



**REPORT**

**OF THE**

**COMMITTEE ON ENERGY, WATER DEVELOPMENT AND TOURISM**

**FOR THE**

**FIFTH SESSION OF THE TWELFTH NATIONAL ASSEMBLY**

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# **REPORT OF THE COMMITTEE ON ENERGY, WATER DEVELOPMENT AND TOURISM FOR THE FIFTH SESSION OF THE TWELFTH NATIONAL ASSEMBLY**

## **1.0 MEMBERSHIP OF THE COMMITTEE**

The Committee consisted of Mr E K Belemu, MP (Chairperson); Ms M C Chonya, MP (Vice Chairperson); Mr C M Zulu, MP; Mr D Mung'andu, MP; Mr M Jamba, MP; Mr J Chabi, MP; Mr K Mbangweta, MP; Mr S Mulusa, MP; Mr R Kangombe, MP and Mrs M D Mwanakatwe, MP.

The Honourable Mr Speaker  
National Assembly  
Parliament Buildings  
**LUSAKA**

Sir,

The Committee has the honour to present its Report for the Fifth Session of the Twelfth National Assembly.

## **2.0 FUNCTIONS OF THE COMMITTEE**

The functions of the Committee on Energy, Water Development and Tourism, are set out in Standing Order No. 157 (2) of the National Assembly Standing Orders, 2016.

## **3.0 MEETINGS OF THE COMMITTEE**

The Committee held fourteen meetings during the year under review to consider the topical issue: 'Accommodation Classification and Grading System in Zambia.' The Committee also considered the Action-Taken-Report on the Report of the Committee on Energy, Water Development and Tourism for the Fourth Session of the Twelfth National Assembly.

## **4.0 ARRANGEMENT OF THE REPORT**

The Committee's Report is organised in two parts. Part I deals with the consideration of the topical issue. Part II speaks to the Committee's consideration of the Action-Taken Report on the Report of the Committee on Energy, Water Development and Tourism for the Fourth Session of the Twelfth National Assembly.

## **5.0 PROCEDURE ADOPTED BY THE COMMITTEE**

In order to have a better understanding of the topical issue under its consideration, the Committee requested for detailed memoranda from relevant stakeholders on the topical issue. In this vein, the Committee received both written and oral submissions from stakeholders on the topical issue.

## **6.0 LIST OF WITNESSES**

The stakeholders who interacted with the Committee are listed in Appendix II.

## **PART I**

### **ACCOMMODATION CLASSIFICATION AND GRADING SYSTEM IN ZAMBIA**

#### **7.0 Background**

Accommodation classification and grading systems served as a useful tool in determining the general quality levels of accommodation facilities. Classification and grading of accommodation facilities provided consumers with information on how to recognise quality, differentiate levels of facilities and services in a transparent manner for both business and leisure tourists. As a result of effective accommodation classification and grading systems, some countries remained preferred tourist destinations in the world.

Accommodation establishments in Zambia were last graded about thirty years ago. In 2009, the Government developed an accommodation classification and grading system to inform the grading of accommodation facilities in the hospitality industry, but the system was never implemented. Because of this inertia, accommodation facilities in the country remained ungraded for a long time, except those operating as franchise hotels. Recognising this problem, the Government promulgated Statutory Instrument No. 14 of 2018 - The Tourism and Hospitality (Accommodation Establishment Standards) Regulations, in 2018, in line with the provisions of the *Hospitality and Tourism Act, No. 13 of 2015*. The Statutory Instrument was issued to, among other objectives, facilitate the classification and grading of accommodation establishments. The main objective of the Statutory Instrument was to establish and improve standards in accommodation establishments by ensuring that all accommodation facilities were registered and subsequently graded.

It was hoped that once fully implemented, the grading system would promote efficient service delivery, enhance the quality of tourism products and services, enforce standards in the accommodation sub-sector and ultimately serve as an effective marketing tool for promoting Zambia as a tourism destination of choice. Following the issuance of this Statutory Instrument, the grading of accommodation establishments commenced in 2019. However, the programme

had been facing some impediments. Chief among these was the delayed or non release of funds to the Zambia Tourism Agency to enable it implement the programme effectively.

In light of the above, the Committee resolved to undertake a study to ascertain progress and the challenges experienced in implementing the Accommodation Classification and Grading Programme in Zambia.

### **7.1 Objectives of the Study**

The objectives of the study were to:

- (i) assess the adequacy of the legal and policy framework governing the hospitality industry;
- (ii) ascertain progress made in implementing the Accommodation Classification and Grading System, since the enactment of the *Tourism and Hospitality Act, No. 13 of 2015* and Statutory Instrument No. 14 of 2018 - The Tourism and Hospitality (Accommodation Establishment Standards) Regulations, 2018;
- (iii) establish challenges if any, in implementing the grading system in Zambia; and
- (iv) make recommendations on the way forward.

### **8.0 SUMMARY OF SUBMISSIONS FROM STAKEHOLDERS**

A summary of the submissions received by the Committee from various stakeholders on this topical issue is presented below.

#### **8.1 Legal and Policy Framework Governing the Hospitality Industry in Zambia**

The Committee was informed that the Hospitality Industry was governed by the *Tourism and Hospitality Act, No. 13 of 2015*. This law was enacted to provide for the sustainable development of the tourism industry through, among others, the following:

- (i) effective planning, management, promotion and coordination to ensure sustainable tourism;
- (ii) provide an enabling and facilitative environment for the growth of the tourism sector;
- (iii) provision of effective mechanisms to support collaboration between Government, the private sector and local communities;
- (iv) establishment of the Zambia Tourism Agency and to constitute the Board of the Agency and providing for their functions; and
- (v) regulating tourism enterprises and tourism-related services and enforcing standards of operation and service.



The Committee further learnt that classification and grading of accommodation establishments was regulated by Statutory Instrument No. 14 of 2018 - The Tourism and Hospitality (Accommodation Establishment Standards) Regulations, 2018. The entire tourism industry was governed by the National Tourism Policy of 2015.

### **8.1.1 Adequacy of the Legal and Policy Framework**

The Committee was informed that Statutory Instrument No. 14 of 2018 – the Tourism and Hospitality (Accommodation Establishment Standards) Regulations, 2018 did not provide either a finance strategy or a resource mobilisation plan for the Grading Programme. As a result, the Zambia Tourism Agency had challenges in fully implementing the programme due to lack of funds. Stakeholders were of the view that a clear financing mechanism should have been included in the Statutory Instrument to facilitate smooth implementation of the Programme.

The Committee was further informed that some of the benchmarks entrenched in the Statutory Instrument No. 14 of 2018 were not in line with modern business trends in the hospitality industry. For instance, the requirement that at least 10 per cent of the rooms at a hotel should be suites was not practical. Stakeholders submitted that there was no need to reserve rooms as suites, as modern facilities or accommodation establishments had rooms that were either convertible or tailored to meet the needs of customers. Stakeholders informed the Committee that such a provision would prevent accommodation establishments from attaining a higher grading as it was practically impossible to make structural changes to some of the old accommodation facilities.

The Committee was further informed that the *Tourism and Hospitality Act, No. 13 of 2015* was inadequate in the area of enforcement of the law with regard to various offences. Sections 60(7), 61(4), (62), and 79 of the Act, which stipulated that ‘A person who commits an offence is liable, upon conviction, to a fine not exceeding two hundred thousand penalty units or to imprisonment for a period not exceeding two years, or both.’ The enforcement of this provision of the law presented a challenge in the hospitality industry as defaulters could not be penalised until the matter was heard and determined in the courts of laws. However, many court cases took a long time to be disposed of. Another area of the law that stakeholders found problematic was that the Act did not explicitly define the boundaries within which service charge could be applied. As a result, the application of service charge included other tourism-related services that did not fall under the category of accommodation establishments and restaurants.

Stakeholders informed the Committee that all tourism establishments were required by law to pay a Retention Fee across the Board after obtaining a

license. The Committee learnt that this fee was unfair as it did not segment operators in categories such as small, medium and large enterprise.

The Committee was informed that the National Tourism Policy of 2015 was adequate. However, stakeholders submitted that the challenge was its slow implementation. In that regard, stakeholders emphasised the need to ensure implementation, monitoring and evaluation of all policy measures in order to achieve the policy objectives.

## **8.2 Benefits of Accommodation Classification and Grading System to the Hospitality Industry**

The Committee was informed that there were many benefits that accrued to the accommodation sub-sector because of classifying and grading accommodation establishments. One such benefit was that classification and grading provided great opportunities for accommodation establishment owners to enhance the quality of their facilities. In addition, a classified and graded accommodation establishment had competitive advantage over other accommodation facilities. It was also easier to market accommodation products and services that were graded, both locally and internationally. Other benefits were as outlined below.

- (a) Benefits to the tourists were as listed hereunder:
  - (i) provided assurance to both local and international tourists that an establishment had been assessed and approved by an independent third party;
  - (ii) provided an indication of expected services and offerings of an establishment;
  - (iii) provided a reliable source of information when making decisions on accommodation; and
  - (iv) presented a wider choice to both international and local tourists.
  
- (b) Benefits to providers of accommodation were as listed hereunder:
  - (i) served as an important marketing tool for both local and international economies;
  - (ii) it was a key business differentiator as the quality of service offered was a determinant of consumer choice;
  - (iii) served as a form of quality assurance for the entities;
  - (iv) allowed for hotel independent assessment of the service offered;
  - (v) allowed for design and target of training activities;
  - (vi) assisted in benchmarking of performance against competitors in the sector;
  - (vii) grading helped to uplift and maintain standards for the accommodation sub sector;
  - (viii) encouraged competition among establishments; and

- (ix) led to enhanced competition and recognition both locally and internationally.
- (c) Benefits to the tourism industry were as listed hereunder:
- (i) presented opportunities for star graded accommodation establishments and destinations to acquire recognisable quality assurance in the tourism global market place;
  - (ii) encouraged healthy competition among accommodation establishments;
  - (iii) helped to promote Zambia as a preferred tourist destination;
  - (iv) served as a measure to monitor hotel inventory and standards;
  - (v) led to overall improved service and reliability within the industry;
  - (vi) provided the industry with a coherent framework to evaluate the diverse range of accommodation types in a consistent and transparent manner;
  - (vii) resulted in overall improved service delivery and reliability within the industry; and
  - (viii) provided a credible and reliable way of evaluating and monitoring the performance of the accommodation sub-sector.

### **8.3 Progress Recorded in Implementing the Accommodation Classification and Grading System**

The Committee was informed that accommodation establishments were classified and graded in accordance with the Tourism and Hospitality (Accommodation Establishment Standards) Regulations, 2018, Statutory Instrument No. 14 of 2018. The Statutory Instrument mandated the Zambia Tourism Agency to grade all tourism enterprises in the country. Operators qualified to apply for grading two years after obtaining the Tourism Enterprise License.

The Committee was further informed that following issuance of the Statutory Instrument in 2018, the grading exercise was launched in May, 2019. Since that time, the Zambia Tourism Agency had undertaken the following steps towards implementation of the Grading Programme.

- (i) the Agency had trained thirty-eight Grading Assessors with assistance from the Tourism Grading Council of South Africa; and
- (ii) the Agency had graded twenty-nine accommodation establishments out of fifty one applications.

The Committee was informed that the Zambia Tourism Agency undertook the above highlighted activities with financial support amounting to K1,032,466.00 from the Private Enterprise Partnership (PEP), which had been renamed

Prospero Zambia. The Committee was informed that the grading exercise was temporarily discontinued due to the outbreak of the COVID 19 pandemic.

A summary of graded accommodation establishments by location was as set out below.

PROVINCE	APPLICATIONS RECEIVED	GRADED	RATINGS (Grade awarded)					
			5	4	3	2	1	0
Lusaka	30	16	02	06	03	03		01
Eastern	07	02			01	01		
Southern (Included KNP)	06	06		03	03			
Copperbelt	04	03		01	02			
North-Western	02	02			01			
Central	02	01			01			
<b>TOTALS</b>	<b>51</b>	<b>29</b>	<b>02</b>	<b>10</b>	<b>12</b>	<b>04</b>		<b>01</b>

*Note: KNP – Kafue National Park*

The Committee was informed that out of the fifty one applications received by the Zambia Tourism Agency, twenty nine accommodation establishments had been successfully graded. The Committee further learnt that Lusaka Province had the highest number of graded accommodation facilities, whilst Central Province had the least.

