-ups including margins for the oil marketing companies (OMCs), who under the existing regulations were free to charge any margin, as they deemed fit. The purpose of ERB regulating the retail price would be for the ERB and OMCs to agree on the cost elements that should be part of the price build-up, including the margins and how the prices would change following a change in the fundamentals. Where a cost-line in the price build-up was not justifiable, the OMC would be compelled to strike it out or reduce it. The regulation of the retail price would likely result in lower Jet A-1 prices.
b) the Import Parity Pricing (IPP) model for Jet A-1 would be introduced for the wholesale price. The IPP mechanism would enhance predictability and transparency, whilst also guaranteeing security of supply. The IPP mechanism would promote maximum efficiency in the supply chain for Jet A-1 while at the same time ensure that the domestic prices of Jet A-1 reflected the cost trends of petroleum products on the international market. This would enable consumers to pay fair prices for fuel, while allowing the OMCs to generate sufficient income to operate viably; and
c) constructing a pipeline on three corridors of Nacala, Tanzania and Lobito for transporting finished products in order to reduce transportation costs.

Further additional inland pipelines would be constructed for instance from Ndola to Lusaka, and other towns where Government fuel depots had been constructed in order to reduce transportation costs for finished products.

Committee’s Observations and Recommendations

Your Committee resolves to leave the matter active and seek an update on the operationalisation of the new airline.

9.1.30 Your previous Committee recommended that the Government should explain to the public its decision to reverse or cancel projects, especially those under the PPP arrangement, as this was important to instil confidence in the public sector.

Executive’s Response

The Executive responded that the PPP Unit would be required to undertake a more thorough review of the circumstances under which decisions to reverse or cancel projects were taken; especially those under the PPP arrangements.

Committee’s Observations and Recommendations

Your Committee resolves to await a progress report on the reasons that necessitated the reversal of the construction of the KKIA under PPP.

Meeting with Management of Itezhi-Tezhi Hydro Power Corporation

9.1.31 Your previous Committee recommended that the Government, through the relevant Ministry should engage the District Council in Itezhi-tezhi and the management at Itezhi Tezhi Power Corporation (ITPC) in order to discuss how the community could be assisted to build capacity in project identification. This followed the report that the community of Itezhi-
Tezhi had failed to identify projects to be implemented under corporate social responsibility by ITPC.

Executive’s Response
The Executive responded that the ITPC had pledged to provide 0.05 percent of its annual profits to the community to finance projects through the District Council towards rural and urban development encompassing Health, Education, Water & Sanitation, Rural Electrification and the environment. Potential projects for implementation using the above mode of financing were yet to be identified.

As a way to speed up the project identification process, the Ministry of Energy would engage ITPC and the District Councils so that part of the financial pledge made by ITPC be directed to capacity building training sessions for the key stakeholders to equip them with skills/knowhow that would enable them identify projects that would bring the most benefit to their community.

Committee’s Observations and Recommendations
Your Committee resolves to await a progress report on the projects to be identified for implementation.

Meeting with Management of the Copperbelt University
9.1.32 Your previous Committee recommended that the Government should speed up the process of coming up with sector-specific guidelines, including tender procedures to guide contracting authorities if the PPP agenda was to move forward.

The Executive welcomed your Committee’s recommendation. In this regard the Zambia Public Procurement Authority (ZPPA) would endeavour to work with the Public Private Partnership (PPP) Unit in the development of such guidelines/manuals for various sectors as these would be helpful in the implementation of PPP projects. On its part, the ZPPA had already engaged a consultant to develop procurement guidelines and manuals for use by the procuring entities. The documents would provide simplified step by step guidance on how to undertake procurement processes in order to reduce common errors. The documents would also be used as induction tools.

Committee’s Observations and Recommendations
Your Committee resolves to await a progress report on the development of the guidelines/manuals for various sectors.

Meeting with Management of the Kasumbalesa One –Stop Border Post
9.1.33 Your previous Committee recommended that the Government should consider urgently working on the road infrastructure to improve the flow of traffic at the border.

Executive’s Response
The Executive responded that the Chililabombwe Municipal Council was in the process of coming up with a Memorandum of Understanding with the Ming’omba Community which would indicate modalities of replanning the area, running the market and commitments for
each party. Once the traders were relocated, the roads would be clearer and the Council would embark on road works with a view to improving traffic flow.

Committee’s Observation and Recommendation
Your Committee urges the Executive to expedite the process of coming up with the Memorandum of Understanding with the Ming’omba Community considering that the issue has dragged on for too long.

9.1.34 Your previous Committee recommended that the Government should urgently construct proper sanitation facilities and market infrastructure for the traders in the border area and relocate the traders selling along the road. This would help avert the health risks in the area and improve the flow of traffic.

Executive’s Response
The Executive responded that the challenge with the market had been that the Ming’omba Community was running a community market independent of the Council. All the fees at this market were paid to the Ming’omba Community.

In order to address this issue, the Chililabombwe Municipal Council would undertake measures to construct a market shelter big enough to accommodate the current traders under the Council run market and those trading along the road outside the market.

Furthermore, the Council would endeavour to harmonise revenue collection in order to be in conformity with the guidelines of the Market and Bus stations Act No. 7 of 2007, which stated that revenue collection in markets was a mandate of the Council.

The Council was in the process of coming up with a Memorandum of Understanding with Ming’omba Community, which would indicate modalities of replanning the area, running the market and commitments for each party. Another key commitment on the part of the Council was the construction of an ablution block. Once the traders were relocated, the roads would be clearer and the Council would embark on road works with a view to improve traffic flow.

Committee’s Observations and Recommendations
Your Committee resolves to await a progress report on the construction of a market shelter that will be big enough to accommodate the current traders under the Council run market and those trading along the road outside the market. Your Committee urges Government to expedite the formulation of the Memorandum of Understanding with the Ming’omba Community.

9.1.35 Your previous Committee recommended that the Government should, as a matter of urgency, resolve the land issue involving the Mingomba Community so that corporate social responsibility activities could be implemented by the project for the benefit of the community.

Executive’ Response
The Executive responded that Chililabombwe Municipal Council and Mingomba Community had taken the matter to court in an effort to resolve the issue of the land at Kasumbalesa Border. It will only decide the next course of action after the court’s ruling.
Committee’s Observations and Recommendations
Your Committee resolves to await a progress report when the matter is finalised in the courts of law.

