REPUBLIC OF ZAMBIA

REPORT

OF THE

COMMITTEE ON ENERGY, WATER DEVELOPMENT AND TOURISM ON THE IMPLEMENTATION OF MONTHLY FUEL PRICE REVIEWS IN ZAMBIA

FOR THE

THIRD SESSION OF THE THIRTEENTH NATIONAL ASSEMBLY

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FOREWORD

Hon Madam Speaker, the Committee on Energy, Water Development and Tourism has the honour to present its Report for the Third Session of the Thirteenth National Assembly on the topical issue the Committee was interrogating namely: The Implementation of Monthly Fuel Price Reviews in Zambia. The Committee's functions are set out in Standing Orders 209(d) and 210 of the National Assembly of Zambia Standing Orders, 2024.

The Committee held twelve meetings during the period under review to consider the topical issue. In order to fully interrogate the topical issue, the Committee requested detailed memoranda from various stakeholders, who were later invited to speak to their written submissions and make clarifications on issues arising therefrom. The list of stakeholders who made submissions to the Committee is at Appendix II.

The Committee's Report is organised in two parts: Part I presents the findings from the Committee's deliberations on the topical issue, including the findings from the local and foreign tours. The Committee's observations and recommendations are also presented in Part I. Part II outlines the Committee's consideration of the Action-Taken Report on the Report of the Committee for the Second Session of the Thirteenth National Assembly.

The Committee is grateful to all stakeholders who tendered both written and oral submissions. The Committee further wishes to thank you, Madam Speaker, for affording it an opportunity to carry out its work. It also appreciates the services rendered by the Office of the Clerk of the National Assembly throughout its deliberations.

Mr Romeo Kangombe, MP	June, 2024
CHAIRPERSON	**LUSAKA**

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ACRONYMS

CPI ï Consumer Price Index
CPM ï Cost Plus Model
8NDP ï Eighth National Development Plan
ERB ï Energy Regulation Board
MPR ï Monetary Policy Rate
NAMCOR ï National Petroleum Corporation of Namibia
SRF ï Strategic Reserve Fund
OMCs ï Oil Marketing Companies

1.0 MEMBERSHIP OF THE COMMITTEE

The Committee consisted of: Mr Romeo Kangombe, MP, (Chairperson); Mr Chanda A B Katotobwe, MP, (Vice Chairperson); Mr Lameck Hamwaata, MP; Mr Gregory Ngowani, MP; Ms Mirriam Chonya, MP; Mr Michael J Z Katambo, MP; Dr Chitalu Chilufya, MP; Mr Davis Chisopa, MP; Ms Kampamba Mulenga, MP; and Eng. Raphael Mabenga, MP.

PART I

2.0 CONSIDERATION OF THE TOPICAL ISSUE

2.1 THE IMPLEMENTATION OF MONTHLY FUEL PRICE REVIEWS IN ZAMBIA

2.1.1 Background

The energy sector was identified as one of the key enablers of economic growth in the Eighth National Development Plan (8NDP). Strategic Development Area 1, Economic Transformation and Job Creation, stated that one of Zambiaôs ambitions was to attain economic transformation that would be earmarked by advancements in industrialisation and economic diversification for sustained growth driven by the agriculture, mining, manufacturing and tourism sectors. In order for these sectors to achieve the envisioned growth, there was a need for a relatively stable fuel pricing mechanism to ensure cost predictability, and operational stability and foster a conducive environment for sustained economic development.

Historically, Zambia had implemented several different types of fuel pricing mechanisms as far back as the 1990s when the Government set prices through the Zambia National Oil Company (ZNOC). After the establishment of the Energy Regulation Board (ERB), under the *Energy Regulation Act of 1995 Chapter 436 of the Laws of Zambia*, it became the regulator that set prices under the supervision of the Ministry of Energy.

After the ERB took over the pricing function using the Cost Plus Model (CPM), price caps on petroleum products were introduced in 1999 and remained in place until 2001 when pump prices were liberalised. In 2004, the ERB changed the fuel pricing mechanism and started using the Import Parity Pricing (IPP) model as there were concerns from stakeholders regarding the CPM. However, in 2008, the ERB reverted to the CPM following complaints by stakeholders of frequent price reviews under the IPP model which could not support their budgets and presented challenges in the forecasting of fuel prices. The CPM model was used from 2008 to 2022 with a sixty-day pricing cycle.

On Tuesday, 25th January 2022, the ERB announced that it had moved to a thirty-day pricing cycle for Petrol, Diesel and Low Sulphur Gasoil to minimise the Governmentôs exposure to losses in the exchange rate in case of a depreciating local currency. The ERB further stated that under the monthly fuel price review, fluctuations in the exchange rate and international oil prices would determine whether prices would be maintained, revised downwards or upwards at the end of each month while taking into account the minimum 2.5 per cent threshold required for prices to be adjusted.

In light of the above, and considering public outcry on the matter, the Committee resolved to undertake a study to assess the implementation of monthly fuel price reviews in Zambia.

2.1.2 OBJECTIVES OF THE STUDY

The objectives of the study were to:

(a) appreciate the legal and policy framework which guided petroleum product pricing in Zambia;
(b) ascertain the rationale behind the implementation of monthly fuel price reviews in Zambia;
(c) establish the effect of monthly fuel price reviews on the cost of living and the economy;
(d) identify challenges and opportunities, if any, in the implementation of monthly fuel price reviews; and
(e) make recommendations on the way forward.

2.2 SUMMARY OF STAKEHOLDERS SUBMISSIONS

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

2.2.1 POLICY AND LEGAL FRAMEWORKS GUIDING PETROLEUM PRODUCT PRICING IN ZAMBIA

The Committee was informed that the policy and legal frameworks guiding petroleum product pricing in Zambia included the following:

i. Legal Framework

(a) *Energy Regulation Act, No. 12 of* 2019: The Act provided Zambiaǿs legal framework for the regulation and pricing of energy products, including petroleum, and empowered the ERB as the key regulatory authority overseeing the petroleum sector.

(b) *Petroleum (Exploration and Production) Act, No. 10 of 2008*: This was an Act to govern the upstream oil and gas exploration and production activities, although Zambia remained solely reliant on fuel imports. The Act was designed to regulate the petroleum industry within the country and outlined various provisions related to licensing, exploration, production, environmental protection, and revenue sharing.

ii. Policy Framework

(a) *The National Energy Policy of 2019*: The Policy was developed to ensure that the pricing of petroleum products would be efficient and effective in order to ensure adequate, reliable and affordable supply of petroleum products and natural gas, thereby, increasing the security of supply. The policy was also aimed at strengthening mechanisms for ensuring uniform pricing of petroleum products across the country for the security of the supply of petroleum products to be achieved.

2.2.2 RATIONALE BEHIND THE IMPLEMENTATION OF MONTHLY FUEL PRICE REVIEWS IN ZAMBIA

The Committee learnt that Zambiaös fuel pricing mechanism used to follow a sixty-day price locking cycle. However, the challenge was that fuel prices remained unchanged for sixty-days, which, in the long run, caused the Government to accumulate fuel arrears amounting to $597 million, including $169 million in late payment interest.

Consequently, in 2021, the Government announced petroleum sub-sector reforms that included its disengagement from the procurement of petroleum products. Other key reforms included the placing of Indeni Petroleum Refinery on care and maintenance and the conversion of the TAZAMA pipeline into a carrier of finished diesel products. These reforms necessitated a shift to monthly fuel price reviews to align with the supply chain cycles faced by Oil Marketing Companies (OMCs) which, since then, were the ones responsible for procuring petroleum products.

The Committee was further informed that changes in fuel price reviews over time had also been necessitated by the Governmentös desire to have an efficient self-sustaining fuel procurement system, and the need for prices of petroleum products to reflect prevailing market fundamentals such as changes in the exchange rate and crude oil prices.

2.2.3 EFFECT OF MONTHLY FUEL PRICE REVIEWS ON THE COST OF LIVING AND THE ECONOMY

The Committee learnt that the impact of monthly fuel price reviews on the cost of living and the economy in Zambia was a multifaceted issue that affected individuals, businesses, and the overall economic landscape directly and indirectly. Directly, fuel served as one of the determinants of the Consumer Price Index (CPI), which was used for measuring inflation. Therefore, adjustments in fuel prices had a corresponding effect on the CPI and, by extension, inflation.

Indirectly, fuel was a crucial input in the production costs of most businesses. This entailed that an upward adjustment in fuel prices often required an increase in the final prices of the products that businesses manufactured. Therefore, an upward adjustment in fuel prices negatively impacted the economy and consumers through an increase in inflation and, subsequently, the cost of living.