#### **8.4 Challenges in Implementing the Accommodation Classification and Grading System in Zambia**

The Committee was informed that the implementation of the Accommodation Classification and Grading System faced some barriers, which resulted in delays in the full implement the programme. Some of these challenges included the ones outlined below.

- (i) Stakeholders viewed the grading exercise as an additional cost to doing business in the tourism sector. Stakeholders submitted that the hospitality industry was over-regulated with compliance associated fees and permits managed by multiple regulatory bodies. Some of these included, but were not limited to, the tourism enterprise license; hotel manager’s license; health certificates; food handler’s certificate; Zambia Music Copyright Protection Society (ZAMCOPS) license; boat license; helipad license; and fishing license.
- (ii) The Committee was informed that the country did not have adequate assessors to implement the grading exercise. Further, no specific

- programme or course in any of the institutions of higher learning provided such training.
- (iii) Stakeholders submitted that one of the critical impediments preventing the full implementation of the grading exercise was lack of resources. This had negatively affected the implementation of the grading programme.
  - (iv) The Committee learnt that most operators in the accommodation sub-sector did not understand the importance of grading accommodation establishments. This was mainly attributed to inadequate stakeholder consultations before the grading exercise was launched.
  - (v) The Committee was informed that the Ministry of Tourism and Arts did not have the capacity to monitor compliance for set standards in the accommodation sub-sector.
  - (vi) Some stakeholders expressed concern that some accommodation establishments which did not meet the minimum requirements for licensing and grading could be pushed out of business as a result of the grading system.
  - (vii) The Committee heard that the hospitality industry was characterised by untrained personnel, and this resulted in poor customer service.
  - (viii) The Committee learnt that the hospitality industry did not have a professional body to which operators could be affiliated. Stakeholders submitted that a hospitality professional body would assist to regulate the industry.
  - (ix) Stakeholders noted that the grading system was not anchored on a national standards framework. This made it difficult to grade multinational and international brands operating as franchise hotels.
  - (x) The Committee learnt there were no incentives tied to the grading system to encourage accommodation establishment owners to apply for grading.
  - (xi) Stakeholders submitted that local authorities were not included in the grading exercise, even though they were a critical stakeholder, especially with respect to guidance on building and architectural design specifications outlined in the grading criteria.

## **8.5 Recommendations on the way forward**

In order to ensure that the Accommodation Classification and Grading System was a success, stakeholders made the suggestions set out below.

- (i) Some stakeholders submitted that the national standards published under the *Standards Act, No. 4 of 2017* should be referenced in the regulations and enforced by the relevant authority. They further submitted that the Zambia Bureau of Standards should be involved in the grading programme, as they had the capacity to provide the necessary support, especially in the areas of testing and certification services.
- (ii) Most stakeholders submitted that the Government should develop a framework to guide the grading system.

- (iii) Some stakeholders recommended that the grading system should be supported by a third party conformity assessment such as the Zambia Bureau of Standards or any other recognised body.
- (iv) Stakeholders were of the considered view that regular food and water testing should be compulsory in the hospitality industry.
- (v) Stakeholders stressed that there was need for regulations that would ensure regular monitoring of the hygiene and safety conditions of surfaces that came into contact with clients to enhance public health.
- (vi) The Committee was informed that there was need to enhance collaboration between the hospitality industry and institutions that trained tourism and hospitality professionals.
- (vii) Stakeholders called for enhanced collaboration with vibrant hospitality institutions in the region.
- (viii) Stakeholders called for increased funding to the Zambia Tourism Agency to enable it implement the grading system and other tourism related activities that it was mandated to perform.
- (ix) The Committee was informed that the country needed more people to be trained in accessory courses in order to effectively implement the system countrywide.
- (x) Stakeholders advocated for more sensitisation programmes about the grading system.

### **8.6 Additional Information provided by Dr E M Pamu, Permanent Secretary, Budget and Economic Affairs, Ministry of Finance**

The Committee was informed that the tourism sector had enormous potential and continued to significantly contribute towards achieving a more diversified economy and raising foreign exchange. The Committee heard that in order to realise the full potential of the tourism sector, there was need to strengthen coordination and collaboration between the Government and the private sector through improving the quality of tourism products and services, enforcement of standards in the accommodation subsector and implementation of effective marketing of Zambia's tourism products.

The Committee was further informed that the COVID19 pandemic had reversed the fortunes of many economies around the world, including Zambia. Consequently, many sectors of the economy in Zambia recorded negative growth in 2020, due to disruptions in the supply chains and the implementation of pandemic containment measures. The Committee heard that the tourism sector had been severely impacted by the pandemic, with the first half of the year 2020 experiencing almost no international tourists due to the travel restrictions imposed by governments in the wake of the spread of the pandemic.

The Committee was apprised that the Government had instituted measures to support the tourism sector in light of the adverse effects of the COVID 19

pandemic. In that regard, the Government had included tourism as a priority sector in the Economic Recovery Programme (ERP). The Committee was informed that the main aim of the ERP was to revive the economy through the implementation of supportive measures, which included those targeted at resuscitating the tourism sector. The Committee was further informed that the Government had provided in the 2021 national budget, tax incentives and other interventions to boost the tourism sector during the ERP period. These were submitted as outlined below.

- (i) Reduced Corporate Income Tax rate to 15 per cent from 35 per cent on income earned by hotels and lodges on accommodation and food services.
- (ii) Suspension of import duty on safari game viewing motor vehicles, tourist buses and coaches.
- (iii) Suspension of the license renewal fee paid by hotels and lodges.
- (iv) Suspension of retention fees paid by tourism enterprises.
- (v) Suspension of registration fees for hotel managers.

## **8.7 COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS**

Taking into account the findings from its meetings with various stakeholders, the Committee presents its observations and recommendations as set out below.

### **(i) Need to Amend the *Tourism and Hospitality Act, No. 13 of 2015***

The Committee observes that it is difficult to enforce the law in the tourism sector due to the provisions of the *Tourism and Hospitality Act*, in particular sections 60(7), 61(4), (62), and 79, which state that 'A person who contravenes a provision of the Act for which a specific penalty is not provided for shall upon conviction, be liable to a fine not exceeding one hundred thousand penalty units or to imprisonment for a period not exceeding one year or both.' This provision entails that no action can be taken against a person or entity that abrogates the law until a matter is determined in the courts of law.

The Committee recommends that the Government should amend the *Tourism and Hospitality Act* in order to give powers to the Ministry of Tourism and Arts to enforce the law against defaulters summarily and ensure compliance in the tourism sector.

### **(ii) Segregate Payment of Retention Fees by Tourism Operators**

The Committee notes with concern that operators in the tourism sector pay a uniform retention fee, regardless of whether they are classified as small, medium or large enterprises. The Committee finds this unfair as the earnings of the three categories of enterprises differ significantly.

In this regard, the Committee recommends that the Government should amend the law so that the fee is differentiated according to the different categories of enterprises.

**(iii) Define Boundaries for Payment of Service Charge**

The Committee notes that the *Tourism and Hospitality Act* does not explicitly define the parameters within which service charge can be applied. As a result, all tourism related services attract a service charge even though they do not fall under the category of accommodation establishments and restaurants.

In this vein, the Committee recommends that the Government should revise the law and leave the imposition of service charge to be only on accommodation establishments and restaurants as the appropriate tourism enterprises.

**(iv) Need for a Grading Implementation and Resource Mobilisation Plan**

The Committee notes with concern that the Tourism and Hospitality (Accommodation Establishment Standards) Regulations, 2018, Statutory Instrument No. 14 of 2018, does not provide a clear roadmap on how the grading system is to be implemented.

In view of the above, the Committee urges the Executive to urgently devise a robust implementation plan that includes a resource mobilisation strategy in order to accelerate the grading exercise.

**(v) Allocate Adequate Resources towards the Accommodation Classification and Grading System**

The Committee observes that the Government has not allocated enough financial and technical resources to facilitate smooth implementation of the Accommodation Classification and Grading System. The Committee, therefore, urges the Government to provide resources to the Zambia Tourism Agency to enable it effectively implement the grading system.

**(vi) Raise Awareness of the Grading System**

The Committee notes with concern the lack of awareness and appreciation of the grading system by most accommodation establishment owners. This has resulted in reluctance by most operators to apply for grading.

In light of the above, the Committee recommends that the Government should intensify sensitisation and awareness programmes in order to enlighten operators on the Accommodation Classification and Grading System.



**(vii) Develop Training Programmes for Grading Experts**

The Committee notes with concern that none of the colleges and universities in the country offer training programmes or courses for assessors. In this vein, the country currently relies on external support from within the region to train assessors.

In light of the above, the Committee urges the Government to collaborate with institutions of higher learning to develop curricula and study programmes for assessors.

**(viii) Need to Create linkages with Key Stakeholders**

The Committee observes with concern that although the local authorities are key stakeholders in the grading programme, especially with regard to providing building specifications, they have not been included in the exercise.

The Committee, therefore, urges the Government to create linkages with the Ministry of Local Government and other relevant stakeholders in the construction industry to ensure that the operators who wish to build accommodation establishments can be guided from the onset on building specifications and guidelines as they relate to those set out under the grading criteria.

**(ix) Inadequate Skills and Human Resource**

The Committee observes that the grading system lacks adequate personnel to support effective implementation of the exercise. Though the assessors have been trained, they have not been exposed to international brands or given opportunities to benchmark with other countries. The Committee further notes that the thirty-eight assessors who are currently executing the grading system are engaged on part-time basis.

In this regard, the Committee urges the Government to take deliberate steps to build capacity and train more staff in grading skills. The Committee further recommends that the Government should consider employing some assessors on permanent and full time basis.

**(x) Review of License Regime in the Hospitality Industry**

The Committee notes that the tourism industry is beset with multiple taxes, licenses and fees. Given the foregoing, most accommodation establishment owners perceive the grading system as another additional cost of doing business in the tourism sector. The Committee, therefore urges the Government to review and harmonise the license regime for the entire tourism sector.

(xi) **Need to Develop a National Grading Framework**

The Committee observes that the grading system is not anchored on a national standards framework. Owing to this gap, it is difficult to grade hotels with international brands.

In light of the above, the Committee urges the Government to develop and implement a framework for the grading system based on the national standards, regulations and other appropriate requirements to guide the Grading Programme.

## **PART II**

### **9.0 CONSIDERATION OF THE ACTION TAKEN REPORT ON THE REPORT OF COMMITTEE ON ENERGY, WATER DEVELOPMENT AND TOURISM FOR THE FOURTH SESSION OF THE TWELFTH NATIONAL ASSEMBLY**

#### **THE PETROLEUM INDUSTRY IN ZAMBIA: CHALLENGES AND OPPORTUNITIES - DOWNSTREAM PETROLEUM SUB SECTOR**

##### **9.1 Address Infrastructure Challenges in the Downstream Petroleum Sub Sector**

The Committee had recommended that the Government should recapitalise the Indeni Petroleum Refinery Limited so that it could be rehabilitated and upgraded in order to increase its efficiency and reduce operational losses to acceptable levels. The Committee had further recommended that the recapitalisation of the refinery should be preceded by a feasibility study to determine the economic and commercial viability of renewed investments in petroleum infrastructure. With regard the Tanzania Zambia Mafuta (TAZAMA) Pipeline, the Committee had recommended that the Government should, as a long term solution, consider constructing a new pipeline as this was the most efficient and affordable means of transporting liquid petroleum products.

##### **Executive's Response**

It was submitted in the Action-Taken Report that the Government had engaged a consultant in 2014, who carried out a feasibility study whose objectives were to ensure that the country's supply system meets its petroleum requirements up to the year 2030:

- (i) ensure that the petroleum products are supplied efficiently and at the most economic cost to the country, taking into account the current strategic development objectives; and
- (ii) implement the best options for meeting the country's supply requirements.

The Executive further responded that the Government, through the Industrial Development Corporation (IDC), was in the process of engaging a strategic equity partner (SEP) to revamp and recapitalise INDENI Petroleum Refinery Co. Limited. As for TAZAMA, it was reported that the Government was considering the development of a New Multi-Product Petroleum Pipeline (NMPPP) from Dar-es-Salaam in Tanzania to Ndola in Zambia. The Governments of Zambia and Tanzania, through the Inter-Governmental Committee, had developed a Project concept paper as part of the preliminary works to construct a new pipeline.