9.1.36 Your previous Committee recommended that the Government should take urgent measures to secure the border area so as to ensure the safety of the people using the facility as well as the Project.

Executive’s Response
The Executive responded that it appreciated the Committee’s observations and recommendations on the need to secure the Kasumbalesa One-Stop Border Post. The border area between Zambia and Democratic Republic of Congo was very wide as a result most people were using undesignated areas to cross the border.

To enhance security along the border, there was need to increase border patrols. Currently there was a Zambia Police Post at the border with only eighteen officers. To effectively provide safety for people using the facility, the ideal number of police officers required was eighty. However, with the limited number of police officers, patrols had been increased though not adequate to ensure safety of the people using the facility.

Further, the Ministry of Home Affairs had engaged Ministry of Finance for Treasury Authority to recruit more police officers.

Committee’s Observation and Recommendation
Your Committee requests the Executive to urgently provide funds for the recruitment of officers, and ensure that officers were deployed to the border post expeditiously.

9.1.37 Your previous Committee recommended that the Government should intervene by coming up with a proper infrastructure development plan. The plan should incorporate sanitation facilities so as to improve the outlook of the border area at Kasumbalesa and also prevent outbreak of diseases.

Executive’s Response
The Executive responded that the Council was in the process of engaging the ‘Ming’omba Community with a view to come up with a Memorandum of Understanding aimed at formalising existing buildings and re-planning the area in order to accommodate modern facilities/buildings. In order to enforce development control, the Council had created an office at Kasumbalesa Border Post where offices from various Council departments were stationed to monitor ongoing activities to prevent further mushrooming of slums.

Committee’s Observation and Recommendation
Your Committee urges the Executive to expedite the process as it has taken too long to resolve the matter. Your Committee will await a progress report on the matter.

9.1.38 Your previous Committee recommended that the Government should urgently consider enhancing security at the border, especially the area demarcating the border in order
to prevent illegal immigrants and traders from utilising the unsecured area, which denied Government huge revenues.

**Executive’s Response**
The Executive responded that the Ministry of Home Affairs was in agreement with the observations and recommendations on the urgent need to enhance security at the Kasumbalesa Border, especially the area demarcating the border in order to prevent illegal immigrants and traders from utilising the unsecured areas, which denied Government huge revenues. There were only nineteen Immigration officers at Kasumbalesa Border. However, the ideal number of Immigration officers required to optimise revenue collection was thirty. Despite the low staffing levels, the Immigration Officers patrolled the unsecured areas along the border but they were inadequate. The Ministry had since engaged Ministry of Finance for Treasury Authority to recruit more Immigration Officers to ensure security and enhance revenue collection at the border.

**Committee’s Observations and Recommendations**
Your Committee urges the Executive to expedite the process of recruiting immigration officers whenever funds are available and resolves to await a progress report.

9.1.39 Your Previous Committee recommended that as a way of enhancing revenue collection, the system supporting the operations of the border facilities at Kasumbalesa should be interfaced with the ZRA ICT.

**Executive’s Response**
The Executive responded that Government through the Ministry of Finance recognised the need for the improved infrastructure development for the Kasumbalesa One-Stop Border Post to not only facilitate the smooth flow of trade but also economic empowerment. It further submitted that in line with the modernisation strategy of ZRA, the Authority had embarked on implementing Information Communication Technology systems in 2016.

In addition, the multi-sectoral approach under the Smart Zambia would help speed up the need for other Government agencies to scale up the automation of their business processes and legal frameworks which would provide synergies between the programmes ZRA was implementing and those of other institutions. Particularly, the National Electronic Window which was an Inter-Government Agency Project focusing on enhancing trade facilitation at border points by bringing in the single window concept, would help integrate business processes of various government agencies that facilitate trade and enhanced revenues. The National Electronic Window was expected to:

i. simplify and harmonise border clearance procedures;
ii. enhance compliance by traders;
iii. enhance Government savings through avoidance of duplication of services and investments in technology to create a paperless environment; and
iv. increase predictability in the clearance process.

Government was of the view that the increased use of ICT systems would potentially help achieve increased compliance, reduce revenue leakages and increase revenue collection.
Committee’s Observations and Recommendations
Your Committee notes the response from the Executive but observes that it has taken an inordinately long time to modernise the infrastructure at Kasumbalesa border post, considering that the modernisation strategy of ZRA of implementing Information Communication Technology systems was embarked on in 2016. Your Committee resolves to await a progress report on the interfacing of the border facility with the ZRA system.

Meeting with Management at Lumwana and Kalumbila Mining Company
9.1.40 Your previous Committee strongly recommended that Government should engage the management at Lumwana to consider getting alternative land to be used for the development of the M-FEZ in order to develop the area.

Executive’s Response
The Executive responded that it had taken note of the Committee’s recommendation and further added that the Ministry of Commerce Trade Industry was engaging Lumwana on the matter.

Committee’s Observations and Recommendations
Your Committee resolves to await a progress report on the matter.

9.1.41 Your previous Committee recommended that the Government should speed up the process of finalising the Cost of Service Study to guide in the determination of cost reflective tariffs so that they are applied uniformly, especially in the mining sector.

Executive’s Response
The Executive responded that the Minister of Energy on 13th April, 2017 launched the Study on electricity Cost of Service and determination of economic cost reflective tariffs. The study was undertaken by the Economic Consulting Associates (ECA) of the United Kingdom (UK). In June, 2017, the consultants had completed the inception report that was presented to the Technical Committee and latter to the Steering Committee on 1st August, 2017. The Study would be completed in the first quarter of 2018.

The Study addressed the question and fear of passing on inefficiencies of ZESCO in form of high tariffs by addressing the following Terms of Reference:

1. determine the long-term least cost generation, transmission, distribution and supply programmes to meet the forecast electricity demand in Zambia over the medium to long-term;

2. estimate the long-run marginal cost ( LRMC) of generation, the average incremental cost (AIC) of transmission, and AIC of distribution and supply;

3. determine the economic cost of supply by voltage level, from generation through to the supply level;
4. design economic cost-based tariffs for structure and levels that reflect economic cost of service by consumer category; and

5. Determine the appropriate tariff structures, and the level of the social life-line tariff.

Committee’s Observations and Recommendation
Your Committee resolves to await a progress report on the Study on electricity Cost of Service.

