REPUBLIC OF ZAMBIA

REPORT

OF THE

COMMITTEE ON NATIONAL ECONOMY, TRADE AND LABOUR MATTERS ON FINANCIAL INCLUSION VIS-À-VIS THE USE OF DIGITAL PAYMENT PLATFORMS IN ZAMBIA

FOR THE

FOURTH SESSION OF THE TWELFTH NATIONAL ASSEMBLY

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REPORT OF THE COMMITTEE ON NATIONAL ECONOMY, TRADE AND LABOUR MATTERS FOR THE FOURTH SESSION OF THE TWELFTH NATIONAL ASSEMBLY

1.0 Membership of the Committee

The Committee consisted of Dr S Musokotwane, MP (Chairperson); Ms M Miti, MP (Vice Chairperson); Mr G G Nkombo, MP; Mr D Livune, MP; Mr E M Mwila, MP; Dr S C Kopulande, MP; Mr C Chali, MP; Mr E Kamondo, MP; Mr D Chisopa, MP; and Mr M Mubika MP.

The Honourable Mr Speaker
National Assembly
Parliament Buildings
LUSAKA

Sir

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

2.0 Functions of the Committee

The Committee on National Economy, Trade and Labour Matters is a portfolio Committee and is mandated to provide oversight over a number of ministries, namely: Ministry of Finance; Ministry of Mines and Minerals Development; Ministry of Labour and Social Security; Ministry of Commerce, Trade and Industry; and Ministry of National Development Planning. Pursuant to Standing Order No. 157(2), the functions of the Committee are to:

i) study, report and make appropriate recommendations to the Government through the House on the mandate, management and operations of the Government ministries, departments and agencies under its portfolio;
ii) carry out detailed scrutiny of certain activities being undertaken by the Government ministries, departments and agencies under its portfolio and make appropriate recommendations to the House for ultimate consideration by the Government;
iii) make, if considered necessary, recommendations to the Government on the need to review certain policies and existing legislation;
iv) examine annual reports of Government ministries and departments under its portfolio in the context of the autonomy and efficiency of these Government ministries and departments; and determine whether the affairs of the said bodies are being managed according to relevant Acts of Parliament, established regulations, rules and general orders;
v) consider any bills that may be referred to it by the House;
vi) consider international agreements and treaties in accordance with Article 63 of the Constitution;
vii) consider special audit reports referred to it by the Speaker or an Order of the House;

viii) where appropriate, hold public hearings on a matter under its consideration; and
ix) consider any matter referred to it by the Speaker on an Order of the House.

3.0 Meetings of the Committee

The Committee held fourteen meetings to discuss the topical issue during the year under review.

4.0 Programme of Work

At the commencement of the Fourth Session of the Twelfth National Assembly, the Committee adopted its Programme of Work, a summary of which is outlined below.

a) Consideration of the topical issue 'Financial Inclusion vis-à-vis The Use Of Digital Payment Platforms In Zambia'
b) Consideration of the Action-Taken Report on the Committee's Report for the Third Session of the Twelfth National Assembly.

5.0 Arrangement of the Report

The Report is organised in two parts: Part I presents the findings from the Committee's deliberations on Financial Inclusion vis-à-vis the use of Digital Payment Platforms in Zambia; and Part II deals with the Committee's consideration of Action-Taken Report on the Committee's Report for the Third Session of the Twelfth National Assembly.

6.0 Procedure Adopted by the Committee

During the period under review, the Committee considered one topical issue in line with its Programme of Work. The Committee requested detailed memoranda on the topic under consideration from relevant stakeholders. Thereafter, in order to fully appreciate the topical issue under its consideration, the Committee invited stakeholders to provide oral submissions and clarifications on issues contained in their written memoranda.

PART I

TOPICAL ISSUE: FINANCIAL INCLUSION VIS-À-VIS THE USE OF DIGITAL PAYMENT PLATFORMS IN ZAMBIA

7.0 Background

Statistics showed that about 59 per cent of Zambian adults had access to financial products, leaving 41 per cent excluded (National Financial Inclusion Strategy, 2017-2022). This was despite empirical evidence pointing to the fact that financial inclusion had several positive effects on poverty reduction, private sector development and financial stability. The National Financial Inclusion Strategy, (2017-2022) further stated that inclusive financial systems provided low-income earners with the tools to borrow, save, make payments and manage risks, which in turn lessened the impact of unexpected reductions in income that were common among those in the informal sector.

The challenge of financial inclusion was more acute in the rural areas, especially among women and youth. In addition, significant disparities in financial inclusion remained between rural and urban areas; men and women; the youth and adults; and micro, small and medium enterprises (MSMEs) and large firms. This situation had been worsened by the inability by most of the commercial banks to establish branches in the rural areas. Although the recent payment innovations of mobile money such as Airtel Money, MTN Money and Zamtel Money had added value, financial exclusion was still a major problem in the country. Additionally, the Seventh National Development Plan highlighted that the Government policy was to ensure stability in the financial sector, including enhancing financial market deepening to stimulate increased access to financial services to support economic growth.

In view of Zambia's slow progress towards financial inclusion amidst various financial innovations, the Committee resolved to study *Financial Inclusion and the Use of Digital Payment Platforms in Zambia.*

Objectives

The objectives of the study were to:

i.) understand the status of financial inclusion and the use of digital financial services;
ii.) appreciate the policy and legal framework governing digital payment platforms;
iii.) identify the benefits of digital financial services to socio-economic development;
iv.) appreciate the measures in place to promote financial inclusion;
v.) understand the challenges and opportunities of using digital payment platforms in attaining financial inclusion and
vi.) Recommend the way forward.

8.0 Summary of Submissions by Stakeholders

The Committee interacted with various stakeholders in the quest to glean more information in relation to the topic under consideration. The list of stakeholders who appeared before the Committee is at appendix II and the submissions made by these stakeholders are summarised below.

8.1 The Status of Financial Inclusion and the use of Digital Financial Services

8.1.1 Status of Financial inclusion

The Committee was informed that the National Financial Inclusion Strategy (NFIS) 2017 - 2022 defined financial inclusion as, access to and informed usage of a broad range of quality and affordable savings, credit, payment, insurance, and investment products and services that met the needs of individuals and businesses. The rapid growth of Digital Financial Services (DFS) in general and mobile money agent network in particular was helping to fill gaps in the provision of financial services and increasing financial inclusion across the country.

The Committee was further informed that Zambia and other countries in Sub-Saharan Africa used the FinMark Trust (FMT) Financial Scoping (FinScope) Survey to determine the status of financial inclusion. The Survey was conducted every five years and the next FinScope Survey in Zambia would be conducted in 2020. The last FinScope Survey which was conducted in 2015 revealed that 59.3 per cent of the adult population in Zambia was financially included while 40.7 per cent was financially excluded.
Some of the findings of the Survey were as outlined below.

i. **Gender, age and urban-rural segmentation**

The Committee was informed that while Zambia had made progress in overall financial inclusion levels, disparities still existed among different groups of people, with levels of financial inclusion higher for men than women across all comparison categories. According to FinScope 2015, 61.2 per cent of Zambian men were financially included as compared to women whose levels of inclusion stood at 57.4 per cent. A similar gap was observed in levels of financial inclusion between men and women in rural and urban areas. With regard to the adult female population and rural-urban trends, women in urban areas were more financially included (67 per cent) compared to women in rural areas (47.9 per cent).

Some of the key findings of the last three FinScope Surveys delineated by gender and area were as summarised in the table below.

Table 1: FinScope Zambia Surveys for 2015, 2009 and 2005

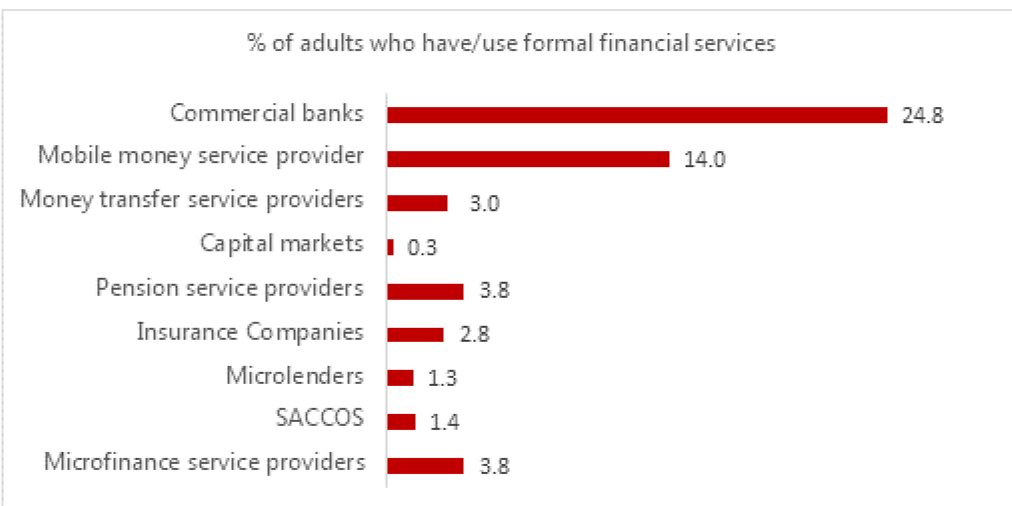
Overall levels for financial inclusion (formal and informal)	2015 FinScope	2009 FinScope	2005 FinScope
Financially included Zambian adult population (%)	59.3%	37.3%	33.7%
Financially excluded Zambian adult population (%)	40.7%	62.7%	66.3%
Financial Inclusion in Urban Vs Rural Areas for the Zambian Adult Population	2015 FinScope	2009 FinScope	2005 FinScope
Urban Financial Inclusion (%)	70.3%	42.0%	na
Rural Financial Inclusion (%)	50.2%	34.4%	na
Financial Inclusion by Gender for the Zambian Adult Population	2015 FinScope	2009 FinScope	2005 FinScope
Financial inclusion of males	61.2%	40.8%	35.6%
Financial inclusion of females	57.4%	33.9%	31.6%

ii. **Uptake of formal and informal financial services**

The Committee was informed that FinScope defined formal financial inclusion as the proportion of adults who had or used financial services provided by service providers that were regulated or officially supervised. Informal financial inclusion, on the other hand, was the proportion of adults that had or used financial services provided by financial service providers that were not regulated, excluding family and friends. Increase in financial inclusion was revealed by increased uptake of both formal and informal financial services.