## **Committee's Observations and Recommendations**

The Committee resolves to await a progress report on the engagement of a strategic equity partner to revamp and recapitalise INDENI Petroleum Refinery Company Limited. The Committee further requests an update on the proposed New Multi-Product Petroleum Pipeline (NMPPP) from Dar-es-Salaam in Tanzania to Ndola in Zambia.

### **9.2 Need to Procure a Diesel Hydrotreater Unit**

The Committee had urged the Government to expedite the process of procuring a diesel hydrotreater to enable Indeni Petroleum Refinery process low sulphur diesel and consequently meet the regional requirement for the production of cleaner fuels as stipulated in the SADC Regional Framework for Harmonisation of Low Sulphur Fuels and Vehicle Emission Standards.

### **Executive's Response**

It was reported in the Action-Taken Report that the Government was aware and had noted the Committee's recommendation on the need for the country to procure a diesel hydrotreater in order to meet the regional requirements for the production of cleaner fuels as stipulated by Southern African Development Community (SADC) Regional Framework for Harmonisation of Low Sulphur Fuels and Vehicle Emission Standards.

## **Committee's Observations and Recommendations**

The Committee notes the response and is concerned that the Executive has not provided information on the efforts being made to procure a diesel hydrotreater. In this regard, the Committee requests for specific details on what is being done to acquire the said diesel hydrotreater.

### **9.3 Review of the Petroleum Act, Chapter 435 of the Laws of Zambia**

The Committee had observed that the *Petroleum Act, Chapter 435 of the Laws of Zambia* was enacted in 1930 and was, therefore, outdated and inadequate to address the challenges of the downstream sub-sector. For instance, the Act still referred to local councils as institutions mandated to regulate and issue licenses in the downstream sub-sector when this role was under the Energy Regulation Board. Other issues that were absent in the Act included, but not limited to, the integration of bio-fuels in the country's energy mix, regulation of filling stations and the fuel marking programme.

The Committee had further observed that the Energy Policy had been reviewed twice in 2008 and 2019 but the *Petroleum Act, Chapter 435 of the Laws of*

*Zambia* had not been amended, therefore, rendering it out of touch with the Energy Policy.

The Committee had, therefore, recommended that the *Petroleum Act* be reviewed in order to align it with the key changes and developments that had taken place in the downstream petroleum sub sector since its enactment in 1930.

### **Executive's Response**

It was submitted in the Action-Taken Report that the *Petroleum Act, Chapter 435 of the Laws of Zambia* was undergoing review. The Act would be repealed and replaced by the Petroleum Management Bill. Once enacted, the Petroleum Management Bill was expected to ensure the effective and efficient management of the Petroleum sub-sector. The objectives of the proposed Petroleum Management Bill would be to:

- a) Provide for regulation of the retail, storage, distribution, transportation, refining, importation and/or exportation of petroleum products;
- b) Secure the accountability of entities operating in the petroleum sub-sector; and
- c) Repeal and replace the *Petroleum Act, Chapter 435 of the Laws of Zambia* and to provide for other incidental matters in the downstream sub-sector.

### **Committee's Observations and Recommendations**

The Committee notes the response and requests an update on when the Petroleum Management Bill will be repealed.

#### **9.4 Allocation of Resources to Actualise the 2019 Energy Policy**

The Committee had noted that the 2019 Energy Policy had an elaborate implementation plan with cost estimates. However, the actualisation of the 2019 Energy Policy depended on availability of resources. Without directing the necessary resources towards implementation of the policy objectives and measures envisaged in the Policy, it would be difficult to achieve the desired expectations of the document.

The Committee had, therefore, recommended that the Government should channel resources to the Ministry of Energy to enable it implement the 2019 National Energy Policy as highlighted in the policy implementation plan.

## **Executive's Response**

It was reported in the Action-Taken Report that the Ministry of Energy was aware of the financial resources required to fully implement the 2019 National Energy Policy (NEP). It was further reported that the Ministry would explore other alternative sources of funding from cooperating partners and development financing agencies in order to fully implement the 2019 policy.

## **Committee's Observations and Recommendations**

The Committee notes the response with concern and expresses disquiet that no effort is being made to allocate some domestic resources towards the implementation of the Policy. The Committee finds this unacceptable and insists that the Government should take ownership of the Policy and show commitment by allocating some resources for this purpose before seeking support from cooperating partners. The Committee requests a progress report on the matter.

### **9.5 Curb Fuel Illegal Vending**

The Committee had observed that there was a problem of illegal fuel vending in the sub-sector. This illegal activity was compromising the quality of petroleum products and depriving the country of revenue through tax evasion by unscrupulous vendors involved in the vice.

The Committee had urged the Government to devise other strategies to deal with the problem of illegal fuel vending, so that the country could begin to realise the revenue that was being lost as a result of non-remittance of the applicable taxes.

## **Executive's Response**

It was reported in the Action-Taken Report that the ERB had put in place measures aimed at curbing illegal fuel vending as outlined below.

- (i) Since 18<sup>th</sup> February 2018, the ERB had been implementing the fuel marking programme. The process involved the introduction of a biochemical substance in small but prescribed quantities into the fuel at the depot prior to despatch into the market and subsequent monitoring of the same throughout the supply chain to ensure that the fuel being consumed in the country was from legitimate sources.
- (ii) Alongside the fuel marking programme, the ERB facilitated an Illegal Fuel Vending Task Force that consisted of relevant government agencies and security wings to effect raids on illegal fuel vending hot spots in the country.

It was further reported in the Action-Taken Report that implementation of a more relaxed technical standard for setting up of filling stations in fuel deficit areas with a view to lower the start-up costs and would ultimately improve availability of fuel in such areas. It was envisaged that availability of fuel in these fuel deficit areas would contribute to the reduction of illegal fuel vending in towns that did not have any operating filling station.

The Committee had further recommended that the Government should consider adopting the Fuel Marking Seal technology, which had helped to reduce the fuel dumping and adulteration in other countries in the region.

### **Executive's Response**

The executive responded that in order to enhance the monitoring mechanisms, the ERB was in discussion with the fuel marking contractor (Authentic Inc.) and other key stakeholders such as the Ministry of Energy and Zambia Revenue Authority to come up with measures to deal with marking, tracking and tracing of transit fuels from key entry to exit border points, tracking and tracing of inbound Government/Oil Marketing Companies imports for local consumption from key entry border points to all in-country offloading depots.

### **Committee's Observations and Recommendations**

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

## **9.6 Inadequate Rural Service Stations**

The Committee had urged the Government to expedite the process of constructing more service stations in rural areas.

### **Executive's Response**

It was reported in the Action-Taken Report that the Government had embarked on a programme to construct a network of rural service stations in marginalised districts in line with the country's National Development Plan. The construction of rural filling stations was being undertaken in phases. Phase I had resulted in the construction of two filling stations in Luwingu and Mporokoso districts (one in each district). The filling stations had since been operationalised. The Government had also commissioned phase II of the programme, which involved the construction of Kalabo and Lukulu filling stations. Thus far, the Government had engaged the Provincial Administration office in Western Province requesting for 1.5 hectares of land in Lukulu and Kalabo, respectively. The Provincial Administration had since reserved 1.5 hectares in Kalabo District for the construction of a filling station and feedback for allocation of land for a filling station in Lukulu District was being awaited.

## **Committee's Observations and Recommendations**

The Committee notes the response and is concerned at the slow pace at which rural service stations are being constructed. The Committee, therefore, urges the Government to accelerate the construction of rural service stations.

### **9.7 Harness the Use of Liquefied Petroleum Gas**

The Committee had noted that the country had not taken advantage of Liquefied Petroleum Gas (LPG) as an alternative source of energy for domestic purposes such as cooking and heating. The Committee further noted that only 30 per cent of LPG produced in the country was consumed locally and the rest of the product was exported. This was despite the fact that LPG was an environmental friendly product that could help mitigate the electricity deficit that the country was experiencing. The Committee had, therefore, recommended that the Government should intensify efforts to sensitise the public on the benefits of using LPG.

### **Executive's Response**

It was stated in the Action-Taken Report that the Ministry of Energy (MoE) in collaboration with ZESCO, ERB and the private sector had been conducting awareness campaigns on the benefits and safety tips of Liquefied Petroleum Gas (LPG). This was done via platforms such as the annual energy conferences, exhibitions and the media. However, due to diminishing budgetary allocations since 2016, the coverage of the awareness campaigns had been limited. Further, the Ministry was engaging various cooperating partners to support implementation of an LPG Programme, including awareness campaigns. Thus far, the Ministry of Energy had submitted a concept note to the World Bank under the Zambia Integrated Forest Landscape Project (ZIFL-P) as well as the Clean Cooking Initiative Project. The concept note had since been approved and implementation was expected to commence in the third quarter of 2020, subject to the COVID-19 pandemic being contained.

## **Committee's Observations and Recommendations**

The Committee notes the response and requests a progress report on the matter.

### **9.8 Storage Facilities for Liquefied Petroleum Gas**

The Committee had recommended that the Government should construct more storage facilities for liquefied petroleum gas across the country so that more people could have access to the product.



## **Executive's Response**

It was reported in the Action-Taken Report that the Government had taken note of the recommendation and would engage the private sector to consider investing in LPG storage facilities in other provinces.

## **Committee's Observations and Recommendations**

The notes the response and requests an update on the matter.

### **9.9 Develop Adequate Standards for the Petroleum Subsector**

The Committee had noted that the downstream petroleum sub-sector lacked the necessary standards required for the petroleum industry; the problem was further compounded by the lack of harmonised standards in the region. This was despite the fact that a robust petroleum industry should be founded on strict regulations and standards. The Zambia Bureau of Standards did not have testing equipment to enable it conduct full analysis of petroleum products in order to confirm the quality of such products.

Given the above challenge, the Committee had recommended that the Government should channel the necessary financial resources to the Zambia Bureau of Standards (ZABS) to enable it develop standards in line with national and international requirements. The Committee had further urged the Government to ensure that ZABS had equipment and testing laboratories in order to conduct the necessary tests required in the petroleum industry.

## **Executive's Response**

It was indicated in the Action-Taken Report that the Government remained committed to channeling more resources to the Ministry of Energy, as and when the resources permitted. To ensure that ZABS delivered on its mandate, the Treasury had included ZABS on the list of beneficiaries of the Appropriation in Aid funding mechanism. This was a system which prioritised the allocation and release of funds to departments and institutions that were revenue generating.

Further, the Government, through ERB, was planning to set up a gas chromatography mass spectroscopy (GCMS) machine at ZABS. The machine would provide for independent testing of fuel marking samples. In addition, Authentix Inc, the contractor engaged by the Energy Regulation Board under the Fuel Marking Project, was piloting a project to screen and test all in-bound imported fuel prior to offloading at the terminals. This was aimed at isolating fuel that could have been contaminated in transit from the port of loading to the discharge port.

## **Committee's Observations and Recommendations**

The Committee notes the response and requests for a progress report on whether ZABS has benefited from the Appropriation in Aid funding and if the gas chromatography mass spectroscopy machine has been set up.

### **9.10 Enhance the Capacity of Regulatory Institutions**

The Committee had urged the Government to ensure that the Zambia Metrology Agency, Zambia Compulsory Standards Agency and Zambia Bureau of Standards were adequately funded to enable them procure equipment and set up modern laboratories for conducting the various technical tests and discharge other functions as mandated by law.

### **Executive's Response**

In the Action-Taken Report, the Government responded as outlined below.

- (i) Authentic Inc, the contractor engaged by the Energy Regulation Board under the Fuel Marking Project, was piloting a project to screen and test all in-bound imported fuel prior to offloading at the terminals. This was aimed at isolating fuel that could have been contaminated in transit from port of loading to the discharge port; and
- (ii) The ERB was working on collaborative measures (by way of memoranda of understanding) with other government agencies such as the Zambia Bureau of Standards (ZABS), Zambia Compulsory Standards Agency (ZCSA), Zambia Revenue Authority (ZRA), Road Transport and Safety Agency (RTSA) and Zambia Metrology Agency (ZMA) to ensure that the various agencies collaborated closely and combined their mandates to address institutional capacity limitations.

The ERB had proposed to Authentix Inc to set up, under the fuel marking project, one gas chromatography mass spectroscopy (GCMS) machine at ZABS to provide for independent testing of fuel marking samples, in addition to the other laboratories run by the marking company.

It was further stated in the Action-Taken Report that the Government through the Ministry of Commerce, Trade and Industry was in consultation with the Zambia Metrology Agency, Zambia Compulsory Standards Agency and Zambia Bureau of Standards in order to ascertain how much funding would be needed to upgrade the infrastructure and also the criteria for disbursing the funds.

