

## **REPORT OF THE COMMITTEE ON LANDS, ENERGY, AND WATER FOR THE FIRST SESSION OF THE ELEVENTH NATIONAL ASSEMBLY APPOINTED ON 20<sup>TH</sup> OCTOBER 2011**

Consisting of:

Mr G G Nkombo, MP (Chairperson); Mr R Siamunene, MP; Ms D Siliya, MP; Mr M Mumba, MP; Prof G Lungwangwa, MP; Mr M Muteteka, MP; and Mr J Kapyanga, MP, and Mr N Chilangwa.

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

Sir,

Your Committee has the honour to present its Report for the First Session of the Eleventh National Assembly.

### **Functions of the Committee**

2. In addition to any other duties placed upon it by the Honourable Mr Speaker or any Standing Order or any other order of the Assembly, the duties of the Committee on Lands, Energy and Water are as follows:

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

### **Meetings of the Committee**

3. During the year under review, your Committee held thirteen meetings.

### **Procedure Adopted by the Committee**

4. During the course of their deliberations, your Committee considered and adopted the following programme of work:

- (i) consideration of submissions on the Status of the Petroleum Industry in Zambia;
- (ii) local tours;

- (iii) consideration of the Action-Taken Report on the Committee's Report for 2011; and
- (iv) consideration of draft report.

## **PART I**

### **CONSIDERATION OF TOPICAL ISSUES – THE STATUS OF THE PETROLEUM INDUSTRY IN ZAMBIA**

#### **SUBMISSION FROM THE MINISTRY OF LANDS, ENERGY AND WATER DEVELOPMENT**

##### **Policy and legislature framework governing the petroleum sector in the country**

5. The Permanent Secretary submitted that the Energy Regulation Act provides for the establishment of the Energy Regulation Board which was responsible for the monitoring of activities in the energy sector as well as providing of licenses related to the supply of petroleum products to the final consumer. The Petroleum Act provides for the regulation of the importation, conveyance and storage of petroleum and other inflammable oils and liquids, and any other incidental matters thereof. He added that the Petroleum (Exploration and Production) Act provides for the management of issues related to the exploration and production of hydrocarbons in the country. It also provides for the establishment of the Petroleum Committee which considered issues of allocation of petroleum exploration blocks.

##### **Mechanism of the Uniform Petroleum Pricing (UPP)**

Your Committee was informed that the uniform petroleum pricing was aimed at contributing to the improvement of productivity and standards of living in Zambia's rural areas. It heard that the cost of pricing of petroleum products in Zambia had been influenced by the distance from the refinery in Ndola to the point of consumption. The pump prices of petroleum products, therefore, had in the past varied countrywide with those far from the source in Ndola paying higher prices than those nearer. This situation had been of great concern to the Government, as fuel being a critical input in most productive processes, is obtainable in the rural areas at very high prices thereby depriving the rural areas effective development opportunities because of high fuel pump prices.

The Permanent Secretary explained that in order to address this issue, the 2008 National Energy Policy sought to improve petroleum pricing in rural areas through the setting up of an incentive mechanism to mitigate high petroleum prices and encouraging low cost petroleum retailing in rural areas.

##### **The Impact of the Uniform Petroleum Pricing (UPP)**

Your Committee was informed that the implementation of the uniform petroleum pricing mechanism entailed that the prices of fuel in the country would be uniform. As the transportation cost was the major cost factor in transporting fuel from urban to rural areas, the additional cost to be incurred as a result of moving fuel by oil marketing companies and dealers to rural areas would be met through this subsidy arrangement.

The implementation of the uniform petroleum pricing has had positive impacts on the rural areas in that it has contributed to the reduction in the cost of doing business in the rural areas in that access to more affordable petroleum products had been assured.

### **The Sources of Petroleum Products in Zambia**

The Permanent Secretary stated that the supply of petroleum products into Zambia was mainly done through the following channels by Government:

- (i) importation of petroleum feedstock for processing at Indeni Oil Refinery which was transported through the TAZAMA Pipelines from Dar-es-Salaam to TAZAMA; the feedstock, which was usually a mixture of three components, namely; crude oil, diesel and naphtha was sourced from the Middle East and India by the nominated Supplier, Glencore Energy UK Limited; and
- (ii) importation of finished petroleum products which were delivered by road either from the Ports of Dar-es-Salaam, Beira and South Africa; the supplies through Dar-es-Salaam and Beira were mainly sourced from the Middle East and India whilst from South Africa from their local refineries. The nominated supplier for the importation of finished petroleum products on behalf of Government was Dalbit Petroleum Limited of Kenya.

### **Roles of TAZAMA Pipeline and Indeni Petroleum Refinery in the short, Medium and long term in the Zambian Petroleum Industry**

Your Committee was informed that TAZAMA Pipelines was involved in the transportation of petroleum feedstock from Dar-es-Salaam to the refinery in Ndola whereas Indeni Oil Refinery was involved in the processing of the imported feedstock into finished petroleum products.

It was further informed that the roles of these two companies in the medium to long-term, was a matter that was subject to the recommendations of a study through the Private-Public Partnership (PPP) under the Ministry of Finance and National planning regarding review of the whole fuel supply chain in the country. The study was expected to suggest options regarding the most viable options for supply of fuel to Zambia including the future role of Tazama and Indeni.

### **The Pricing Structure of all Petroleum Products on the Zambian Market**

The Permanent Secretary explained that the applicable pricing structure (price build-up) in the country encompassed the following cost items:

- (i) the cost of importation of the feedstock and or finished petroleum products;
- (ii) the wholesale price to Oil Marketing Companies (OMCs);
- (iii) fees and margins accruable to the Ndola Fuel Terminal, Energy Regulation Board, OMCs and Dealers;
- (iv) Value Added Tax and Excise Duty Margins; and
- (v) contribution to the Strategic Reserves Fund.

The detailed price build-up arising from the price adjustments of October 2011 was as set out below.

<b>UNIFORM PUMP PRICE BUILD-UP FOLLOWING OCTOBER 2011 PRICE ADJUSTMENT</b>			
	<b>Petrol</b>	<b>Diesel</b>	<b>Kerosene</b>
Wholesale Price To OMC	4, 309, 253	5, 070, 448	4,269,189
Ndola Fuel Terminal Fee	25,000	25,000	25,000
Excise Duty (36%)	1,551,331	507,045	0
<b>Ex-Refinery Gate K/M</b>	<b>5,885,584</b>	<b>5, 602,493</b>	<b>4,294, 189</b>
Transportation cost (Net of Actual cost and transport differential)	196,505	211.283	161,937
Total (Excluding VAT)	6, 479,089	5, 813, 776	4, 456, 126
OMC Margin	397, 000	397,000	397,000
Total (Excluding VAT)	6, 479, 089	6, 210, 776	4, 456, 126
Dealer Margin	263,000	263,000	263,000
Price to Dealer	6, 742, 089	6,473, 776	5, 116, 126
ERB Fees 0.007	50, 498	48, 489	38, 320
Strategic Reserves Fund	238, 000	0	0
Price before VAT	7, 030, 587	6, 522, 264	5, 154, 446
VAT 0.16	1, 124, 894	1, 043, 562	0
Uniform Pump Price <b>K/M</b>	<b>8, 155, 481</b>	<b>7, 565, 827</b>	<b>5, 154, 446</b>

(NB: The translation at pump price per litre is K8, 155 for petrol, K7, 565 for diesel and K5, 154 for kerosene)

#### **How petroleum prices compared to other countries**

Based on the compilation done for the Members of the Africa Refineries Association (ARA), the table below highlights a comparison of the Diesel and Petrol prices in US Cents per litre in selected African countries:

<b>Country</b>	<b>Diesel Price (US cent/Litre)</b>	<b>Petrol Price (US cent/litre)</b>	<b>Notes</b>
Angola	42.12	63.18	Oil Producing Country
Democratic Republic of Congo	131.06	131.59	
Kenya	108.35	117.69	
Senegal	160.25	178.73	
South Africa	131.13	129.4	
Tanzania	117.1	117.93	
Zambia	151.99	164.04	

From the table above, it was evident that Zambia was the highest in terms of the fuel prices per litre in the region. However, it should be noted that the highest was Senegal which had a similar arrangement like that of Zambia in terms of the refinery configuration and feedstock procurement systems.

## **Stock of Current Strategic Fuel Reserves**

The Permanent Secretary explained that the Country at the moment did not have any strategic fuel reserves due to limitations in storage capacity. However, in order to ameliorate this situation, the Government through the Ministry of Lands, Energy and Water Development has embarked on a programme to construct and rehabilitate bulk fuel depots in each Province.