The Committee was informed that the thirty-day review mechanism had affected the various demographics as discussed below.

i. Consumers

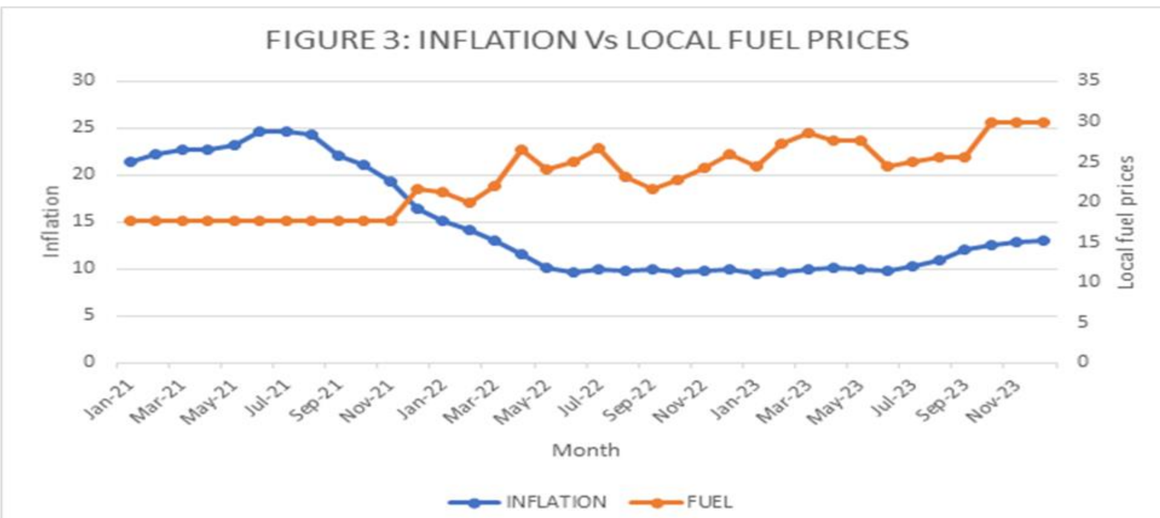
Stakeholders informed the Committee that the introduction of the monthly fuel price reviews had resulted in quick pass on effects of the fuel prices to consumer goods prices, especially when there was an increase in fuel prices. Consumers tended to adjust their direct expenditure on fuel every month, thus, a shorter review period had a direct negative effect on consumer income as they expected to spend more on fuel and reduce consumption of other goods and services. It was added that for consumers relying on public transport, an upward adjustment in the fuel prices every month entailed increased expenditure on transport fares as every fuel price increase resulted in transport fare increases. Furthermore, an indirect increase in the prices of goods and services due to the possible increase in fuel prices at every monthly review reduced consumersô real disposable income.

ii. Manufacturers, SMEs and Transporters

It was submitted that the introduction of the monthly fuel price reviews caused difficulties for manufacturers in determining the appropriate long-term cost allocation for fuel. This was due to the significance of fuel as a key resource in the production process. Further, with a rise in domestic fuel prices, increases in the cost of the transportation of raw materials as well as the distribution of final products for manufacturers ultimately increased the cost of production even further. Inevitably, the passing on of increased costs of production emanating from increased domestic fuel prices had significant negative effects on the economy. This resulted in higher inflation, increased levels of poverty and the potential for increased job losses in the manufacturing sector. Additionally, transporters of goods tended to increase the prices of their services every month, thereby, creating instability in their sector.

iii. Inflation

The Committee learnt that the introduction of the monthly fuel price reviews affected inflation due to the pass-through effect. It was submitted, in the diagram below, that despite positive changes in monthly fuel prices, inflation kept declining. That showed that fuel prices alone did not contribute to increases in inflation. Equally, the exchange rate alone did not contribute to an increase in inflation. However, it was the interaction of fuel prices and the exchange rate that led to an increase in inflation.



Source: *Copperbelt University Submission*

More specifically, stakeholders submitted that the effects of monthly fuel price reviews were seen in rising inflation, which had several effects on the cost of living and the economy, as listed hereunder.

(a) *Reduced Household Income*: If inflation outpaced the growth of household income, the purchasing power of consumers and households would decline. This meant that they would purchase fewer goods and services with the same income, thereby, increasing the cost of living.

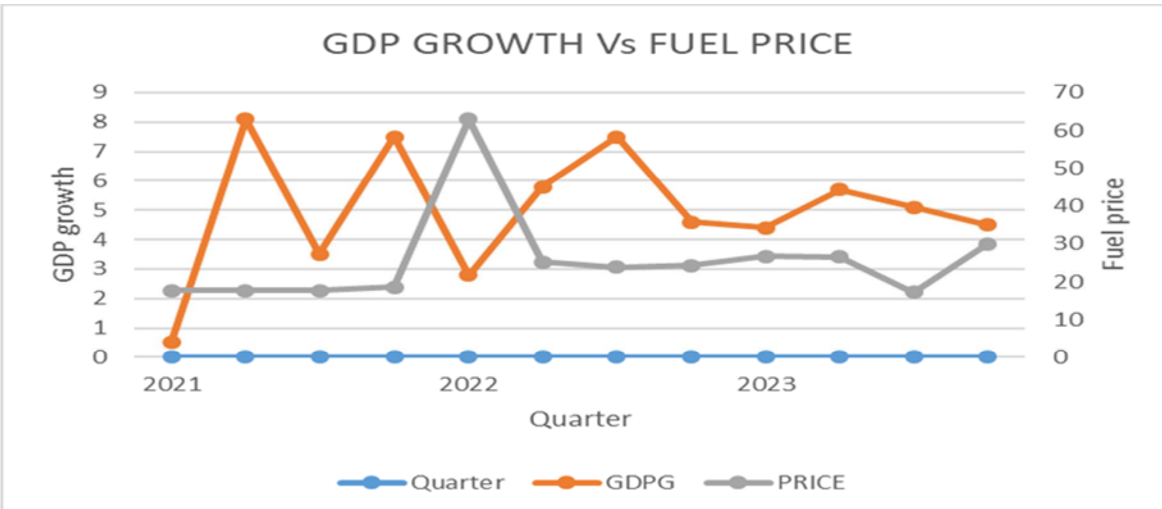
(b) *Cost-push Inflation*: When production costs of businesses rose, it led to cost-push inflation, which occurred when businesses passed on increased costs to consumers in the form of higher prices for goods and services.

(c) *High Interest Rates:* In a bid to contain rising inflation, the Bank of Zambia raised the Monetary Policy Rate (MPR) at each of its four Monetary Committee meetings in

2023. Overall, the MPR increased from 9 to 11 per cent in 2023. In line with the upward adjustments in the MPR, commercial banksô average lending rates equally increased. Higher interest rates affected borrowing costs, impacting the disposable income of those with loans and mortgages and leading to increased financial strain on households, potentially dampening consumer spending and economic growth.

iv. Economic Growth

The Committee learnt that an increase in fuel prices was associated with a reduction in economic activity, as shown in the diagram below. This could be attributed to the increase in the cost of production that suffocated production and reduced consumer consumption because of increases in the prices of goods and services. The inflationary pressure of monthly fuel price reviews created a domino effect, impacting household budgets and reducing the purchasing power of consumers. The Zambian lower-income groups were particularly vulnerable to these changes, as they spent a higher proportion of their income on essential goods and transportation.



Source: *Copperbelt University Submission*

2.2.4 CHALLENGES AND OPPORTUNITIES IN THE IMPLEMENTATION OF MONTHLY FUEL PRICE REVIEWS

i. Challenges Experienced in the Implementation of Monthly Fuel Price Reviews

(a) Market Uncertainty

Monthly fuel price reviews led to market uncertainty due to frequent price adjustments. This uncertainty affected consumer behaviour causing disruptions in economic decision-making.

(b) Inflationary Pressures

Frequent adjustments in fuel prices contributed to inflationary pressures within the economy. These price fluctuations impacted various sectors, leading to changes in production costs and consumer prices.

(c) Business Planning Disruptions

The frequent changes in fuel prices hindered long-term business planning. Businesses faced challenges in accurately forecasting costs, setting prices, and making investment decisions amidst such volatility.

(d) Consumer Impact

Rapid changes in fuel prices directly affected consumersô budgets and spending patterns. Fluctuating prices could lead to unpredictable expenses, impacting household budgets and purchasing power.

(e) Logistical Challenges

Frequent adjustments in fuel prices posed logistical challenges for businesses, especially those involved in transportation and logistics. Planning routes and managing expenses became more challenging with unpredictable fuel costs.

ii. Opportunities Arising from the Implementation of Monthly Fuel Price Reviews

(a) Market Responsiveness

Monthly fuel price reviews allowed rapid adjustments to align domestic fuel prices with global oil market fluctuations. This responsiveness enabled the market to reflect current international oil price trends more accurately.

(b) Policy Flexibility

Monthly reviews offered policymakers the flexibility to fine-tune fuel pricing policies swiftly, enabling them to respond promptly to changes in global oil markets or currency fluctuations.

(c) Competition and Efficiency

Frequent price adjustments fostered competition and efficiency in the fuel sector. It encouraged fuel suppliers to optimise operations, improve services, and maintain competitive prices.

(d) Transparency and Information Dissemination

Monthly reviews provided a platform for disseminating information about fuel prices and the factors influencing them. This transparency could benefit consumers and businesses by enhancing their understanding of market dynamics.

(e) Fiscal Consolidation

The lack of financing for fuel subsidies led to a substantial increase in the stock of fuel arrears. Implementing a monthly pricing cycle helped stem the accumulation of these arrears, thereby supporting fiscal consolidation.