## **Committee's Observations and Recommendations**

The committee notes the response and requests an update on the matter.

### **9.11 Harmonise Regional Petroleum Regulations and Standards**

The Committee had observed that petroleum regulations and standards were not harmonised in the region. This was a trade barrier to Zambian transporters as their tankers failed to meet the prescribed standards in other countries, while foreign transporters were able to conduct business in Zambia without any barriers.

In that regard, the Committee had urged the Government, through the necessary diplomatic protocols and the Zambia Metrology Agency, being one of the metrology cooperation structures at SADC, to harmonise the regulations and standards in order to remove the technical barriers to trade and improve compliance for all stakeholders in the region.

### **Executive's Response**

It was reported in the Action-Taken Report that the Government, through the ERB, had participated in the process of harmonising the technical standards that were relevant to transportation of dangerous goods (which included petroleum products) under the auspices of the Southern Africa Development Community Cooperation in Standardisation (SADCSTAN) Technical Committee on Transportation and Automotive (SADCSTAN TC 2) and facilitated by the Zambia Bureau of Standards (ZABS). The following standards that would ensure compliance and removal of technical barriers to trade with regard to the petroleum sub-sector:

- (i) Vehicle Standards – Transportation of Dangerous Goods by Road;
- (ii) Cross Border Transportation Management System;
- (iii) Vehicle Standards – Specification for Vehicle Roadworthiness – Part 1: Roadworthiness of vehicles already in use;
- (iv) Vehicle Standards — Specification for Vehicle Roadworthiness — Part 2: Roadworthiness of vehicles prior to entry into service, and thereafter;
- (v) Vehicle Standards — Specification for Vehicle Roadworthiness — Part 3: Roadworthiness - Supporting information;
- (vi) Vehicle Standards – Specification for Vehicle Roadworthiness – Part 4: Roadworthiness – Requirements for Vehicle Examiners;
- (vii) Vehicle Standards – Specification for Vehicle Roadworthiness – Part 5: Roadworthiness – Requirements for Testing Equipment; and
- (viii) Vehicle Standards – Specification for Vehicle Roadworthiness – Part 6: Roadworthiness – Requirements for combinations of vehicles

It was further indicated in the Action-Taken Report that the SADC harmonised standards were undergoing review for harmonisation at the African Union (AU) level through the African Organisation for Standardisation (ARSO). Once harmonised at the AU level, the standards were expected to facilitate trade under the African Continental Free Trade Area (AfCFTA). In addition, the ERB was in consultation with ZABS, through which the standards were supposed to be adopted at national level. Once adopted, the standards would be synchronised into the Zambian context for purposes of facilitating the implementation of the standards through reference in licence conditions.

### **Committee's Observations and Recommendations**

The Committee notes the matter and requests a progress report on the matter.

#### **9.12 High Tax Regime for Petroleum Products**

The Committee had recommended that the Government should review the tax regime for all petroleum products in order to ascertain the actual cost of fuel, and reduce the cost of doing business and the consumer pump price.

### **Executive's Response**

In response to the Committee's recommendations, it was stated in the Action taken Report that the Government was working with the Ministry of Finance (MoF) to ensure that cost reflectivity and affordability was attained even as the Ministry continued to ensure continued security of supply for petroleum products. However, the Committee was requested to note that the pricing of petroleum products was governed by the *Energy Regulation Act, No. 12 of 2019*, which provided for the calculation of the price of petroleum products based on the Cost Plus Model. The fuel pump price model consisted of Ndola Fuel Terminal Fees, excise duty, transportation costs, oil marketing company margin, dealer margin, Energy Regulation Board fees, strategic reserve fund and Value Added Tax. In procuring commingled feedstock and finished petroleum products, the Ministry of Finance issued Statutory Instruments to waive 25 per cent customs duty when the products were imported by the Ministry responsible for Energy and Oil Marketing Companies recommended by the Ministry of Energy. As such, the Energy Regulation Board only factored in VAT Excise duty in the fuel pricing model.

It was further reported in the Action-Taken Report that VAT on petrol and diesel were payable at 16 per cent and was zero rated on Jet A1-Fuel, aviation spirit for piston engines and kerosene. Additionally, excise duty on petrol, diesel, and white spirit was payable at K2.07 per litre, K0.66 per litre and 15 per cent, respectively. Further, VAT accounted for 14 per cent of the pump price build-up of petrol, diesel and Low Sulphur Diesel (LSG). Excise duty accounted for 12 per cent of the pump price build-up on petrol, 4 per cent on

diesel and 4 per cent on LSG. Therefore, in the fuel pump price build-up, only two taxes were applicable and four different fees. Jet A1 fuel of HS2710.12.20 (Jet Aviation turbine fuel) was free of customs and excise taxes and it was zero rated for VAT.

Zambia was considered as having one of the most expensive Jet A1 fuel in the region. Therefore, the Government would continue to review the entire fuel supply chain in order to remove further cost inefficiencies and make Zambia more competitive in the region.

### **Committee's Observations and Recommendations**

The Committee notes the response and requests an update on the outcome of the consultations regarding the review of the cost structure for the fuel supply chain.

#### **9.13 Lack of Strategic Plan**

The Committee had urged the Government to expedite the process of developing a strategic plan for the petroleum industry.

#### **Executive's Response**

The Executive responded that the Ministry of Energy was in the process of developing the petroleum strategy. Once finalised, the strategy would guide the implementation of programmes and projects in the petroleum sub-sector.

### **Committee's Observations and Recommendations**

The Committee notes the response and awaits a progress report on the completion of the strategic plan.

#### **9.14 Lack of Strategic Petroleum Reserves**

The Committee had urged the Government to build enough storage depots in order to ensure that the country had strategic petroleum reserves.

#### **Executive's Response**

It was submitted in the Action-Taken Report that the Government had embarked on a programme to construct more fuel depots across the country. Thus far, fuel depots had been constructed in Lusaka, Solwezi, Mongu, Mpika and Mansa with Chipata still underway. Further, to supplement the current Lusaka fuel depot, the Ministry was constructing the new Lusaka fuel depot in Lusaka West. The fuel depots under construction were at various completion

percentages as at July, 2020. The completion percentages are 37 per cent and 42 per cent for New Lusaka fuel depot and Chipata fuel depot, respectively.

### **Committee's Observations and Recommendations**

The Committee notes the response and requests for information on which storage depots have been designated for petroleum reserves.

#### **9.15 Accelerate the Integration of Bio-fuels in the National Energy Mix**

The Committee had urged the Government to provide the necessary resources to the Ministry of Energy to set up bio-fuel blending facilities.

### **Executive's Response**

The Executive responded that the Strategic Reserve Fund was introduced to stabilise the price of fuel, manage, rehabilitate and construct petroleum storage facilities as well as emergencies in the petroleum sector. Further, the finances were meant to supplement budgetary provisions. That notwithstanding, the Government recognised the importance of diversifying energy sources and would endeavour to allocate more resources for biofuels. The Ministry of Energy had thus far developed a road-map for biofuel which was currently awaiting approval by Cabinet. Further, two kerosene tanks (1000m<sup>3</sup> each) at Lusaka depot had been converted to facilitate for storage of bioethanol. Given the importance of the mater, all new fuel depots being constructed had provisions for storage of biofuels included in their designs.

### **Committee's Observations and Recommendations**

The Committee notes the response and requests an update on the roadmap meant to accelerate the integration of the biofuels into the national energy mix.

#### **9.16 Increase the Participation of Local Players in the Transportation of Jet A1 Fuel**

The Committee had, recommended that the Government to devise deliberate measures to ensure the participation of local transporters by reserving at least 30 per cent of the transportation of Jet A1 and LPG for them.

### **Executive's Response**

It was submitted in the Action Taken Report that the Government was aware of the importance of the participation of local transporters in the delivery of goods and services in the downstream sub-sector and took note of the Committee's recommendation.

### **Committee's Observations and Recommendations**

The Committee notes the response and requests for an update on the actual measures taken to ensure the participation of local transporters in the supply of Jet A1 fuel and LPG.

## **UPSTREAM PETROLEUM SUB SECTOR**

### **9.17 Incomplete Strategic Environmental Assessment**

The Committee had observed that the Ministry of Mines and Minerals Development issued petroleum exploration licenses without fulfilling the requirement of conducting Strategic Environmental Assessments (SEAs) as prescribed under the *Environment Management Agency Act, No 12, of 2011*. The Committee had further noted that the SEA was an important undertaking as it promoted sustainable petroleum exploration and production practices regarding environmental and social aspects among the various players in the upstream petroleum sub sector.

The Committee had urged the Government to provide financial and technical support to the Ministry of Mines and Minerals Development to enable it update and complete all the SEAs.

#### **Executive's Response**

It was reported in the Action-Taken Report that the Ministry of Mines and Minerals Development had engaged the African Development Bank regarding updating and completion of the SEA, the exercise was partially done with the support of the Norwegian Government in 2019. The exercise was not completed due to non-release of funds from the Treasury for stakeholder engagement. The Ministry of Mines and Minerals Development budgeted for the activity in the 2020 budget but funds were not released by the Treasury in order to complete the SEA for petroleum exploration and development in Zambia.

#### **Committees' Observations and Recommendations**

The Committee notes the response and requests an update on when the Ministry of Mines and Minerals Development would be funded in order to undertake the SEAs.

### **9.18 Failure to Inspect Petroleum Exploration Blocks**

The Committee had observed with concern that due to lack of resources, the Ministry of Mines and Minerals Development did not conduct inspections to verify the activities undertaken in the petroleum exploration blocks. This resulted in failure by the Ministry to physically monitor and regulate petroleum exploration activities in the country.

The Committee had, therefore, recommended that the Government should ensure that the Geological Survey Department and the Hydrocarbons Unit in the Ministry was provided with the necessary resources to enable them carry out inspections in all the petroleum exploration blocks.



## **Executive's Response**

It was stated in the Action-Taken Report that the Ministry of Finance was obliged to provide adequate funding to the Ministry of Mines and Development to enable the Geological Survey Department-Hydrocarbon Unit to adequately inspect and monitor all active petroleum licence areas/blocks for compliance, on a quarterly basis. The situation had not fundamentally changed, hence the Hydrocarbon Unit remained underfunded.

## **Committee's Observations and Recommendations**

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

### **9.19 Need to formulate a Policy for the Upstream Petroleum Sub Sector**

The Committee had urged the Government to develop a dedicated policy for the upstream petroleum sub-sector in order to, among other things, address the challenges that beset the sub-sector and attract more investment. The Committee had further recommended that the policy should be placed under the mandate of the Ministry of Mines and Minerals Development under whose remit issues of exploration and production resided.

## **Executive's Response**

It was indicated in the Action-Taken Report that the mandate to execute exploration in the upstream petroleum sub-sector was re-allocated to the Ministry of Mines and Mineral Development from the Ministry of Energy. In that regard, the Government commenced the formulation of a petroleum policy that would be administered by the Ministry of Mines and Minerals Development.

## **Committee's Observations and Recommendations**

The Committee requests an update on when the petroleum policy will be formulated.

### **9.20 Harmonisation of the Petroleum (Exploration and Production) Act, No. 10 of 2008 and Mines and Minerals Development Act, No. 11 of 2015.**

The Committee had observed that the *Petroleum (Exploration and Production) Act, No. 10 of 2008* did not provide for the services of the Geological Survey Department and its Director as the provider of basic geological data. This information was, however, found in the *Mines and Minerals Development Act, No. 11 of 2015*. For the avoidance of doubt and since the *Petroleum Act* was the overarching piece of legislation guiding the upstream sub-sector, it was

important that the information relating to the Geological Survey Department and its Director was also reflected in the Act.

The Committee had recommended that the Government should harmonise the two pieces of legislation in such a manner as to ensure that the provisions on the role of the Geological Survey Department, including its Director which were contained in the *Mines and Minerals Development Act, No. 11 of 2015* were equally applicable to the *Petroleum (Exploration and Production) Act, No. 10 of 2008*.

### **Executive's Response**

The Executive responded that the Hydrocarbon Unit within the Geological Survey Department was provided for in Sections 81, 82 and 83, Part XII of the *Petroleum (Exploration and Production) Act, No. 10 of 2008*. It was further reported that restructuring of the Ministry of Mines and Minerals Development was underway and would ensure that the Hydrocarbon Unit became a Directorate whose Director would ultimately be the provider of basic geological data for the upstream petroleum sub-sector. To that effect, the Ministry of Mines and Minerals Development had engaged the Public Service Management Division regarding upgrading of the Hydrocarbon Unit into the Hydrocarbon Directorate. In addition, the two pieces of legislation were being reviewed and relevant sections would be amended in order to harmonise both legislations.