## **Number and location of fuel storage reserves Tanks/Depots in Zambia and their current status**

Your Committee was informed that the Government was already implementing the first phase of the construction of the bulk fuel depots in the following areas:

- i. Lusaka in Lusaka Province;
- ii. Mongu in Western Province;
- iii. Solwezi in North-Western Province; and
- iv. Mpika in Muchinga Province

The second phase would cover the following areas:

- v. Chipata in Eastern Province;
- vi. Choma in Southern Province;
- vii. Kasama in Northern Province; and
- viii. Mansa in Luapula Province

## **Changes in the petroleum industry in Zambia in the last 20 years and their reasons**

Your Committee was informed that following the liquidation of Zambia National Oil Company (ZNOC) in 2002, the responsibility of importing petroleum feedstock was given to Total International which was at the time the Government's strategic partner in Indeni Petroleum Refinery. During the time that Total was importing the petroleum feedstock, the country experienced frequent shortages of fuel which were impacting negatively on the performance of the economy. The Government, therefore, decided to take over the procurement of petroleum feedstock in September, 2007. The fuel supply situation has progressively improved with Government engaging international companies every two years as suppliers of petroleum feedstock through open competitive tenders.

In view of the fact that the demand for fuel has continued to increase due to the growth in the economy and the supply from Indeni Refinery was unable to sustain the increased demand, the Government contracted Dalbit Petroleum Limited to supply processed diesel and petrol to supplement Indeni products. The fuel imports from Dalbit Petroleum Limited were also used as a measure to stock up fuel supplies which were used whenever Indeni went on the planned annual refinery shut down.

## **Challenges Facing the Petroleum Industry**

Your Committee was informed that the challenges that the petroleum industry was facing were mainly those related to the availability of adequate financing to build and upgrade existing petroleum infrastructure. This was affecting the efficiency and effectiveness of the delivery system.

In addition, unavailability of adequate financial resources to procure fuel to be used as petroleum strategic reserves was also compromising the ability of the country to assure in full the security of supply of petroleum products since Zambia relied mainly on outside sources to supply its fuel needs.

### **Suggested solution to the challenges facing the petroleum industry**

The Permanent Secretary submitted that the maintenance of strategic petroleum reserves and construction of bulk fuel depots was a preserve of the Government to implement and assure success of the programme. Consequently, the Government needed to put in place adequate financial resources in the energy sector to enable the effective implementation of the programme.

### **SUBMISSION BY STAKEHOLDERS**

6. The following stakeholders submitted before your Committee:

- (i) Energy Regulation Board;
- (ii) Indeni Petroleum Refinery;
- (iii) Tanzania Zambia Mafuta (TAZAMA) Pipeline Limited;
- (iv) Mr Webster Nonde (Member of the public);
- (v) Gulf Oil Zambia Limited;
- (vi) Spectra Oil Corporation Limited;
- (vii) Mount Meru Petroleum Zambia Limited;
- (viii) Puma Energy Zambia Limited;
- (ix) Pegasus Energy Zambia limited;
- (x) Total Zambia limited;
- (xi) SGC Investments Limited;
- (xii) Kobil Petroleum Industrial;
- (xiii) Engen Petroleum Zambia;
- (xiv) Petroda;
- (xv) Keren Motors; and
- (xvi) Ministry of Lands, Energy and Water Development.

The views of stakeholders are outlined below.

#### *a) Lack of participation of indigenous Zambians in the petroleum sector*

There was concern that despite the Government of Zambia spending approximately US\$56.0 million every month or US\$672.0 million annually out of Zambian taxpayer's money, the oil sector was dominated by foreign oil companies which hold 96.1% of national strategic assets. This was an anomaly as all over the world, the oil industry was a national security asset of strategic importance, where foreign participation was restricted.

Additionally, it was felt that foreign oil companies received preferential treatment by being allowed to import fuel during refinery closure as well as to import jet A1 and sell to customers as they considered fit.

b) *25% punitive surcharge on imports*

Oil marketing companies expressed the view that they were technically barred from importing finished products due to the high import duty of 25% on petrol and diesel. This import duty was imposed so as to protect Indeni by discouraging oil marketing companies from importing finished products.

In this instance, the Government was importing finished petroleum products through TAZAMA which was supplied by Dalbit which bought from one of the three traders operating in Dar es Salaam and had to add on its margin and TAZAMA as well. OMCs were of the view that if they were importing, they would get it at the same price as Dalbit and could be able to sell at a much cheaper price in Zambia.

c) *Lack of transparent ascertainable and consistent review of OMCs, dealer and transporter margin*

The decision not to increase fuel prices has invariably meant that margins for the other players in fuel supply chain such as transporters, OMCs and dealers have also remained unchanged for long periods of time. These other operators in the petroleum supply chain have complained that the delays in periodic (annual) reviews of their margins have eroded their capital base.

It was critical that the margins for the operators are reviewed regularly, to enable the operators provide acceptable services whilst earning a just and reasonable return on their investments. The margins have to ensure that a reasonable rate of return on investment was obtained for the players to remain viable and maintain health, safety and environmental standards in an industry

d) *Duty payment and cash conversion cycle*

Oil marketing companies lamented that their businesses continued to incur challenge with regards to their cash conversion cycle particularly on the payment of duties to the Zambia Revenue Authority. This was because tax payment tended to become due within 5-10 days of either unloading from the terminal or imports being cleared at a port of entry, whilst such stock could have to transit through their depots and be held in consignment stock at customer sites only to be invoiced upon consumption. Supply terms with these types of customers were typically on 30 day terms and the recoveries towards the upfront payments were only collectable when the customers paid the OMC.

e) *Uniform Petroleum Pricing*

Some oil marketing companies stated that it had required the injection of significant working capital to supply their rural sites. This has reduced the economic viability of such sites to the extent where nationwide closures of such sites were being seriously considered. Investment in new rural sites was thus being placed on hold until a sustainable, economic model can be implemented.

As the UPP mechanism was only applicable to retail, commercial fuels have become more attractive in urban areas where the UPP allowed for an over recovery at the

pump and less attractive in the rural areas where there was an under recovery at the pump. This has led to a proliferation of illegal “service stations” in urban areas.

f) *Overtraded downstream petroleum market*

Stakeholders expressed the view that downstream petroleum market was overtraded. There were 35 registered downstream fuel marketers. Of these, only three players have market shares in excess of 10%, whilst it was estimated that 25 of these marketers have a market share of less than 2%. It was highly questionable that players with such market shares could survive economically. It was observed that such players did not comply with the ERB depot requirements as they did not possess the economies of scale to justify such. Further the industry was witnessing increasing illegal activities, such as illegal retail station and fuel adulteration.

g) *Oil Marketing Companies (OMCs) entering the Transport Business*

There was a submission to the effect that there was a tendency by OMCs to be involved in both marketing and transportation of petroleum products leading to loss of business opportunities for transporters; the creation of potential for uncompetitive behaviour in the sector and lack of specialisation in the core businesses.

h) *Prevailing National Energy Policy*

There was a submission to the effect that the immediate challenge in the Zambia petroleum industry was the lack of alignment between the National Energy Policy (NEP) of 2008 and the Governments management of the petroleum industry.

For example, the prevailing National Energy Policy of 2008 stated that the Government would improve petroleum pricing by constantly reviewing pricing to reflect existing arrangements in the market and “ensuring full price deregulation and competition at the pump”. However prices were not deregulated and adjustments thereof lacked transparency and objectivity. The timing and extent of price adjustment were not independent of political interference.

Additionally, the Policy stated “the retail pricing of petroleum products is largely liberalized with the role of the ERB being that of setting the wholesale price and monitoring compliance” It was, however, observed that the Government actually dictated the retail price of fuel rendering the industry fully controlled as opposed to being liberalized.

### **Committee’s Observations and Recommendations**

7. Your Committee notes that petroleum products in Zambia, which are the highest in the region, could be cheaper. In this instance your Committee notes that fuel products are being kept superficially high due to impediments in the petroleum sector which include issues of policy, planning, recapitalisation, procurement and taxation.

It notes further that for Zambia, security of petroleum supply is of vital importance. However, it is disappointed to learn that currently the country does not have any strategic petroleum reserves. This should be a matter of great concern to all especially in light of the



fact that the key infrastructure in the petroleum supply chain namely TAZAMA, Indeni and the Ndola Fuel Terminal are over 30 years old and prone to inefficiencies and break downs.

Your Committee wishes to reiterate its statement that security of supply of petroleum products is vitally important.