9.1.42 Your previous Committee recommended that the Government should engage the management at Lumwana to discuss the possibility of moving the security check point to the entrance of the mining operations area so that the residential area should not be affected by the security restrictions that were in place.

Executive’s Response
The Executive responded that, through the Ministry of Commerce, Trade and Industry, it was still engaging Lumwana on the matter.

Committee’s Observation and Recommendation
Your Committee resolves to await a progress report on the matter.

9.2 ACTION-TAKEN REPORT FOR THE FIFTH SESSION OF THE ELEVENTH NATIONAL ASSEMBLY

Page 15 Para 4 to Page 17
9.2.1 Your previous Committee noted the Executive’s response on its concerns regarding the continued export of raw copper by the country instead of embarking on value addition which could result in the emergence of various processing industries in the sector as well as create more jobs. However, your Committee raised concern that the economic zone established at Chambishi, although aimed at enhancing value addition in the mining sector, was only serving small scale mines, including illegal miners, who were selling copper to the processing plant. Further, the strategies being implemented by the Government did not cover value addition by large scale mines, whose contribution to the Treasury could be higher compared to that of small enterprises. The Executive’s response did not also indicate who monitored these large scale mines and the strategies put in place by the Government did not show the deliverables and how they would be measured. Further, as regards capacity building, the Executive did not indicate the quantum of resources in place to pursue this strategy and how effective the strategy was.

In light of the inadequacy of the response by the Executive, your Committee resolved not to close the matter and requested for an update on how the above strategies were working.

Executive’s Response
The Executive responded that it had taken note of your Committee’s recommendation. However, your Committee was reminded that the value addition strategies implemented by Government were for all players in the economy and at various stages. For example, the
licenses issued by Government to both large and small scale mines compelled them to process minerals from ores up to cathode level for copper. In addition an export duty of 10% had been introduced on export of unprocessed minerals. This acted as a deterrent for exporting unprocessed minerals and encouraged value addition.

Your Committee was informed that a company called NEELKANTH Cable Manufacturers, based in Masaiti, had taken advantage of the government policies of value addition by adding value to copper cathodes for the manufacture of copper cable wires.

For other minerals such as Limestone and gypsum, value addition was to a greater extent taking place. Companies such as Lafarge and Dangote were adding value to mined limestone, which was being used in the manufacture of cement.

It was further submitted that the Ministry of Mines and Minerals Development was responsible for monitoring the large scale miners and mineral processing license holders.

Committee’s Observations and Recommendations
Your Committee notes the response from the Executive. However, it is of the view that the 10% export duty is not enough to deter the export of raw copper. It is of the view that more stringent measures should be put in place to deal with this issue. Therefore, your Committee resolves to request a further update on this matter.

Page 18 Para 7 to Page 20
9.2.2 Your previous Committee was concerned with the way small-scale mining in Zambia had been neglected despite its potential to contribute to poverty reduction if managed effectively. Your previous Committee, therefore, urged the Government to implement measures which would support small-scale mining in Zambia and enhance its contribution to poverty reduction.

Your Committee appreciated the efforts being made by the Executive to support small scale mining companies as a way of contributing to poverty reduction. However, it resolved not to close this issue and await a progress report supported with necessary facts and figures to show how the interventions were working and how many small-scale mines had benefited.

Executive’s Response
The Executive responded that the Ministry of Mines was implementing the ACP-EU Development Minerals Programme aimed at improving the productivity, safety, health and environmental issues of small scale mines, particularly those involved in industrial and semi-precious minerals. Through the Programme miners were trained in safe mining methods, entrepreneurship, and value addition methods. In addition, the Programme had a component of grants for the miners. The implementation of the programme commenced in 2016 and about 40 miners had been trained in three areas which were safety and environment, efficient mining methods, and entrepreneurship. Deserving miners were to be given grants of up to US$ 5,000 before the end of 2017.
Committee’s Observation and Recommendation
Your Committee notes the response and reiterates your previous Committee’s recommendation. Your Committee is still concerned over the number of people that had since benefited under the ACP-EU Development Minerals Programme and resolves to leave the matter active so to get an update on the grant that was to be given considering that 2017 had elapsed.

Page 21 Para 4 to Page 22
9.2.3 Your previous Committee noted the various statutes in place to protect workers from being exploited, but wondered if the Government was undertaking spot checks to monitor if employers in the mining sector were complying with the requirements of the labour laws. Your Committee, therefore, recommended that the Government should undertake spot checks on the mines to ensure that they were complying with the legal requirements.

Executive’s Response
The Executive responded that it would enhance the undertaking of spot checks to ensure compliance with requirements of the labour laws.

Committee’s Observation and Recommendation
Your Committee resolves not to close the matter following the labour issues that have arisen from the mining sector in light of the transfer of workers to sub contractors who in turn were terminating the workers contracts. Your Committee urges the Executive to re-look into this labour issue and submit a further update to it.

Agriculture Sector (Page 22 Para 3 to Page 23)
9.2.4 Your previous Committee observed that agriculture held the highest potential for the reduction of poverty in the country because 70 percent of the population was engaged in this sector for their livelihood. Your previous Committee, however, expressed deep concern that despite its potential, the contribution of agriculture to GDP had remained small. It noted that low productivity could partly be explained by the lack of access to key productive assets and market opportunities across the population. Your Committee observed that a large proportion of the budgetary allocation to the agriculture sector went to subsidies in form of the Farmer Input Support Programme (FISP) and the Food Reserve Agency. Your previous Committee, therefore, urged the Government to urgently review its budget priorities in the agriculture sector with a view to diversifying from the two programmes and focus on other programmes such as Extension Services and Research and Development. Your Committee resolved to keep the matter open and await a progress report on the performance of the e-voucher system in order to ascertain if the measure would contribute to cost reduction.