### **Committee's Observations and Recommendations**

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

#### **9.21 Need to Create the National Petroleum Company**

The Committee had observed that the *Petroleum (Exploration and Production) Act, No. 10 of 2008* and the Petroleum (Exploration and Production) (National Petroleum Company) Regulations of 2011, provided for the formation of the National Petroleum Company. However, this provision had not been actualised. If created, a national petroleum company could serve as an important statutory institution to support the development and regulation of the upstream petroleum sub-sector for the country. In that regard, the Committee urged the Government to abide by the provisions of the law and ensure that the National Petroleum Company was created.

### **Executive's Response**

In agreeing with the Committee's recommendation, the Executive responded that the creation of the National Petroleum Company (NPC) was provided for in Section 100, Part XVI of the *Petroleum (Exploration and Production) Act, No. 10*

of 2008 and the Petroleum (Exploration and Production) (National Petroleum Company) Regulations of 2011. In that regard, the Ministry of Mines and Minerals Development was in the process developing a concept paper to be considered for approval by the Petroleum Committee over the need for the formation of the NPC. The Petroleum Committee (PC) was the highest authority/body regarding policy formulation relating to the exploration for, and the development and production of, petroleum in Zambia as provided for in the *Petroleum (Exploration and Production) Act*.

### **Committee's Observations and Recommendations**

The Committee notes the response and resolves to await a progress report on the matter.

#### **9.22 Absence of Geological and Geophysical Data**

The Committee had observed that the country did not have well packaged geological and geophysical data for the upstream sub sector. This had made it very difficult to assess the petroleum potential of the country and investors had no reference data to use when commencing projects. In that regard, the Committee recommended that the Government should provide the necessary resources to the Ministry of Mines and Minerals Development to enable it create a repository for all geological and geophysical data, including historic geo-information for all areas that had been explored and yet to be discovered.

### **Executive's Response**

The Executive responded that the Ministry of Mines and Minerals Development was in possession of the legacy petroleum (geological and geophysical) data which was acquired in the 1980s, when Zambia's exploration for hydrocarbons began. The data had been packaged and was sold to prospective investors in the upstream sub-sector. In addition, regional geological, geophysical and geochemical data was available in the data package. However, the Ministry was in dire need of adequate, detailed and block specific data which would ultimately open more areas for exploration and promote investment in the petroleum upstream sub-sector. In order to generate, update and package geological and geophysical data for the upstream sub-sector, the Ministry of Mines and Minerals Development budgeted for this activity in the 2020 budget but funds had not yet been released by the Treasury.

It was further reported in the Action-Taken Report that the Ministry of Mines and Minerals Development (Geological Survey-Hydrocarbon Unit) was working in collaboration with the University of Oxford. Arising from the collaboration, plans were underway to commence compilation of regional passive seismic data acquisition (a less detailed form of seismic data compared to active seismics) over five exploration blocks covering Southern, Central and North-Western

parts of Zambia. This work was expected to commence in 2020, however, it would be delayed due to the outbreak of COVID-19 which had resulted in the introduction of travel restrictions. The information that was to be generated from the collaborative work would be a massive addition to the data package and would partially open up some areas for petroleum exploration. In essence, the poor funding to the Hydrocarbon Unit had made the aspect of packaging geological and geophysical data for the upstream sub sector difficult.

### **Committee's Observations and Recommendations**

The Committee notes the response and requests an update on when the Government will provide funding to the Ministry Mines and Minerals Development to facilitate the development and packaging of geological and geophysical data.

### **9.23 Relax Procedures for Exploration License Renewal**

The Committee had observed that the procedure for renewal of exploration licenses was tedious and license holders who complied with all the benchmarks during the previous license period were subjected to the same lengthy procedure in the subsequent license period. This had the potential to discourage investors. The Committee, therefore, urged the Government to revise the law by relaxing renewal procedures or develop mechanisms for automatic renewal for applicants who did not have any license breaches in the previous license period.

### **Executive's Response**

It was indicated in the Action-Taken Report that the procedure for renewal of petroleum exploration licenses would be considered during the review of the *Petroleum (Exploration and Production) Act, No. 10 of 2008*. It was further reported that it was standard international practice in the upstream petroleum for regulatory authorities to subject licence holders to renewal procedures as opposed to automatic renewals. The subjection of licence holders to renewal procedures was one of the ways of assessing the performance for compliance of licence holders regarding the approved programme of exploration operations. In addition, the renewal process presented an opportunity to the regulatory authority to ascertain the licensee's technical and financial capacity to continue with exploration. That notwithstanding, the legislation still required refinement to address the challenges faced by industry players so that it was made easier for licence holders to review their licences.

### **Committee's Observations and Recommendations**

The Committee notes the response and awaits the review of the *Petroleum (Exploration and Production) Act, No. 10 of 2008*.

## **10 CONSIDERATION OF THE ACTION TAKEN REPORT ON THE REPORT OF THE COMMITTEE ON ENERGY, WATER DEVELOPMENT AND TOURISM FOR THE THIRD SESSION OF THE TWELFTH NATIONAL ASSEMBLY**

### **REVIEW OF THE RURAL ELECTRIFICATION PROGRAMME IN ZAMBIA**

#### **10.1 Cost of Service Study**

The Committee had recommended that the Government should expedite the process of conducting the electricity cost of service study as a matter of urgency.

##### **Executive's Response**

It was indicated in the Action-Taken Report that the Ministry of Energy, through the Energy Regulation Board, had entered into a contract with Energy Market and Regulatory Consultants (EMRC) on 31st of October, 2019. The twelve month study was officially launched in December, 2019 and was expected to be completed by end of November, 2020. However, due to the COVID-19 pandemic, the study had been extended to March 2021.

##### **Committee's Observations and Recommendations**

The Committee notes the Executive's response and awaits a progress report on the completion of the cost of service study.

#### **10.2 Management and Operations of the Rural Electrification Fund**

The Committee had requested an update on the actual measures taken to ensure that the Rural Electrification Fund was properly managed. The Committee had further requested an update on the strategy meant to improve funding to the Rural Electrification Authority, which would lead to the attainment of the targets set in the Rural Electrification Master Plan.

##### **Executive's Response**

The Executive responded that a Statutory Instrument was being prepared by the Ministry of Finance on modalities of how the Electricity Levy was to be channelled to the Rural Electrification Authority.

##### **Committee's Observations and Recommendations**

The Committee notes the Executive's response and requests an update on when the Statutory Instrument will be passed.

### **10.3 Electrifying Rural Areas by Grid Extension**

The Committee had requested an update on the implementation of the regulatory framework for the off-grid system pilot project.

#### **Executive's Response**

It was reported in the Action Taken Report that the development of the mini-grids regulatory framework commenced in May 2018 with a view to develop a light handed regulatory framework for mini-grid and attract private sector participation by providing certainty to mini-grid investments. The regulations were developed through wide stakeholder consultations and the key elements of the framework were licensing procedures, tariff rules and technical requirements. The draft regulatory framework was approved by the ERB on 30<sup>th</sup> October 2018 prior to gazetting. The road-testing of the Regulations was conducted for one year (October 2018 – October 2019), after which the draft regulations (legal, grid encroachment, technical and economic) were updated and subsequently approved by the ERB on 7<sup>th</sup> February 2020. Following the enactment of the new *Electricity Act, No. 11 of 2019* and the *Energy Regulation Act, No. 12 of 2019*, the regulations were being reviewed with a view to re-aligning them with the new Electricity Act and Energy Regulation Act prior to finalisation and gazetting within 2020.

#### **Committee's Observations and Recommendations**

The Committee notes the Executive's response and requests an update on the review of the mini-grid regulatory framework.

### **10.4 Over dependence on Funding from the Government**

The Committee had requested an update on when the Government would establish a transparent and sustainable financing model, which would allow for cross-financing of rural electrification programmes with the private sector.

#### **Executive's Response**

It was reported in the Action-Taken Report that the Rural Electrification Authority was targeting to pilot public private partnerships (PPPs) model under the European Union (EU) funded the Increased Access to Electricity and Renewable Energy Production Project (IAEREP). The project would pilot three solar mini grid projects using the PPP model. The National Authorising Office (NAO) of the European Union Development Fund under Ministry of Finance was in the process of evaluating proposals from the companies in the private sector who were interested in the PPP in implementing the rural electrification projects. The actual contracting process was expected to be concluded by November, 2020.

## **Committee's Observations and Recommendations**

The Committee notes the response and resolves to await a progress report on the matter.

### **10.5 Poor Multi Sectoral Coordination**

The Committee requested an update on the review of the *Rural Electrification Act, No. 20 of 2003*, which would address, among other issues, the aspect of poor multi sectoral coordination.

### **Executive's Response**

It was stated in the Action-Taken Report that the Rural Electrification Authority had concluded the national consultation process for input into the Rural Electrification Bill as guided by the Ministry of Justice. Views and opinions were obtained from all the ten provinces. In line with the Bill development roadmap, the Bill was at legislative drafting stage that involved the consolidation of all the comments that were obtained from the national consultation process, in which various stakeholders were involved. The drafting process included officials from the Ministry of Justice, the Zambia Law Development Commission, Ministry of Energy and the Rural Electrification Authority.

## **Committee's Observations and Recommendations**

The Committee notes the response and awaits the review of the *Rural Electrification Act*.

### **10.6 Electricity Levy**

The Committee had recommended that the Government should review the *Electricity Act, Chapter 433 of the Laws of Zambia* to ensure that bulk energy consumers were also required to pay the 3 per cent electricity levy. The Committee further noted that the *Electricity Act, No. 11 of 2019* did not contain any provisions on payment of 3 per cent electricity levy by bulk consumers. The Committee had urged the Government to take all necessary measures, including legislative measures, to compel bulk consumers to pay electricity levy.

### **Executive's Response**

It was reported in the Action-Taken Report that the legal requirement that provided for electricity levy was in section 18 (1) b of the *Rural Electrification Act* and it was true that the percentage was not clearly stipulated and the

inclusion of bulk consumers was not addressed by the *Rural Electrification Act*. The issue of bulk consumers paying the electricity levy was Government policy. As such, the proposal would be considered and incorporated into the *Rural Electrification Act*.

### **Committee's Observations and Recommendations**

The Committee notes the response and resolves to await the review of the *Rural Electrification Act*.

### **10.7 Completion of Luangeni Electrification Project**

The Committee had recommended that the Government should consider replicating the model used in Luangeni to electrify other rural parts of the country. The Committee further requested an update on electrification of other districts.

### **Executive's Response**

It was reported in the Action-Taken Report that the Electricity Services Access Project (ESAP) initially targeted to provide 22,000 last-mile connections to the national grid comprising low income households and small and medium enterprises (SMEs). The initial target was revised to include an additional 16,000 connections, bringing the total target to 38,000 connections. The connections would comprise standard and enhanced connections. The enhanced connection integrated the Luangeni electrification model. However, no enhanced connections had been achieved to date as ZESCO was yet to procure the required materials before they could start accepting payment from qualifying customers. A total of seventy-three districts were benefiting from the ESAP projected as listed below:

- (i) Luano, Mkushi, Mumbwa, Itezhi-tezhi, Chisamba, Chibombo, Serenje, Shibuyunji and Kapiri Mposhi in Central Province;
- (ii) Lufwanyama and Mpongwe in Copperbelt Province;
- (iii) Chadiza, Katete, Lundazi, Mambwe, Sinda, Vubwi, Chipangali, Kasenengwa, Nyimba, Petauke and Mfuwe in Eastern Province;
- (iv) Chembe, Chienge, Chipili, Kawambwa, Milengi, Mwansabombwe, Mwense and Samfya in Luapula Province;
- (v) Luangwa, Chirundu and Kafue in Lusaka Province;
- (vi) Chama, Chinsali, Isoka, Mpika, Nakonde and Shiwangandu in Muchinga Province;
- (vii) Kapula, Luwingu, Mporokoso, Mpulungu, Mungwi, Senga and Lunte in Northern Province;
- (viii) Chavuma, Kabompo, Kasempa, Mufumbwe, Zambezi, Mushindamo, Kalumbila, Manyinga and Mwinilunga in North-Western Province;



- (ix) Sinazongwe, Kalomo, Namwala, Kazungula, Zimba, Monze, Pemba, Gwembe, Siavonga, Chikankata and Maamba in Southern Province; and
- (x) Kalabo, Kaoma, Limulunga, Lukulu, Senanga, Sesheke and Mulobezi in Western Province.