2.3 TOURS

2.3.1 LOCAL TOUR

In order to consolidate its findings from the long meetings in line with its topical issue: *The Implementation of Monthly Fuel Price Reviews in Zambia*, the Committee undertook a local tour to Lusaka, Central, Copperbelt and North-Western provinces. In Lusaka Province, the Committee interacted with the ERB, while in the Central Province, the Committee interacted with Zambia Railways and Surya Biofuels. In the Copperbelt Province, the Committee interacted with Indeni Energy Company Zambia and TAZAMA Pipeline Limited. In the North-Western Province, the Committee interacted with Kansanshi Copper Gold Mine, Sentinel Mine and toured the Solwezi Fuel Depot.

The findings of the Committee are as set out below.

COPPERBELT PROVINCE

i. Indeni Energy Company Zambia

The Committee was informed that Indeni Petroleum Refinery, established in 1973 with a capacity of 1.1 million metric tonnes per year, transitioned into an Oil Marketing Company (OMC) following Government policy changes in 2021, subsequently becoming Indeni Energy Company Zambia. Indeni had a storage capacity of 154,661 cubic meters for all petroleum products including Liquefied Petroleum Gas (LPG), Bitumen, Jet A-1 and Heavy Fuel Oil (HFO). Despite its significant storage capacity, Indeni faced challenges, such as a lack of infrastructure for offloading and loading finished products and the need for capital investment to fully convert into a competitive OMC. Additionally, under its new mandate and incorporation as a private company under *the Companies Act, No. 10 of 2017*, Indeni faced limitations in acting as the nationȢs strategic fuel reserve.

The Committee was informed of Indeni's envisioned role in the energy sector and its strategic importance due to its large storage capacity. The companyȢs future plans involved leveraging partnerships to ensure that there is a stable supply of petroleum products on behalf of the Government, if given the mandate to become a national oil company. The Committee learnt that monthly fuel price reviews were influenced by international prices and exchange rates and impacted both consumers and suppliers, while stable and predictable prices were crucial for planning and budgeting. Therefore, in order to manage price fluctuations and mitigate risks, Indeni proposed solutions such as mitigating exchange losses and financing costs, engaging with the ERB, and considering bulk procurement of fuel. IndeniȢs large storage capacity could act as a buffer to stabilise fuel prices.

ii. Tanzania Zambia Mafuta Pipeline Limited

The Committee was informed that the Tanzania Zambia Mafuta (TAZAMA) Pipelines Limited Zambia was established in 1968 and was owned by the Government of the Republic of Zambia, which held 66.7 per cent of the share capital, and the Government of the United Republic of Tanzania, which held 33.3 per cent. TAZAMA was formed to facilitate the economical transportation of crude oil or its petroleum products from the port of Dar-es-Salaam to landlocked Zambia.

The Committee learnt that TAZAMA owned and operated a 1,710 kilometre petroleum pipeline from Dar-es-Salaam to Ndola, with significant infrastructure including a tank farm and seven pump stations. Initially, it transported refined petroleum, but later, shifted to crude oil in 1973. In March, 2023, TAZAMA began transporting Low Sulfur Gasoil. Originally designed to transport 1.1 million metric tonnes per annum, the pipeline only handled between 800,000 to 850,000 metric tonnes, which was insufficient for the growing national demand. However, the Committee was informed that capacity improvements through the use of drag-reducing agents and pipeline expansion to meet the anticipated demand of 1.5 million metric tonnes per year were being planned. The procurement process for these agents was underway, and plans to expand the pipeline from 8-inch to 12-inch along its entire length were being considered. The expansion project would cost about $450 million.

The Committee learnt that TAZAMA consumed significant amounts of fuel for its operations, such as pumping operations and operating its fleet of vehicles to carry out maintenance works and security patrols along the pipeline. According to the contract with fuel suppliers, TAZAMA was permitted to draw up to 1 per cent of Low Sulfur Gasoil from the pipeline from each consignment, which it used for its operations. Therefore, TAZAMA's pumping units were not subject to fuel price adjustments. The Committee was further informed that transport costs by pipeline, at $54 per metric tonne, were also significantly lower than road transport, which ranged between $140 and $170 per metric tonne. However, verification of the actual price of transportation by the pipeline was still under consideration by the ERB.

TOUR OF NORTH-WESTERN PROVINCE

i. Solwezi Fuel Depot

The Committee was informed that the depot stored diesel and petrol and had a combined storage capacity of 15.5 million litres, of which 13 million was diesel storage. The depot received fuel products from various OMCs by road and could receive up to thirty-five trucks per day, although they were only receiving an average of fifteen trucks a day. The Committee was further informed that sales were done from Ndola and sent to the depot electronically. The Committee also learnt that the depot had enough storage to last thirteen days, based on the consumption in the province, although the agreed minimum was fifteen days. Additionally, there was land available for expansion when need arose..

The Committee was informed that the depot was underutilised, however not much could be done, as OMCs could not be compelled to store their product at the depot. Further, there were only two OMCs using their hospitality.

ii. Kansanshi Copper Mining Plc

The Committee learnt that Kansanshi Copper Mining Plc started operating in Zambia twenty-five years ago and used open pit mining-based conventional drill and blast, truck and shovel techniques using an owner operated mining fleet. The mine achieved ex-pit mining volumes of about 46 million Bank Cubic Metres (BMC) in 2023. The Committee was further informed that the Kansanshi ore body contained variable levels of gold, which had historically shown correlation with the levels of copper. The gold was recovered via the gold plant in the form of gold dore or within the copper anode.

In relation to fuel, the Committee was informed that the mine consumed an average of 11 million litres of diesel per month, with 9.8 million litres for the mobile fleet and 1.2 million litres for the smelter. The mine's diesel costs were up 7 per cent from 2023, due to the ramp up of the S3 Expansion Project which involved expanding Kansanshi's mining pit, building a new processing plant, and enlarging the mine's on-site smelter. Diesel accounted for approximately 15 per cent of operating costs with transportation charges set at US$0.98 per litre. The mine spent about US$12 million monthly on fuel.

The Committee also learnt that while diesel was an essential factor of production, the mine was not directly affected by the monthly fuel price reviews, as it had agreements with oil marketing companies to supply diesel at commercial rates. However, the mine was indirectly affected by monthly price reviews through costs to suppliers, as contracts had built-in mechanisms that adjusted prices in proportion to monthly price fluctuations. Additionally, the mine was indirectly affected as contractors were quoting prices at shorter intervals, causing price volatility that ultimately impacted production.

iii. Sentinel Open-Pit Copper Mine

The Committee was informed that Sentinel Mine was constructed in 2012, at a cost of US$2.1 billion dollars. Open pit mining was carried out using conventional methods, with large-scale electric face shovels, hydraulic excavators, and a fleet of ultra-class haul trucks.

In relation to fuel, the Committee was informed that the mine used approximately 10 million litres of diesel per month and about 112 million litres of diesel per annum. The mine had commercial agreements with OMCs, which supplied fuel to the mine as well as operated their storage depots. It was submitted that 70 per cent of the procured fuel was used for mine operations and 30 per cent was used by contractors. The Committee was further informed that the landed price of fuel was US$0.98 per litre before Value Added Tax (VAT). The Committee learnt that the mine had a storage capacity of about 3.3 million litres and that about ten tankers offloaded the product per day. Additional storage of about 2 million litres was in development.

TOUR OF THE CENTRAL PROVINCE

i. Zambia Railways Limited

The Committee was informed that Zambia Railways Limited (ZRL) operated 1,248 kilometres of railway network, including mainline, branch lines, and the Chipata-Mchinji and Mulobezi Lines. With 800 direct employees and over 500 indirect employees, ZRL handled approximately 800,000 tonnes of freight annually, although it faced challenges due to inadequate infrastructure and a lack of recapitalisation, resulting in underperformance compared to its design capacity of 6 million tonnes per annum.

The Committee learnt that ZRL played a critical role in the Zambian economy by transporting coal and fuel. ZRL moved transit fuel from South Africa to the Democratic Republic of Congo and was exploring further fuel transportation options from Dar-es-Salaam and other locations, pending infrastructure upgrades, which would cost approximately US$1 billion. The Committee was informed that monthly fuel price reviews had affected ZRL's operations. ZRL consumed about 5.4 million litres of diesel annually, and price increases negatively affected cash flows and budget allocations for maintenance, leading to service quality challenges. Contracts with customers were also impacted by fuel price escalations, causing a shift in traffic to road transport due to more stable pricing.

The Committee was informed that ZRL's large operational network and connections to SADC ports positioned it strategically to reduce fuel prices through efficient rail transport. Recommendations for Government support included activating bilateral agreements for fuel procurement and considering ZRL's role in national energy security to ensure a stable supply of petroleum products.

ii. Surya Biofuels

The Committee was informed that Surya Biofuels was a part of Surya Group, the Zambian-based diversified business conglomerate with successful ventures into various sectors. Surya Biofuels was a producer of Ethanol in Zambia and also produced food grade and industrial grade oxygen for leading manufacturing companies across Zambia, DRC, Zimbabwe and South Africa. The Committee was further informed that the company produced 15,000 litres of ethanol per day using molasses. The company had a cassava plantation and hoped to start using it to make ethanol once additional machinery was procured. Reliance on molasses had seen the production of ethanol stall due to the ongoing drought, which affected the ability of the supplier to fulfil their orders. Maize was also seen as a viable option, but it was not used since it was a staple food in Zambia.