Consequently your Committee took these matters as the primary considerations in making the observations set out hereunder.

#### *Feedstock procurement*

- a) Your Committee notes that since the liquidation of the Zambia National Oil Company in 2002, there has been no dedicated entity charged with the responsibility of procuring feedstock. Presently, Government through the Ministry of Energy procures the feedstock for the Refinery, a situation that your Committee finds untenable and unacceptable as it cannot stand up to scrutiny. Additionally it adds to the lack of transparency and accountability in the procurement of petroleum feedstock.
- b) The high prices of fuel in Zambia are attributable to two main reasons, namely the configuration of feedstock which includes a greater proportion of diesel and the high taxes charged by Government on fuel. The feedstock refined at the Indeni Refinery only comprises an average of about 32% of pure crude oil with the other components being 50% diesel and 18% heavy Naphtha. Zambia therefore imports a lot of diesel, at high cost, mixes the already expensive diesel with crude oil and then reprocesses the comingled feedstock into diesel and other products. This structural absurdity, coupled with the long distance from the coast is primarily responsible for the high cost of fuel in Zambia.

#### *Indeni Petroleum Refinery*

- c) Indeni is not configured to process pure crude oil. It is not a complex refinery meant to process pure crude as it cannot crack or break the heavier fuels such as heavy fuel oil into lighter petroleum products like petrol and diesel. Being a simple Refinery, Indeni therefore processes spiked or comingled feedstock. Consequently it is unable to produce low sulphur diesel to meet modern engine specifications as well as environmental requirements in relation to pollution.

#### *General Supply Chain Issues*

- d) The state of repair of the major infrastructure in the petroleum supply chain, namely the Refinery, the Pipeline, and the Ndola Fuel Terminal are over thirty (30) years old and have become inefficient and in some instances highly prone to breakdowns.

#### *Uniform Petroleum Pricing (UPP)*

- e) Your Committee acknowledges that the introduction of the UPP is a step in the right direction and which has generally been well received. However, the lack of adequate service stations in rural areas means that the UPP will not have the desired results. It notes that there is an imbalance in the distribution of service stations, with few

service stations in the rural areas, and an ever increasing number being constructed in urban areas especially Lusaka and the Copperbelt Provinces.

#### *25% Import Duty on finished petroleum products*

- f) Your Committee observes that oil marketing companies are prepared to bring in cheaper finished petroleum products but are constrained by the 25% import duty being imposed by Government on these products. The rationale for the imposition of this duty is to protect Indeni from the ensuing competition. It is therefore, unrealistic and unfair in a liberalised economy to impose 25% import duty on the importation of finished petroleum products in order to protect Indeni at the expense of the Zambian consumers.

#### *High cost of fuel to the Zambian public*

- g) Despite the price stabilization provided by Government, petroleum Pump price in Zambia continue to be amongst the highest in the Sub-Saharan region. As stated above, this is mainly attributed to the configuration of feedstock which includes a greater proportion of diesel and the high taxes charged by Government on fuel.

Your Committee finds this paradoxical because on one hand it was informed that the escalating global oil prices has had an adverse impact on pump prices in Zambia. In order to ameliorate these high prices, Government has had to keep prices constant for long periods of time through 'subsidisation'. While this had provided some temporary respite to consumers and overallly to the economy, the Treasury would still have to find money to finance the deficit incurred on most of the petroleum feedstock cargoes procured at higher prices on the international market but sold at below cost at the pump.

#### *Ndola Fuel Terminal*

- h) Your Committee notes that the Ndola Fuel Terminal was built a long time ago to cater for a small population. In this regard, it can no longer cope with the increased demand resulting in long queues and delays in loading tankers and increased congestion posing a serious safety threat.

#### *Strategic Fuel Reserves*

- i) Your Committee is concerned that the continued absence of national strategic petroleum stocks poses a risk to the security of supply. Although efforts were made in the past to compel the oil marketing companies to keep 15 days operating stocks, this measure has been discontinued because the cost of keeping such stocks was removed from the fuel cost build-up by Government in October 2011. The Government has committed to keeping such stocks. However, your Committee note with dismay that presently there are no such reserves.

#### *Number of Player vis-à-vis quality*

- j) The Committee observes that despite there being an indication that the market is growing there has been an exit of some big, reliable and established oil marketing companies from the industry. Additionally, it is clear that this growth is not

benefitting the Zambian public, as prices have not gone down and the quality of services and products appears to be on the decline. There also appears to be an increase in non-compliance to regulations, malpractices and in some instances, illegal activities such as adulteration of fuel and pilferage.

Arising from the above, your Committee, therefore, makes recommendations as set below.

- a) There is need for a transparent tendering system for the procurement of crude oil and finished products with preference being given to oil marketing companies already invested in Zambia. In this regard, your Committee recommend that an independent, professional statutory body be established and charged with procurement of petroleum products. This will enhance efficiency, transparency and accountability in the procurement of petroleum feedstock.
- b) There is need to reduce the existing high level of levies and taxes including the 25% input duty on finished products.
- c) The Indeni Petroleum Refinery should be recapitalised so that it can procure a mild hydro cracker so that it can begin to process pure crude oil. This will correct the structural absurdity of mixing processed diesel with crude oil just to later separate these. This will result in more products coming out of the Refinery. Additionally, the recapitalisation will enable Indeni to install a de-sulphurizer unit which will allow the Refinery to produce low sulphur diesel to meet the modern engine requirement of cleaner fuel as well as environmental standards.

Consequently the Government should come up with a clear roadmap on the refurbishment of TAZAMA pipeline, Indeni Refinery and the Ndola Fuel Terminal.

- d) The Government should expedite and scale up the building of service stations in rural areas so as to make the introduction of the uniform petroleum pricing meaningful.
- e) The Government should review the pumping and processing fees for TAZAMA and Indeni respectively in order to further reduce the build up of costs associated with Zambia's petroleum products.
- f) In relation to the Ndola Fuel Terminal, the Government is urged to expedite the expansion works so as to decongest the terminal.
- g) The Government is urged to expedite the construction of bulk storage depots in all the provincial centres. In this regard, the Government is urged to have a clearly defined plan with time lines in which these depots will become operational.
- h) The Government, through the Energy Regulation Board is urged to ensure that there is compliance by the various players in the petroleum industry and that internationally acceptable standards are met.

## **PART II**

### **TOUR REPORT**

#### **LOCAL TOUR TO NDOLA, SOLWEZI, MWINILUNGA AND ITEZHI TEZHI**

8. Your Committee toured the Indeni Petroleum Refinery, Tanzania Zambia Mafuta (TAZAMA) facilities, Ndola Fuel Terminal, service stations in Ndola and Solwezi, unlicensed petroleum providers in Mwinilunga and Itezhi-tezhi hydro-power project.

#### **Indeni Petroleum Refinery**

During the tour of INDENI, your Committee made the findings as set out below.

#### **Findings**

- (i) Rehabilitation of storage tanks was underway.
- (ii) Capacity of production of petroleum products has reduced to 850,000 metric tonnes /year due to a slump in demand for black products.
- (iii) Rehabilitation of the bitumen plant was expected to be complete in 2012.
- (iv) INDENI was currently not able to meet low sulphur diesel Specifications. Solutions to this challenge was being mitigated by the planned installation of the Gasoil Desulphurization Unit planned for 2013/14
- (v) There was need for investment to install a Hydrotreater, Gasoil Desulphurization Unit, Conversion Unit (Hydrocracker) and Isomerisation plant.
- (vi) The plant was currently operating with state-of-the-art technology.
- (vii) INDENI has the potential to meet design capacity of producing petroleum products of 1.1 metric tonnes per annum.
- (viii) The refinery was a viable and robust plant, dispelling the perception that it had outlived its usefulness.
- (ix) INDENI operations under Zambian management have been more viable and efficient than it had been under both AGIP and TOTAL.

#### **Committee's Recommendations**

From the findings above, your Committee makes the recommendations as set out below.

- a) The Government should approve and finance the procurement of a hydrocracker costing about US \$ 1.5- 2.0 Billion. A short term solution is investment in a MILD Hydrocracking Unit at a cost of \$300 million, which will ensure that the refinery starts to process the feedstock as originally designed.
- b) The Government through INDENI should engage technology solution providers to design the Isomerizer and Hydrotreater immediately.
- c) The Government is urged through INDENI to float a tender for Engineering, Construction, and Procurement (EPC) with the consideration of Asian engineering companies.
- d) The Government should engage a reputable financial company to develop a capital financial model for financing the project.
- e) INDENI is urged to sustain the core institutions and teams that have initiated the studies to ensure continuity of purposes and proper guidance.