### **Committee's Observations and Recommendations**

The Committee notes the response and requests an update on whether Zesco Limited has procured the necessary materials and progress made towards achieving the targeted 38,000 connections.

## **MANAGEMENT OF NATIONAL PARKS AND GAME MANAGEMENT AREAS IN ZAMBIA**

### **10.8 Harmonisation of Legislation**

The Committee had requested an update on the review of the *Wildlife Act, No. 14 of 2015*.

#### **Executive's Response**

The Executive responded that the Ministry of Tourism and Arts was still in the process of obtaining approval from Cabinet to review the *Zambia Wildlife Act No. 14 of 2015*. The process was initiated in the year 2019. The Act was scheduled for review at the beginning of 2020. Once authority was granted, the Act would be amended.

#### **Committee's Observations and Recommendations**

The Committee resolves to await a progress report on the review of the *Wildlife Act, No. 14 of 2015*.

### **10.9 Human Resource and Poor Conditions of Service for Wildlife Police Officers**

The Committee recommended that the Government should expedite the process of recruiting more wildlife police officers in order to meet the international standards as guided by the International Union for the Conservation of Nature. The Committee also recommended that the Government should review the conditions of service for wildlife police officers and bring them in tandem with prevailing conditions for other law enforcement officers in the country.

#### **Executive's Response**

It was indicated in the Action-Taken Report that the Ministry of Tourism and Arts had not carried out any recruitment of wildlife police officers due to the continued implementation of austerity measures. Notwithstanding the above, the Ministry of Tourism and Arts had engaged the Public Service Management Division and Management Development Division for commencement of the process of harmonisation of the conditions of service of the wildlife police officers to bring them in tandem with prevailing conditions of service for other law enforcement officers in the country.

#### **Committee's Observations and Recommendations**

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

## **10.10 General Management Plans**

The Committee had requested an update on the formulation of Game Management Plans for those protected areas without such Plans and on specific measures taken to ensure that the Plans were implemented in all Game Management Areas. The Committee had further requested an update on the actual modalities that had been put in place to enhance field visits to assess the level of adherence of developments taking place in protected areas to the provisions of General Management plans. In addition, the Committee requested an update on the specific measures taken to ensure that the Plans were implemented in all Game Management Areas.

### **Executive's Response**

It was stated in the Action-Taken Report that, of the twenty one Game Management Areas (GMAs) in national parks, five had their General Management Plans approved while the remaining sixteen were yet to be developed, reviewed and approved. The Ministry of Tourism and Arts had taken the following measures to ensure that management plans were implemented in all GMAs:

- (i) Developments and activities that were prohibited in respective zones of a GMP were not consented to be undertaken.
- (ii) The Department of National Parks and Wildlife through the CBNRM office had engaged communities living in GMAs to recognise the provisions of the GMP.
- (iii) The Department of National Parks and Wildlife, in collaboration with other security wings, evicted encroachers settled in zones where settlements were not permitted.

It was further indicated in the Action-Taken Report that the Ministry of Tourism and Arts had put in place the following modalities to enhance field visits to assess adherence of development taking place in national parks:

- (i) Provision has been made in the budget to assess developments taking place in PAs.
- (ii) To undertake key accountability area in monitoring and evaluation under the Planning Unit.

### **Committee's Observations and Recommendations**

The Committee notes the response and resolves to request a progress report on the development of the remaining sixteen Game Management Plans.

### **10.11 Relaxing Procedure for Participation in Game Ranching**

The Committee had urged the Government to expedite the review of the *Wildlife Act, No 14 of 2015* in order to allow for the establishment of private ranches in Game Management Areas.

#### **Executive's Response**

It was indicated in the Action-Taken Report that a Statutory Instrument that would provide for private wildlife estate had been drafted and submitted to the Ministry of Justice and awaiting a response. However, the issue would be tabled during the review of the *Wildlife Act, No 14 of 2015* so that it could be enshrined in the Act.

#### **Committee's Observations and Recommendations**

The Committee notes the response and resolves to await a progress report on the matter.

### **10.12 Review of Licence Fees**

The Committee had requested a progress report on the review of Statutory Instrument No. 60 of 2007 on licenses and fees.

#### **Executive's Response**

It was reported in the Action-Taken Report that as part of the preparatory activities to review the Statutory Instrument No. 60 of 2007, the Ministry of Tourism and Arts held a training workshop with the Business Regulatory Review Agency (BRRA) on how to conduct the Regulatory Impact Assessment (RIA) from the 2<sup>nd</sup> December, 2019 to 5<sup>th</sup> December, 2019. BRRA advised the Department of National Parks and Wildlife to explore the following RIA options before revising the fees:

- (i) Do nothing
- (ii) Self-Regulation
- (iii) Information, Education and Communication
- (iv) Revision of SI No. 60 of 2007 to increase the fees

Based on the foregoing, the Ministry compiled and shared with BRRA a preliminary report in respect of the Cost Benefit Analysis of the four options. In the same report, the Ministry had justified why option four to increase the fees was preferred. The Ministry was awaiting final guidance from the BRRA before the DNPW could proceed with stakeholder consultations.

### **Committee's Observations and Recommendations**

The Committee notes the response and requests a progress report on the matter.

#### **10.13 Unaffordable Accommodation Facilities in Protected Areas**

The Committee had requested an update on the completion of the construction of camping facilities for local tourists.

#### **Executive's Response**

The Executive responded that the Ministry of Tourism and Arts was willing and committed to promoting local tourism and had earmarked sites in national parks for the construction of camping facilities. However, the Ministry was constrained with financial resources to continue and complete the camp site projects which were started under ZAWA.

### **Committee's Observations and Recommendations**

The Committee notes the response and requests for an update on the matter.

#### **10.14 Need to Train Community Village Scouts**

The Committee had recommended that the Government should ensure that Community Resource Boards (CRBs) received their share of revenue from hunting activities in good time to enable them train community village scouts and implement other developmental community programmes. The Committee had further requested an update on how many community scouts were trained in 2019.

#### **Executive's Response**

It was stated in the Action-Taken Report that the Ministry of Tourism and Arts had scheduled to conduct training of the sixty untrained village scouts in March 2020. However, the activity had been deferred due to the COVID 19 pandemic. The Committee was further informed that the untrained scouts had since been detailed to carry out community awareness campaigns.

### **Committee's Observations and Recommendations**

The Committee notes the response and resolves to await a progress report on the matter.

## **11. CONSIDERATION OF THE ACTION TAKEN REPORT ON THE REPORT OF COMMITTEE ON ENERGY, WATER DEVELOPMENT AND TOURISM FOR THE SECOND SESSION OF THE TWELFTH NATIONAL ASSEMBLY**

### **WATER SUPPLY AND SANITATION IN ZAMBIA**

#### **11.1 Need to review the National Water Policy**

The Committee had requested an update on the finalisation of the National Water policy.

##### **Executive's Response**

It was stated in the Action-Taken Report that the water supply and sanitation policy had been completed and printed. The Policy was yet to be launched by the Minister of Water Development, Sanitation and Environmental Protection.

##### **Committee's Observations and Recommendations**

The Committee notes the response and resolves to await the launch of the National Water policy.

#### **11.2 Need to enhance Corporate Governance**

The Committee had requested for a progress report on the appointment of Boards of Directors and the status of employment of Chief Executive Officers for all the eleven commercial utility companies.

##### **Executive's Response**

It was stated in the Action-Taken Report that nine out of the eleven water utility companies appointed their Chief Executive Officers in the fourth quarter of 2018 on contract basis except for Western Water Supply and Sanitation Company and North-Western Water Supply and Sanitation Company. With regard Western Water Supply and Sanitation Company, the Board had put in place the Chief Executive Officer in an acting capacity pending appointment of substantive Chief Executive Officer.

##### **Committee's Observations and Recommendations**

The Committee notes that the response does not address the issue of appointment of Boards and requests an update on the matter. The Committee will also await a progress report on the appointment of substantive Chief Executive Officers for Western Water Supply and Sanitation Company and North-Western Water Supply and Sanitation Company.

### **11.3 Inadequate Water and Sanitation Investment**

The Committee had urged the Government to increase financial support to enable commercial utilities to expand water and sanitation coverage to urban and peri urban areas and to consider entering into public-private partnerships (PPPs) in order to leverage additional investment into the sector.

#### **Executive's Response**

It was stated in the Action-Taken Report that the Ministry of Water Development, Sanitation and Environmental Protection had made preliminary engagements with the University of Zambia regarding the possibility of manufacturing water meters for water utility companies to install for the customers. The Ministry had further engaged in discussions with the University of Zambia on the possibility of manufacturing chlorine for water utility companies to use in the treatment of water. The two engagements were with a view to facilitating discussion on sourcing of water pumps and chlorine locally in order to cut down on the high cost of importing water pumps and chlorine and hence reduce the cost of providing water to rural and urban areas. The engagements between the Ministry and the University of Zambia were ongoing and were yet to be concluded.

#### **Committee's Observations and Recommendations**

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

### **11.4 Outstanding Water and Sanitation Bills**

The Committee had requested an update on debts owed to commercial utility companies by Government institutions and installation of prepaid metres in all Government departments and institutions.

#### **Executive's Response**

It was indicated in the Action-Taken Report that the Government had prioritised the installation of prepaid meters in all Government departments and institutions in order to make water utility companies more financially viable, thereby allowing them to reduce debt owed and improve service delivery to the citizenry. With regard to outstanding bills, the Government was fully committed to dismantling all arrears to water utility companies. Further, the Controller of Internal Audit conducted an audit and of the eleven water utility companies. Arising from the audit, six companies had commenced the installation of prepaid meters while the remaining five had prioritised the installation exercise so as to improve their cash flows and service delivery.

Regarding the debts that Government institutions owed commercial utility companies, the Executive submitted that an audit that was conducted by the Controller of Internal Audit under the Ministry of Finance resulted in unverified debt portfolio standing at K474,941,399.70 as of 30<sup>th</sup> June, 2020. Further to the verification of the debt, the Ministry of Water Development, Sanitation and Environmental Protection in collaboration with the Ministry of Finance facilitated debt swaps amounting to K118, 756,564.23 between water utility companies and statutory bodies such as National Pension Scheme Authority and Zambia Revenue Authority. Further, the Government paid K132, 024,607.23 to water utility companies and further reduced the debt to K224, 121,228.36, which the Government was committed to dismantling.

### **Committee's Observations and Recommendations.**

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

#### **11.5 Uncoordinated and weak collaboration**

The Committee had recommended that in order to foster a well-coordinated and integrated system, there was need to undertake a comprehensive review of the *Water Supply and Sanitation Act, No. 28 of 1997* and finalise the development of the water supply and sanitation policy.

#### **Executive's Response**

The Executive responded that the Government had finalised the draft Water Supply and Sanitation Bill. The draft Bill was yet to be presented to the Ministry of Justice for consideration before submission to Cabinet for approval. Following Cabinet approval, the Ministry had finalised the development of the Water Supply and Sanitation Policy. The Policy had been launched.

### **Committee's Observations and Recommendations**

The Committee notes the response on the launch of the Water Supply and Sanitation Policy and requests an update on the review of the *Water Supply and Sanitation Act, No. 28 of 1997*.

#### **11.6 Improve Water and Sanitation Infrastructure**

The Committee had recommended that the Government should finance the rehabilitation of water supply and sanitation infrastructure and explore avenues for alternative reliable sources of funding for the water and sanitation sector in order to have a continuous flow of funds to the sector. The Committee had further urged the Government to create a basket fund for the sector.



The Committee requested a progress report on the implementation of the reported measures, and how the same would contribute to the mobilisation of sustainable financing for the improvement of the state of water and sanitation infrastructure.

### **Executive's Response**

The Executive responded as outlined below.

- (a) The Ministry would continue to carry out feasibility studies whose outcome was to inform investment options for the improvement of water supply and sanitation infrastructure in the country.
- (b) Government had continued to engage international financial institutions to secure financing for investment aimed at improving water supply and sanitation infrastructure in the country. The engagements were already yielding positive results as seen from the financing of the Small Towns Project as well as the Transforming Rural Livelihoods Project in Western Province both projects aimed at improving water supply and sanitation infrastructure and were being financed by international institutions.
- (c) Government would continue to carry out feasibility studies to inform investment options for the improvement of water supply and sanitation infrastructure. Government was also already engaging in discussions with private sector institutions for possibilities of funding some water supply and sanitation projects through public private partnerships. The discussions were on-going.