The Committee was informed that there were plans in place for ethanol to be blended with fuel locally. The ERB had developed regulations for blended fuel, which would be called E-20 and would be comprised of 20 per cent ethanol and 80 per cent fuel. Once the regulations regarding E-20 were finalised, the company would produce ethanol and deliver it to TAZAMA, which would do the blending. The Committee was also informed that the price of blended fuel would initially be the same as the price of imported fuel. However, the Ministry indicated that discussions over the final price of E-20 were yet to be finalised.

TOUR OF LUSAKA PROVINCE

i. Energy Regulation Board

The Committee was informed that Zambiaǒs petroleum sub-sector was divided into the upstream and downstream segments. The upstream segment included TAZAMA Pipelines Limited, INDENI Energy Company Limited and TAZAMA Petroleum Products Limited. The downstream segment comprised OMCs, dealers and transporters. The ERB determined and regulated tariffs and charges for both segments under the *Energy Regulation Act, No. 12 of 2019*.

The Committee learnt that Zambiaǒs fuel demand was met through the importation of refined petroleum products, with the average daily consumption of petrol and diesel in 2023, being 1.60 million litres and 3.60 million litres, respectively. Monthly consumption averages for petrol, diesel, kerosene, and Jet A-1, were 48 million litres, 108 million litres, 402,608 litres, and 4.5 million litres, respectively. The main sources of imports were Dar-es-Salaam in Tanzania and Beira in Mozambique, with the TAZAMA Pipeline having a monthly throughput capacity of 78,000 metric tonnes (90,000 m^3) compared to the national demand of 92,000 metric tonnes (108,000 m^3).

The Committee was informed that the fuel pricing mechanism involved determining the wholesale and pump prices of petroleum products. The cost elements in the wholesale price build-up included Free on Board (FOB), Cost Insurance and Freight (CIF), and the landed cost at the port of entry. The retail price included the wholesale price plus margins for OMCs, transporters, dealers, and various fees and taxes such as the ERB fees and VAT.

The Committee learnt that monthly price reviews ensured that the fuel pricing mechanism reflected market fundamentals like the Standard and Poor's (S&P) Platts spot price and exchange rate. Any shift from this pricing mechanism would require a large storage capacity for petroleum products, which would act as a buffer to stabilise fuel prices and ensure a steady supply. Proposals to manage price fluctuations included mitigating exchange losses and financing costs, bulk procurement of fuel, and considering government-to-government fuel procurement arrangements to stabilise prices.

The Committee was informed that, while transportation of fuel via the pipeline had been set at US$54 per cubic metre, the contract that was in force had other costs. The ERB had looked into the costs above US$54 dollars and came to an additional US$31 dollars and US$11 dollars. Therefore, the actual cost of transportation by pipeline was seen to be closer to US$100 per cubic metre. Additionally, the Committee was informed that the debt owed to suppliers in the fuel sector was US$890 million and that the amount kept increasing due to late payment of interest. Plans were also in place to introduce a drag reduction agent, which would see the pipeline increase its capacity to transport 100 per cent of the countryҫs diesel demand. This exercise was earmarked to be completed by September, 2024.

2.3.2 FOREIGN TOUR TO THE REPUBLIC OF NAMIBIA

The Committee undertook a benchmarking tour to the Republic of Namibia from 14th to 21st April, 2024, in line with its topical issue on the Implementation of Monthly Fuel Price Reviews in Zambia. The purpose of the tour was to benchmark with a similar Committee as well as Government institutions and agencies in Namibia to appreciate the best practices in the implementation of fuel price reviews.

The Committee interacted with various stakeholders including the Parliamentary Standing Committee on Natural Resources, the Ministry of Mines and Energy, the Motor Vehicle Accident (MVA) Fund, the Namibia Oil Industry Association, the National Road Fund Administration, the National Petroleum Corporation of Namibia (NAMCOR) and other senior government officials. The Committee also paid a courtesy call on the Zambian High Commissioner to Namibia.

Specifically, the Committee was interested to learn and share experiences on the following issues:

(a) the legal and policy framework which guide petroleum product pricing in Namibia;
(b) the rationale behind the implementation of monthly fuel price reviews in Namibia;
(c) the effect of monthly fuel price reviews on the cost of living and the economy of Namibia; and
(d) the challenges and opportunities, if any, experienced in the implementation of monthly fuel price reviews in Namibia.

The findings of the Committee during its tour were as set out below.

i. Policy and Legal Framework Guiding Petroleum Product Pricing in Namibia

The Committee was informed that petrol and diesel pump prices in Namibia were regulated by the Namibian Government as per the *Petroleum Products and Energy Act, No. 13 of 1990 (as amended).* The Ministry of Mines and Energy was the custodian, as well as the regulator of the oil industry in Namibia, both the upstream and downstream petroleum sub-sectors. The Committee further learnt that the Act gave certain powers to the Hon. Minister of Mines and Energy to prescribe the prices at which petroleum products may be sold.

Stakeholders submitted that the Ministry of Mines and Energy was also in charge of implementing the Petroleum Products and Energy Regulations of 2000. These Regulations were an extension of the Act and were more detailed and specific on the aspects of the Act. The Ministry also formulated ñFuel Pricing Guidelinesò in consultation with the members of the National Ocean Industries Association to ensure an effective fuel pricing regime.

The Committee further learnt that the National Energy Policy of 2017 was also a key guiding document. The policy revolved around three key main objectives and enablers, which were the security of fuel supply through effective licensing and enforced compliance, affordability of fuel which informed pricing aligned with market dynamics, and availability of fuel investments in key infrastructures.

The other policy and legal frameworks include the following:

(a) Petroleum Taxation Act, 1991;
(b) Petroleum Products and Energy Amendment Act, 2000;
(c) Petroleum Products Regulations 2000;
(d) Income Tax Act;
(e) Environmental Management Act, of 2007;
(f) Draft Upstream Local Content Policy 2023; and
(g) Model Petroleum Agreement, 2007.

ii. Rationale Behind the Implementation of Monthly Fuel Price Reviews In Namibia

The Committee was informed that monthly fuel price reviews were implemented to ensure security of supply while maintaining affordability. Fuel price reviews revolved around the cost recovery principle in which suppliers of fuel recovered the full costs involved to ensure business continuity. This was achieved through the Slate Account Mechanism which facilitated the cost-recovery principle through the National Energy Fund (NEF), which was established by the Petroleum Act and was under the direct control of the Minister of Mines and Energy.

The Committee further learnt that fuel price over-recoveries were forfeited to the NEF by Oil Marketing Companies. This fund also collected the Fuel Equalisation Levy, which was used to stabilise prices in times of high volatility. On the other hand, OMCs were compensated for under-recoveries through the Slate Account. The purpose of this account was to make payment of under-recoveries to suppliers of petroleum products and receipt of over-recoveries from suppliers of petroleum products caused by the international oil prices and the exchange rate fluctuations, among other factors in relation to fixed local pump prices.

The Committee further heard that monthly fuel price reviews were implemented to ensure that investors in the local oil market received a fair return on their investments through Wholesalersô Margin and Retailersô Margin. Further, the monthly fuel price review mechanism was used to ensure that the Government collected statutory levies imposed on the prices of petroleum products efficiently and effectively.

The Committee learnt that there was a cost-recovery model dubbed the Basic Fuel Price (BFP) agreed between the oil industry and the regulator to be used in determining the deemed cost of importing the product to Namibian shores comprising of all cost elements in the supply chain. These included:

(a) BFP (landed cost) ï cost of refined oil, freight, insurance and ocean losses, demurrage, product financing cost and port cargo dues;
(b) pump price at Port of Entry ï BFP, industry and dealer margins, domestic levies and taxes; and
(c) inland pump prices ï BFP, industry and dealer margins, rail transport, road transport, domestic levies and taxes.

iii. Effect of Monthly Fuel Price Reviews on the Cost of Living and the Economy of Namibia

The Committee was informed that upward adjustments in fuel prices continued to be very unpopular among the general population because such adjustments were a signal that the costs of basic goods and services were also going to rise.

The Committee learnt that fuel price developments were a key driver for inflation, with ripple effects on production costs and interest rate developments. Thus, higher fuel prices entailed higher interest rates affecting the appetite of borrowers, which had ripple effects throughout the economy.