The Committee was further informed that overall, formal financial inclusion increased from 23.1 per cent in 2009 to 38.2 per cent in 2015 while informal inclusion increased from 22.2 per cent to 37.9 per cent during the same period. Both formal and informal financial inclusion was skewed towards adults living in urban areas, adults from middle and higher incomes, salaried workers and business owners. While commercial banks were one of the safest and most secure formal savings platforms as compared to many informal platforms, the majority of adults were reported to be keeping money at home. Further, considerable proportions of the population were turning to the use of informal savings platforms such as chilimba, village banking and use of family and friends, among others.

Figure 1: Adults Using Formal Financial Services



Source: Financial Sector Deepening Zambia

iii.**Micro, Small and Medium Enterprises**

With the regards to the micro, small and medium enterprises (MSMEs), the Committee was informed that the Zambian financial sector was characterised by inadequate skills, knowledge, financing instruments and lack of long-term capital to finance MSME operations. In addition, supply and uptake of financial services by MSMEs was low, especially among rural-based MSMEs. According to FinScope 2015, significantly large proportions (85 per cent) of rural MSMEs were unbanked, compared to 15 per cent in urban areas. Further, the use of informal financial services was prominent among MSMEs, as access to MSME formal finance was limited by structural constraints such as collateral requirements. While the demand for loan facilities among small firms was at 37 per cent, only 5 per cent of the small firms in Zambia were reported to have acquired a loan, a huge disparity when compared with 17 per cent of small firms in Sub-Saharan Africa.

8.1.2 Digital Financial Services

The Committee was informed that Digital Financial Services (DFS) were a key enabler in scaling up financial inclusion as they provided a wide choice of digital payment platforms for various transaction purposes. DFS referred to a range of formal financial services that could be accessed and executed via digital platforms such as internet banking, mobile money, agency banking, Automated Teller Machines (ATM) and debit cards, as opposed to traditional financial services accessed through physical visits to a financial service provider's outlet. DFS had continued to serve as a platform for most payments and transactions to spur financial inclusion in both urban and more so for the rural population, particularly women and the poor.

In terms of usage of DFS products, the Committee learnt that the mobile money industry in Zambia was dominated by the use of first-generation products like peer-to-peer (P2P) transactions, Government payments, airtime purchases and bill payments. There was also a significant usage of second-generation products, such as digital loans, bank-to-wallet transactions and merchant payments.

8.1.3 Key Players in digital payment transactions

The Committee was informed that Zambia had several DFS business-models that involved collaboration between financial institutions and mobile service providers to varying degrees. Key players included financial institutions such as commercial banks, licensed under the *Banking and Financial Services Act, No. 7 of 2017*, and payment systems service providers that included mobile money providers, money transfer operators and payment systems operators that were licensed under the *National Payment Systems Act, No. 1 of 2007*.

The key players in mobile payments and DFS were as listed below in Table 2.

Table 2: Key Players in Digital financial Services

No	Institution	Type
1	MTN Mobile Money	Payment System Business
2	Airtel Mobile Commerce Zambia Limited	Payment System Business
3	Zamtel	Payment System Business
4	Kazang	Payment System Business
5	Zoona	Payment System Business
6	Cgrate	Payment System Business
7	Barclays	Commercial Bank
8	Zanaco	Commercial Bank

9	Stanbic	Commercial Bank
10	Atlas Mara	Commercial Bank
11	First National Bank	Commercial Bank
12	Standard Chartered Bank	Commercial Bank
13	Investrust	Commercial Bank
14	Indo	Commercial Bank
15	United Bank for Africa	Commercial Bank

Source: Bank of Zambia

8.2 Adequacy of the Policy, Legal and Institutional Framework Governing Digital Payment Platforms

The Committee was informed that an improved policy and regulatory environment that promoted competition, collaboration, proportionality and consumer protection was critical in achieving financial inclusion. While this was work in progress in Zambia, as was the case in most countries, the Government was making steady progress in improving the policy and regulatory environment to foster inclusive financial sector development. The Committee was also informed that although the policy and legal framework governing digital payment platforms was generally adequate, there was need to strengthen the framework by taking into account the changing environment in the digital financial space.

The Committee learnt that the current legal framework governing the digital payment system was regulated by a number of institutions ranging from financial services, telecommunications and consumer protection. The specific legislation governing the digital payment platforms were as highlighted hereunder.

8.2.1 The National Payment Systems Act, No. 1 of 2007

The Committee was informed that the *National Payment Systems Act, No. 1 of 2007* provided for the management, administration, operations, supervision and regulation of payment, clearing and settlement systems by the Bank of Zambia. The Act also empowered the Bank of Zambia to develop and implement payment and clearing and settlement systems policy so as to promote efficiency, stability and safety of the Zambian financial system. The Act was currently undergoing a review process to take into account developments in the payments ecosystem.

8.2.2 The Information and Communication Technologies Act, No. 15 of 2009

The Committee learnt that ZICTA, under Section 4(1) of the *Information and Communication Technologies Act, No. 15 of 2009* was mandated to, amongst other things, regulate the provision of electronic communication services and products, and to monitor the performance of the ICT sector, including the levels of investment and availability, quality, cost and standards of the electronic communication services.

8.2.3 The Electronic Communications Transactions Act, No. 21 of 2009

The Act provided for the development of a safe, secure and effective environment for the Zambian consumers, business sector and the Government to conduct and use electronic communications; promote legal certainty and confidence, and to encourage investment and innovation in the electronic communications industry as well as facilitate the creation of secure communication systems and networks.

8.2.4 The Bank of Zambia Act, 1996

The Act mandated Bank of Zambia to issue currency and to formulate and implement monetary policy that would ensure the maintenance of price stability, among other things.

8.2.5 The Banking and Financial Services Act, No. 7 of 2017

The Act provided for a licensing system for banks, financial institutions and financial business. It also provided for the incorporation of standards, principles and concepts of corporate governance in institutional systems and structures of banks and financial institutions.

In addition to the pieces of legislation highlighted above, other pieces of legislation also governed digital payment platforms in Zambia. The Committee was informed that the Government had made substantial efforts to develop and implement several strategies and financial sector focussed plans that were aimed at improving the environment for financial sector development. These strategies were as outlined below.

i.) National Financial Inclusion Strategy (NFIS 2017-2022)
ii.) National Payment Systems Vision and Strategy (2018 – 2022)
iii.) Financial Sector Development Plan (FSDP 2004-2009)
iv.) National Strategy on Financial Education (NSFE 2012-2017)
v.) National Financial Sector Development Policy (NFSDP 2017)
vi.) Bank of Zambia Strategic Plan (2016-2019)
vii.) The National ICT Policy of 2006
viii.) The Electronic Communications Transactions (General) Regulations of 2011
ix.) The ICT (Access) Regulations of 2014
x.) Quality of Service Guidelines, 2019
xi.) Consumer Protection guidelines, 2019
xii.) The ICT (Electronic Communications Licencing) Regulation 2010
xiii.) Revised Licencing Guidelines of 2017

The Committee was further informed that the Bank of Zambia also issued some directives, circulars and guidelines that applied to digital payment platforms including:.

a) The Bank of Zambia Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) or Proliferation Directives, 2017 which provided for AML and CFT issues and reporting obligations on suspicious transactions.
b) National Payment Systems Directives on Electronic Money Issuance which were revised and gazetted in 2018 to provide for the regulation of the business of providing electronic money. The regulation required all providers of electronic money to be licensed by the Bank of Zambia and to adhere to the set directives in order to safeguard customer funds.

Furthermore, the Bank of Zambia had issued a number of circulars and guidelines to the market on expected good practice to protect consumers and safeguard financial system stability. The

Bank of Zambia also adopted progressive international standards to guide the provision of digital financial services.

In addition, the Government was in the process of introducing three pieces of legislation to strengthen security of online transactions. These included The Data Protection Bill, the Cybersecurity and Cybercrimes Bill and the Electronic Transactions and Communications Bill. It was envisaged that these pieces of legislation would assist in strengthening the regulatory framework of the digital payment platforms.

8.3 Benefits of Digital Financial Services to Socio-Economic Development

The Committee was informed that the DFS presented numerous benefits to consumers and the economy at large. Some of the benefits were as highlighted hereunder.

i. **Promote financial inclusion**

Digital payments provided customers with more choice and helped drive financial inclusion. These services were also a means of reaching the unbanked, unserved and underserved populations through greater access and usage of financial services.

ii. **Support attainment of Sustainable Development Goals**

By providing a mechanism for financial inclusion through access to credit and saving facilities, DFS contributed to the attainment of the Sustainable Development Goals (SDGs) such as eradication of extreme poverty, promotion of gender equality and empowerment of women and reduction on inequality.

iii. **Cheaper**

Digital payment had proven to positively impact on individuals, households and businesses as it significantly reduced transaction costs in relation to time and value. Individuals or businesses received funds or made payments without having to go to the service providers' premises and thereby saved their time and transport money.

iv. **Easy and convenient**

Digital payments offered convenience to users by allowing them to conduct cashless transactions, thereby eliminating the chance of theft or losing cash. Thus, essential transactions could be done at any point without necessarily going to fixed places to transact. Digital payment also facilitated payments of school fees, water and electricity bills, hospital bills, purchase of agricultural inputs and other goods and services and it could be done in the comfort of a home or office.

v. **Reduces the circulation of counterfeit notes**

Digital finance had benefits to financial and monetary system regulators because the adoption of full-scale digital finance could significantly reduce the circulation of fake notes due to cashless transactions.

vi. **Employment creation**

The mobile money phenomenon had brought with it job and wealth creation opportunities. According to the Bank of Zambia statistics, the number of mobile money agents in the country stood at 47,000 by end of 2018.

vii. **Promote a secure cashless economy**

Mobile Money promoted a cashless economy by providing a safe payment delivery channel where customers could pay for utilities, groceries and many other products and services without the need for using cash.

viii. **Safeguard for savings**

Mobile money enabled households to manage cash flow by allowing access to cash from mobile accounts only when necessary, as opposed to keeping money in homes where spending could be uncontrolled in some instances.

ix. **Stimulates economic activity and growth**

By being able to take financial services to the unbanked population in the rural areas, DFS stimulated economic activity and growth by providing financial resources for sectors such as agriculture, fishing, retail and wholesale services.

x) **Means of disbursing social protection services and farm inputs by the Government**

Government was able to shift subsidy distribution from indirect systems directly into the hands of target groups through direct credits to their accounts. This helped in minimising transaction costs. The Government was also able to implement social protection by paying some beneficiaries using digital payment platforms.