### **Committee's Observations and Recommendations**

The Committee requests an update on the matter.

#### **11.7 Widespread Encroachments of Water and Sewerage Plants**

The Committee had recommended that in order to protect the facilities and stop any further encroachments on water and sanitation plants, there was need to expedite the process of securing title deeds for all properties owned by commercial utilities.

### **Executive's Response**

It was reported in the Action-Taken Report that all water utility companies had commenced the process of acquiring title deeds to all pieces of land on which their water works were constructed and those earmarked for construction of water works. Some of the water installations for water utility companies had been fenced off as a way of securing them and more would be fenced in due course, especially after acquisition of title, to curb possible encroachments.

## **Committee's Observations and Recommendations**

In noting the Executive's response, the Committee requests for information on how many of the eleven commercial utility companies had acquired title deeds.

### **11.8 Rural Water Supply and Sanitation**

The Committee recommended that the Government should expedite the process of approving the National Rural Water Supply and Sanitation Programme for the period 2016 to 2030 in order to increase access to safe, reliable water and proper sanitation.

### **Executive's Response**

The Executive responded that the status of implementation of the strategies relating to improving rural water supply and sanitation in the country were as outlined below.

- (a) Local authorities and water utility companies had ongoing training programmes on urban and rural water supply and sanitation aimed at strengthening service provision. The training programmes had commenced under the facilitation of the Ministry of Water Development, Sanitation and Environmental Protection and the regulator, National Water Supply and Sanitation Council (NWASCO) in collaboration with the cooperating partners.
- (b) Water Supply and Sanitation Companies had been engaged to undertake research aimed at addressing the impact of calcium and iron on water supply infrastructure.
- (c) NWASCO was implementing the Rural Water Supply and Sanitation Services (RWSS) regulatory framework in order to improve rural water supply and sanitation service provision that supported sustainability in rural areas.
- (d) All water utility companies had formed joint implementation teams and had taken up their responsibilities of re-organising the implementation of rural water supply and sanitation services in the respective areas.
- (e) The operation and maintenance guidelines were being implemented under the National Rural Water Supply and Sanitation Programme (NRWSSP) Phase II to support the sustainability of water supply and sanitation.
- (f) The Ministry in collaboration with local authorities was implementing WASH interventions by ensuring that the community had adequate sanitation services through the construction of toilets and hand washing facilities at household level using locally available materials.
- (g) In an effort to increase coverage of water supply services, the construction of piped water schemes in rural areas had been intensified as opposed to use of boreholes and wells. For instance, in 2019, the Government with support from partners constructed thirty one solar powered small piped

water schemes in selected rural areas of the country from which over 150,000 people were benefiting

### **Committee's Observations and Recommendations**

The Committee requests an update on the process of approving the National Rural Water Supply and Sanitation Programme for the period 2016 to 2030.

## **REVIEW OF THE OPERATIONS OF THE ZAMBEZI RIVER AUTHORITY**

### **11.9 Tour of the Batoka Gorge Hydro-Electric Scheme and the Kariba Dam Rehabilitation Project**

The Committee recommended that the Government should ensure that there were no delays in completing the Batoka Gorge Hydro-Electric Scheme (BGHES). The completion of the project would ensure more stable and reliable power supply for the country and improve the competitiveness of the country's electricity products but also provide scope for new energy intensive investments.

### **Executive's Response**

The Executive responded as set out below.

#### **11.10 Status of the BGHES Preparatory Studies and developer**

The draft reports for the preparatory studies for the development of the BGHES had been completed by the consultant. The draft reports comprised two components as listed below.

- (a) Engineering Feasibility Studies; and
- (b) Environmental and Social Impact Assessment (ESIA) Studies and associated Environmental and Social Management Plan (ESMP).

The final reports were expected to be received by the end of August, 2019 and September, 2019, respectively.

With regard to the procurement of the BGHES developer, the consortium of Power Construction Corporation of China Limited and General Electric were appointed to develop the BGHES on a build, operate and transfer basis. The negotiations with the developer had commenced, and the concession agreement was expected to be signed by December, 2019.

(a) **Update on the Kariba Dam Rehabilitation Project (KDRP) Implementation**

The Committee had requested an update on the completion of the Batoka Gorge Hydro-Electric Scheme and the Kariba Dam Rehabilitation Project.

**Executive's Response**

The Executive responded as set out below.

(a) **Status of the Batoka Gorge Hydro-Electric Scheme (BGHES) Preparatory Studies and developer**

The draft reports for the preparatory studies for the development of the BGHES had been completed by the consultant. The draft reports comprised two components as listed below.

(i) **Engineering Feasibility Studies**

The final Engineering feasibility studies were completed in December 2019 and the Consultant who was undertaking these studies had demobilised.

(ii) **Environmental and Social Impact Assessment (ESIA) Studies and associated Environmental and Social Management Plan (ESMP)**

The draft ESIA report and associated Environmental and Social Management Plans were submitted in September 2019. As part of the disclosure process, the report was placed in the public domain for scrutiny by stakeholders and interested parties in March, 2020. However, the public disclosure meetings could not take place as scheduled due to the restrictions arising out of the need to limit the spread of the Covid-19 virus. The Zambezi River Authority had since obtained no objections from the environmental regulatory agencies of Zambia and Zimbabwe to hold these disclosure meetings through virtual means complemented by limited physical meetings which would be held in line with public health guidelines aimed at limiting the spreading of the Covid-19 virus. An implementation plan had since been developed and commenced in August, 2020 with the final ESIA reports expected to be submitted to the Zambia Environmental Management Agency and *Environmental Management Act* in December, 2020.

With regard the procurement of the BGHES developer, the consortium of Power Construction Corporation of China Limited and General Electric were appointed to develop the BGHES on a build, operate and transfer basis. The negotiations with the developer had commenced, and the concession agreement

was expected to be signed by December 2019. However, due to COVID-19, the two parties were still discussing on the mode that would be used to sign in light of COVID-19 guidelines. It was, therefore, possible that, should the current health situation continue, negotiations could be conducted via virtual platforms. Negotiations were thus expected to be completed within the fourth quarter of 2020 to pave way for signing of the concession agreement in the first quarter of 2021.

**(b) Update on the Kariba Dam Rehabilitation Project (KDRP) Implementation**

The KDRP involved two components, namely the plunge pool reshaping and spillway refurbishment. The progress of works were as indicated below.

**(i) Plunge Pool Reshaping Works**

The contractor, RaselBec of France, engaged to undertake the works had completed the access road to the plunge pool area and was working on the foundations of the cofferdam. The cofferdam was required to dewater the plunge pool for works to be undertaken in the dry. The coffer dam construction was due to delays that were caused by some geological challenges encountered during excavation of the cofferdam foundations. The solution to the geological complications was estimated as needing several months, which would require extension of time from the previously expected completion date. The new completion date for the cofferdam was May 2021, with the whole project expected to be completed in September, 2021.

**(ii) Spillway Refurbishment Works**

The spillway refurbishment contract was signed on 24 May, 2019, with a consortium of GE Hydro France and Freyssinet International. The project would be implemented over a four-year period, starting with the first year for the manufacture and transportation to site of the hydro-electro-mechanical equipment that would be installed in the dam as part of the refurbishment works.

The remaining three years would be used to refurbish the stop-logs guide slots at a pace of two per year, giving a duration of three years for the six sluices. Commissioning of the project was, therefore, targeted to take place by the end of year 2023.

**Committee's Observations and Recommendations**

The Committee resolves to request an update on the matter.

## **12. CONSIDERATION OF THE ACTION TAKEN REPORT ON THE REPORT OF THE COMMITTEE ON ENERGY, WATER DEVELOPMENT AND TOURISM FOR THE FIRST SESSION OF THE TWELFTH NATIONAL ASSEMBLY**

### **THE CONTRIBUTION OF THE TOURISM SECTOR TO SOCIO-ECONOMIC DEVELOPMENT**

#### **12.1 Improve data collection and provision of statistics**

The Committee had requested a progress report on when the Tourism Satellite Account would be implemented.

##### **Executive's Response**

It was reported in the Action-Taken Report that the Ministry of Tourism and Arts had not conducted the domestic and exit surveys, which were a prerequisite before implementing the Tourism Satellite Account. However, the surveys had not been conducted due to non-availability of resources. Notwithstanding the foregoing, the Ministry was making efforts to secure resources from the Tourism Development Fund to undertake the two surveys before the end of 2020.

##### **Committee's Observations and Recommendations**

The Committee notes the response and awaits a progress report on the operationalisation of the Tourism Satellite Account.

#### **12.2 Improve Air Travel**

The previous Committee had recommended that the Government should put in place strategies to improve Zambia's aviation industry. This could include finding ways of increasing the number of airlines operating in the country; attracting airlines that would operate direct flights to and from Zambia's main tourist markets, both domestic and foreign; reducing the cost of domestic air travel; and reviving the drive to have a national airline.

##### **Executive's Response**

In noting the Committee's recommendations, the Executive responded as outlined below.

With reference to the establishment of the national airline, the following milestones had been achieved:

- (a) Establishment of Zambia Airways (2014) Limited.

In honouring its equity commitment towards the project, Government had so far mobilised and invested about K25 million by financing the airline's preparatory activities such as:

- (a) works on the aircraft hangar and aircraft engineering workshops which were about 50 per cent complete; and
- (b) training of the airline's local cabin crew personnel.

In terms of raising the US\$11.5 million, the Government was actively engaging with the Trade and Development Bank (TDB) (formerly PTA Bank). The financing request and attendant documentation had been submitted to TDB for the bank to undertake its credit appraisal processes. TDB had since requested for revision of the project's financial forecasts, to appreciate the impact of COVID-19 on the airline's business plan. The requested forecast was being finalised by the joint teams of Ethiopian Airlines and Industrial Development Corporation (IDC) and should be submitted in the third quarter of 2020.

Other key milestones included:

- (i) Acquisition of an Air Service Permit by Zambia Airways (2014) Limited;
- (ii) Acquisition of an Air Operator Certificate (AOC) by Zambia Airways (2014) Limited;
- (iii) Obtaining of the three letter designator code (AZB) from International Civil Aviation Organisation (ICAO); and
- (iv) Training of twenty five cabin crew.

The Executive further responded that Zambia Airways (2014) Limited was undergoing a rigorous five phase certificate process and was at Phase II. The airline was required to present its fleet compliment to the Civil Aviation Authority (CAA), which had not been done. This was because the airline would commence its operations with leased planes and for the planes to be delivered to Zambia, there was need for Zambia to ratify the Cape Town Convention and its Protocol on Matters Specific to Aircraft Equipment of 2001. The Cape Town Convention would facilitate the ease of transferring of high value movable assets and provides ownership rights to the parties in the transaction. In July 2020, Parliament approved the ratification and the instruments of ratification had been deposited with the relevant institution. Zambia was waiting for approval of the instruments. Due to the COVID-19 pandemic, the launch of the airline was pushed further.

- (b) On the issue of attracting more airlines into the country, it was reported in the Action-Taken Report that while the discussions to attract more airlines had been ongoing, these discussions had not been concluded due to the COVID-19 pandemic.

Some of the efforts to attract more airlines included those set out below.

- (i) Discussions with Qatar Airways had advanced and culminated into a visit to their Head Office in Qatar between 25<sup>th</sup> and 26<sup>th</sup> November, 2019. A number of teams had since visited the country to inspect facilities with the intention of commencing flights in September, 2020. However, with the ongoing Covid-19 pandemic, commencement was expected to be delayed until 2021/2022 as Qatar Airways focused on their more established routes as part of its Covid-19 exit strategy.
- (ii) South African Airways low-cost subsidiary Mango Airlines expressed interest to commence flights into Harry Mwaanga Nkumbula International Airport from Johannesburg after engagements at an AviaDev event. Zambia Airports Corporation Limited management continued to engage Mango Airlines with a view of commencing flights pending ZCAA licensing processes and opening of borders in South Africa, which were closed in March, 2020 due to Covid-19 pandemic. However, commencement of flights by Mango Airlines was also dependent on the eventual outcome of the ongoing Business Rescue Plan of South African Airways.
- (iii) Proflight was planning to expand into the region and consolidating existing regional routes. However, all international flights to South Africa have been suspended until further notice.
- (iv) Lufthansa had expressed interest to commence flights into Livingstone, however, airport facilities could not accommodate their planned types of aircraft. Possibilities of upgrading infrastructure (e.g. extension of the Harry Mwaanga Nkumbula International Airport runway from the current length of 3 km to 3.5 km plus) needed to be evaluated and a cost/benefit analysis performed.