- f) INDENI should ensure that targets for long-term goals were undertaken within the next 5 years rather than the proposed 2020 -2030 target (for the Hydrocracker in this case), as this is too long a period to wait. The shortfall of 200, 000MT is likely to rise in 5 years and should therefore, be mitigated in order to meet the increasing demand for petroleum products, especially from the mining and agriculture sectors.



*Part of the refurbished INDENI PLANT*

## **TAZAMA**

Your Committee toured TAZAMA in order to familiarise itself on its operations and made the findings as set out below.

### **Findings**

- (i) TAZAMA was experiencing maintenance challenges, particularly pipeline maintenance in Tanzania given that five (5) of the seven (7) pumping stations were located there.
- (ii) Restoration and refurbishment of tanks was underway in order to increase storage capacity. Most of the work was completed, while some were still ongoing.
- (iii) Pumping and terminal management fees have been reduced by US \$10 from US \$58 to US \$48 and US \$15 to US \$5, respectively. Further reduction of the pumping and terminal management fees would negatively affect TAZAMA's operations.

- (iv) Construction of storage facilities in Lusaka, Solwezi, Mpika and Mongu had commenced to enhance storage capacity.
- (v) Loading bay facilities were under rehabilitation to increase the loading arms so as to enable loading of nineteen (19) road tankers at a time, an increase from the current nine (9) tankers at a time, and two (2) rail tankers in order to minimise long waiting of tankers uplifting petroleum products.
- (vi) Safety measures have been enhanced to mitigate events such as an outbreak of fire.
- (vii) Illegal settlers at Old Regiment, an area outside the terminal have been breaking into the terminal to steal fuel from road tankers and the tank farm. This has been a major security challenge and has led to one casualty in the recent past.
- (viii) Transportation of petroleum products by pipeline was the most effective way to do so in terms of cost, environment and safety, etc.



***The Loading Bay and storage tanks at TAZAMA, which are under rehabilitation***

#### **Committee's Recommendations**

Following the findings above, your Committee makes the recommendations as set out below.

- a) The Government should re-capitalise TAZAMA so as to enable it embark on an investment agenda and modernisation plan.
- b) The Government, through TAZAMA, should secure the area surrounding the plant in order to restrict it from illegal entry and possibly relocate the settlers at Old Regiment.



- c) The Government is urged to encourage other players to enter into the transportation of petroleum products through the establishment of new pipelines.



*The recently rehabilitated ZT1 40, 000 m<sup>3</sup> tank at TAZAMA*

#### **Fuel Service Stations (Ndola, Solwezi and Mwinilunga)**

Your Committee undertook a tour of selected fuel service stations in Ndola, Solwezi and Mwinilunga in order to assess the effects of the Uniform Pump Pricing. The findings were set out below.

#### **Findings**

- (i) Mwinilunga is one of the districts not serviced by any fuel service station as it was supplied by individuals in drums.
- (ii) Fuel service stations were generally content with Uniform Pumping Price (UPP).
- (iii) Fuel service stations visited during the tour did not stock kerosene.
- (iv) In terms of profit, fuel service stations were all breaking even at an average 4%. This was further aggravated by the current trend where Oil Marketing Companies (OMCs) were also transporters.
- (v) Fuel dealers noted an increased demand for Low Sulphur diesel (LSD) and were expanding their underground storage facilities to procure more stock (petrol, diesel and LSD).

- (vi) OMCs were not compensating fuel dealers on losses due to pilferages. Losses, on average ranged from 100 – 400 litres.
- (vii) Condition of rest rooms, where they were available, was not up to standard. Fuel service station owners, particularly TOTAL, were not consistent with maintenance of fuel service station buildings.
- (viii) Un-serviced rural areas procured petroleum products illegally, whose quality cannot be ascertained. However, the price of available products was found to be uniform.
- (ix) Air pressure facilities were not available at most fuel service stations toured.



***Inspection of storage facilities of fuel traders in Mwinilunga town centre by the Committee on Land, Energy and Water***





*Mwinilunga town centre fuel storage facility*

### **Committee's Recommendations**

Arising from the above findings, your Committee makes recommendations as set out below.

- a) The Government, through the Energy Regulation Board, is urged to ensure that Oil Marketing Companies (OMCs) comply with license specifications in terms of provision of all petroleum products and maintenance of their facilities. This should also extend to dealers in procuring all products and not only diesel and petrol.
- b) The Government is further urged to ensure that service stations are up to international standards in terms of infrastructure and availability of other amenities, such as rest rooms and air pressure facilities.
- c) There is urgent need to ensure that the Government programme of construction of service stations in rural areas is expedited and scaled up to all districts. This will resolve the issue of unlicensed and unsafe of petroleum products. In this regard, the Government should ensure that local entrepreneurs in those rural localities are given priority in the running of these service stations.



*One of the petroleum products dealers dispensing fuel*

### **Itezhi-Tezhi Power Project (ITPP)**

Your Committee undertook a tour of Itezhi-tezhi Hydro Power project in order to appreciate the progress made, thus far.

### **Findings**

- (i) Works at Itezhi-tezhi Power Project were underway.
- (ii) Construction of the power station had commenced and on course.
- (iii) The project had created some jobs for the local community.
- (iv) The housing project, and water and sewerage treatment facilities were at 80% completion.
- (v) Only environmental scoping was done.
- (vi) Itezhi-tezhi Power Corporation (ITPC), once operational, would sell power to ZESCO for onward transmission to the national grid.
- (vii) Road to Itezhi-tezhi was in a deplorable state.





*Itezhtezhi Hydro Power Project Power Station site*

### **Committee's Recommendations**

Arising from above findings, your Committee makes the recommendations as set out below.

- a) The Government is urged to ensure that a comprehensive Environmental Impact Assessment, in accordance and compliant with international standards, is done and verified.
- b) The Government should expedite rehabilitation of the D769 road off Mongu Road to ease the transportation of sensitive equipment to the construction site so as to complete the project on schedule in May 2015.
- c) The Government should ensure that the agreement between TATA and ZESCO on the ITCP does not disadvantage ZESCO.

### **PART III**

#### **CONSIDERATION OF THE ACTION-TAKEN REPORT ON THE SECOND REPORT OF THE COMMITTEE ON ENERGY, ENVIRONMENT AND TOURISM FOR THE FIFTH SESSION OF THE TENTH NATIONAL ASSEMBLY**

9. Your Committee while closing some issues resolves to keep others open as tabulated hereunder.

## Part I

### *The Status of the Tourism Industry in Zambia*

- (i) Your previous Committee had recommended that the issue of expensive air fares within Zambia should be resolved as a matter of urgency in order to make Zambia an attractive destination. In this regard, the Government needed to put measures in place that would assist the aviation industry to provide cheaper services. Additionally, road networks leading to tourist destinations needed to be worked on so as to make travel within the country cheaper.

The Government's response was that the air fares in Zambia were expensive because of the high cost of aviation fuel and low volumes of passengers. The other contributing factor was the issue of too many licenses which made the cost of doing business high in Zambia. In this regard, the Ministry urged the Energy Regulation Board to address this very important matter. The issue of reducing the number of licenses required for one to set up a business in Zambia was currently being addressed by the Ministry of Commerce, Trade and Industry in the "One Stop Shop" concept.

As for the road network leading to tourist destinations, the Road Development Agency through Sable Transport was currently upgrading the ChipataMfuwe road and Mbala-Mwenda-Kasaba Bay road in the Northern Circuit. The roads leading to tourist destinations were in the RDA work plan and thus work was in progress.

Further, there were other roads that were being upgraded under the ZAWA programme. The RDA would endeavour to work on the roads subject to availability of funds.

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

Your Committee is of the view that the issue of the high cost of aviation fuel has been glossed over. The Energy Regulation Board is a Government regulatory body and, therefore, works within a relevant framework. In this regard, the Government needs to explain its policy on aviation fuel pricing especially in relation to the tourism industry.

- (ii) Your previous Committee had concurred that there was need for well skilled employees to provide quality service in the tourism sector, which would influence the success of the business. It was, however, concerned because the Government's only tourism and hospitality school was not well funded for it to prepare the students to a full capacity. Additionally some privately owned training institutions were running courses below standards as they lacked capacity in provision of practical aspects of the training programme.

The Executive responded that the Government was in the process of revising the *Tourism and Hospitality Act of 2007*. A draft Bill on the same existed and was yet to be subjected to stakeholder consultations. It was envisaged that the revision of the Act would be completed by the end of first quarter 2012.