8.4 Measures to Scale Up Financial Inclusion

The Committee was informed that the Government had made substantial efforts in developing strategies to scale up financial inclusion for both rural and urban areas. Some of the strategies were as outlined below.

8.4.1 Creating an enabling environment for financial sector development

The Government had developed and implemented several policies and financial sector-focused plans. These included Financial Sector Development Plan (FSD 2004 -2009) which focused on several key result areas such as increasing access to finance, the National Strategy on Financial Education (NSFE 2012-2017), National Financial Sector Development Policy (NFSDP 2017) and the National Financial Inclusion Strategy (NFIS 2017-2022), among others. In addition, the Bank of Zambia had incorporated financial inclusion as one of its pillars in the Bank of Zambia Strategic Plan (2016-2019).

The Committee was further informed that the Government had revised the risk-based Know Your Customer rules from a single tiered to a multi tiered system. Therefore, customers could now transact on mobile money accounts with minimal requirements. The Government also regularly adjusted the mobile money transaction limits to the corresponding Know Your Customer (KYC) requirements and to respond to market demands. In addition, adjustments of bank charges by the Bank of Zambia enabled more transparency and lowered bank charges to consumers. Further, improvements in finance infrastructure such as Collateral Registry and Credit Reference Bureau were providing significant opportunities for expansion of financial services to the public.

8.4.2 National Financial Switch

The Committee was informed that in an effort to enhance integration of financial services, the National Financial Switch (NFS) had been implemented. Prior to this migration, all domestic card transactions were switched outside the country and treated as international transactions and were priced accordingly. Presently, mobile money users could only transact with others on the same platform. This proved to be a challenge for transactions with other users on a different platform.

In light of this, fourteen banks that provided automated teller machine and card services were on the NFS. Phase I of the NFS involved migrating transactions from the Visa platform to the local platform. As a result of that development, all domestic ATM and Point of Sales (PoS) transactions by the various commercial banks were done on the NFS. This meant that debit or credit card holders could now transact on any of the fourteen banks' ATMs and PoS devices countrywide.

The Committee was further informed that Phase II of the switch involved the implementation of mobile payments switching which would facilitate interoperability among all mobile payment operators in the country. The implementation of the phase was already underway and was expected to be completed by the end of 2019. With its completion, customers would be able to send money or make payments using their mobile phones or other mobile devices to any other recipient regardless of which mobile network they subscribed to. Further, since the switch would interconnect with banks, non-bank financial institutions and other payment system service providers and customers would be able to transact; from a mobile money wallet to any other mobile money wallet, as well as from a mobile money wallet to a bank account and vice-versa.

8.4.3 Financial Literacy

The Committee was informed that various players regularly conducted financial literacy campaigns in various parts of the country to educate the general public about various services and products. The Committee was further informed that in 2013, a new strategy of Financial Literacy was adopted as a measure to scale up financial education as well as financial inclusion. Financial Literacy Week was an annual public awareness campaign on financial literacy concepts that helped people make financial decisions. The literacy week was aimed at empowering citizens learn to manage finances, manage loan responsibilities, use DFS among others. The campaign had been held annually from the year 2013.

8.4.4 Securing Digital Transactions

In an effort to secure digital transactions and promote the usage of digital payment platforms, DFS providers ensured that devices were operated by a password to access the mobile wallet and required authentication when performing a financial transaction. In addition, mobile network operators had systems in place to detect sim swap and ensured that mobile money accounts could not be accessed before authentication by the account holder.

The Committee was further informed that the Government, through the Bank of Zambia, had taken some measures as outlined below.

a) Instituted and implemented a requirement for payment systems or data platforms to have effective risk management frameworks to safeguard customer funds, data, and the stability of the financial system.
b) Formulated and implemented enabling regulations to facilitate efficiency and safety of the various digital payment platforms.
c) Prioritised AML, Combating the Financing of Terrorism (CTF), consumer protection issues to guard against money laundering, terrorist financing and unfair business terms or practices.
d) Heightened consumer awareness efforts on the use and safety measures applicable to the use of digital platforms.

Further, the Government was in the process of enacting some pieces of legislation in order to strengthen security of online transactions. These were the Data Protection Bill; the Cybersecurity and Cybercrimes Bill; the Electronic Transactions and Communications Bill; and the Deposit Protection Bill. The Committee learnt that once the Bills were enacted, safer use of electronic platforms countrywide would be enhanced. Other measures included the revision of the *National Payment Systems Act, No. 1 of 2007,* the revision of Agency Banking Regulations and the introduction of a centralised KYC platform to facilitate for sharing of KYC data in order to enhance the process of collecting, managing and storing of KYC data.

8.5 Challenges and Opportunities of Using Digital Payment Platforms in Attaining Financial Inclusion

8.5.1 Challenges in attaining financial inclusion

i. **Risks associated with digital payment platforms -** The Committee was informed that while the use of digital financial facilities in scaling up financial inclusion came with numerous benefits, it also presented various risks which inhibited the use of these services. The risks included, but were not limited to: fraud; money laundering; operational risk; liquidity risk and insufficient float. Other risks included security risk, terrorism financing, human error and identity theft.

ii. **Limited access to financial services for rural areas** - Although a wide delivery channel existed for formal financial services in Zambia, such as branches and agents of banks, microfinance institutions and savings and credit cooperatives, as well as mobile money agents and ATMs the services were mostly located in cities and towns, and it was becoming increasingly difficult to financially include people living in rural suburbs due to the unavailability of financial services. Civil servants such as teachers and the general public in rural areas travelled long distance to access salaries in their accounts at the nearest ATM.

iii. **Limited ICT infrastructure** - Constraints such as inadequate technical infrastructure and the relatively high cost of communication equipment made the cost of venturing into inaccessible areas very high. This perpetuated exclusion and marginalisation and created a further digital divide between the urban and rural areas. Additionally, system connectivity failure, experienced even in urban areas, discouraged users from making use of services that could easily be accessed in an instance.

iv. **Contribution to the creation of casual jobs** – Although mobile money created jobs for the youths and the general public, most of these jobs were casual.

v. **Cost of digital transactions** – sometimes digital transactions tended to be more expensive, especially for retailers.

vi. **Gaps in consumer protection** – Most customers, especially in rural areas lacked financial education and were usually unaware of their rights and dispute resolution mechanisms.

vii. **Failure to timely resolve consumer disputes –** This led to customers refraining from the use of digital payment platforms due to untimely resolution of various customer disputes.

viii. **Low level of financial education –** This lack of knowledge let to customers sharing passwords with friends or family members to access digital payment platforms resulting into loss of money.

ix. **Interoperability** – lack of seamless services between mobile money service providers and other financial service providers such as banks and microfinance institutions made it difficult to use and access digital financial services.

x. **Frauds and theft -** Mobile money frauds created fear in the members of the public to use the services and products. Systems could be breached by scammers on the internet and mobile money had recently attracted scammers stealing identities of mobile money users.

xi. **Customer due diligence** – This still remained a challenge in developing and scaling up mobile money services as not everyone had a National Registration Card, especially among the elderly in rural areas.

xii. **Lack of a centralised Know Your Customer –** This delayed access to customer information as and when required and prevented universal access to customer details by all industry stakeholders.

xiii. **High preference for cash over digital transactions -** Reliance on physical delivery of cash to make transactions was quite common, especially in the informal sector. In many cases, customers preferred cash to digital payments, thereby shunning innovations in the mobile banking space.

xiv. **Inadequate mobile network coverage** – This still remained a challenge in most remote areas, restricting more active usage of DFS.

xv. **Lack of interest charged on mobile money savings** – This discouraged customers from saving using mobile money platforms as there was no incentive to do so.

xvi. **Mobile money only limited to mobile phones and digital gadgets** - Mobile money only served people with access to mobile phones and other digital gadgets. This meant that a significant proportion of people still remained underserved as they could not access mobile money services.

xvii. **Daily limits on transaction amount** – The daily limits on transaction amounts and amounts to be held in a mobile money account was generally regulated and restricted. This factor inhibited flow of cash in large amounts.

8.5.2 Opportunities of using digital payment platforms in attaining financial inclusion

i. **The extent to which the Government has taken advantage of the opportunities presented by digital payment platforms in implementing social protection programmes**

DFS created various opportunities which when taken advantage of could expand financial inclusion strategies. The Committee was informed that the Government had embraced digital payment platforms in implementing various Social Protection Programmes such as the Social Cash Transfer programme as well as the Supporting Women's Livelihoods (SWL) which was a component under the Girls Education, Women's Empowerment and Livelihoods (GEWEL) Project. So far, 3,000 beneficiaries on the Social Cash Transfer Programme in Lusaka District were being paid by Zambia National Commercial Bank (ZANACO) using the VISA card.

Under the SWL initiative, beneficiaries were paid a productive grant of about US$200 using mobile money accounts available on all three mobile network operators, and also through ZOONA.

Additionally, the Government was working in collaboration with the Smart Zambia Institute to develop an integrated social protection information management system known as the Zambia Integrated Social Protection Information System (ZISPIS), which had an electronic payment component that would be linked with payment service providers to pay beneficiaries directly using the various electronic payment platforms available. When fully implemented, the system would ensure transparency, effectiveness, efficiency and accountability in the implementation of social protection programmes. Two programmes had since been integrated into the ZISPIS namely, the Social Cash Transfer and the Food Security Pack.

For the hard to reach areas with internet connectivity and network challenges, the system would utilise Pay Point Managers (PPMs) who were civil servants.

ii. **Other Opportunities**

The Committee was further informed that there were many other opportunities presented by DFS that the Government could exploit. Some of the opportunities were as outlined hereunder.

a) The DFS could be leveraged to offer a diverse range of financial services such as, savings, investments, insurance and loans.
b) The advantage of DFS lay in the use of financial technology (Fintechs). The potential gains for the start-ups driving fintech were obvious, and the possibilities of extending financial

services to the underserved or those without services at all were enormous. Thus, it was imperative that Fintechs were provided with opportunities for innovation.

c) There was potential for financial service providers to partner with Fintechs to offer customer centric products and processing capabilities as DFS helped to eliminate the need to put up physical infrastructure for financial transactions.
d) With an increasing mobile penetration rate and improving national network geographic coverage, opportunities for digital payment platforms as a means of expanding financial inclusion were significant. The last few years had also seen an increase in the number of DFS users. This was largely driven by significant growth of service provision by mobile network operators and could easily be leveraged.
e) Digital payment platforms could also provide opportunities for women to be economically empowered, as they would also have an opportunity to access credit facilities and increase their economic participation.