Key challenges in attracting new airlines:

- (i) The outbreak of the Covid-19 global pandemic would result in a significant long-term contraction of the global aviation industry and the significant scaling back on new route development by airlines in favour of consolidating the existing routes in order to ensure long-term survival.
- (ii) International Air Transport Association estimates had indicated that the aviation industry's global passenger traffic (revenue passenger kilometres or revenue passenger miles) would only return to the pre-Covid-19 levels in 2024.
- (iii) Zambia Airports Corporation Limited route development strategy focused primarily on adding new routes to airlines currently not operating in Zambia and as a result was highly exposed to route development strategies likely to be adopted by these airlines as a direct result of the Covid-19 pandemic.
- (iv) Some airlines dominating the market and resulting in high ticket pricing of domestic routes by local airlines.



- (v) On a macro level, immigration policies had continued to adversely affect travel to Zambia as countries surrounding Zambia had increasingly relaxed border rules by allowing tourists to obtain visas upon arrival.
- (vi) Bureaucracy in the issue of air service permit and air operator certificates.
- (vii) Need for a more consolidated tourism effort to market country's tourist attractions;
- (viii) Structural challenges vis-a-vis other regional Southern African airports;
- (ix) Limited bed spaces at Mfuwe International Airport and a runway that was 2.2Km long, thus restricting the sizes and types of aircraft that could operate there.
- (x) Victoria Falls International Airport continued to have an advantage over Harry Mwaanga Nkumbula International Airport and was the preferred airport by charter operators. It had a runway length of 4 km, compared to Harry Mwaanga Nkumbula International Airport runway which was 3 km in length, and was thus able to take longer range and larger aircraft.
- (xi) Limited and relatively more expensively priced bed spaces in Livingstone (Zambia) compared to Victoria Falls Town (Zimbabwe), thus limiting its ability to attract international exhibition events and price conscious tourists.
- (xii) Zimbabwe factor: airlines preferred refuelling in Harare as a means of externalising their Zimbabwe ticketing sales revenues and also due to the lower aviation Jet-A fuel prices there (fuel pipeline from Beira). Harare and Lusaka were also generally "tagged" by airlines seeking new routes into the region in order to achieve economies of scale.

Despite the challenges highlighted above, the Government would continued to explore other measures with potential to attract more airlines into the country and reduce the cost of air travel.

### **Committee's Observations and Recommendations**

The Committee requests an update on the matter.

### **12.3 Lusaka National Park and Mosi-oa-Tunya National Park**

The Committee had requested for a progress report on the development of the Wildlife Strategic Plan.

### **Executive's Response**

The Executive responded that the Ministry of Tourism and Arts had developed a concept note, which had been submitted to cooperating partners for possible financing of the development of the Wildlife Strategic Plan.

## Committee's Observations and Recommendations

The Committee requests a progress report the matter.

### 12.4 Lusaka National Museum and Livingstone Museum

The Committee had recommended that the Government should find concrete solutions to the following problems faced by the Lusaka National Museum and the Livingstone Museum:

- (i) poor state of the buildings;
- (ii) shortage of specialised staff;
- (iii) poor funding to the institutions; and
- (iv) lack of adequate and appropriate storage facilities for various artifacts.

### Executive's Response

It was indicated in the Action-Taken Report that the following measures were being undertaken to improve the Lusaka National Museum and Livingstone Museum:

<b>QUERY</b>	<b>RESPONSE</b>
Poor state of the building	Wah Kong Enterprises Limited, the company that had initially repaired the roof of the Lusaka National Museum was recalled and the leakages were sealed. The Livingstone museum building had not been repaired due to lack of funding.
Shortage of specialised staff	Five employees were undergoing training in Intangible Cultural Heritage (ICH) at the University of Zambia in order for the National Museums Board to have officers who could document, interpret and disseminate to the public the value of intangible heritage such as music, dance poetry, political pronouncements, and indigenous knowledge systems to national development. The training was at degree level. Three officers were sent to Osaka, Japan to train in heritage

	management and community development at diploma level. One officer was trained in Qatar at master's degree level. One officer had commenced training at PHD level in the field of Archaeology.
Poor Funding	Funding remained inadequate and irregular The matter was brought to the attention of the Ministry of Finance and Cabinet Office
Lack of appropriate storage facilities for various artifacts	The two museums still did not have sufficient funds to improve storage facilities The Embassy of the United States in Zambia provided funds to improve storage of archaeological finds at the Livingstone museum

### **Committee's Observations and Recommendations**

The Committee notes the Executive's response and requests for updates on the following matters:

- (a) repairs at the Livingstone Museum building;
- (b) whether there has been an improvement on funding to the Lusaka National Museum and Livingstone Museum; and
- (c) storage facilities for the two museums.

### **12.5 Livingstone Bus Terminus**

The previous Committee had urged the Government to ensure that adequate funding was provided so that the Livingstone Bus Terminus could be completed without any further delay.

### **Executive's Response**

The Committee was informed that the Government had engaged the Zambia National Service to complete the remaining works on the terminus. As of July 10<sup>th</sup> 2019, the Zambia National Service (ZNS) was on site and works had since commenced. The total contract amount for the ZNS to complete both the terminus and market in Livingstone was K35, 195,703.01. Out of that allocation, an advance amount of K3, 849,642.03 was paid for the bus

terminus while K4, 271,991.64 was paid for the market. The National Pension Scheme Authority was funding the completion of works on this infrastructure.

### **Committee's Observations and Recommendations**

The Committee requests a progress report on the matter.

#### **12.6 International Bus Terminus**

The contract details for the International Bus Terminus are hereby summarised:

- (a) the contract sum was K15, 398,568.13
- (b) the contract start date for this project was 18<sup>th</sup> June, 2018 and it was initially expected to be completed on 14<sup>th</sup> February 2020. An extension of six months was granted to run up to 4<sup>th</sup> August, 2020.

The payments that had been made towards the project were as follows:

- (a) advance payment K3,849,642.20
- (b) interim payment certificate No 2: K2,233,984.49

#### **Ultra-Modern Market**

The contract details for the ultra-modern market were as summarized below.

- (a) The contract sum was K19, 797,134.88
- (b) The contract start date was 18<sup>th</sup> June 2019 and it was initially expected to be completed on 14<sup>th</sup> February, 2020. An extension of six months was granted to run up to 4<sup>th</sup> September, 2020.

The payments so far made for this project were as follows:

- (a) advance: K4,949,288.72; and
- (b) interim payment certificate No. 2: K2,157,027.50.
- (c) Interim payment certificate No. 3: K1,672,171.61

The physical progress stood at 45 per cent for the bus terminus and 65 per cent for the ultra-modern market.

The Zambia National Service had requested for second extension of four months completion time for the bus terminus and five months for the market pending approval. If approved, the latest completion dates would be December 2020 and January, 2021, respectively. The reasons for the request to extend completion time for the two projects were as follows:

- (a) delays in honouring independent procuring controls, negatively affecting project cash flow; and

- (b) too many parties to the contract, hampering and delaying decision making both at technical and management level.

The contractor was committed to complete the two projects successfully despite the challenges being encountered.

### **Committee's Observations and Recommendations**

The Committee requests a progress report on the matter.

### **13. Conclusion**

The tourism sector is strategic to the Zambian economy and the Accommodation Classification and Grading System is a critical component to a thriving tourism industry. The implementation of the grading system has been progressing at a very slow pace, mainly due to delayed or non-release of funds to the Zambia Tourism Agency for this purpose. The Government would do well to ensure that the Agency is not only fully funded but also funded in a timely manner. In the same vein, a clear resource mobilisation plan and roadmap for the grading programme should be devised.

On the other hand, most stakeholders at whom the grading system is targeted are not fully aware of the programme, and as a result there is unwillingness to apply for grading. It is, therefore, important that the Ministry of Tourism and Arts intensifies sensitisation and awareness campaigns to ensure that stakeholders understand and appreciate the grading system in its entirety.

Finally, the Committee wishes to pay tribute to all the stakeholders who appeared before it and tendered both oral and written submissions. The Committee also wishes to thank you, Mr Speaker, for the guidance rendered to it throughout the Session. The Committee further extends its gratitude to the office of the Clerk of the National Assembly for the support services rendered to it.

E K Belemu  
**CHAIRPERSON**

April, 2021  
**LUSAKA**

## **APPENDIX I**

### **List of National Assembly Officials**

Ms C Musonda, Principal Clerk of Committees  
Mr H Mulenga, Deputy Principal Clerk of Committees (FC)  
Mrs C K Mumba, Senior Committee Clerk (FC)  
Mrs S B M Nyirongo, Committee Clerk  
Mrs D H Manjoni, Personal Secretary II  
Mr M Chikome, Committee Assistant  
Mr D Lupiya, Committee Assistant  
Mr M Kantumoya, Parliamentary Messenger

## **APPENDIX II**

### **List of Witnesses**

#### **MINISTRY OF TOURISM AND ARTS**

Dr A B Ponga, Permanent Secretary  
Mrs P Muyamwa – Director, Arts and Culture  
Mr Z Chilembo - Data Manager  
Mr W C Kaputo - Senior Planner  
Ms L S Bwalya - Director, Tourism  
Ms C Sikaneta - Senior Planner  
Mr L L Zulu – Principal Planner  
Mr F M Phiri – Director, Standards (Zambia Tourism Agency)

#### **MINISTRY OF FINANCE**

Dr E M Pamu – Permanent Secretary, Budget and Economic Affairs  
Mr A Imwiko – Assistant Director, Economic Management Department  
Ms I L Mwenya – Principal Planner  
Mr R Kasuba – Senior Budget Analyst  
Mr S Phiri – Acting Principal Economist  
Mr D Kamulete – Budget Analyst

#### **ZAMBIA TOURISM AGENCY**

Mr F S Chaila – Chief Executive Officer  
Ms M Mutelo – Acting Director, Licensing and Standards

#### **ZAMBIA BUREAU OF STANDARDS**

Mr M Mutale – Executive Director  
Mr A Chipongo – Acting Director Technical Services  
Mrs B Kancheya – Standards Manager  
Mr N Muzandu – Certification Manager

#### **TECHNICAL EDUCATION, VOCATIONAL AND ENTREPRENEURSHIP TRAINING AUTHORITY**

Mr C Takaiza – Director General  
Mr O Matimba – Director, Assessments and Certification  
Ms R Banda – Director, Training Standards

**LIVINGSTONE INTERNATIONAL UNIVERSITY OF TOURISM EXCELLENCE  
AND BUSINESS MANAGEMENT**

Professor P Kalifungwa – Vice Chancellor  
Dr S Mahohoma – Head of Department, Tourism and Hospitality  
Ms L Kapiteni – Deputy Dean, Academics

**PROTEA HOTEL MARRIOTT**

Mr R Kamalata – Compliance Officer  
Ms S Kwint – Operations Manager  
Ms A Lubasi – Marketing Manager

**LIVINGSTONE TOURISM ASSOCIATION**

Mr R M Sikumba, Board Chairperson  
Ms F Shonga – Programme Manger

**ZAMBIA INSTITUTE FOR TOURISM AND HOSPITALITY STUDIES**

Dr W Silungwe – Executive Director

**GARDEN COURT KITWE**

Mr C Nsenje – General Manager

**TAJ PAMODZI HOTEL**

Mr F Van ZyL – General Manager  
Mr S Zyambo – Sales Executive

**NEELKANTH SAROVAR PREMIER HOTEL**

Ms L Chibwe, Sales and Marketing Manager

**NEW FAIRMOUNT HOTEL AND CASINO**

Mr C E Munkonge – Senior Operations Manager

**HOTEL AND CATERING ASSOCIATION OF ZAMBIA**

Mr C Nsenje – President  
Ms C Chikwenya-Musadabwe – Executive Secretary  
Mr K Mulalami - Director  
Ms T C Mwale – General Manager



**HOSTELS BOARD OF MANAGEMENT**

Mr G Chawinga, Executive Secretary

**CHIMWEMWE HOTEL PETAUKE**

Mr M Z Tembo - Director