Executive’s Response
The Executive responded that the e-voucher programme had been successfully rolled-out to thirty-nine districts during the 2016/2017 season targeting 602,521 farmers. The districts that participated were: Kalomo, Choma, Monze, Mazabuka, Chikankata, Pemba, Chongwe, Mumbwa, Chibombo, Kabwe, Kapiri Mposhi, Ndola, Chisamba, Serenje, Chililabombwe, Chingola, Kitwe, Luanshya, Mufulira, Chipata, Katete, Petauke, Mansa, Samfya, Chilanga,
Kafue, Lusaka, Rufunsa, Chinsali, Isoka, Nakonde, Kasama, Mungwi, Mwinilunga, Solwezi, Zimba, Kaoma, Limulunga, and Mongu.

Over the past two seasons, the e-Voucher had been implemented; and an estimated 25,000 farmers had been removed from FISP beneficiaries list due to death, ghost farmers or cards that were not collected by the owners.

Apart from the savings made from transportation and other logistics from the implementation of the conventional FISP, the removal of 25,000 farmers from the beneficiaries list meant that the Government made a saving of about K42,500,000.

Committee’s Observations and Recommendations
Your Committee resolves to keep the matter open, considering the perceived high inefficiencies that have been experienced by the farmers in the implementation of the e-voucher and requests for government to improve its implementation of the programme. Your Committee also resolves to await a progress report on how the funds saved from the introduction of the e-voucher have contributed to research and extension services apart from the Executive providing the increased budget allocation.

Page 23 Para 4 to Page 24
9.2.5 Your previous Committee observed that although the livestock sector held significant potential for poverty reduction, the gains from the sector had continued to be eroded due to livestock diseases in some parts of the country. Your Committee was concerned that animal diseases had continued to jeopardise the livestock assets of farmers, there by limiting market access opportunities for animals and animal products and constraining opportunities for income generation. It recommended that Government should invest in building the technical, scientific and operational capacities of the national control systems in order to contain animal diseases in the country. Your Committee recommended that a full decentralisation process be implemented as proposed by the Government.

Executive’s Response
The Executive responded that decentralisation had been and was a key policy of the Government of Zambia, implemented in various forms since the attainment of independence in 1964.

Government adopted the National Decentralisation Policy on 18th November, 2002 and subsequently launched it on 20th August, 2004. The Policy had since been revised and approved on 11th February, 2013, followed by a re-launch on 20th July, 2013. At the heart of the Policy was sector devolution or the transfer of certain designated functions, together with power, authority and matching resources, including staff, from the affected sector ministries, departments and agencies to lower levels, such as the district and sub-district levels.

However, delays in full implementation of decentralisation could be attributed to realignments which were done for some ministries, departments and agencies, including the Ministry of Agriculture and Livestock.
Consequently, some of these new ministries were not yet fully-fledged due to ongoing internal structural re-adjustments and limited fiscal space in the 2017 budget to accommodate personal emoluments for additional staff.

The Executive further submitted that, once all the affected sector Ministries, including Fisheries and Livestock, had taken their full shape, the Executive would revisit its roadmap for full implementation of decentralisation.

Committee’s Observations and Recommendations
Your committee resolves to keep the matter open, so that it can get an update on the implementation of the Decentralisation Programme after the ministries affected with realignments take shape.

Page 24 Para 2 to Page 24 Para 5
9.2.6 Your previous Committee observed that although land was a key factor of production in the agriculture sector, the majority of small scale farmers, especially women, still lacked access to land which impacted negatively on their productive capacity. Your Committee urged the Government to put in place policy measures aimed at helping small scale farmers, especially women, to access land for their farming activities. Your Committee resolved to keep the matter open to await an update on the Customary Land Administration Bill and the revision of the Land Policy of 2006.

Executive’s Response
The Executive responded that the Ministry of Lands and Natural Resources could not finalise the development of the Customary Land Administration Bill due to on-going works on the development of the National Land Policy. The Land Policy proposed a number of recommendations on issues such as women and youths’ access to and security of tenure especially on customary land as well as institutional structures to enhance women and youths’ participation in decision making over land in customary areas. It was important therefore, that the contents of the policy influenced the legislation so that both were comprehensive and in tandem with each other. It was only upon the finalisation of the Land Policy that the Ministry would finalise the Customary Land Administration Bill.

With regard to the development of the National Land Policy, similarly, Government through the Ministry of Lands and Natural Resources could not finalise the formulation of the National Land Policy in 2016 due to the need to engage in comprehensive consultations with various stakeholders on matters pertaining to the administration and management of customary land. In addition, the Ministry had challenges in mobilising financial resources to convene stakeholder consultations and conclude the formulation of the Land Policy as planned. Consultations had since been undertaken with various key stakeholders who had included traditional leaders, civil society, cooperating partners, ordinary men and women and various others. A National validation meeting would be the next step in the road map to ensure that the Land Policy was finalised before the end of 2017.

Committee’s Observations and Recommendations
Your Committee notes with disappointment the response from the Executive considering that it has taken too long for the Executive to finalise the issue on the Land Policy when the poor
citizens have continued to suffer displacements, especially at the hands of foreigners. Your Committee resolves to keep the matter open and request government to expedite the process to finalise the development of the land policy which was earmarked to be completed before the end of 2017.

**Other Poverty Reduction Programmes (Page 25 para 1 to para 3)**

9.2.7 Your previous Committee considered the performance of selected poverty reduction programmes, including the Constituency Development Fund (CDF), the Youth Development Fund (YDF), and the Citizens Economic Empowerment Fund (CEEF).

Your previous Committee observed that CDF was used as a tool to speed up development at the community level by providing the much needed infrastructure such as roads, markets, schools and clinics. However, the criteria for allocation of the CDF was uniform across the country and did not take into account the unique circumstances and poverty levels faced in each of the different parts of the country. This criteria undermined the potential impact of the CDF in more needy areas.

Your previous Committee, therefore, recommended that the Government should consider coming up with an allocation formula that would be reflective of the poverty levels in each constituency. It also recommended that the disbursement of the funds must be predictable in order for the communities to draw maximum benefits from the Fund.

Your Committee then resolved to keep the matter open and await an update on the new CDF guidelines and sharing model.

**Executive’s Response**

The Executive responded that through the Ministry of Local Government, it had taken note of your previous Committee’s recommendation and would endeavour to keep the matter open until the CDF Bill was enacted as advised.