Once enacted, the revised Act would address several issues including those that the existing Act was not able to address such as standards and grading of

accommodation establishment. Regarding licensing factors, the Tourism and Hospitality (Licensing) of 2009, Regulation No. 14 was issued to operationalise issuance of licenses and a committee was in place that met to consider and approve licenses for both new and renewal applications. So far 629 licenses had been issued to successful applicants.

With regard to training institutions in the hospitality industry, Government agreed with the recommendations of your Committee. Front line workers needed to be properly trained in order to avoid the country repelling tourists to other tourist destinations. In addition, Government planned to invest in the training of personnel in the hospitality industry and tourism sector as a matter of priority. To this effect, Government had started responding to this need by offering a degree programme at the Mulungushi University. In addition, Government was also looking for partners to develop the Livingstone University Campus for hotel and tourism training through the Public Private Partnership model.

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

Your Committee requests a progress report on the revision of *the Tourism and Hospitality Act of 2007*. The Committee also requests progress on the development of the Livingstone University for hotel and tourism training.

#### *Part II*

#### *Tour Report*

#### *Kasama Airport*

- (i) On the issue of the land dispute, your previous Committee had recommended that the Ministry of Communications and Transport should liaise with Kasama Municipal Council and the Ministry of Lands to resolve this matter. In this regard, surveyors should go on site to reestablish Kasama Airport boundaries. As for the envisioned expansion of the runway, your Committee recommended that this be done eastwards and not westwards.

The Executive responded that the Ministry of Transport, Works, Supply and Communications was working, in conjunction with the Provincial Administration in Kasama, concerning the issue of encroachment on the airport land and had made appreciable progress. The Ministry had also collaborated with the Ministry of Lands to have all aerodromes surveyed. The process was in progress, for example Kasompe Aerodrome in Chingola now had a title deed. The design to extend the Runway eastward instead of westward had been finalised and awaiting approval.

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

After interacting with the Permanent Secretary, Ministry of Transport, Works, Supply and Communication your Committee observe that the issue of the "illegal squatters" currently occupying Kasama Airport land, which is on Government reserve land, remains unresolved. In this regard, it requests the Government to give a comprehensive report on these squatters, their legal claim, if any, as well as the list of those who have title to this land and how this title was obtained, where applicable.

- (ii) Your previous Committee had recommended that there should be a fuel facility for aircrafts that land or fly over Kasama Airport. In this regard, the Government should either provide these facilities or should issue a licence to individuals who have capacity to provide fuel as long as such individuals meet the necessary requirements.

The response from the Government was that the Ministry of Transport, Works, Supply and Communications would encourage and welcome the establishment of fuel facilities. Therefore, the Ministry was of the view that the Ministry of Lands, Energy and Water Development could expedite the issuance of licences for the provision of fuel.

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

Your Committee notes that the answer is unclear as it is being passed over to another Ministry that your Committee did not deal with. Your Committee therefore, resolves to get more details from the Permanent Secretary, Ministry of Transport, Works, Supply and Communication and the Department of Civil Aviation.

- (iii) Your previous Committee had been of the view that the K2,000 departure fee was totally unacceptable and should be reviewed to realistic levels of at least K50,000 as this would go a long way in assisting the airport in managing some of its affairs such as grass cutting.

The response was that the Ministry had taken note of the recommendation and wished to inform your committee that the K2000 departure fee was prescribed by law. This meant, therefore, that revising the current fee to realistic levels of at least K50,000 could only be done by amending the subsidiary legislation relating to unitary fees (where departure fees were encompassed) in totality. Before this process was concluded, the departure fees remained at K2,000.

However, the Ministry had made efforts to have the *Civil Aviation Act* amended, where the new *Civil Aviation Act* when enacted would take care of the issue of departure fees. Further, the Draft Civil Aviation Authority Bill drafted by consultants engaged by the European Union was conveyed to Ministry of Justice by the Permanent Secretary of the then Ministry of Communications and Transport on 21st February 2011 and was expected to be presented to the first sitting of Parliament after the tripartite elections.

A request for fresh instructions regarding the enactment of this Bill was received from the Permanent Secretary-Legal at Ministry of Justice on 13th October 2011 and in response to this request, the Ministry of Transport, Works, Supply and Communications had requested the Ministry of Justice to proceed with the enactment process for this Bill.

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

Your Committee requests a progress report on the draft Civil Aviation Bill.

- (iv) Your previous Committee had recommended that there was need for the Government to install modern fire fighting equipment and to employ adequate well trained firefighting staff.

The Government responded that the Ministry would continue to lobby for increased funding in order to uplift the standard of firefighting equipment currently obtaining at the Kasama Airport and other provincial airports.

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

Your Committee requests for a substantive answer from the Permanent Secretary, Ministry of Transport, Works, Supply and Communication and the Department of Civil Aviation.

##### *Kasaba Bay Airport*

- (i) Your previous Committee was concerned that the noise pollution and restriction of animal movement as a consequence of this international airport will defeat the purpose of bringing international travellers for wildlife tourism. In this regard, your Committee had wanted to know the Government rationale for this project. It was your Committee's considered view that Kasaba Bay Airport could be maintained as a military airport and that Mbala Airport be converted for commercial purposes.

The response was that an Environmental Impact Assessment was done on this project and it took care of the human-animal conflict as was the case with both Mfuwe and Livingstone Airports that were both in and close to national parks.

Further, Government's position was to maintain Mbala Airport as a military airport, while Kasaba Bay Airport was intended to operate on commercial basis. It had to be noted, that Kasaba Bay Airport was not being transformed into an international airport. However, it was being upgraded to international standards so that it could be used as an entry point for travellers on request basis.

Additionally, it was decided that Kasaba Bay Airport be upgraded because it was at the centre of the Northern Tourism Circuit, hence the need for upgraded infrastructure could not be over-emphasized.

Additionally, Government's policy was to develop the Northern Tourism Circuit so that there was an expansion in the tourism sector. The Government preferred a situation where tourism was not only concentrated in the southern part of the country but spread out countrywide. Therefore in the Northern Tourism Circuit, the Kasaba Bay Airport was the most preferred and most clearly located.

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

Your Committee requests a progress report from the Permanent Secretary, Ministry of Transport, Works, Supply and Communication and the Department of Civil Aviation.

- (ii) Your previous Committee had implored the Government to release funding for the completion of the Kasaba Bay Airport project.

The response was that the funds that were released from the 2011 budget have been exhausted and the Ministry had since requested for supplementary funding.

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

Your Committee requests a progress report on the matter.

##### *Nsumbu National Park*

- (i) Your previous Committee had urged the Government to encourage investment into lodges in Nsumbu National Park as well as the provision of related tourist activities such as a large tour boat that could operate on the Lake and also serve as a cheaper mode of transportation.

The Executive responded that the Integrated Development Project included investment zones with designated investment packages which would be made available to investors. Some of these sites were designated for tourism business ventures such as lodges. A Promotion Investment Forum would be held to promote and encourage potential investors to invest in the Kasaba Bay Tourism Project. However, the Ministry has already started undertaking promotional activities during other international meetings towards the Kasaba Bay Tourism project and the Northern circuit in general.

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

Your Committee notes that the question of a tour boat on Lake Tanganyika remains unanswered. Your Committee requests a progress report from the Ministry of Transport, Works, Supply and Communication.

- (ii) Your previous Committee had requested a comprehensive report on the impact that the expansion of Kasaba Bay Airport would have on wildlife movement and patterns.

The response was that the expansion of Kasaba Bay Airport entailed a larger area would have its vegetation removed and its perimeter fenced off. This would have impacts on wildlife movements and distribution patterns in the following ways: Before the airport expansion, animals such as elephants and hippos moved to and from the lake through the airport, but would not be able to pass through the airport when it is fenced off. The animals will have to establish other areas for such movements.

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

Your Committee resolves that it be availed a formal report on the impact assessment vis-à-vis animal movements as the airport was located between the bush and the water source.

##### *Moto Moto Museum, Mbala*

- (i) Your previous Committee had urged the Government to adequately fund Moto Moto Museum in order to resolve the outstanding issues of pensions, transport, power, filling in the establishment and advertising for the museum. In this regard, it is of



prime importance that pensioners from the institution be paid off immediately so that they can vacate institutional houses in order for these houses to be allocated to serving employees so as to cut the cost of rentals.

The response was that the Government noted the need to adequately fund Moto Moto Museum in order to resolve the outstanding issues of pensions, transport, power, filling in the establishment and advertising for the museum. However, this would be done when Government had enough resources to meet the recurrent departmental charges as well as the outstanding arrears to normalise the operations of the Museum. The Executive stated that the observations of your Committee were not peculiar to Moto-Moto Museum but all the museums in the country. As such, the National Museums Board would require substantial amounts of resources to resolve these matters.