9.0 Committee's Observations and Recommendations

i. Amendment of the National Payment Systems Act, No. 1 of 2007

The Committee observes that the *National Payment Systems Act, No. 1 of 2007* which is one of the main pieces of legislation that governs DFS is now outdated and does not adequately provide for financial security, safety and efficiency of the financial sector, among other factors.

In light of this, the Committee strongly recommends that the Act should be amended in order to provide an enabling environment for financial innovation and efficiency of DFS, and ultimately financial inclusion.

ii. Enactment of Data Protection Bill, Cyber Security Bill, the Electronic Transactions and Communications Bill and the Deposit Protection Bill

The Committee observes that one of the challenges in scaling up financial inclusion is inadequate supportive legislation.

Therefore, the Committee urges the Government to urgently enact the Electronic Transactions and Communications Bill, Cyber Security Bill, the Data Protection Bill and the Deposit Protection Bill to ensure safety in the use of electronic platforms for financial transactions.

iii. Lack of mobile money specific regulation

The Committee observes that the available legislation in the financial sector is inadequate for the mobile money landscape as most of the regulation being used for mobile money is tailored for traditional banking and non-banking financial services. However, the trajectory of mobile money has presented different operational dynamics and requires specific regulations.

In light of this, the Committee urges the Government to formulate regulations on agency banking, and regulations specific to mobile money in order to address the gaps in the digital financial landscape.

iv. Policies to support expansion of financial inclusion in rural areas

The Committee observes that progress in financial inclusion has been slower in rural areas where poverty is most pronounced, compared to the urban areas. The Committee is of the view that this is as a result of low financial literacy levels, lack of network coverage and limited service providers.

The Committee therefore, strongly recommends that the Government should develop deliberate policies to support the expansion of financial inclusion strategies in remote rural areas in order to enable and empower the rural population with the ability and tools to access credit, manage and save their money.

v. Creation of casual jobs

The Committee observes that although mobile money business creates employment opportunities for the youth and the general public, most of these jobs are casual jobs and not decent jobs. The Committee notes that the Government has banned casualisation and is advocating for creation of decent jobs. The Committee further notes that in the past, the Government has intervened to prescribe a minimum wage for domestic workers, shop keepers and other similar categories of workers in order to protect this section of the labour force.

In light of this, the Committee urges the Government to intervene and capture mobile money operators in the minimum wage regulations in order to promote decent jobs in line with the aspirations of the Seventh National Development Plan.

vi. Cost of digital transactions

The Committee observes that cash transactions are universally acceptable and cheaper than digital payments. Therefore, retailers and merchants are more inclined to cash transactions. The Committee notes that there is a percentage fee charged for every credit card transaction on the retailer and a withdrawal charge for purchases using mobile money, making digital transactions more expensive than cash transactions and undesirable by merchants.

In light of this, the Committee recommends that the Government should consider putting in place measures to make digital financial transactions desirable, especially by retailers, by reducing the cost of digital transactions. This will eventually reduce the volume of cash transactions and ultimately reduce the cost of handling cash by financial service providers and the Central Bank, and it will largely scale up financial inclusion strategies.

vii. No interest charged on savings on digital platforms

The Committee observes that following the directive by the Bank of Zambia to prohibit unwarranted charges and fees to all financial service providers, the financial sector has seen most banks closing some branches, especially rural branches, and opting for agency banking. The Committee notes that mobile money services are more available and convenient than traditional banks and customers have opted to use digital wallets and mobile accounts, in the absence of banks, as a store of value as opposed to keeping cash at home. Furthermore, the Committee observes with great concern that mobile network operators are giving credit facilities payable with interest and yet the savings on their platforms do not attract any interest.

In light of this, the Committee strongly recommends that the Government should come up with interventions to ensure that customers saving on digital platforms also benefit from interest just as is the case for traditional banking account holders. This will also encourage the saving culture, especially in rural areas.

viii. Low financial literacy levels

The Committee notes that financial literacy is important in achieving financial inclusion as it enables individuals to make informed judgments and to take effective decisions regarding the use and management of money. The Committee observes that the low levels of financial education have contributed to the slow progress in attaining financial inclusion and loss of funds due to factors such as sharing confidential details.

In this regard, the Committee recommends that the Government should scale up financial literacy to all parts of the country to enable individuals have a better understanding of financial market products, especially rewards and risks in order to make informed choices about saving, loans and other financial products and choices. The Committee further recommends that financial literacy should be embedded in the education curriculum for primary and secondary schools in order to empower learners with financial knowledge from a young age.

ix. Inadequate collaboration amongst concerned regulators

The Committee observes that there are gaps in coordination among the key players in the digital finance landscape. The Committee notes that DFS are multisectoral in nature as they are regulated by different parties such as BoZ, ZICTA, Competition and Consumer Protection Commission (CCPC) and the Financial Intelligence Centre. The Committee is of the view that this poor coordination is contributing to low uptake of DFS and ultimately usage of digital payment platforms in rural areas.

In this regard, the Committee urges the Government to strengthen the collaboration among the various regulators of DFS so as to expand financial inclusion especially in rural areas, and adequately and timely address challenges that individuals face in the use of digital payment platforms.

x. Limited infrastructure and network coverage

The Committee observes that there is limited infrastructure to accelerate financial inclusion in general and DFS in particular. The Committee notes that DFS largely depend on network coverage, technology development and access to mobile phones and other digital devices. The Committee is of the view that limited infrastructure development with regard to ICT and network is to a large extent impeding acceleration of financial inclusion in the country.

Therefore, the Committee strongly recommends that the Government should invest in robust digital financial infrastructure aimed at bringing about growth of partnerships between fintechs and financial service players in order to facilitate access and usage of affordable DFS.

xi. Paying of salaries for rural civil servants through mobile money

The Committee observes that access to financial services in rural areas is still a challenge due to distance to the nearest ATM, bank or microfinance institution. As such, civil servants such as teachers and the general public travel long distances to access money, especially when salaries are paid. The Committee is concerned that a lot of learning time for pupils is lost and other public services are disrupted when teachers and other civil servants in rural areas travel to access financial services.

In this regard, the Committee strongly urges the Government to take advantage of the opportunities presented by DFS and consider paying rural civil servants such as teachers through mobile money accounts, which are more accessible than ATMs and banks.

xii. Single digit code

The Committee observes that various DFS players have respective digit codes to access mobile money service menus and this is partly a source of human error in digital transactions. The Committee notes that there are currently numerous players offering mobile services and recalling most of the digit codes may be a challenge, especially for the aged and illiterate.

In light of this, the Committee strongly recommends that Government should ensure that relevant regulators consider having a common digit code for accessing mobile money services across all networks and other providers like the case is with crediting of airtime and checking airtime balance across all networks.

xiii. Delays in settling disputes

The Committee observes with extreme concern that there is no standard period of settling digital payment disputes in banks and other financial institutions. While other institutions resolve disputes within forty eight hours, other institutions take as long as sixty days. The Committee notes that these delays are contributing to individuals avoiding to use DFS.

In this regard, the Committee strongly recommends that the Government, through the Bank of Zambia, should ensure that the dispute settlement period is harmonised for all financial services and that disputes are settled within the stipulated period to avoid inconveniencing users who find themselves in such situations.

xiv. Money laundering

The Committee observes that the number of mobile money agents are increasing and there is limited sensitisation to booth operators to assist them identify counterfeit notes. The Committee notes that money laundering is a possible risk for DFS and can be a cost to agency providers and users of digital payment platforms.

The Committee strongly urges the Government to facilitate financial education for agents in addition to community financial literacy in order to assist individuals and booth operators identify counterfeit notes and prevent loss of money by mobile money agents.

xv. National Financial Switch

The Committee notes that the Government is implementing the NFS in phases and has so far implemented Phase I of the project and is yet to implement phase II. The Committee observes that once implemented, phase II of the project is expected to bring about increased usage of digital payment channels and help to reduce the amount of cash circulating outside the banking system.

In light of this, the Committee urges the Government to expedite the implementation of Phase II of the NFS in order to create interoperability among various financial service providers, and to provide seamless transactions between mobile money service providers and other financial service providers such as banks and microfinance institutions.

xvi. Absence of a centralised Know Your Customer

The Committee observes that the absence of a centralised KYC database limits access to some required information by stakeholders and contributes to fraud and other financial crimes. The

Committee, therefore, urges the Government to expedite the establishment of a centralised KYC database which can be universally accessible by all industry stakeholders. This will be beneficial in combating financial crimes and standardising registration processes, among others.

xvii. Social protection programes

The Committee notes the low use of digital payment platforms in delivering social programmes such as Social Cash Transfer and Supporting Women's Livelihoods, among others. The Committee further observes with great concern that the Government is incurring costs which could have otherwise been avoided in distributing money through costs incurred in issuance of cheques by district offices and allowances paid to Pay-Point Managers. In addition, the Committee notes that the funds are also subjected to high risk of theft due to the physical movement of money to designated pay-points.

Therefore, the Committee strongly recommends that the Government should take advantage of the opportunities created by the innovations in the financial sector and pay beneficiaries of various social protection programmes using various platforms of mobile money. This will ensure that there is transparency, all beneficiaries are paid on time and the Government shall save unnecessary expenses. The Committee further urges the Government to expedite the implementation of the Zambia Integrated Social Protection Information System, so as to scale up the use of digital payment platforms in delivering social protection to beneficiaries.

PART II

10.0 ACTION-TAKEN REPORT ON THE REPORT OF THE COMMITTEE ON NATIONAL ECONOMY, TRADE AND LABOUR MATTERS FOR THE THIRD SESSION OF THE TWELFTH NATIONAL ASSEMBLY

CHINA-ZAMBIA RELATIONS VIS-À-VIS TRADE AND INVESTMENT

i. The Committee strongly urged the Government to conduct a broad based and comprehensive review of the policy, legal and institutional framework guiding foreign trade and investment aimed at finding modalities of reaping greater benefits from Chinese investment. A deliberate strategy for engagement with China similar to the FOCAC that China had developed for engaging with Africa should be developed.

Executive Response
The Executive responded that the Government, through the Ministry of Commerce, Trade and Industry, had developed the National Trade Policy and the National Investment Strategy aimed at promoting trade and investment for both local and foreign investors, including Chinese investors. The Committee was also informed that the Government engaged with China through bilateral trade agreements and also through the China Chamber of Commerce in Zambia and Zambia-China Economic and Trade Forum. For example, the Ministry in conjunction with the Chinese Government had prepared a list of products which would access Chinese markets. In doing so, Zambia would increase its share of non-traditional exports to China.