**Committee’s Observation and Recommendation**

Your Committee reiterates your previous Committee’s recommendation. Further, it urges the Executive to ensure that disbursement of this Fund is timely and also not selective where certain constituencies received whilst others did not.

**Page 26 Para 1 to Para 3**

9.2.8 Your previous Committee observed that the Government had established the Youth Development Fund (YDF) as a response to youth unemployment in the quest to reduce poverty. Your Committee was, however, concerned with the various implementation challenges which had affected the attainment of the very objective the Fund was established for. In particular, while the YDF was established as a revolving fund, this was not the case due to poor loan repayment which had made the Fund unsustainable. Your Committee resolved to urge the Executive to put in place measures to enhance the management of the YDF so that it could achieve its intended goal and also to review the YDF guidelines.
Executive’s Response
The Executive responded that the Zambia Institute of Policy Analysis and Research (ZIPAR) had concluded assessment of the Youth Development Fund and was compiling a report. The report was expected by the 31st August, 2017.

Committee’s Observation and Recommendation
Your Committee reiterates your previous Committee’s recommendation. Your Committee is also disappointed that poor loan repayment has also been rampant with the CEEC. Your Committee awaits the report from ZIPAR.

9.3 ACTION-TAKEN REPORT FOR THE FOURTH SESSION OF THE ELEVENTH NATIONAL ASSEMBLY

Electricity sector reforms: a case for unbundling Zesco

Page 28 Para 3 to Page 29 Para 5
9.3.1 Your previous Committee expressed concern that the Government rejected the recommendation for the unbundling of ZESCO Limited and did not provide a way forward on how the efficiency of the company was going to be improved. It resolved not to close the matter until the Government gave a clear roadmap on how the efficiency of the company would be enhanced. Your previous Committee therefore resolved to await a progress report on the matter and to continue monitoring the progress of ZESCO operations. In this regard, your previous Committee requested an update on the improvements in the operational efficiency of the company following the transfer of the shareholding to IDC, if any.

Executive’s Response
The Executive responded that there were advanced preparations for reforms in ZESCO and the energy sector. The Government had constituted a Technical Committee to develop Terms of Reference for the procurement of a consultant who would undertake a study on ZESCO’s performance to analyse the operations and financial structure of ZESCO Limited and recommend the organisational and financial restructuring required for the company to run efficiently and profitably. The roadmap for undertaking this process was done, and the procurement process commenced in the third quarter of 2017.

In addition, the Industrial Development Corporation (IDC) was developing solar energy and had commenced the procurement process to develop up to 600MW of Utility Scale Solar photovoltaic (PV) power generation plants in 2017. As an immediate first step towards meeting this objective, two bidders were selected to develop two (50MW) projects at the Lusaka South Multi-Facility Economic Zone (LS-MFEZ).

Committee’s Observation and Recommendation
Your Committee reiterates your previous Committee’s recommendation not to close the matter but to continue monitoring the progress of ZESCO operations and also await a report of the Technical Committee which is developing the Terms of Reference for the procurement of a consultant who will undertake a study on ZESCO’s performance.
9.3.2 Your previous Committee had strongly recommended that as a matter of utmost urgency, a practical strategy must be found for the dismantling of the debt that was owed to ZESCO Limited by the Government. Your Committee resolved to await a progress report from the Executive on the dismantling of the debt.

Executive’s Response
In response, the Executive indicated that efforts to dismantle the debt owed by the Government and other spending agencies to ZESCO were ongoing. The Ministry of Finance on 14 October, 2016 directed that a debt swap between GRZ, Zambia Revenue Authority (ZRA) and ZESCO Limited be implemented. ZESCO and the Ministry of Finance (Investment and Debt Management-IDM) thereafter, met to discuss the modalities to operationalise the debt swap. It was agreed during meetings between ZESCO and IDM that the invoices be certified by the user Government Ministries and Departments as at December, 2016. The certification of invoices was done and all certified invoices were delivered to IDM for further processing in February, 2017, for a total sum of ZMW 553,508,770.85.

Subsequent to the certification and delivery of the certified invoices to IDM, ZESCO had been making follow-ups with IDM to operationalise the debt swap. However, the process had not been concluded yet. Further, invoices for the months of January to June, 2017 had not been settled by the various Ministries and Departments. The debt had since accumulated to ZMW 611,579,650.76 as at 28 July, 2017.

Committee’s Observation and Recommendation
Your Committee resolves not to close the matter but to await a progress report on the operationalisation of the debt swap. It further urges the Executive to expedite the debt swap process.

Page 31 Para 1 to Page 31 Para 4
9.3.4 Your previous Committee had recommended that the recommendations by the Energy Regulation Board (ERB) on the Cost of Service Study in relation to cost reflective tariffs should be implemented. Your Committee further urged the Government to ensure finalisation of the Cost of Service Study and its full implementation without undue delay as it also affected the country’s ability to attract new investment in the energy sector. Your Committee resolved to await a progress report on the matter.

Executive’s Response
In response, the Executive indicated that the Minister of Energy on 13th April, 2017 launched the study on electricity cost of service and determination of economic cost reflective tariffs. The study was being undertaken by the Economic Consulting Associates (ECA) of the United Kingdom (UK). In June, 2017, the Consultants had completed the inception report that was presented to the Technical Committee and later to the Steering Committee on 1st August 2017. The Study was to be completed in the first quarter of 2018.

Committee’s Observation and Recommendation
Your Committee resolves to await a progress report when the study is completed by the end of the first quarter of 2018.
9.3.5 Your Previous Committee sought a progress report on when the Social Protection Bill would be presented to Parliament.

Executive’s Response
In response, the Executive indicated that through the Ministry of Labour and Social Security, it had submitted the draft Bill to Cabinet in April, 2016 for consideration. Following guidance from Cabinet Office, the Bill was being revised with input from the stakeholders including the Tripartite Consultative Labour Council. Government was targeting to submit the bill in the September, 2017 meeting of Parliament.

Committee’s Observation and Recommendation
Your Committee resolves to await a progress report on the presentation of the Social Protection Bill to Parliament.

9.3.6 Your Previous Committee sought a progress report on the presentation of the Bill amending the National Pension Scheme Act to Parliament.