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

Your Committee requests that it be availed a time frame in which this matter will be resolved.

- (ii) Your previous Committee had recommended that the issue of security for the Museum should be addressed by the Government, as a matter of urgency.

The response was that Museum security was vital to the preservation of artefacts and protection of property. In view of this, Government had provided for procurement and installations of surveillance cameras in the Sixth National Development Plan, not only for Moto Moto National Museum but for all Museums in the country. In addition, Government would strengthen the security wing to safeguard the museum property.

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

Your Committee requests concrete examples of what is being done other than that which is envisioned in the Sixth National Development Plan.

- (iii) Your previous Committee had stated that it was vitally important that the road leading to the Museum be upgraded and tarred if the Museum is to be sold as a tourist product.

The response was that the road (Lucheche Road) leading to Moto-Moto National Museum was a priority road as it would improve access to the Museum. In view of this, the Ministry had requested the Road Development Agency to consider the road for rehabilitation in 2012.

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

Your Committee resolves that it be availed a progress report as well as a time frame for this project.

### **Part III**

#### *Consideration of the Action-Taken Report on the Second Report of the Committee on Energy, Environment and Tourism for the Fourth Session of the Tenth National Assembly*

#### *Consideration of the Report of the Auditor-General on Provision of Water in Zambia*

- (i) Your previous Committee had requested for progress made towards the dismantling of the huge debt owed to water utility companies by Government Departments.

The Executive had responded that the outstanding debt owed was K62,423,631,349.60 as at 30<sup>th</sup> June, 2011. Some departments had continued to make payments towards their bills, though this was erratic. Through such payments, K28,533,600,420.19 had been disbursed mostly from Zambia Police and the Ministry of Education. Your Committee heard that at the time of reporting, there were no repayment programme for the outstanding debts with the Ministry of Finance with any of the utilities, except for Lukanga Water and Sewerage Company which was making efforts to establish such. However, from time to time the Ministry of Finance entered into debt swaps with utilities resulting in a reduction of outstanding bills.

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

Your Committee requests a progress report on the matter.

- (ii) Your previous Committee had requested for an explanation on the 85% of billing vis-à-vis unaccounted for water. Your Committee requested further for an explanation on how costs for unaccounted for water were recovered as it considered that this and other inefficiencies were passed on to the consumer.

The response was that 85% had been set by the Regulator as the benchmark for revenue collection out of the total billing. It was the minimum that the utility should achieve in a month, failure to which sanctions could be applied.

However, as regards unaccounted for or non-revenue water, the benchmark was 25% but none of the utilities had been able to achieve it due to the dilapidated infrastructure, which caused leaking. In this regard and to address the infrastructure deficiencies the Government had developed the National Urban Water Supply and Sanitation Programme to raise resources for capital investments countrywide.

This would address or reduce the non-revenue water situation as had been the utilities that had so far been funded. The Ministry of Local Government and Housing was working hard to ensure that this programme was supported by both Government and its co-operating partners.

In addition, the Regulator - National water Supply and Sanitation Council gave tariff conditions which compelled the commercial utilities to ensure continuous improvements in service delivery. Reduction of unaccounted for water was an important activity towards service improvements as it saved the water which would otherwise go to waste leading to reduced water losses. The progressive improvements being made by the Commercial Utilities would in turn increase the efficiency of the Commercial Utilities. The tariff structure also took into account

both the social economic aspects ensuring affordability by all, indicating that only minimal inefficiencies are passed on to the consumer.

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

Your Committee re-emphasizes its concern as it has been taken out of context.

- (iii) Your previous Committee had requested for a progress report on the reduction of the levels of unaccounted for water to the acceptable sector benchmark of less than 25 percent.

The response was that the metering ratio had moved from 55% in 2009/10 to 58% in 2010/11. Notable metering exercises were undertaken in Eastern and Lusaka Water and Sewerage Companies. Nkana Water and Sewerage Company however lost over 6,000 meters which were given by Government as a grant in less than two years after installation due to the poor quality of installed meters.

Government in the period 2010/11 released funds to commercial utilities for the rehabilitation of water supply infrastructure and extension of services to needy areas. Some of the areas targeted were the mining townships without sanitation facilities in the Copperbelt Province. The projects were currently ongoing and supplement those supported by co-operating partners, more especially the World Bank, African Development Bank, DANIDA, JICA, German Government and BADEA.

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

Your Committee requests a progress report on the matter.

#### *Auditor-General on Solid Waste Management in Zambia*

##### *Ndola City Council*

- (i) Your previous Committee had been of the view that the Government was non-committal on this matter and, therefore, requested a progress report on development of a landfill in Ndola. In this regard, it also wished to know what had been done so far on Government's commitment other than what is in the Sixth National Development Plan.

In response, the Executive stated that the development of engineered land-fills was a capital investment which required substantial budget. This was the reason Government had to include it in Sixth National Development Plan, so that it received adequate attention. In the subsequent Medium Term Expenditure Frameworks the matter was included for budgeting, but so far the budget ceiling had inhibited inclusion of sufficient resources for the exercise. Therefore, Government would continue to source for funds from donors like JICA and DANIDA.

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

Your Committee requests progress on sourcing of funding for the landfill.

- (ii) Your previous Committee had requested a progress report on uncovered waste transported through Ndola City

The Executive response was that the progress was as follows:

- (a) the Council was using tipper trucks covered with tents to transport the refuse, thereby minimising on the spillage of waste-in-transit;
- (b) the Council had also embarked on the registration of private waste transporters and reinforced the enforcement of the *Public Health Act*; as a matter of fact, the Council made a resolution prohibiting the transportation of waste using open vehicles and this was being enforced; and
- (c) the Zambia Environmental Management Agency, formerly Environmental Council of Zambia, had intensified the monitoring of the guidelines governing the transportation of waste.

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

Your Committee notes that compliance on transportation of waste was not effectively implemented. It, therefore, recommends that all local authorities should implement this requirement strictly. To this effect, local authorities should carry out sensitization activities to the public on the need to adhere to regulations on transportation of waste.

#### *Kitwe City Council*

- (iii) Your previous Committee requested a progress report on the equipment procured to ensure that waste was collected from high density areas was adequate to cover areas that were previously not receiving these services.
- (iv) Your previous Committee requested a progress report on the selection of an engineered sanitary landfill.

The response was that the fifty-nine skip bins and a bulldozer procured by COPWASTE were cleared in December 2010. The money that Kitwe City Council, on behalf of Cop-Waste was sourcing from Nkana Water and Sewerage Company (Water Supply and Sanitation Project) was meant to support improved management of solid waste disposal site and not for capital investment like construction of a sanitary landfill. While for the time being COPWASTE was managing the current dumpsite and that ultimate responsibility for management of the dumpsite was vested in the Council as stipulated under the *Public Health Act*, Cap 295 Section 64 and *Environmental Management Act No. 12 of 2011*, Section 56 of the Laws of Zambia.

The first three sites which Kitwe City Council had identified were not approved by the environmental council because they could not meet the minimum technical guidelines for waste disposal site selection. Kitwe City Council through the technical committee has identified an additional 10 sites and it is in the process of submitting a site selection report to ZEMA. Upon approval of a site by ZEMA the Council will now proceed to prepare a project proposal requesting for funding to the Ministry of Energy, Tourism and Environment and Nkana Water and Sewerage Company. There is also a possibility of entering into partnership with the private sector for the development of an Engineered Sanitary Landfill.

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

Your Committee requests a progress report on the selection of a site for the sanitary landfill.

- (v) Your previous Committee had requested a progress report on the collection of waste charges by COP-WASTE through all water bills when it was not providing services in certain areas on all Copperbelt towns where COP-WASTE operates from.

The Executive informed your Committee that COP-WASTE carried out a continuous verification of billings to ensure that only willing and able registered customers are billed for services provided. The explanation was that very few properties were billed for services not provided. These were in two categories (i) those with properties in inaccessible areas and had to move their waste a long distance to be collected, and (ii) those that were erroneously included on the billing. In either case, refunds were provided through water.

To ensure accuracy and integrity of the billing information, the Company is currently conducting a customer re-registration. The exercise will be concluded by the end of September, 2011.

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

Your Committee requests a progress report on the re-registration exercise.

#### *Kabwe Municipal Council*

- (vi) Your Committee requested a progress report on the development of an engineered landfill for Kabwe.