The Committee was also informed that because of the strategic nature of petroleum products, it was crucial for the Government, through the Ministry of Mines and Energy, to ensure stable supply and pricing. This had macroeconomic stability implications relating to the fact that oil was an input factor in all types of economic activities such as transportation, farming, mining, fishing and emergency services and that movement in the prices of oil could greatly drive up the national inflation rate.

iv. Challenges in the Implementation of Monthly Fuel Price Reviews

The Committee was informed that the challenges involved in the implementation of monthly price reviews included:

(a) lack of transparency from OMCs and their international oil traders;
(b) requests for additional premiums on top of the Import Parity Price determined as per guidelines;
(c) lack of compliance like charging wrong prices and ignorance of the law;
(d) fuel smuggling along the borders due to high prices which led to the loss of revenue; and
(e) no control over external factors due to geopolitics and OPEC decisions.

v. Opportunities in Implementing Monthly Fuel Price Reviews

(a) Digitalisation allowed for access to crucial information, which was highly centralised on computer systems through subscription services such as *Platts*, *Refinitiv* and *Bloomberg*.
(b) Power of crucial information could be utilised to influence decisions.
(c) Introduction of an open tender system would consolidate import volumes.
(d) Cost-reflective fuel pricing.

2.4 COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

Having engaged with stakeholders the Committee presents its observations and recommendations as set out below.

2.4.1 Strategic Fuel Reserves

The Committee observes that Zambia has inadequate fuel reserves, which not only pose a threat to the security of the energy sub-sector but also contribute to the frequency of fuel reviews.

The Committee recommends that the Government should, as a matter of urgency, come up with prudent strategic reserve management programmes aimed at attaining a longer period for fuel reserves. In the view of the Committee, adequate fuel storage capacity of between three to six months would enable the Government to review the price of fuel after longer periods.

2.4.2 Indeni Energy Company

The Committee observes that the operations of Indeni Energy Company were changed as it transitioned from a refinery to an OMC which significantly reduced Governmentøs participation in the petroleum sector. The Committee notes on the other hand that the Namibian Government still participates in this sector through NAMCOR with an 11 per cent market share within wholesale sales and a 14 per cent market share in the retail space. Further, NAMCOR manages three depot facilities across Namibia, sells branded lubricants, and owns and operates seventeen service stations.

In light of the above, the Committee recommends that the Government should consider allowing Indeni Energy Company to participate in the supply of petroleum products on behalf of the Government. In the view of the Committee, this would enable the country to diversify its sources of fuel procurement and reduce the risks associated with complete reliance on the private sector. In this vein, legislation ought to be changed to transform Indeni Energy Company into a national oil company to enable it to participate in the procurement of fuel.

2.4.3 Transportation Costs

The Committee observes with concern that the benchmarked transport cost in the pump price build-up for the transportation of petroleum products to Zambia sits at $220 per ton. However, the Committee learnt that the average transport cost paid to transporters on the agreed route of Dar-Es-Salaam to Lusaka is $160 per meter cubed.

The Committee recommends, therefore, that a thorough examination of the transportation costs be undertaken in order to establish the actual cost of transporting petroleum products to Zambia.

2.4.4 Abrogation of the Statutory Instrument No. 35 of 2021

The Committee notes with dismay the abrogation of Statutory Instrument No.35 of 2021, Citizens Economic Empowerment (Transportation of Heavy and Bulk Commodities by Road) (Reservation) Regulations, 2021 which states that at least 50 per cent of all imported commodities shall be transported by Zambian citizens. This, in addition to the fact that the bulk of petroleum products imported by road are imported by foreign trucks, is seen to be contributing to the cost of transportation as local transportation companies are seen to offer a lower price than the US$ 220 quoted in the pump price build-up.

In this regard, the Committee recommends that the Government should, as a matter of urgency, begin to implement the stipulations of Statutory Instrument No.35 of 2021 as this may not only have a direct impact on the cost of transportation but also empower local transporters.

2.4.5 Underutilisation of Railway Infrastructure

The Committee expresses concern over the non-compliance with Statutory Instrument No. 98 of 2020, Railways (Transportation of Heavy Goods) (Amendment) Regulations, 2020, which stipulates that 30 per cent of bulk cargo must be transported by rail. The Committee observes that one of the reasons for this state of affairs is the poor condition of Zambiaøs railway infrastructure which has resulted in negligible volumes of petroleum products being imported by rail.

The Committee, therefore, recommends that the Government invests in the recapitalisation of Zambia Railways to enhance its capacity and aid in the reduction of the cost of transportation of petroleum products, which is a key component of the pump price build-up.

2.4.6 Price Review Period

The Committee notes the Governmentös decision to move to a thirty-day pricing cycle for fuel. However, the Committee observes that this pricing cycle has been met with outcry by the general public and the business community. The Committee further notes that His Excellency, President Hakainde Hichilema, during the swearing-in ceremony of a newly appointed Permanent Secretary in the Ministry of Energy, acknowledged the adverse impact of monthly fuel pump price revisions on business operations and directed the Ministry to investigate the issue.

In this regard, the Committee recommends that the Government should put measures in place to expand storage capacity for petroleum products which would act as a buffer to stabilise fuel prices for longer periods and ensure a steady supply. The Committee further recommends that the Government considers entering into government-to-government fuel procurement arrangements, through Indeni Energy Company, which can help reduce fuel prices by eliminating middlemen, securing bulk pricing, and negotiating favourable terms.

2.4.7 Strategic Reserve Fund

The Committee observes that the Namibian Government utilised the National Energy Fund (NEF) in order to absorb any sharp increments in fuel prices. The Committee further observes that Zambia has the Strategic Reserve Fund (SRF), which was introduced specifically to aid in stabilising the price of fuel, managing, rehabilitating and constructing petroleum storage facilities as well as emergencies in the petroleum sub-sector. The Committee takes note, however, that an attempt by the Energy Regulation Board (ERB) to stabilise the price of fuel using the fund led to its depletion within three months.

In this regard, the Committee recommends that the Government should reassess the utilisation of the SRF and transfer some of its functions such as road works around fuel storage depots and the rehabilitation of infrastructure to the Ministry of Infrastructure, Housing and Urban Development. This will enable the Ministry of Energy, through the ERB, to have more funds at its disposal to stabilise the price of fuel. The Committee further recommends that the Government reinforce its monitoring mechanisms to ensure that an appropriate amount is paid into the fund by OMCs.

2.4.8 Unpaid Fuel Invoices

The Committee observes that while the Government was still procuring petroleum products, it was expected to pay suppliers after their products were sold within a period of between ninety to 120 days from the date of the issuance of the invoice. However, the Committee notes with great concern that Zambia has accumulated unpaid invoices in excess of US$890 million, including late payment interest and risk premiums.

In this regard, the Committee recommends that the Government find means to quickly dismantle this debt to ensure that the countryös financial stability is restored.

2.4.9 Transparency in Procurement Processes

The Committee observes that the ERB was lowly rated with regard to transparency in the procurement of fuel. The Committee further notes complaints by industry players regarding the lack of transparency in the awarding of contracts for the use of the TAZAMA Pipeline.

In this regard, the Committee recommends that the Government take measures to enhance transparency in procurement within this sector. Procurement should be conducted through a transparent and competitive bidding process, and the awarding of contracts should adhere to the provisions of the *Public Procurement Act, 2018*.

2.4.10 Consumer Education

The Committee observes that consumers are generally unaware of the factors that determine the price of fuel on the domestic market. Besides the exchange rate of the kwacha to the US dollar and the price of fuel on the international market, not much is known about the other components that contribute to the ultimate pump price.

In this regard, the Committee recommends that the Government should be more transparent with the public regarding other factors such as transportation mark-ups and taxes levied on fuel that ultimately determine domestic fuel pump prices. This will help the public, particularly businesses, to properly anticipate new fuel prices and, therefore, reduce the uncertainty in the business planning environment.

PART II

3.0 CONSIDERATION OF THE ACTION-TAKEN REPORT ON THE REPORT OF THE COMMITTEE ON ENERGY, WATER DEVELOPMENT AND TOURISM FOR THE SECOND SESSION OF THE THIRTEENTH NATIONAL ASSEMBLY

3.1 TOURISM SECTOR DEVELOPMENT AND THE EFFECTIVENESS OF TOURISM DEVELOPMENT STRATEGIES IN ZAMBIA

3.1.1 Multiple Licensing

In the previous Session, the Committee had recommended that the Government and relevant statutory bodies undertake a comprehensive study and review to establish various licensing fees and taxes existing in the sector, with a view to restructuring to reduce the cost of doing business.

It was reported in the Action-Taken Report that the Ministry had piloted a single licensing window in Livingstone, which would enable tour operators to submit various licences through a single window instead of multiple windows. Plans to establish the single licensing regime were still underway as they required the review of several pieces of legislation domiciled in other Ministries and Government institutions.

Committee's Observations and Recommendations

The Committee urges the Executive to expedite the review of relevant pieces of legislation domiciled in different ministries and Government institutions. The Committee resolves to await a progress report on the matter.

3.1.2 Revision of Functions of the Zambia Tourism Agency

In the previous Session, the Committee had observed, with concern, that the mandate of the ZTA to market Zambia as a tourist destination of choice and also to regulate the tourism industry was too demanding to be undertaken by the Agency. In view of the foregoing, the previous Committee had urged the Ministry of Tourism to streamline the role of the ZTA to marketing and identify another department to regulate the sector.