Executive’s Response
In response, the Executive indicated that the proposed amendments to the National Pension Scheme Act were approved by Cabinet in 2016. Government, through the Ministry of Justice, was in the process of revising the relevant legislation including the issue of the NAPSA penalty rate, to be tabled before parliament or included in the pension reforms currently underway. The proposal would align the penalty rate to the Bank of Zambia policy rate and give the Director General discretion to waive penalties where there were compelling reasons.

Committee’s Observation and Recommendation
Your Committee resolves to await a progress report on the presentation of the Bill to amend the National Pension Scheme Act, which should also incorporate the adjustments of the benefits structure as recommended in the NAPSA 2012 Actuarial Report.

Tour to the Copperbelt Energy Corporation-Kapombo Hydro Electric Power Project

9.3.7 Your previous Committee resolved to await a progress report on the efforts Government was making to address the challenges faced by Copperbelt Energy Corporation (CEC) in implementing the Kabompo Gorge Hydropower Project by ensuring that title deeds for the Project land were processed.

Executive’s Response
The Executive reported that it understood the importance of developing the Kabompo River Hydropower Plant in contributing and addressing the energy deficit in the country. However, the Ministry of Lands and Natural Resources had not yet commenced the process of issuance of the Certificate of Title to CEC for the following reasons:
a. The land in question fell within the heritage site and national forests. It was against the principles of land policy as outlined in the amended Constitution of Zambia Act, No. 2 of 2016 under Article 253 (1) (g) which stated: “land shall be held, used and managed in accordance with the following principles:
b. river frontages, islands, lakeshores and ecologically and culturally sensitive areas—

(i) To be accessible to the public;
(ii) Not to be leased, fenced or sold; and
(iii) To be maintained and used for conservation and preservation activities”

c. It was against the principles of Water Resources Management as outlined in the Water Resources Management Act No. 21 of 2011 Section 6 which restricted exclusive ownership of water resources and stated as follows, among others:

- there shall be equitable access to water; and
- there shall be no private ownership of water and no authorisation for its use shall be in perpetuity

d. The Statutory Instrument No. 1 of 2000 restricted the undertaking of any activities within a fifty metres of a bank of any public stream and stated as follows:

“a person shall not, on any area of land within a distance of fifty metres of a bank of any public stream, cultivate or permit the cultivation of any crops, cut any tree, excavate any sand or in any manner conduct any activity likely to loosen the soil or diminish the quantity of water flowing in any part of a public stream.”

Based on the above provisions of the laws, the Ministry did not proceed to issue certificate of title to CEC. The Ministry could only issue certificate of title to CEC for land which left at least fifty metres buffer away from the water frontage. Issuing certificate of title to CEC for the area that covered the river would give CEC exclusive rights to the river. Such a move would be contrary to the current laws of the country and would not be in the interest of the local communities that depended on the river as a source of livelihood.

The Ministry of Lands and Natural Resources was committed in supporting the successful implementation of the project, and it was, therefore, engaged with CEC and all other relevant stakeholders to ensure that all matters pertaining to issuance of certificate of title to CEC were resolved expeditiously and in compliance with the law.

Committee’s Observation and Recommendation
Your Committee resolves to await a progress report and to engage the Ministry of Lands and Natural resources on the matter.
9.4 ACTION-TAKEN REPORT FOR THE THIRD SESSION OF THE ELEVENTH NATIONAL ASSEMBLY

Implementation of the National Strategy for the Development of Statistics

Page 42 Para 1 to Para 4 (ATR Page 67)

9.4.1 Your previous Committee resolved to seek an update on the Cabinet Memorandum and when the planned new statistics law would be presented to Parliament.

In response, the Executive indicated that through the Ministry of National Development Planning, it had developed the National Statistics Bill, 2017 which had since been approved by Cabinet. The Bill was aimed at responding to the information requirements of a modern and smart Zambia.

Committee’s Observation and Recommendation
Your Committee notes that the Bill would improve coordination of the National Statistics System (NSS) by integrating various statistical programmes across Government institutions and responds to issues of data standardisation for improved efficiency and credibility in the production of statistics. In this light, your Committee resolves to await a progress report on the matter and urges the Executive to give a timeframe on the National Statistics Bill, which should respond to the issues of data standardisation and help improve efficiency and credibility in statistics production.

Page 43 Para 4 to Para 6 (ATR Page 68)

9.4.2 Your previous Committee resolved to await a progress report on the approval of the introduction of the Renewable Energy Feed-in-Tariff (REFIT) policy for Zambia.

Executive’s Response
In response, the Executive reported that the REFIT Strategy had been approved by the Cabinet in July, 2017. The Global Energy Transfer Feed-in Tariff (GET FiT) programme was a supplement to the REFIT Strategy which aimed at incentivising Independent power producers in the development of renewable energy projects of up to 20 MW. This was being done with assistance from the cooperating partners and the Government was developing standardised documents (Implementation Agreement (IA), Power Purchase Agreement (PPA), and Connection Agreement (CA)).

Committee’s Observation and Recommendation
Your Committee resolves to urge the Executive to expedite the process of formulating the REFIT strategy and awaits an update on the matter.

Lunsemfwa River Catchment (Page 44 Para 4 to Page 45 Para 6)

9.4.3 Your previous Committee had recommended that the Government should streamline the granting of water rights to ensure that competing needs for water such as the one facing Lunsemfwa Hydro Power Company (LHPC) on the Mita Hills Dam were resolved.
Executive’s Response
The Executive had earlier submitted that the Water Resources Management Authority (WARMA) held a stakeholders’ meeting in Mkushi on 29th April, 2014 to discuss the concerns of the water resource availability in the Lunsemfwa River Catchment Area. The Catchment was in the area where LHPC was operating. The Executive further submitted that the Authority had since taken a precautionary approach to water resources management and did undertake field investigations and stakeholder consultations to guide decisions on any water allocation. The previous Committee had called upon the Government to expedite the resolution of this matter and submit an update to it.

Your previous Committee noted the Government’s efforts in resolving the water resource availability in the Lunsemfwa River catchment area but resolved to await a progress report on the measures being undertaken by the Government.