In terms of legal framework, the Government, through the Ministry of Commerce, Trade and Industry, had reviewed the Zambia Development Act to ensure that it was broad based in its approach to promote trade and investment by putting in place the Investment, Trade and Enterprise Development Bill. Some of the aims of the Bill include to:

a) foster economic growth and development by promoting trade and investment in Zambia through an efficient, effective and coordinated private sector led economic development strategy;
b) promote the growth of non-traditional exports;
c) promote and facilitate the growth of micro, small and medium business enterprises;
d) promote, facilitate and protect domestic and foreign direct investment;
e) streamline bureaucratic procedures and requirements faced by investors;
f) promote investment through joint ventures and partnerships between local and foreign investors; and
g) facilitate the development of industrial infrastructure and commercial services;

Therefore, the government would endeavour to ensure that these policies, strategies and other modalities were used to benefit from the Chinese investments in Zambia.

Committee's Observations and Recommendations
The Committee notes the response by the Government and the effortmade so far. However, the Committee reiterates its previous recommendation and urges the Government to conduct a broad based and comprehensive review of the policy and legal framework in order to ensure that Zambia obtains the maximum benefits from Chinese Investment. The Committee further urges the Government to expedite finalisation and presentation of the Investment, Trade and Enterprise Bill to Parliament.

ii. The Committee recommended that the *Zambia Development Agency Ac*t should be reviewed so as to make it mandatory for all foreign investments to be approved by ZDA.

Executive Response
The Executive responded that the Government had already reviewed the ZDA Act to make it effective in monitoring both foreign and local investments. The Bill had since been submitted to

the Ministry of Justice for legal drafting. Regarding the issue of making registration of foreign investments by ZDA mandatory, the Ministry was open for further consultations and review of the framework. In as much as the recommendation was valid, the Government urged the Committee to note that, currently, the consideration and focus was on facilitating services that would encourage foreign investors to register on voluntary basis.

Committee's Observations and Recommendations

While noting the response by the Executive, the Committee observes that the ZDA Bill is still at draft stage and urges the Government to expedite the finalisation of the Bill so that issues pertaining to foreign investment are adequately addressed within the shortest possible time. While noting the Government's current focus, the Committee is still of the view that it should be mandatory for ZDA to approve all foreign investments for better monitoring. Therefore, the Government should adequately engage and consult stakeholders on this matter so that appropriate provisions are included in the ZDA Bill. The Committee will await a progress report on the matter.

iii. The Committee recommended that the 20 per cent subcontracting pronouncement should be given legal force so that contractors could be compelled to comply with it as this would benefit many micro, small and medium enterprises (MSMEs) who formed a large part of Zambia's economic base. The Committee further urged the Government to ensure that the legislation should prohibit reselling of acquired contracts, and provide for punitive measures for all contractors who resold their contracts or failed to meet their contractual obligations.

Executive Response

The Executive responded that the Government was in the process of reviewing the *National Council for Construction Act* and the draft Bill that had provided for legal force for the 20 per cent minimum subcontracting. The Bill was at a stage where it was supposed to be considered by the Cabinet Legislative Committee. The enabling provision in the Bill was accompanied by a provision for regulation which would outline the modalities of implementation. The Committee was further informed that it was envisaged that this Bill would address all issues concerning joint ventures and the 20 per cent subcontracting policy and the appropriate punitive measures to both the main contractor and the subcontractors.

Committee's Observations and Recommendations

The Committee expresses concern at the delayed rate of progress made on the revision of the Act. The Committee awaits a progress report on the status of the Bill.

iv. The Committee strongly urged the Executive to step up enforcement of the provisions of Citizens Economic Empowerment (Reservation Scheme) Regulations, Statutory Instrument No. 1 of 2017.

Executive Response

The Executive reported that the Ministry of Commerce, Trade and Industry was working towards addressing the concern raised. In this regard, the Citizens Economic Empowerment Commission (CEEC) and the Working Committee on Reservation Scheme had been holding meetings with the stakeholders to consider how best the Statutory Instrument could be implemented. Further, the Committee was informed that following its establishment in 2018, the National Compliance and Monitoring Committee adopted a work plan that undertook orientation and sensitisation to decentralise the implementation of the Statutory Instrument No.1 of 2017.

However, due to lack of resources, this programme had not been undertaken. The National Compliance and Monitoring Committee comprised the following institutions:

a) The Lusaka City Council;
b) The Organised Vendors and Traders Cooperative;
c) Zambia National Marketeers and Credit Association (ZANAMACA);
d) Office of the Inspector General of Police;
e) Office of the President (Provincial Administration);
f) Competition and Consumer Protection Commission (CCPC);
g) Poultry Association of Zambia (PAZ); and
h) Ministry of Commerce, Trade and Industry (MCTI).

The mandate of the Working Committee was to consider modalities for restrictions of non-targeted citizens and companies from selling live birds at markets whether directly or indirectly, monitoring and enforcement of restriction and periodic reporting on performance of the reservation scheme.

Committee's Observations and Recommendations
The Committee is disappointed that the Government is not prioritising such an important initiative by not securing funds to undertake this activity. The Committee notes the formulation of the National Compliance and Monitoring Committee and urges the Government to provide funding to facilitate the decentralisation of the enforcement of Statutory Instrument No.1 of 2017 without any further delay. The Committee awaits a progress report on the matter.

v. The Committee recommended that the ZDA Act be reviewed to give incentives to foreign investors, including Chinese, who are willing to partner with Zambians whenever investment is made in the country.

Executive Response
The Executive reported that the ZDA Act was being reviewed to ensure that a more favourable environment was created for both foreign and local investment. Further, the review would promote partnership between foreign and local investors. Therefore, incentives under ZDA Act could be accessed by any investor, both foreign and local including the Chinese investors.

Committee's Observations and Recommendations
The Committee expresses concern at the slow rate of progress being made with the revision of the Act and urges the Government to expedite the process of reviewing this important piece of legislation. The Committee awaits a progress report on the review of the ZDA Act and urges the Government to fully address the matter pertaining to partnership of local and foreign investors.

vi. The Committee urged the Government to step up the enforcement of section 28 of the *Immigration and Deportation Act, No 18 of 2010 and* section 14 of the *Employment Code*

Act, No 3 of 2019. Further, the Committee recommended that policies should be formulated to provide for a minimum salary and tax base for any investor or company which wished to hire expatriates in order to deter investors from hiring expatriates at the expense of qualified Zambians.

Executive Response

The Executive noted the Committee's recommendations and responded that the enforcement of the laws governing foreign investment in Zambia were one of the focus areas of the Government. These would be implemented alongside the *Immigration and Deportation Act, No. 18 of 2010* as well as the *Employment Code Act, No. 3 of 2019.* The Government strengthened the guidelines on the engagement of foreign labour in the country through the enactment of the *Employment Code Act*. This would work towards ensuring that work permits would only be issued to foreign investors who possessed the relevant skills which were not readily available locally. To actualise this, the Government, through the Ministry of Labour and Social Security, would constitute the Skills Advisory Committee which would be responsible for advising policy makers on the nature of skills available locally and also the skills that were lacking in the country.

In line with the Zambianisation policy, Government would not allow foreigners to take up jobs that could be performed by Zambians. The enforcement modalities regarding this matter had been strengthened. The Government, through the Ministry of Labour and Social Security, would keep an up to date register of all expatriate employees in the country as provided for under the *Employment Code Act*. The employers would be compelled by law to submit names of all expatriate employees with specific information of their nationality, age, sex, qualifications among other vital information to the Labour Commissioner who would be the custodian of the register. Furthermore, the *Employment Code Act* provided that where practicable, an understudy should be designated to an expatriate for purposes of skills transfer to the understudy (Zambian citizen). In addition to this, the employer would be expected to submit to the Labour Commissioner a schedule of training programmes and management succession of the understudy.

The Government expected the foreign investors to be following the laid down procedures during their operations and adhere to the laws of the land. Government stated that it would remain vigilant in monitoring the situation pertaining to the operations of the investors and those who would be found wanting would have their work permits/licences revoked and they risked being prosecuted within the confines of the Zambian rules and regulations.

Committee's Observations and Recommendations

The Committee appreciates the proactive measures taken by the Government. However, the Committee expresses concern that the Government has not explicitly addressed the recommendation by the Committee regarding the formulation of policies to provide for a minimum salary and tax base for any investor or company wishing to hire expatriates. The Committee, therefore, urges the Government to look into the matter and provide a specific response. The Committee awaits a progress report.

vii. The Committee implored the Government to take concerted measures to step up value addition activities in the country, and also to grow and diversify the trade relationship between Zambia and China beyond over reliance on copper. This could be achieved by the re-introduction of attractive investment incentives.

Executive Response

The Executive reported that the Government would conduct a study on the effectiveness of the current incentives to spur value addition to minerals. The study would inform introduction of appropriate incentives that would bear the desired fruits.

Committee's Observations and Recommendations

The Committee notes the response and urges the Government to conduct the study without any further delay and submit a progress report on the development of new investment incentives.

viii. The Committee strongly recommended that the Government should develop strict regulations, with the force of law, to restrict the type of businesses that Chinese and other foreign investors could be involved in. Further, the Committee recommended that investors should only be involved in manufacturing, distribution and wholesaling and not retailing.

Executive Response

The Executive responded that the Government, in collaboration with the Citizens Economic Empowerment Commission had put in place the Reservation Schemes by reserving certain sectors for targeted citizens as defined under the Citizens Economic Empowerment Commissions Act. For example, the sale of live birds, domestic haulage and cleaning services was reserved for the citizen owned.

Committee's Observations and Recommendations

The Committee commends the Government for the initiative to formulate the Reservation Scheme. The Committee notes that progress has been made with regard to securing the sale of live birds to local people. However, the Committee expresses concern that the Reservation Scheme, especially with regard to domestic haulage, cleaning services and block making has not been fully enforced. Further, the Committee reiterates that the Scheme should explicitly reserve the retailing business to local enterprises. The Committee awaits a progress report on the matter.

ix. The Committee recommended that deliberate and urgent measures should be put in place to ensure Chinese and other investors create linkages with MSMEs and the local manufacturing sector for the supply of both raw materials and finished products in the various sectors the Chinese are investing in.

Executive Response

The Executive reported that a Local Content Strategy had been developed to promote citizens' participation in Zambia's economy. The Strategy was developed as a framework for integrating local primary resources, locally manufactured goods and services, local labour and local service provision into production processes. Also, the Ministry of Commerce, Trade and Industry had a programme called Business Linkages Programme and it was through this programme that the Ministry continued to encourage firms to provide markets for MSMEs to be supplying some materials to big firms.