The Executive, in the Action-Taken Report, informed the Committee that the Ministry had started the process of reviewing the *Tourism and Hospitality Act No. 13 of 2015* which would consider streamlining the role of the ZTA to marketing, and identify another entity to regulate the sector.

Committee's Observations and Recommendations

The Committee, in noting the submission, resolves to await a progress report on the matter.

3.1.3 Inadequate Air Transport

The Committee in the previous Session had urged that the Executive, through the Zambia Airports Cooperation, to explore avenues of opening up direct flights to and from key potential tourist sources. The Committee had also recommended that Zambia Airways be capitalised so that more planes could be procured to service more local routes in the country.

The Executive, in the Action-Taken Report, submitted that the Zambia Airports Cooperation Limited had taken the following initiatives to attract intercontinental airlines to operate direct flights between Zambia and the key potential tourist sources:

(a) the Zambia Airport Cooperation Limited had collaborated with the Zambia Tourism Agency and the Tourism Council of Zambia to jointly engage airlines through presentations, meetings and international aviation conferences such as Air Service Development and World Routes. The European Airlines that were being engaged included Lufthansa, KLM, British Airways, Virgin Airlines and Delta Airlines. The Government also engaged with Asian Airlines such as Air India and China Eastern Airlines for flights into Zambia and discussions were still in progress; and

(b) the Government through the European Union Aviation Sector Support Programme II (ASSP II), had engaged an aviation consultant, Lufthansa Consulting Group, to develop a blueprint for the transformation of KKIA into an aviation hub, which would stipulate strategies for attracting intercontinental airlines, among other issues. Further, Lufthansa Consulting Group was also supporting Zambia Airports Cooperation Limited in the engagement with various airlines under the ASSP II.

Committee's Observations and Recommendations

The Committee, in noting the submission, resolves to await a progress report on the outcome of initiatives by the Zambia Airports Cooperation Limited.

3.1.4 Lack of Reliable and Coordinated Statistics

The Committee in the previous Session had urged the Executive, through the Ministry of Tourism, to put in place an integrated tourism information management system for easy planning and accessibility.

It was reported in the Action-Taken Report that the Ministry was in the process of developing an integrated tourism information management system to enhance operations and optimise processes and resources for the efficient and effective management of the sector. Further, in collaboration with stakeholders such as the Zambia Statistics Agency (ZamStats), the Bank of Zambia, the Ministry of Finance and National Planning and the Immigration Department, the Ministry was in the process of developing the Tourism Satellite Account that would ease tourism planning and accurately measure the contribution of the sector to Gross Domestic Product (GDP).

Committee's Observations and Recommendations

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

3.1.5 Lack of Telecommunication Infrastructure

The Committee in the previous Session had urged the Executive to deliberately prioritise investment in the construction of telecommunications infrastructure in all the key tourist centres in the Northern and Southern Tourism circuits without delay.

It was reported in the in the Action-Taken Report that the Government recognised and appreciated the critical role the Members of Parliament had played in the digital infrastructure gap analysis, which included mobile communications towers. It was further reported that the partnership would make the plan to roll-out mobile communication towers easier. Additionally, the Committee was informed that the construction of communication towers was an ongoing project, including in the Northern and Southern Tourism circuits. Once funds were made available, the Committee would be informed of the progress.

Committee's Observations and Recommendations

The Committee notes the response and urges the Executive to prioritise areas that have the potential to contribute to the national Treasury, such as the Northern and Southern Circuits, as it implements its plan to roll-out mobile communication towers. The Committee resolves to await a progress report on the matter.

3.1.6 Poor Participation by Local Investors in the Tourism Sector

The Committee in the previous Session had recommended that the Executive should come up with attractive incentives to enable local investors to participate in the sector. It was reported in the Action-Taken Report that the Government, through the Eighth National Development Plan (8NDP), had continued to revamp the tourism sector and support its recovery from the COVID-19 pandemic, as it presented opportunities for job creation for local communities through activities such as traditional ceremonies, basketry, local cuisine promotion, curio-making, provision of tourist accommodation and wildlife excursions, among others. The 2023 Budget saw the suspension of Customs Duty for the tourism sector up to 31st December, 2025 on selected capital equipment, machinery, fittings and fixtures, which were not locally produced. The measure, among others, was intended to support the recovery of the tourism sector, especially given the adverse effects of the COVID-19 pandemic.

In addition to the above, the Ministry noted the already existing policy documents and legislation that aimed to promote local investment in the tourism sector. These included, but were not limited to the following:

1. The Zambia Domestic Tourism Development Strategy (2022-2026) with a twofold objective to:

   (a) promote the growth agenda and sustainable development of domestic tourism in Zambia; and
   (b) encourage local investment in the tourism sector.

2. The *Investment Trade and Business Development Act, No. 18 of 2022* reduced the threshold of the investment amount required for local investors to access incentives when investing in a priority sector to US$ 50,000. This included investments in the construction and establishment of hotels; convention centres; exhibition centres; museums; theme parks; galleries and theatres, among others.

Committee's Observations and Recommendations
The Committee, in noting the submission, observes that local participation still remains low due to challenges in accessing capital. While lowering the amount required for local investors is a step in the right direction, there is still need for the Government to do more in terms of addressing the challenges in accessing capital as well as the cost of capital. The Committee resolves to await a progress report on the matter.

3.1.7 Review of the National Heritage Conservation Commission Act, Chapter 173 of the Laws of Zambia

The Committee in the previous Session had recommended that the *National Heritage Conservation Commission Act, Chapter 173 of the Laws of Zambia*, be amended to address the aspect of punitive measures and enhance provisions that related to the management and protection of heritage resources.

The Executive, in the Action-Taken Report, submitted that the process of amending the Act was a top priority on the Ministryộs agenda and the process would commence in 2024.

Committee's Observations and Recommendations
The Committee, in noting the submission, resolves to await a progress report on the matter.

3.1.8 Management of National Parks in the Northern Tourism Circuit

(a) With regard to the funding challenges reportedly being experienced in the management of National Parks, the previous Committee had urged the Ministry of Tourism, in collaboration with the Provincial Administrations, to be proactive and come up with initiatives to broaden income generating activities in National Parks, including the construction of accommodation facilities and roads leading to strategic viewpoints to make them easily accessible. The previous Committee had also recommended that the marketing of the parks be enhanced to ensure that more people got to know the tourism products offered in national parks. The previous Committee had further urged the Ministry of Tourism to establish the offices of the ZTA in provinces, without delay.

(b) The Committee in the previous session had urged the Ministry of Tourism to urgently engage all the Kasanka National Park stakeholders and come up with a lasting solution to the misunderstandings among them, on the management of the park. The Committee had also urged the Ministry to review the performance of the existing operator before the licence was renewed.

The Executive in the Action-Taken Report, submitted that Zambiaǿs tourism was nature-based covering the vast water bodies and wildlife. In this light, the ZTA had prioritised the marketing of national parks, highlighting what the country had to offer with regard to wildlife. It was further reported that the Ministry had a presence in the provinces with four regional offices in the Northern-Muchinga region, South-West region, Copperbelt-North Western region and Lusaka-Central region. There were immediate plans to open two new regional offices in the Eastern and Luapula Provinces.

On the lack of coordination among the stakeholders at Kasanka National Park, it was reported that the Government through the Ministry was committed to enhancing stakeholder engagement with all relevant stakeholders at Kasanka National Park.

Committee's Observations and Recommendations

The Committee, in noting the submission, resolves to await a progress report on the opening of the two regional offices in Eastern and Luapula Provinces and on the measures taken to engage all the Kasanka National Park stakeholders so that a lasting solution to the misunderstandings among them could be found. The Committee further resolves to await a progress report on the review of the performance of the existing licence operator of the Kasanka National Park.

3.2 WATER RESOURCE MANAGEMENT IN ZAMBIA

3.2.1 Operationalise the Water Resources Management Act, No. 21 of 2011

The Committee in the previous Session had urged the Government to abide by the law and constitute the structures, namely the water catchment councils; sub-catchment councils; and water user associations in accordance with the *Water Resources Management Act, No. 21 of 2011*. The Committee had further recommended that the Government should ensure that the *Water Resource Management Act, No. 21 of 2011* was fully implemented.

In the Action-Taken Report, the Government stated that through the Ministry of Water Development and Sanitation, it had prepared and submitted Statutory Instruments on catchment councils to the Ministry of Justice. The Ministry of Justice guided the Ministry to seek Cabinet approval of the Statutory Instruments. However, it was observed that the budget impact of implementing the Statutory Instruments was K40 million per year for each of the six catchments which was unsustainable and, therefore, the Ministry decided not to take the matter to Cabinet but would only implement the water user association instead of the costly catchment councils.

Committee's Observations and Recommendations

The Committee, while being aware of budgetary constraints, urges the Government to establish water catchment councils; sub-catchment councils; and water user associations as the cost of not doing so would far outweigh the cost of implementing them. The Committee further recommends that the Ministry of Water Development and Sanitation proceed to seek Cabinet approval for the implementation of the Statutory Instruments, as guided by the Ministry of Justice. The Committee resolves to await a progress report on the matter.