Executive’s Response
The Executive responded that through the Ministry of Water Development, Sanitation and Environmental Protection it had taken the following measures:

a) **Formation of the Water User Association (WUAs) which had been involved in the monitoring, management and allocation of water resources to ensure a harmonised equitable sharing of the available resources.**

The Catchment had two WUAs formed and operational, namely the Tembwe and Munshiwemba. These WUAs were active and did undertake the monitoring of the abstraction of water by the users in accordance with Permit allocations, collected data from the flowmeters and submitted these to the Associations for use in the decisions on sharing of water per year.

Talks had reached an advanced stage for the formation of the Mulungushi WUA which included the LHPC. The WUAs were formed in anticipation of the expected ‘Water Resources Management (General Regulations)’ which had already been drafted and reviewed and submitted to the Minister of Water Development, Sanitation and Environmental Protection. These regulations, which contained guidelines on the formation of WUAs, were awaiting the Minister’s submission to the Ministry of Justice.

b) **WARMA to recommend to the Ministry of Water Development, Sanitation and Environmental Protection (MWDSEP) to declare the Catchment water stressed area pursuant to Section 51 of the Water Resources Management Act No. 21 of 2011.**

The only progress here was the incorporation of the process/procedure of declaring a water stressed area in the drafted general regulations.
c) Installation of Sub-Catchment Councils to assist in the formulation of Catchment and Sub-Catchment Management Plans to safeguard the interest of all the stakeholders.

Due to limited resources, this measure had not been undertaken in the Luangwa Catchment and specifically in the Lower Luangwa Sub-Catchment where the Lunsemfwa River was the main channel. However, the official delineation of the country’s six catchments had been done with a map deposited in the Surveyor General’s Office. This map would be availed once the Statutory Instrument was signed. WARMA was working on the delineation of the twelve Sub-Catchments of Zambia which would form the basis for the formation of the Sub-catchment Councils and their associated Management Plans.

With the assistance of WWF Zambia, WARMA had undertaken preliminary studies on the hydrology, socio-economic, wildlife, vegetation, geology, climate and environmental flows (eflows) that formed a critical foundation of a sound Catchment and Sub-Catchment Management Plan if resources available, WARMA would commence the bringing together of all stakeholders in the catchment for the formation of the catchment and sub-catchment councils. This process and development was advanced in the Kafue Catchment and Lower Kafue Sub-Catchment where WARMA, TNC (The Nature Conservancy), WWF Zambia, Solidaridad, SNV and GIZ were joining forces to make this a reality.

d) Promotion of the catchment conservation projects within the area to enhance the availability of water

WARMA had contributed to the rejection of the proposed Upper Lunsemfwa Dam construction which would have caused the degradation of the headwaters and reduced flow of water to Mita Hills Dam where LHPC drew the water resource for the generation of electricity. However, despite the rejection of the proposed dam, the promoters were up in arms and determined to construct the dam against all odds.

Committee’s Observation and Recommendation

Your Committee resolves to await a progress report on the matter, as it has not been concluded.

9.5 ACTION-TAKEN REPORT FOR THE FIRST SESSION OF THE ELEVENTH NATIONAL ASSEMBLY

Comprehensive Debt Strategy and Policy (Page 45 Para 4 to Page 47)

Your previous Committee resolved to await a progress report on the preparation of the new Public Debt Policy and the Bill to amend the Loans and Guarantees (Authorisation) Act for consideration by Parliament.

Executive’s Response

The Executive responded that through the Ministry of Finance, it was in the process of formulating the new Public Debt Policy. In this regard, during the month of February, 2017, the Ministry of Finance undertook the Medium Term Debt Strategy (MTDS) covering 2017-2019 and conducted the 2017 National Debt Sustainability Analysis (DSA) taking into
consideration the prevailing macroeconomic changes and the new prospective borrowings. The results of the MTDS and DSA were a critical input to the development of the new Public Debt Policy which would be resubmitted to Cabinet. Currently, the Ministry of Finance was submitting the MTDS and DSA documents to Cabinet for approval after which development of the public debt policy would be initiated.

The development of the debt policy was being undertaken in line with the work-plans for 2017 to 2018. With the undertaking of the above mentioned actions as building blocks, the Ministry of Finance had planned to implement the process of developing a public debt policy in second quarter of 2018.

Committee’s Observation and Recommendation
Your Committee resolves to await a progress report on the formulation of the new Public Debt Policy.

9.6 ACTION-TAKEN REPORT ON THE REPORT OF THE AUDITOR GENERAL ON THE MANAGEMENT OF OCCUPATIONAL SAFETY AND HEALTH FOR THE FIFTH SESSION OF THE ELEVENTH NATIONAL ASSEMBLY (ATR Page 71)

Page 4 Para 1 to Para 3
9.6.1 Your Previous Committee observed that the Government had not finalised the Comprehensive National Policy on Occupational Safety and Health (OSH). Your Committee, therefore, resolved to await an update on the finalisation of the National Policy on OSH.

Executive’s Response
The Executive responded that it had drafted the OSH Policy and had already undertaken initial consultations with stakeholders. The draft policy had incorporated the inputs from stakeholders and was awaiting a meeting of stakeholders for validation.

Committee’s Observation and Recommendation
Your committee resolves to await an update on the outcome of the draft OSH policy validation meeting. Your Committee also urges the Executive to ensure that the new OSH Policy is harmonised with various pieces of legislation related to OSH and ILO standards. Your Committee further urges the Executive to expedite consultations on the review of the OSH legislation.

Page 5 Para 3 to Para 5
9.6.2 Your Previous Committee considered the lack of an up-to-date strategic plan and/or unclear strategies on how to address occupational safety and health issues, as an anomaly. It further observed that the Government did not provide an adequate answer as to when the strategic plans for the affected institutions would be finalised. Your previous Committee therefore, resolved to await an update on the timelines for the finalisation of the strategic plans to guide OSH issues in these institutions.
Executive’s Response
The Executive responded that it had directed that no institutional strategic plans were to be developed/reviewed before the launch of the Seventh National Development Plan. After the Seventh National Development Plan was launched, the institutions were expected to ensure that the review of the strategic plans included specific strategies that would address OSH issues in the respective institutions.

Committee’s Observation and Recommendation
Your Committee resolves to await a progress report on the preparation of institutional strategic plans, given that the Seventh National Development Plan had since been launched.

Page 6 Para 6 to Page 73 Para 1
9.6.3 Your Previous Committee resolved to await an update on the review of the relevant pieces of legislation on OSH in order to harmonise them with ILO standards.