The Executive's response was that the Council was taking steps in constructing an engineered sanitary landfill, the site for the landfill had been identified and a letter had been written to Environmental Council of Zambia to inspect the site for approval.

The Council was in the process of engaging the Public Private Partnership to aid in the construction of a sanitary landfill it did not have the required finances for the project.

To enhance solid waste management, the Council through the donor Funded Project Integrated Support to Sustainable Urban Environment (ISSUE II) from Netherlands was in the process of drafting a ten year strategic plan on Solid Waste and Sanitation. This would aid in addressing identified solid waste and sanitation challenges through innovative and viable sustainable interventions such as engaging PPPs.

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

Your Committee requests a progress report on the matter.

- (vii) Your previous Committee had urged Government to prioritise the enhancement of the ECZ and local authorities due to the importance of environmental matters.

The response was that ZEMA had since been engaged on how best the Local Authorities could enhance environmental matters in their day to day activities. Further, the Ministry had also directed all Local Authorities to set aside their budget allocation towards environmental matter.

The Government considered environmental matters to be of prime importance if the country is to achieve sustainable development and attain the ambitions imbedded in the vision 2030. In view of this, Government has already enacted the *Environmental Management Act, No. 12 of 2011*, which has a provision for appointment of Honorary Inspectors and the delegation of functions to conservancies such as local authorities. This is the first step in building capacity for local authorities.

Further, Government through the Zambia Environmental Management Agency has been carrying out capacity building activities of local authorities by engaging them in the preparation of State of the Environment Reports.

- (viii) Your previous Committee had requested a progress report on ZEMA's enforcement of licences for waste management.

The response was that a Statutory Instrument on Local Government Solid Waste Management had been formulated and brought into effect from July 2011. The S.I. would regulate all matters relating to waste management so as to enhance orderliness in the disposal of waste by operators and local authorities. The responsibility of Councils was to enforce the regulations such as to monitor service delivery and compliance with regulations by waste producers and waste managers within their areas.

The Government through the Zambia Environmental Management Agency had licensed 343 waste management operators. Out of these Government licensed 47 local authorities (65%) out of total of 72 districts for operation of disposal site and transportation of waste. (These statistics do not include the newly formed districts, such as Mafinga and Ikelenge). Furthermore, Government through ZEMA, monitored the operations of franchised waste transporters both in Lusaka and the Copperbelt.

It was important to note that enforcement of compliance to waste management licenses was expected to improve due to the provision of appointment of Honorary Inspectors and the delegation of functions to conservancies such as local Authorities in the newly enacted *Environmental Management Act No. 12 of 2011* as these will be located within the local authorities being regulated.

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

Your Committee requests a progress report on the matter.

- (ix) Your previous Committee requested a progress report on the constitution of a committee to set up a producer responsibility organization for manufacturers

and producers.

The response was that a Producer Responsibility Organization among the manufacturers and producers had not been set up because this was still awaiting an enabling Statutory Instrument on the Extended Product Responsibility Regulations to be issued. The draft Extended Product Responsibility Regulations was one of the Statutory Instrument to be promulgated under the new *Environmental Management Act, No. 12 of 2011*.

However, it was important to note that Government through Zambia Environmental Management Agency facilitated the development of a sector wide Communications Strategy for the environment sector in Zambia and the broadcasting of radio programmes on one national radio station and nine community radio stations on the subject of waste management practices. Furthermore, Government commemorated the World Environment Day on June 5, 2011 at which an Environmental Awards Ceremony was held and two Local Authorities were recognized for outstanding performance in waste management.

In addition, Government through the Zambia Environmental Management Agency participates at Trade Fair in Ndola and the Agriculture and Commercial Shows in Lusaka including in most Provincial and District Agriculture and Commercial Shows at which environmental awareness information is disseminated to the public.

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

In re-emphasizing the need for sensitization, your Committee requests a progress report on the matter.

- (x) Your previous Committee had requested a progress report on the development of proper engineered landfills in all councils in the country.

The response was that the issue of capacity building in local authorities was ongoing. In the Budget for 2011, all councils were directed to set aside sums of money towards the development of the engineered landfills. Government's position on the need to have engineered landfills in all local authorities had not changed. However, Government was still constrained as it did not have adequate financial resources to undertake this exercise considering the huge capital injection required.

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

Your Committee strongly recommends that all local authorities should carry out environmental impact assessments for new dump sites.

#### *Climate Change Adaptation and Mitigation in Zambia*

- (i) Your previous Committee had observed that not enough was being in sensitisation of the public on climate change issues. It had, therefore, urged the Government to do more.

The response was that the Government through the Climate Change Facilitation Unit under the Ministry of Information, Broadcasting and Tourism is finalizing the

development of a Communication and Advocacy Strategy to help disseminate information on climate change. The strategy once completed will help the country to upscale sensitisation efforts targeted at different stakeholder groups.

Further, your Committee was informed that that Government in collaboration with other stakeholders such as the Civil Society was already carrying out countrywide awareness activities targeting different audiences to enhance awareness levels on climate change.

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

Your Committee requests updates on climate change conferences and to be availed with information on the amount of funds available for sensitization of communities on climate change. Your Committee recommends that a communication and advocacy strategy be put in place.

- (ii) Your previous Committee had requested information on the benefits accrued from the US\$ 4.49 million. Further, it recommended that Government should find ways and means of ensuring that other energy sources were used.

The response was that UN-REDD was an initiative that was being used under the United Nations Framework on Climate Change to reduce emissions from forested land by providing incentives to forest-dependent communities so that they are able to give up unsustainable practices.

Zambia was in the Readiness Phase which was basically the initial stage of project. The Readiness Phase was focused on the development of a National Strategy to reduce deforestation. The strategy would spell out what activities and investments needed to reduce deforestation by the forest dependent communities. The strategy would also give guidance on the project areas to be considered for the programme. In this context, it was too early to quantify the benefits as the project is yet to be implemented.

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

Your Committee requests the tabulation of how much had or was being spent on the development of the national strategy and how much was envisaged to go towards actual project implementation.

- (iii) Your previous Committee had requested for a progress report on the development of the National Climate Change Response Strategy (NCCRS).

The Executive responded that the National Climate Change Response Strategy could not be finalized according to the schedule due to lengthy consultation process that it had to undergo. However, Government, through the Ministry of Information, Broadcasting and Tourism engaged a consultant to finalize the strategy. It was expected that the document would be finalized by the end of this year.

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

Your Committee requests a progress report on the matter.



- (iv) Your previous Committee being dissatisfied with the coverage on climate change issues had recommended that environmental experts should be trained as journalists.

The Executive responded that in recognizing the role of the media it had put in place a number of programmes involving the media. As a matter of policy, the media would participate in all climate change awareness activities organised by various institutions. Further, the Government through the Ministry of Tourism, Environment and Natural Resources organised one national workshop for media personnel in the year 2010 to generate interest in climate change issues among the media.

The Ministry was in 2012 organising another media training targeting various media personnel including news editors. It was established in the last awareness meeting that editors play a key role as they ultimately determine what appeared as news in the newspaper and television, thus involving them in such awareness activities could go a long way in enhancing the profile of climate change issues in the country.

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

Your Committee recommends that environmental experts should be trained as journalists.

- (v) Your previous Committee, being dissatisfied with the response, had wanted to know when the amendments to the *Forestry Act* would be brought before Parliament so that these issues were addressed. It had also wished to know when the Forestry Policy of 1998 would be reviewed as well as when the *Forest Act No. 7 of 1999* would be operationalised.

The Executive's response was that it was still in the process of revising the Forestry Policy of 1998. A draft of the same existed after consultations with stakeholders in each of the nine provinces. However, the draft was yet to be presented to Cabinet for approval. The operationalisation and amendment of the *Forests Act No. 7 of 1999* was yet to be undertaken as the review of the National Forestry Policy has not been finalized.

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

Your Committee requests a progress report on the matter.

#### *Forestry Department-Central Province*

- (vi) Your previous Committee had requested a progress report on the review of the National Forestry Policy of 1998 and operationalisation of the *Forest Act No. 7 of 1999*.

The response was that the Government reiterated its commitment to the operations of the Forestry Department. To strengthen the operations of the Department, the Ministry was finalizing reviewing the National Forestry Policy of 1998 as well as making amendments to the *Forests Act of 1999*. This was the first step in strengthening the department as this would usher in increased financial, material and human resources, needed for effective protection and management of forests.

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

Your Committee requests a time frame within which this would be achieved.

- (vii) Your previous Committee had requested to be availed a comprehensive report on the illegal mining activities in North Swaka Forest.