3.2.2 Review of the Water Resources Management Act

The Committee in the previous Session had recommended that the *Water Resources Management Act, No. 21 of 2011* should be revised in order to harmonise it with other pieces of legislation that impacted water resources in the country.

In the latest Action-Taken Report, the Government informed the Committee that the Ministry of Water Development and Sanitation engaged the Ministry of Justice to commence the revision of the *Water Resources Management Act, No. 21 of 2011*. The review would consider the composition of the Board of Directors to include the Ministry of Fisheries and Livestock and reduce board membership. The review would also consider issues of climate change and streamlining and strengthening the regulatory function of WARMA and separating them from management functions to be performed by the Water Resources Department.

Further, the Ministry was in the process of preparing a Cabinet Memoranda to seek approval from Cabinet to Repeal and Replace the *Water Resources Management Act, No. 21 of 2011*.

Committee's Observations and Recommendations
The Committee urges the Government to expedite the process of revising the *Water Resources Management Act, No. 21 of 2011* and resolves to await a progress report on the matter.

3.2.3 Intensify Efforts to Protect Ecologically Sensitive Water Recharge Areas

The Committee in the previous Session had recommended that in order to maintain the status of a water-secure country, the Government should, without fail, declare all sensitive water recharge areas as protected areas to prevent further deterioration of ecosystems.

It was reported in the Action-Taken Report that the Ministry, through the Water Resources Management Authority, had commenced mapping of water eco-sensitive areas in 2022 and that the process was ongoing. It was further reported that the mapping of a well field shaft five, belonging to Lusaka Water Supply and Sanitation Company, had been completed. The findings would inform the formulation of measures and engagement of stakeholders. Ultimately, this would culminate in the promulgation of Statutory Instruments for the protection of the well field.

It was further reported in the latest Action-Taken Report that the Government, through the Ministry of Water Development and Sanitation, recognised the importance of protecting sensitive water recharge areas to prevent the deterioration of ecosystems and intended to declare two water recharge areas in 2023. The Executive submitted that the protection of water resources from human-induced threats was among the Ministryȏs top priorities. It was further reported that the Government, through the Water Resources Management Authority (WARMA), had made tremendous progress regarding the declaration of Shaft 5 Wellfield as a Water Resources Protection Area. Technical assessments had been completed and the current stage was that of consulting and engaging all line Ministries and Agencies on the conditions which should be imposed as a result of the declaration. Further, the Ministry had commenced technical assessments and stakeholder engagement meant to support the declaration of Kabompo River Catchment which was the major tributary of the Zambezi River as a Water Resources Protection Area.

Committee's Observations and Recommendations
The Committee, in noting the response, resolves to await a progress report on the matter.

3.2.4 Update the 2010 National Water Policy

The Committee in the previous Session had recommended that the Government should, as a matter of urgency, review the 2010 National Water Policy and, in the process, consider the different policies that impinged on effective water resource management in the country. The previous Committee had further recommended that the review of the policy should boldly pronounce aspects of climate change and gender matters.

It was reported in the latest Action-Taken Report that the Government, through the Ministry of Water Development and Sanitation, had completed the revision of the National Water Policy and it had been submitted to Cabinet Office. The Policy had since been circulated for comments by line Ministries.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await a progress report on the launch of the revised Policy.

3.2.5 Develop Water Resource Management Curriculum at Primary and Secondary Level

The Committee in the previous Session had urged the Government to review the primary and secondary curricula to include subjects or topics of water resource management.

It was reported in the Action-Taken Report that the Ministry of Education had concluded compiling submissions from all the stakeholders. It was in the process of drafting the new curriculum framework that would be subjected to stakeholders either through a symposium or validation meeting. Further, the curriculum review or reform, announced by His Excellency the President of the Republic of Zambia, encompassed the evaluation and review of the 2013 Education Curriculum, and the development of the 2023 Education Curriculum Framework was on the right track.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await a progress report on the inclusion of subjects or topics of water resource management in the primary and secondary curricula.

3.2.6 Expedite Acquisition of Title Deeds for Commercial Utility Companies

The Committee in the previous Session had resolved to await a progress report on the acquisition of title deeds for the commercial utilities properties.

It was reported in the latest Action-Taken Report that the Government through the Ministry of Water Development and Sanitation and through the water utilities was making progress to have the land under the Commercial Water Utilities on title. The progress made so far was at various stages of valuation, numbering and acquiring of title. The exercise was ongoing and yet to be completed.

Committee's Observations and Recommendations

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

3.2.7 Stiffening of Vandalism Penalties

The Committee in the previous Session had recommended that the Government should amend the *Electricity Act, No. 11 of 2019,* in order to stiffen the penalties for the people involved in the vice. The previous Committee had further urged the Government to ensure that ZESCO Limited transitioned from using copper cables to aluminium cables in order to permanently deal with the problem of vandalism and theft of its infrastructure.

It was reported in the latest Action-Taken Report that the Ministry of Energy, the Energy Regulation Board and the Ministry of Justice sat to review the submissions made for possible inclusion to the Electricity Act by stakeholders and resolved to repeal and replace the *Electricity Act, No. 11 of 2019*. The drafting process of the new Electricity Act had been done and would be further subjected to stakeholder validation in the first quarter of 2024 before finalisation.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await a progress report on the repeal and replacement of the *Electricity Act, No. 11 of 2019*.

3.3 ACCOMMODATION CLASSIFICATION AND GRADING SYSTEM IN ZAMBIA

3.3.1 Need to Amend the Tourism and Hospitality Act, No. 13 of 2015

The Committee in the previous Session had revolved to await a progress report on the review of the *Tourism and Hospitality Act, No. 13 of 2015.*

It was reported in the latest Action-Taken Report that the Ministry of Tourism had made strides in the process of amending the *Tourism and Hospitality Act, No. 13 of 2015*.

Committee's Observations and Recommendations

The Committee notes the response and expresses concern that no information has been provided as to what stage the process of amending the *Tourism and Hospitality Act, No. 13 of 2015* has reached. The Committee resolves to await a progress report on the matter.

3.4 THE PETROLEUM INDUSTRY IN ZAMBIA: CHALLENGES AND OPPORTUNITIES

3.4.1 Downstream Petroleum Sub-Sector

3.4.1.1 Review of the Petroleum Act, Chapter 435 of the Laws of Zambia

The Committee in the previous Session had requested an update on when the *Petroleum Act, Chapter 435 of the Laws of Zambia* would be repealed and replaced following the drafting of a laymanȏs Bill and its submission to the Ministry of Justice.

It was reported in the Action-Taken Report that, indeed, the Petroleum Development and Management Bill was submitted to the Ministry of Justice for drafting. The Ministry of Justice after drafting the Bill sent it back to the Ministry of Energy for final verification and validation with stakeholders. In the process of validation, a need to transform the petroleum sector into a private-driven sector was envisioned. This consequently necessitated the need to develop a model for bulk petroleum supply that was more private sector driven in nature. The Petroleum Bulk Supply Model was being developed and it was undergoing peer review and consultations with all stakeholders in the petroleum sub-sector. The development of the Petroleum Bulk Supply Model would mark the finalisation of the draft Bill, which would in turn be sent to the Ministry of Justice and Parliament for enactment.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await a progress report on the review of the *Petroleum Act, Chapter 435 of the Laws of Zambia*.

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

The Committee in the previous Session had made a follow up on the harmonisation of the *Petroleum (Exploration and Production) Act, No. 10 of 2008* and the *Mines and Minerals Development Act, No. 11 of 2015.*

It was reported in the Action-Taken Report that the Government through the Ministry of Mines and Minerals Development had concluded the consultation process with respect to the amendment of the *Petroleum (Exploration and Production) Act No 10 of 2008*, the Layman`s Draft Amendment Bill was currently with the Ministry of Justice for legal technical advice.

It was further reported that the *Petroleum (Exploration and Production) Act No. 10 of 2008* and the *Mines and Minerals Development Act No. 11 of 2015* (ñThe Mines Actò) would be harmonised but would remain independent Acts of Parliament. With the creation of the Minerals Regulation Commission, the Mines Act was undergoing amendment and revision. A Laymanôs Draft Bill of Mines Act had since been drafted and was called the ñGeological and Minerals Development Bill, 2023ò. The Bill was to be submitted to the Ministry of Justice for technical legal advice to facilitate the enactment of the Minerals Regulation Commission Bill, 2023.

Committee's Observations and Recommendations

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

3.5 MANAGEMENT OF NATIONAL PARKS AND GAME MANAGEMENT AREAS IN ZAMBIA

3.5.1 Harmonisation of Legislation

The Committee in the previous Session had resolved to await a progress report on the review of the *Zambia Wildlife Act, No. 14 of 2015*.

It was reported in the latest Action-Taken Report that the progress on the review of the *Zambia Wildlife Act, No.14 of 2015* had reached an advanced stage as the Bill had been submitted to the Ministry of Justice awaiting final drafting instructions before validation.

Committee's Observations and Recommendations

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

3.5.2 Review of Licence Fees

The Committee in the previous Session had requested a progress report on the review of licence fees under the Ministry of Tourism.