Executive’s Response
The Executive responded that the review of the OSH Policy and legislation would be completed once consultations had been concluded. The Government, in this regard, was working on labour law reforms which were expected to be tabled during the September meeting of Parliament.

Committees Observation and Recommendations
Your Committee urges the Executive to expedite the presentation of the proposed labour law before Parliament, considering that it had not done so in the September 2017 meeting of the House. Your Committee further urges the Executive to ensure that the new OSH policy operationalises a single regulatory authority to serve as a one stop shop for all matters relating to OSH.

Page 8 Para 4 to Para 5
9.6.4 Yours previous Committee observed that most accidents that took place in work places were preventable through the implementation of sound prevention, reporting and inspection practices which had not been implemented due to poor funding. Your Committee called for improved funding allocations to OSH institutions and that the increased budgetary allocations should be submitted to your Committee annually to facilitate monitoring by the Committee.
Executive’s Response
The Executive responded that with regard to funding for OSH programmes under the Ministry of Labour and Social Services, the budget for the OSH Department had been increased by close to 100% from 2016 to 2017 as indicated in the table:-

**OCCUPATIONAL SAFETY AND HEALTH SERVICES**

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<td>706,831.00</td>
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Committee’s Observation and Recommendation
In noting the response, your Committee resolves not to close the matter as the actual funding has improved. Your Committee further reiterates the previous Committee’s recommendation that allocations to OSH institutions should be submitted to the Committee annually to facilitate monitoring.

Lack of coordination among Occupational Health and Safety Institutions

Page 9 Para 4 to Page 10 Para 3

9.6.5 Your previous Committee noted the proposal by Government to establish a national authority body that would ensure there was coordination of health and safety activities and avoid duplication and fragmented efforts by the institutions concerned and resolved to await an update on its establishment.

Executive’s Response
In response that Executive reaffirmed that the establishment of the national authority (one-stop-shop) would help in addressing concerns of coordination. The draft one-stop-shop had strengthened the institutional arrangement for the coordination of occupational, safety and health (OSH) matters.

Committee’s Observation and Recommendation
Your Committee resolves to awaits a progress report on the establishment of the one-stop-shop. Your Committee also urges the Executive to ensure that once the one stop-shop has been operationalised, it should also encompass a single repository of data which would curb fragmentation of information and statistics on OSH.

Inadequate equipment for carrying out inspections (Page 11 Para 8 to Page 12 Para 1)

9.6.6 Yours Previous Committee expressed concern on the poor funding towards OSH which lead to operational challenges and the lack of equipment and personnel to conduct inspections.
The previous Committee urged the Executive to redress the situation by providing adequate funding for the effective functioning of institutions responsible for OSH and resolved to await a progress report.

**Executive’s Response**
The Executive responded that it had embarked on a programme to strengthen the inspectorate. The Government had already started the procurement of computers for Labour and Occupational Safety and Health Inspectors in the Districts. Further, motor vehicles had also been procured to support the execution of inspections. The Ministry would continue to build the capacity of the inspectorate with support from the Treasury.

**Committee’s Observation and Recommendation**
Your Committee urges the Executive to submit its strategic plan on how the massive operational challenges the implementing units are facing will be fully addressed and resolves to await a progress report.

**Inadequate personnel to carry out meaningful safety and health inspections**

**Page 14 Para 1 to Page 14 Para 3**

9.6.7 Your previous Committee expressed concern that the Executive had not prioritised OSH in terms of ensuring that there were adequate personnel in the concerned institutions. The Committee noted the response provided by Government on the issue and resolved to await a progress report.

**Executive’s Response**
The Executive responded that through the Ministry of Labour and Social Services, it had revised the organisation structure for the Occupational Safety and Health Department which saw an increase in the number of inspectors in the establishment. However, not all positions had been given treasury authority. The Ministry was still waiting for the treasury authority to fill the positions in the revised structure.

**Committee’s Observation and Recommendation**
Your Committee resolves to await a progress report on the granting of treasury authority to fill the positions in the revised organisation structure for the Occupational Safety and Health Department.
CONCLUSION

10.0 Your Committee wishes to thank you, Mr Speaker, and the Clerk of the National Assembly, for the advice and services rendered to your Committee during the Session. Your Committee also expresses its appreciation to the Permanent Secretaries and Chief Executive Officers of institutions and companies and other stakeholders who rendered both written and oral submissions before your Committee for their cooperation and input into the deliberations.

Dr S Musokotwane, MP
CHAIRPERSON

June, 2018

LUSAKA
APPENDIX I

List of National Assembly Officials

Ms C Musonda, Principal Clerk of Committees  
Mr H Mulenga, Deputy Principal Clerk of Committees (FC)  
Mr S Mtambo, Acting Senior Committee Clerk (FC)  
Mr E I C Chilimboyi, Committee Clerk  
Ms L Chilala, Typist  
Mr M Chikome, Committee Assistant  
Mr D Lupiya, Parliamentary Messenger  
Mrs N Mwenda, Intern
APPENDIX II

List of Witnesses

1. Ministry of National Development Planning
2. Ministry of Commerce, Trade and Industry
3. Ministry of Lands and Natural Resources
4. Ministry of Labour and Social Security
5. Ministry of Transport and Communication
6. Ministry of Finance
7. Zambia Chamber of Small and Medium Business Associations
8. Bank of Zambia (BOZ)
9. Zambia Development Agency (ZDA)
10. Zambia Revenue Authority (ZRA)
11. Centre for Trade Policy and Development (CTPD)
12. Citizens Economic Empowerment Commission (CEEC)
13. Zambia Association of Manufacturers (ZAM)
14. Chamber of Mines in Zambia
15. Small Scale Mining Association of Zambia
16. Zambia Association of Chambers of Commerce and Industry
17. Zambia Institute of Policy Analysis and Research (ZIPAR)
18. Private Sector Development Association
20. Civil Society for Poverty Reduction (CSPR)
22. Development Bank of Zambia
23. National Savings and Credit Bank
24. Indo Zambia Bank
25. Atlassmara
26. Standard Chartered Bank
27. Stanbic Bank
28. First Quantum Mine
29. Mopani Copper Mines
30. Konkola Copper Mines