The Executive explained that the illegal mining operations in North Swaka Forest Reserve were discovered by the District Forestry Officer during routine patrol of the forest reserve in 2009. The miner was carrying out his mining operations along Chanwena stream. As earlier stated, after consultations with relevant authorities, it was discovered that the miner had no documentation authorizing him to carry out any mining operations in the forest reserve or indeed in the customary area. Hence the Ministry had no option but to stop the operations of the illegal miner both in the Forest Reserve and in the customary area. The illegal miner has since ceased all mining operations in the forest reserve as well as in the customary area.

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

Your Committee requests a status report on this matter and recommends that this activity should be regularized.

#### *Zambia Forest and Forestry Industry Corporation*

- (viii) Your previous Committee had requested for a more concrete answer regarding how the Zambia Forest and Forestry Industry Corporation (ZAFFICO) would service the loan.

The response was that the Ministry of Finance was considering converting the IDA loan into equity in the Company.

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

Your Committee requests a progress report on the conversion of the loan into equity.

- (ix) Your previous Committee had requested for a progress report on the stakeholder consultations to develop mechanisms for encouraging private sector participation in growing new forest plantations.

This answer was that the Ministry was still working out modalities for encouraging private sector participation in growing new forest plantations. Firstly, both the Forestry Policy of 1999 and the Forests Acts No. 7 of 1999 were being revised to create a suitable environment for private sector participation in commercial forests Plantations. Secondly, in view of the long period required before the first harvest from forests plantations,(Minimum of seven years, the ministry has engaged Ministry of Lands in order to come up incentive for encouraging the private sector to participate in commercial forests Plantations.

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

Your Committee requests for more clarity on the matter.

- (x) Your previous Committee had requested a progress report on the recapitalisation of ZAFFICO Limited.

The Executive's response was that the Zambia Forestry and Forest Industries Corporation Limited submitted Financial Statements to the Auditor General's office for the financial years ending 31st March 2005, 2006, 2007 and 2008.

Further, Financial Statements for the years ending 31st March 2009 and 2010 are ready for audit and the Auditor general's office was scheduled to conduct the audits for the last two years in August 2011. However, this has not yet been done.

The Ministry of Finance was awaiting audited financial statements regarding the proposal of converting the IDA loan into equity in the Company.

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

Your Committee requests a progress report on the matter.

#### *Lumwana Copper Mines*

- (xi) Your previous Committee had requested for a progress report on the monitoring of uranium by the Environmental Council of Zambia, Ministry of Mines and Minerals Development.

The response was that Lumwana Mining Company Limited had not been able to proceed with the uranium project because of the low metal price of the uranium on the world market. All uranium rich ore which was being mined out alongside copper ore mining activities was being stockpiled in accordance with the agreed terms and conditions with the Mines Safety Department and the Zambia Environmental Management Agency (ZEMA). So far, a total of ninety four million tonnes of uranium rich ore had been stockpiled.

The Mines Safety Department, in conjunction with ZEMA, conduct routine mine inspections to check on radiation levels in and around the mine and so far, all the readings taken are within the maximum permitted radiation exposure level of 2ms per year.

Capacity building programs for MSD and ZEMA staff have continued. MSD and ZEMA staff recently attended a capacity building workshop organised by the International Atomic Agency which was held at Mines Safety Department Offices in Kitwe. Some individual officers from both MSD and ZEMA have in the recent past attended international conferences on regulation of uranium activities. There has also been some exchange of visits by officials from the Inspectorate Department in Malawi, a country which is actively involved in uranium mining.

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

Your Committee requests to know how safe the stockpile is.

- (xii) Your previous Committee had requested for a progress report on the Itezhi-tezhi Power Project.

The Executive explained that an Implementation Agreement between the Ministry of Lands, Energy and Water Development and the Itezhi-tezhi Power Company was signed on the 20th January, 2011 and in May 2011 the Energy Regulation Board approved the tariff for the project.

Further, the contractors were already on site in Itezhi-tezhi and the following works were being carried out; clearing of the land for the construction of houses, offices, water treatment plant and district offices. The reviewing of design documents for the infrastructure works was being done; and negotiations for the supply of electromechanical equipment were being done and were expected to be completed soon.

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

Your Committee requests a progress report on the matter.

- (xiii) Your previous Committee had requested for a progress report on the repair of road to Itezhi-Tezhi and wanted to know if this had been budgeted for.

The response was that the road (D769) off Mumbwa junction to Itezhi-tezhi at that time was earmarked for rehabilitation in 2008/9 by Sable Transport at a contract sum of K95 billion. However, due to lack of funds, the project could not commence. Once funds were made available by Ministry of Finance the project could commence.

It should be noted that the cost of tarring the 110Km stretch will be in the range of K150 billion due to escalation in prices of construction materials.

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

Your Committee requests a time frame in which the Government will work on this road and that the Permanent Secretary, Ministry of Transport, Works, Supply and Communication should comment on this.

- (xiv) Your previous Committee had requested a progress report on the construction of a hospitality university in Livingstone.

The response was that Hotel and Tourism Training Institute Trust, had secured an offer letter from the Ministry of Lands, Energy and Water Development and it was awaiting a title deed from the Commissioner of Lands. Additionally, HTTI was still looking for finances to fund the project considering that Government resources were not adequate to meet the required funding.

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

Your Committee requests a progress report on the matter.

### *Grading and Classification of Hospitality Establishments*

- (xv) Your previous Committee had requested for a progress report on grading and classification of hospitality establishments.

The Executive reported that the Ministry of Justice had finalised the Statutory Instruments to effect tourism enterprise licensing and the licensing of hotel managers. The Two Statutory Instruments would help the Ministry to effect classification and grading systems and licensing of hotel managers. However, the Ministry was still having internal consultations on the Statutory Instruments on Licensing of Hotel Managers to ensure that the Instrument is suitable for the Tourism Industry.

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

Your Committee requests a progress report on the matter.

### *Game Management Plans*

- (xvi) Your previous Committee had requested a progress report on progress on the legal status of game management plans.

The response was that reviewing the *Zambia Wildlife Act No. 12* of 1998 had not yet been finalised. According to the revised roadmap, the review process was expected to be finalised by mid 2012. The process had stalled due to financial constraints because this activity was not budgeted for in the 2011 Ministry of Tourism, Environment and Natural Resources budget.

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

Your Committee requests a progress report on the matter.

### *Zambia Wildlife Authority*

- (xvii) Your previous Committee had requested a progress report on the development of Lusaka National Park.

The response was that in 2011, Government through the Zambia Wildlife Authority continued to make progress regarding the development of Lusaka National Park and the Lusaka National Park entry gate facility has been constructed. Additionally, in 2011, the Park was restocked with a total Number of 208 animals including two white Rhinos which were bought from South Africa. The total number of animals in the Park has increased to slightly above 500 and there were now thirteen species.

These achievement were made with a budget of K1,050,000,000 which Government disbursed to the Zambia Wildlife Authority in 2011.

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

Your Committee will close the matter after visiting Lusaka National Park to make an on-spot check.

### *Kapishya Geothermal Plant*

- (xviii) Your previous Committee had requested a progress report on the revival of Kapishya Geothermal Plant.

The response was that Government had handed over this project to ZESCO. However, ZESCO had not yet been able to secure the required finances to develop the project.

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

Your Committee requests a progress report on the matter.

### *Consideration of Action-Taken Report on the First Report of the Committee for the Fourth Session of the Tenth National Assembly*

#### *Rural Electrification*

- (xix) Your previous Committee had requested a progress report on the study on rural electrification.

The response was that after carrying out consultations on how best to design and conduct the study on determining percentage of rural areas that had been electrified, the Ministry of Energy and Water Development had concluded that the best way to determine this was through the National Population Census. The Ministry had, therefore, decided that the study would not be conducted because the findings of the 2010 National Population Census would among other things have information on percentage of households in rural areas with access to electricity. This would be the most reliable and readily available source of statistics on the percentage of people in rural areas with access to electricity since all households national wide were covered during the survey.

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

Your Committee requests to be availed with the findings of survey.

### **CONCLUSION**

10. In conclusion, your Committee wishes to express its gratitude to you, Mr Speaker, and to the Clerk of the National Assembly for the support rendered to it during the year. Your Committee is also indebted to all the witnesses who appeared before it for their co-operation in providing the necessary memoranda and briefs.

Your Committee is hopeful that the observations and recommendations contained in this report will go a long way in improving the land, energy and water sectors in Zambia.

G GNkombo, MP  
**CHAIRPERSON**

June 2012  
**LUSAKA**