Further, the Committee was informed that the Zambia Development Agency under the Ministry of Commerce, Trade and Industry had programmes to provide business development services to the MSMEs so that they could conduct business competently. The Zambia Agribusiness and Trade Project under the Ministry also aimed at supporting all business linkages for MSMEs to other firms or investors, including the Chinese investors. The project aimed at supporting market linkages between farmer groups and agribusiness SMEs and markets or off-takers. Under this component, the Government aimed to promote the sustainable integration of farmer cooperatives, small-scale emerging farmers and agribusiness-oriented SMEs' into value chains with well-established end-markets and large buyers.

Therefore, the Government would continue to engage investors, including the Chinese investing in Zambia, to work with the local MSMEs in providing raw materials and other areas of cooperation.

Committee's Observations and Recommendations

The Committee notes the efforts made by the Government and urges the Government to aggressively implement these strategies so that the necessary linkages can be firmly established and strengthened as the case may be. The Committee, in this regard, awaits a progress report on the matter.

x. The Committee recommended that an institutional framework should be established to assist both Zambian and Chinese nationals with basic reciprocal orientation on language, cultural values and work culture. This would go a long way in reducing the misunderstandings and cultural clashes between Chinese nationals and Zambians.

Executive Response

The Executive took note of the observations by the Committee and indicated that one of the forms in which the Institutional Framework could be actualised was through a Memorandum of Understanding (MoU) between Zambia and China, covering basic reciprocal activities between the two nations.

The Ministry of Chiefs and Traditional Affairs further recommended that a National Technical Working Group (NTWG) covering relevant sector ministries and institutions be established to firstly prepare a draft MoU; and secondly, subject to approval of the draft MoU, undertake reciprocal activities in form of exchange visits so as to learn cultural values, customs and traditions, and work culture.

Further, the NTWG would be responsible for disseminating the cultural values and practices learnt to allow for integration of Chinese foreign nationals with the locals in both rural and urban areas, thereby reducing misunderstandings and cultural clashes between Zambian and Chinese nationals.

Committee's Observations and Recommendations

The Committee resolves to await a progress report on the formulation of the National Technical Working Group and the MoU.

xi. The Committee urged the Government to institute modalities of reducing the exorbitant lending rates that were prevailing in the country. In addition, the Government should have found ways of ensuring more diverse sources of financing for Zambian businesses and make the financial system receptive.

Executive Response
The Executive responded that in a liberalised economic environment, lending rates largely reflected the return that commercial banks expected to receive for lending money by taking into account the risks associated with lending and the cost of the funds lent. The Government, businesses and households all faced different risks and credit to these sectors was, therefore, priced differently. The Committee was informed that prudential regulations also required that commercial banks put aside or provide some capital when they lent out funds.

The Executive further reported that in the case of the Government, for example, commercial banks had to put aside smaller amounts of their capital (zero) when they lent because the Government had a risk weight of zero in the Bank of Zambia's provisioning regulations. Furthermore, for businesses and individuals, the risk weight was not zero. The high lending rates observed in Zambia were understood in the context of the components which influenced the pricing of loans and advances. These costs included:

- Expected returns;
- Cost of funds;
- Risk profile of the client; and
- Prudential regulations.

A key component of the cost of loanable funds was the risk profile of clients. Riskier clients were faced with higher interest rates. It was noted that risks were related to specific risks exhibited to the client's ability and business plan, as well as broader macroeconomic risks such as weather or exchange rate shocks.

To help manage and mitigate these risks, the Government established a legal framework for a credit reference bureau which was aimed at collecting credit data on clients. The Government had also established a collateral registry and reformed business regulations such as the *Companies Act* with the aim of helping financial institutions to manage cases of default.

Committee's Observations and Recommendations
The Committee acknowledges the response by the Executive but is of the view that the recommendation by the Committee has not been adequately addressed. The Committee, therefore, reiterates its earlier recommendation that the Government should intervene in this matter as there are still some financial institutions whose lending rates are above the market rate.

xii. The Committee was of the view that the incentives on which the Government had initially established the MFEZ project should have been reinstated in order to attract investment and to achieve the goals for which the MFEZs were created. The Committee, further, urged the Government to consider that being landlocked, the country needed more incentives to attract investment because the cost of production was considerably higher for a landlocked country.

Executive Response

The Executive responded that some measures made in the 2018 national budget in which the Government had initially established the MFEZ project were removed with the intention to safeguard Government revenues that were being eroded through tax holidays. The incentives had not really provided the real relief on investments. Therefore, replacement of the tax holiday with capital allowance would ensure that the incentive to investments is directed to capital.

On proposing fiscal incentives to be included in the new Investment, Trade and Enterprise Development (ITED) Bill, the Executive reported that the Agency had proposed, among others, the introduction of 10% income tax to encourage investments in the establishment of zones as well as to attract investments into the zones to support Industrialisation and Job Creation Strategy. Accelerated capital allowances for a business/investment worked just the same as tax holiday in the sense that it reduced taxes to be paid in a particular year when a business/an investor claims capital allowances, and even more if claimed at a higher rate.

Committee's Observations and Recommendations

The Committee acknowledges the intention by the Government to provide a conducive environment for foreign investment. However, the Committee feels that capital allowances are not the only major incentive that the MFEZs were established for, but also incentives such as zero duty rates on raw materials. The Committee urges the Government to consider reinstating the provision of zero per cent import duty on raw material to encourage production in MFEZ. The Committee awaits a progress report on the matter.

xiii. The Committee recommended that whilst the *Rating Act, Chapter 192 of the Laws of Zambia*, did allow the local authority to collect property rates from every investor in their districts, the MFEZs should have been exempted. This would then be part of an incentive to the developer. Further, considering that investors were not willing to invest in the MFEZs due to lack of incentives, charging developers' property rates on completed infrastructure was a draw back in the development of the MFEZs.

Executive Response

The Executive responded that the Ministry of Local Government was not in support of the complete exemption of payment of property taxes under the Multi-Facility Economic Zones (MFEZ) as this would completely disadvantage the highly financially strained local authorities in the quest to execute their mandate of service delivery.

However, the MFEZ was informed that they may apply to the Minister of Local Government pursuant to Section 40(2) (b) of the *Rating Act, No. 21 of 2018* which states that "Without prejudice to the generality of subsection (1), the Minister may make regulations, on the recommendation of a rating authority (b) giving concessionary rates."

In this regard, the MFEZ was advised to apply to the local authority for concessionary rates for the consideration of the Minister.

Committee's Observations and Recommendations
The Committee notes the financial constraints faced by local authorities but urges the Government to raise awareness among investors in the MFEZ and encourage them to take advantage of the specific provision of the *Rating Act, No. 21 of 2018* for MFEZ on applying to local authorities for concessionary rates. The Committee further urges the Government to be cognisant that the unfavourable rates are impeding the development of the MFEZs due to the accumulation of the said property rates. The Committee awaits a progress report on the matter.

xiv. The Committee, therefore, implored the Government that as a way of attracting investors, a special electricity tariff must be introduced in the MFEZs. Further, the Committee recommended that MFEZs should be exempted from load shedding in order to attract more investment.

Executive Response
Zambia Electricity Supply Corporation (ZESCO) offered electricity to commercial entities based on their capacity and energy needs. The tariff applicable for medium to low commercial consumers (Less than 10 MW) fell in the category of the Energy Regulation Board (ERB) regulated tariffs. For commercial entities in excess of 10MW, ZESCO offered Power Purchase Agreements (PPAs) that provided for preferential conditions such as priority of supply during periods of load shedding as well as negotiated (based on mutual consent by all the parties to the PPAs) tariffs based on capacity and energy needs.

ZESCO supplied power to one Multi Facility Economic Zone (MFEZ) on the Copperbelt Province, namely Chambeshi Industrial Zone Development. Further, ZESCO only had an active PPA with Zambia China Trade Cooperation Zone (ZCCZ) pertaining to the Chambeshi Industrial Zone Development MFEZ at a tariff incorporating a mark up which ZESCO was not privy to. Hence commercial customers in the Chambeshi Industrial Zone Development MFEZ were charged by ZCCZ tariffs above US$c7.5/kwh.

In Lusaka Province, two MFEZs were supplied by ZESCO, namely Lusaka South MFEZ and Lusaka East MFEZ (LEMFEZ). All the MFEZs were supplied through dedicated substations with the exception of Lusaka East MFEZ. Construction of the New Airport Substation at the New Kenneth Kaunda International Airport was underway which would have a dedicated feeder to supply LEMFEZ.

The Executive further responded that PPA negotiations were still in progress with Lusaka South MFEZ Limited, who onward would supply power to the commercial entities within the Lusaka South MFEZ (LSMFEZ)). The tariffs applicable to the customers in both the LSMFEZ and LEMFEZ were the ERB Maximum Demand Tariffs that were also applicable to all commercial business houses across the country. The Executive urged the Committee to note that for all commercial customers who sought electricity services, ZESCO offered current applicable tariffs that would apply whether or not they were in an MFEZ. ZESCO did not discriminate against those who were not in MFEZ or apply higher tariffs.

Regarding load shedding in the MFEZs, ZESCO pledged to engage in discussions with the various companies managing MFEZs to agree on measures that would reduce the impact of the current load shedding programme on the operations of the commercial entities within the MFEZs.

Committee's Observations and Recommendations

The Committee notes the response and awaits a progress report on the outcome of the discussions with the companies managing MFEZs concerning load shedding.

xv. The Committee was of the view that since the farmers were already compensated by ZCCZ, legal action should be taken against the illegal farmers, trespassers and the politicians influencing illegality in the area. The Committee further urged the Government to ensure that land for the development of MFEZs is depoliticised to facilitate development.

Executive Response

The Executive responded that the recommendation to depoliticise the development of MFEZs was welcome. Further, it was noted that the Ministry advised the developers to consider the recommendation they had earlier been given to fence off the entire Zone as a measure to keep out trespassers and encroachers. In addition, the Zone had been advised to establish a police post within its perimetre.

Committee's Observations and Recommendations

The Committee notes the response and reiterates its previous recommendation that legal action should be taken against the illegal farmers, trespassers and the politicians influencing illegality in the area. The Committee will await a progress report on the matter

xvi. The Committee recommended that as a way to enhance the Zambia-China relations, deliberate policies be formulated stipulating what role each party was going to play in the bid to grow the economy. For example, Chinese investors were not to be allowed to engage in retail business but be limited to manufacturing and wholesale, in order not to disadvantage ordinary Zambian traders. This would also create business opportunities for Zambian entrepreneurs.