It was reported in the latest Action-Taken Report that the Ministry was reviewing license fees. Further, the Government had made significant progress on that score with the abolishment of retention fees for business operators in the sector.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await a progress report on the review of licence fees.

CONSIDERATION OF THE ACTION-TAKEN REPORT ON THE REPORT OF THE COMMITTEE ON ENERGY, WATER DEVELOPMENT AND TOURISM ON THE REPORT OF THE AUDITOR GENERAL ON THE PERFORMANCE OF THE TOURISM SECTOR IN ENSURING AN INCREASE IN THE LENGTH OF STAY OF INTERNATIONAL TOURISTS, FOR THE FIFTH SESSION OF THE TWELFTH NATIONAL ASSEMBLY

3.6 Data Collection Systems for International Tourists

The Committee in the previous Session had requested an update on when the Government would start conducting the planned domestic and exit surveys to serve as data collection systems.

It was reported in the Action-Taken Report that preparations to undertake the domestic and exit surveys had commenced. Teams had been constituted and fieldwork was expected to commence by 28th September, 2022, once funds were released by the United Nations Development Programme.

It was also reported in the latest Action-Taken Report that the Ministry had plans to conduct the exit survey whose data would be used in the operationalisation of the Tourism Satellite Account.

Committee's Observations and Recommendations

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

3.6.1 Number of International Tourists Visiting the Northern Circuit in Comparison to the Southern Circuit

The Committee in the previous Session had requested a progress report on whether the financing agreement between the project financiers and the Ministry of Finance and National Planning to facilitate the commencement of the rehabilitation works for the Mbala-Kabasa Bay Road had been signed.

It was reported in the Action-Taken Report that the Financing agreement between the Financiers and the Ministry of Finance and National Planning was not concluded due to the postponement of all new and pipeline debt by the Ministry in order to keep the countryĝs debt at sustainable levels. However, the contract was awarded to China Civil Engineering Construction Corporation (Z) Limited at an initial contract sum of K125,855,235.88. Physical progress stood at 7 per cent. The Project had stalled due to Financial Constraints and was earmarked for termination due to financial challenges.

Committee's Observations and Recommendations

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

3.6.2 Mporokoso-Nsama via Mutundu Gate to Kaputa and Nsumbu District

The Committee in the previous Session had noted the response from the Executive and requested a progress report on the matter. The response had been that Government through the Ministry of Infrastructure, Housing and Urban Development had varied the Nseluka-Chozi Road Project to include a collective total of 260 kilometres of the Mporokoso to Kaputa and the Mutundu Gate to Nsumbu Roads. The scope of works included upgrading of existing road to gravel standard. The cumulative progress was at 17 per cent.

It was reported in the Action-Taken Report that the Ministry of Infrastructure, Housing and Urban Development provided an update regarding the Nseluka to Chozi Road Project, which included the scope of the Mporokoso-Kaputa-Nsama-Nsumbu Road. The project was terminated due to funding challenges and the Government through the RDA floated a tender the engagement of a consultant for the updating of the detailed design and preparation of bidding documents for the upgrading to bituminous standard of the Mporokoso-Kaputa-Nsama/Nsumbu Road. The tender was ongoing and it is envisaged that a consultant will be engaged in the fourth quarter of 2023. The detailed designs will be completed in a period of nine months from the time of commencement.

Committee's Observations and Recommendations

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

3.7 ROAD INFRASTRUCTURE DEVELOPMENT

3.7.1 Mpika to Nabwalya to Mfuwe Road Works

The Committee in the previous Session had requested an update on the road works.

It was reported in the latest Action-Taken Report that the Government, through the Road Development Agency, intended to upgrade to bituminous standard of the Mporokosoï Nsama Road via Sumbu in the Northern Province of Zambia. Prior to the commencement of these works, and as required by the Zambia Public Procurement Act (ZPPA), No. 8 of 2020, a Design Consultant was required to be procured. The procurement process for the Design Consultant had reached an advanced stage. It was envisaged that the Design Consultant would be engaged in the third quarter of 2023. It was further anticipated that the Works Contractor to implement the upgrading works would be engaged in 2024 once funds were secured by the Treasury.

It was further reported that the Government had intended to upgrade to bituminous standard the Mpika to Nabwalya to Mfuwe Road with the aim of reducing vehicle operating costs and travel times. To this extent, the Government signed two contracts amounting to K312,628,189.60 and K456,781,986.97 for the section from Mpika to Nabwalya - Lot 1 and Nabwalya to Mfuwe Road- Lot 2 respectively in the year 2014. However, the Road Sector experienced fiscal constraints which led to little progress recorded on the roads. The Government remained committed to upgrading the roads to a maintainable standard.

Committee's Observations and Recommendations

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

3.8 WATER SUPPLY AND SANITATION

3.8.1 Expedite Review of the Water Supply and Sanitation Act, No. 28 of 1997 and Promote Investments in the Sanitation Sub Sector

The Committee in the previous Session had noted that the *Water Supply and Sanitation Act No. 28 of 1997* was no longer sufficient to respond to the challenges of the water supply and sanitation sub-sector. The Committee had further noted that the Act was heavily skewed towards water supply and neglected of the sanitation sub-sector. The previous Committee had, therefore, strongly urged the Government to review the Act and ensure that matters of regulating sanitation activities were boldly pronounced in the review process of the legislation.

Executive's Response
It was reported in the Action-Taken Report that the Government through the Ministry of Water Development and Sanitation submitted the Laymanôs Water Supply and Sanitation Services Bill to the Ministry of Justice in 2022 and was still awaiting feedback. The provision to establish a water and sanitation fund had been incorporated in the draft Water Supply and Sanitation Services Bill.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the matter.

3.8.2 Salvage the Abandoned Sanitation Infrastructure in Chirundu
The Committee in the previous Session had resolved to await a progress report on the salvaging of infrastructure in Chirundu District.

It was reported in the Action-Taken Report that the Government through the Ministry of Water Development and Sanitation and through Southern Water and Sanitation Company Limited (SWSC) was in contact with Development Bank of Southern Africa to revive the Chirundu Feasibility Studies to align it to the current demands of water and sanitation. One of the resolutions to be implemented was the review of the feasibility studies due to the lapse of time. This would in turn be followed by detailed designs and project implementation. The sewer network that was lacking would be constructed to connect to households and the sewage ponds. The SWSC had resolved to use the sewage ponds for desludging faecal sludge from onsite facilities.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the matter.

4.0 CONCLUSION
The Committee observes that the monthly fuel price review mechanism has received mixed reactions. While it is regarded by some as the most efficient and transparent method in the absence of Government subsidies, the Committee is aware of calls by His Excellency the President, the business community and the general citizenry for a longer fuel pricing mechanism. However, the Committee is of the view that this cannot be achieved while the procurement of petroleum products remains solely in the hands of the private sector. In this regard, the Committee recommends that the Government amend legislation to transform Indeni Energy Company into a national oil company, empowering it to procure petroleum products on behalf of the Government and manage national strategic reserves. This would help stabilise the pump price of fuel by empowering Indeni Energy Company, on behalf of the Government, to pursue government-to-government fuel procurement arrangements which could help reduce fuel prices by eliminating middlemen, securing bulk pricing, and negotiating favourable terms. Additionally, the Committee urges the Government to finalise regulations on ethanol blending as well as expedite discussions around the construction of a new multi-product pipeline as these measures will stabilise the price of fuel in the long run.

The Committee wishes to express its gratitude to the Honourable Madam Speaker and the Clerk of the National Assembly for the guidance and support rendered to it throughout its deliberations. The Committee is also indebted to the all the stakeholders who appeared before it for their cooperation in providing the necessary memoranda, and for appearing before it to clarify matters arising from their written submissions.

Mr Romeo Kangombe, MP	June, 2024
CHAIRPERSON	**LUSAKA**

APPENDIX I - National Assembly Officials

Mr Stephen Chiwota, Director ï Financial Committees
Mrs Angela Banda, Deputy Director ï Financial Committees
Ms Chitalu Mulenga, Senior Committee Clerk - FC2
Mr Leon J N Haangala, Committee Clerk
Mr Stanley Kalala, Intern
Ms Inutu Mwiya, Acting Administrative Assistant II
Mr Daniel Lupiya, Acting Senior Committee Assistant
Mr Muyembi Kantumoya, Acting Committee Assistant

APPENDIX II - List of Witnesses

Bus and Taxi Owners Association of Zambia
Centre for Trade Policy and Development
Civil Society for Poverty Reduction
Consumer Unity and Trust Society
Energy Regulation Board
First Quantum Minerals
Indeni Energy Company Zambia
Industrial Development Corporation
Jesuit Centre for Theological Reflection
Ministry of Energy
Ministry of Finance and National Planning
Ministry of Mines and Minerals Development
Ministry of Transport and Logistics
Oil Marketing Companies Association of Zambia
Petroleum Transporters Association of Zambia
Tanzania Zambia Mafuta Pipeline Limited
Zambia Association of Manufacturers
Zambia Bureau of Standards
Zambia Chamber of Commerce and Industry
Zambia Chamber of Mines
Zambia Institute for Policy Analysis and Research
Zambia Railways Limited
Zatu Financial Services