Executive Response

It was reported that the Citizens Economic Empowerment Commission had put in place the Reservation Schemes by reserving certain sectors for targeted citizens as defined under the *Citizens Economic Empowerment Commission Act, No. 9 of 2006.* For example, the sale of live birds, domestic haulage and cleaning services was reserved for the citizen owned enterprises.

Committee's Observations and Recommendations

The Committee is still concerned with the large numbers of Chinese who are conducting small scale businesses, contrary to the stipulation of the Reservation Scheme. While the initiative by the Government is well intended, the Committee is disappointed that the policy has not been enforced and implores the Government to scale up implementation of the Scheme. The Committee, therefore, urges the Government to revisit this matter and awaits a progress report.

PART II

CONSIDERATION OF THE ACTION-TAKEN REPORT ON THE REPORT OF THE COMMITTEE FOR THE SECOND SESSION OF THE TWELFTH NATIONAL ASSEMBLY

i. Review and Operationalisation of the Current Micro, Small and Medium Enterprises Policy

The Committee requested an update on the status of the MSME Policy and on the Investment, Trade and Enterprise Development Bill.

Executive Response

a) MSME Development Policy

The Ministry of Commerce, Trade and Industry, in the first quarter of 2019, undertook stakeholder consultations on the draft revised MSME Development Policy. The draft Policy had been subjected to stakeholder review and comments in the Copperbelt, Luapula, and Central Provinces. The draft Policy was also circulated to key line ministries, public agencies, associations, non-governmental organisations and civil society organisations for review and comments in Lusaka province.

The Ministry managed to secure funding to conduct stakeholder consultations in the remaining seven provinces of the country. The Policy is scheduled to be submitted to Cabinet Office for approval before end of December, 2019

b) Investment ,Trade and Enterprise Development Bill

The Investment, Trade and Enterprise Development Bill had been submitted to the Ministry of Justice for necessary legal drafting. Once that was completed, it would be sent to parliament for enactment into law.

Committee's Observations and Recommendations

The Committee takes note of the response and waits a progress report on the stakeholders' consultations in the remaining seven provinces as well as progress on the Investment, Trade and Enterprise Development Bill.

ii. Promoting Linkages with the Mining Sector

The Committee requested a progress report on the promotion of linkages between MSMEs and the mining sector.

Executive Response

The Executive responded that to promote linkages between MSMEs and the mining sector, the Government had developed the Local Content Strategy which recommended the need for the harmonisation of the provisions in the *Mines and Mineral Development Act* on local content requirements with the proposed Local Content Bill.

In that regard, the two ministries (Ministry of Commerce, Trade and Industry and the Ministry of Mines and Mineral Development) had been in constant engagement regarding the development of Local Content Guidelines for the mining sector, which were to be drawn from the Local Content Strategy. Discussions between the Ministry of Mines and Mineral Development and Ministry responsible for commerce had commenced with various stakeholders which were to be guided by the Local Content Strategy with the view to implementing activities related to MSME and mining sector.

Further, the Ministry was to ensure that the development of the Local Content Bill was a widely consultative process in which all relevant legislation related to local content requirements were to be reviewed and harmonised to enhance the benefits from implementation of the Local Content Strategy. In that regard, linkages with MSMEs would be promoted not only in the mining sector, but in all growth sectors.

Committee's Observations and Recommendations
The committee commends the Government for formulating the Local Content Strategy. However, the Committee urges the Government to expedite the formulation of the Local Content Bill which is envisaged to create market opportunities for local MSMEs in the mining sector.

iii. Debt Contraction Conditionalities
The Committee requested a progress report on the matter.

Executive Response
The Executive responded that legalisation of the policy lay within the mandate of the various implementing ministries. However, the Executive was advised that the policy should remain without legal backing.

Committee's Observations and Recommendations
The Committee is still not satisfied with the response by the Government. The Committee contends that the intention of the Policy was to create opportunities for local MSMEs in the construction industry. However, the reluctance by the Government to enforce the policy defeats the efforts of enhancing local participation in the construction sector. The Committee reiterates that the Government should develop a legislative framework and enforce the legislation in order to enable local MSMEs to participate in the construction industry. The Committee will await a progress report on the matter.

iv. Amendment of the Loans and Guarantees (Authorisation) Act
The Committee requested an update on the amendment of the *Loans and Guarantees (Authorisation) Act, Chapter 366 of the Laws of Zambia.*

Executive Response
The Executive responded that the *Loans and Guarantees Act* had not yet been revised due to a clash between the draft legislation and the Constitution. The process would therefore, only be completed after amendment of the constitution. The Executive reported that the Loans and Guarantees (Amendment) Bill had, however, gone through the various stages of Parliament.

Committee's Observations and Recommendations
The Committee notes that the Executive has reported that the Bill has undergone through various stages of Parliament. The Committee wishes to place it on record that the Loans and Guarantees (Amendment) Bill has neither been presented to the National Assembly nor gone through any Parliamentary stage. The Committee, in this regard, urges the Government not to mislead the Committee and awaits a progress report on the presentation of the Loans and Guarantees (Amendment) Bill.

v. Business Incubation Facilities
The Committee requested a progress report on the setting up of industrial clusters in all ten provinces of the country.

Executive Response
The Committee was informed that the Government, through the Citizens Economic Empowerment Commission (CEEC), had commenced setting up the industrial yards in Kasama, Mongu, Chipata, Ndola and Solwezi. The progress thus far was indicated as follows:

Activity	Target	Achieved	Comment
Construction of Kasama Industrial Yard	41%	55%	Construction was on course and above target at about 55%
Construction of Mongu Industrial Yard	41%	44%	Construction was on course and above 44%
Construction of Chipata Industrial Yard	41%	40%	Constructor was on course. Contractor would meet the target with payments made in the last month of the fourth quarter of 2019.
Construction of Ndola Industrial Yard	41%	35%	Construction was on course though the contractor must increase the pace. Consultants had written a warning letter to the contractor to speed up the works.
Construction of Solwezi Industrial Yard	41%	8%	Overall physical progress revised to 8% as the contractor had over rated the works at 15%. In the third quarter of 2019.

			The contractor had been equally warned to speed the works.

The Executive further reported that the project funds from the African Development Bank were earmarked for financing the construction of the industrial yards, while the provision of financing of business loans for local micro, small and medium size enterprises (MSMEs) that would enable them to occupy the industrial workshops and undertake light manufacturing activities, was to be Government's contribution. In view of the fact that some of the industrial clusters would be completed and ready for occupation by MSMEs, the Ministry had engaged the Office of the Secretary to the Treasury to release Government's contribution to the CEEC Fund in order to cater for the business loans for the equipment and working capital necessary to operationalise the industrial clusters.

Committee's Observations and Recommendations
The Committee takes note of the response but expresses concern that industrial yards had only been set up in five provinces and not all provinces as recommended by the Committee. The Committee further notes that progress on most of the yards that are being set up are below the set target. In this regard, the Committee urges the Government to expedite completion of all industrial yards in all provinces as a matter of urgency. The Committee further urges the Government to provide a timeline on when these yards are expected to be completed and awaits an update on the matter.

vi. Poor Road Network
The Committee noted that works on the roads in question had not yet been completed and requested a progress report on the matter.

Executive Response
The Executive responded as highlighted below.

(i) **Kafue to Mazabuka**
The rehabilitation of the Kafue to Mazabuka Lot 1 (38.5km), (from Turnpike to Chikankata turnoff) was on-going and works were expected to be completed by 17th October, 2020. On the other hand, the procurement for the rehabilitation works of Lot 2, from Chikankata Turnoff to Mazabuka (33.5km) was in process.

(ii) **Kazungula to Sesheke**
The contract for the periodic maintenance of the Livingstone to Sesheke, Lot 2 (90km), was awarded to Messrs, Helmut Engineering and Construction Limited at a contract sum of K914,932,572.02 VAT inclusive, with a duration of 18 months. The works commenced on October 19, 2017. However, funding for the project was limited and this had affected the implementation of the project. The revised completion date had been set at April 19, 2020.

(iii) **Shangombo to Sioma**
The contract for the Construction/Upgrading of the 38km of the Sioma to Nangweshi Road M10 in the Western Province was signed on May 27, 2013 at a contract sum of K188, 596,968.03.

However, the contract was officially suspended in 2017 due to fiscal challenges. The works were anticipated to commence once funding improved.

Committee's Observations and Recommendations

The Committee takes note of the response and observes that completion dates for most of the road works have been extended. The Committee particularly observes, with concern, that the road being constructed in Shangombo is Sioma to Nangweshi and not Shangombo to Sioma as recommended by the Committee. The Committee therefore, urges the Government to prioritise completion of the road projects and ensure that completion is done within the stated periods. The Committee also urges the Government to construct the Shangombo to Sioma as recommended. The Committee resolves not to close the matter and awaits an update.

iii. **Cashew Infrastructure Development Project**

The Committee requested a progress report on the matter.

Executive Response

The Executive responded that the Government through the Ministry of Agriculture had continued implementing the Cashew Infrastructure Development Project (CIDP) which was launched in November, 2016. The project was being implemented for a period of five years in ten districts of Western Province, namely Mongu, Limulunga, Senanga, Kalabo, Nalolo, Sikoongo, Shangombo, Sioma, Lukulu and Mitete. The districts were selected based on the:- (i) high potential for cashew production, (ii) less frost problem, (iii) high incidence of poverty, food insecurity and malnutrition and (iv) vulnerability to environmental degradation and climate change.

The primary beneficiaries were small scale cashew farmers, processors and the private sector.
The project had three components as outlined below.

1. Support to Cashew Value Chain: (i) irrigation infrastructure for cashew nurseries and clone gardens, (ii) cashew plantation rejuvenation and establishment, and (iii) infrastructure for cashew-processing and marketing; (USD 41.67m - 75.2%) .
2. Capacity Building: (i) training, (ii) technical support, and (iii) matching fund; (USD7.26m – 13.1%).
3. Project Management: (i) project coordination, and (ii) monitoring and evaluation. (USD 6.49m - 11.7%) .

Component 1: Support to Cashew Value Chain

Under this component, the project aimed to improve cashew infrastructure support facilities through rehabilitation/renovations and reconstruction including establishment of new cashew plantations and rehabilitation of existing or old plantations.
To this effect the Project had achieved the following infrastructure improvements under this project:

1. Feeder access roads rehabilitation: The project was supporting the rehabilitation of a total of 46 km of feeder roads that led to main cashew production and bulking centres in the ten

districts at a total cost of US$6.3 million. The two contractors were currently in the districts executing the road works.

2. Irrigation infrastructure: The project was also supporting installation of cashew irrigation infrastructure at various sites of the project area to facilitate the establishment of cashew nurseries and clone gardens at a total cost of K6,888,072.30 and works were in progress.
3. Building infrastructure civil works for Simulumbe Research Station and the Farmers Training Centres. The project had rehabilitated and constructed buildings at Simulumbe Research Station and the Farmer Training Centres.

Regarding development and distribution of improved cashew planting materials and facilitation of markets, the project had distributed a total of 943,456 improved cashew seedlings to 9,217 farmers (27% Women and 24% Youths) in the districts translating into about 9,435 hectares of new fields planted up to the 2017/2018 season;

A total of 98,627 old cashew trees (986 hectares) were sprayed in the ten cashew hub districts and started to control the diseases which had affected cashew trees and the sprayed trees had started producing. As a result of increased plant productivity and production, the project was facilitating the establishment of a robust cashew marketing system through centralised bulking and sales centres in the teb districts;

The project team conducted mother tree identification and out of 26,000 identified mother tree only 276 were elite mother trees representing only 1.1% the mother trees are being propagated at the project supported Simulumbe Research Station and the three Farmers Training Centres to produce good quality planting materials starting from the 2019 planting season.

After the control of disease it was also noted that most of the cashew trees were not of good quality hence the cancellation of supply and delivery of cashew seedlings. As a stop gap measure, the project had distributed 173 x 80kg bags (2.6 million) of improved seed to the districts for farmers to do direct planting for the 2018/19 season.

A contract was signed with ETG as Partner NGO for rejuvenation and rehabilitation of old plantations and establishment of new plantations at US$ 10,822,607.20. ETG had mobilised to site in Mongu and had commenced community mobilisation and plantation activities. The project had also procured and distributed thirty motorbikes to the ten districts to support and strengthen extension support in the project area. The project also procured and distributed five tractors and five Land cruiser Hardtops to Simulumbe Research Station and the three Farmer Training Centres to support their operations.

Component 2: Capacity Building

a. Training

In terms of training, the activities were undertaken as outlined below.-

i.) All district staff of the Ministry of Agriculture (MoA) were trained in improved cashew production techniques.

ii.) Two MoA staff have attended Trainer of Trainer (ToT) Master training in cashew production techniques in Ghana.
iii.) MoA, CIDP and ten Cashew farmers (and one member of CGAZ) had participated in a benchmarking study visit to the Mtwara region in Tanzania.
iv.) Training of Trainers in plantation top working techniques for ZARI and Extension staff of MoA was undertaken.
v.) Trained ZAFFICO staff in good cashew agronomic practices.
vi.) Undertook sensitisation of the BRE Indunas and the Litunga on the project and its operations to enhance understanding and buy-in by traditional authorities.

b. Technical Support
i.) International Technical Advisor has been recruited and was assisting the Project Implementing Unit in cashew technical issues;
ii.) Gender Specialist has been recruited and was supporting the implementing partners in gender mainstreaming issues;
iii.) Project has made funds disbursements to technical implementing partners for undertaking various project activities under the project;

c. Matching fund
Matching Grant Fund launched by CEEC in November, 2018 with initial deposit of US$500,000 out of the US$2,000,000 matching grant fund facility. Matching Grant Fund call for applications was made and applications had been received from the districts and screening process completed awaiting award and disbursement of grants to deserving clients.

Component 3: Project Management

The project implementation was going on well and so far 40% disbursement had been received as at 2nd quarter of 2019. Monitoring and evaluation of activity implementation and progress reporting was ongoing.

Committee's Observations and Recommendations
The Committee notes the extensive activities being implemented under the project. However, the Committee is still of the view that the project life is fast approaching and the project has not yet exhausted the funding and the targeted 6 million trees has not yet been met. The Committee reiterates its previous recommendation that the Government should pursue the possibility of extending the project. The Committee awaits an update on the matter.

CONSIDERATION OF THE ACTION-TAKEN REPORT FOR THE FIRST SESSION OF THE TWELFTH NATIONAL ASSEMBLY

i. The Coordination Mechanism for Public Private Partnerships in the Country
The Committee requested a progress report on the development of the Public Investment Management System as it was reported to the Committee that certain aspects were still outstanding.

Executive Response
The Executive responded that the work of the consultancy firm that was engaged, with support of cooperating partners, to provide technical assistance in the development of the Public Investment Management System (PIMS) came to an end in March, 2019. As a result of this engagement, the following outputs were delivered:

1. The Public Investment Management Guidelines and manuals had been developed and delivered. The Public Investment Management Guidelines were awaiting issuance to the various Ministries, Provinces and other Spending Agencies (MPSAs) by way of an administrative circular through Cabinet Office. The manuals aimed to assist public officials in the formulation and appraisal of public investment projects with high economic returns and, therefore, deliver on the objectives of the country's national development plans, with the current plan being the 7th National Development Plan. The manuals would also be disseminated to all MPSAs.
2. A total of twenty-five officers from the Ministry of National Development Planning and other ministries were successfully trained in project appraisal. The training covered project financial and economic analysis as well as risk and stakeholder analysis.
3. Support was provided to the Ministry of National Development Planning in applying the principles covered in the training to review and appraisal of an actual project case in Zambia; and
4. The technical specifications for the development of an ICT system were developed. However, the development of the ICT system would be done once resources become available.

Committee's Observations and Recommendations
The Committee commends the Government for developing the Public Investment Management Guidelines. However, the Committee wonders why it has taken so long for the Government to distribute these Guidelines. The Committee contends that administrative processes such as issuance of Cabinet circulars should not delay dissemination of already finalised guidelines. The Committee awaits a progress report on the matter. The Committee further awaits a status update on the development of the ICT system as reported by the Executive.

ii. Private sector participation in the implementation of PPPs in Zambia
The Committee reiterated its earlier recommendation and urged the Executive to clearly outline the steps taken to enhance local private sector participation in PPP projects.

Executive Response
The Executive responded that the *Public Private Partnership Act, No. 9 of 2009* took into account the *Citizens Economic Empowerment Act, No .9 of 2006*, regarding preferential treatment for certain categories of citizens who had been disadvantaged or marginalised, as defined under that Act, in accessing and being awarded tenders for the procurement of public goods and services. Therefore, when preparing the Request for Proposals (RFP) for PPP projects, there was an inclusion that specific works of the project be awarded to local contractors.

The Executive further responded that in an effort to enhance local private sector participation in PPP projects, the PPP Council had made decisions that some of the PPP projects be undertaken by Zambians. Thus, the Government through the Public Private Partnership Department had been conducting PPP awareness and sensitisation for the local private sectors and local Government meant to create linkages in the area of PPP framework. Also, implementation and disseminatation of information regarding the pipeline projects which were at various stages of development, including potential ones in various sectors had been put in place.

Committee's Observations and Recommendations
The Committee notes the response and requests a report indicating how many local contractors have been awarded contracts on the PPP before the matter can be closed.

iii. PPP Strategic Development Plan for strengthening PPPs in Zambia
The Committee requested to be kept updated on the matter. It also resolved to keep the matter open until the list was availed to it.

Executive Response
The Executive responded that the Ministry of Finance had developed the Ministerial strategic Plan 2018-2021 which outlined the Government priority focus in the immediate, medium and long term in the PPP framework including defining clear roles for key players in the PPP framework. These, among others, included:

i.) strengthening the policy and legal framework;
ii.) improve internal processes and procedures;
iii.) improve work environment;
iv.) improve work culture; and
v.) improve ICT equipment and software.

Committee's Observations and Recommendations
The Committee notes that the Government has put in place a strategic plan. However, the Committee reiterates the need for the Government to avail the PPP pipeline projects as reflected in the Ministerial Strategic Plan 2018-2019 in order to allow the private sector to mobilIse enough resources to finance the projects under the PPP. The Committee awaits a progress report on the matter.

iv. Cost of Service Study
The Committee awaited a progress report on the status of the Cost of Service Study as tariff increase by ZESCO in the absence of this study would be unjustified.

Executive Response
The Executive responded that the re-procurement of the consultant to undertake the study had reached an advanced stage. The technical and financial evaluations of the bids had been successfully completed and the African Development Bank (AfDB) being the financier granted a "no objection" to the evaluation report on 18th July, 2019. The best evaluated bidder had since been invited for negotiations scheduled to take place soon. After negotiations were concluded, the draft contract would be submitted to AfDB for a "no objection" and subsequently to the Attorney General's Chambers for approval. The consultant was expected to officially commence the study soon after the negotiations.

Committee's Observations and Recommendations

The Committee expresses its deep disappointment that ZESCO has been increasing tariffs in the absence of the cost of service study and wonders on what basis the increases in tariffs have been made. The Committee resolves to leave the matter outstanding until the study is undertaken and the findings have been communicated to the Committee.

v. Standardised PPP bidding document and manuals

The Committee requested a progress report on the matter.

Executive Response:

The Executive responded that the PPP department was currently using the SADC PPP Network solicitation documents. The department was in the process of tailoring solicitation documents to each sector through the various procurement experiences amassed so far.

Committee's Observations and Recommendations

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

vi. PPP guidelines and procurement standards

The Committee requested a progress report on the development of the PPP regulations and guidelines.

Executive Response

The Executive responded that on the hiring of a consultant on the draft PPP Regulations, Technical and Best Practice Guidelines was unbundled to only carter for PPP Regulations. The request for technical and financial proposals from the three firms that submitted proposals under the previous process were obtained. Currently, the procurement of consultancy services for the development of guidelines and procurement standards for the implementation of the PPP projects was still ongoing.

With regard to the development of best practice guidelines for PPPs, the PPP department engaged cooperating partners such as the World Bank, DFID and the SADC PPP Network, United States Trade Development Agency (USTDA) for possible technical assistance. The department was still waiting for responses from these cooperating partners.

Committee's Observations and Recommendations

The Committee urges the Government to expedite the process of formulating guidelines and procurement standards for implementation of PPP projects as well as best practice guidelines by project type as recommended by the Committee. The Committee in this regard awaits a progress report.

vii. Financing of public universities

The Committee requested a progress report on the status of the proposed measures that were submitted to Cabinet, aimed at liquidating the debt and implementing prudent management strategies at the said universities.

Executive Response

The Executive responded that progress on some of the proposed measures that were submitted to Cabinet, aimed at liquidating the debt and implement prudent management strategies in Public Universities was as highlighted below.

1. Formation of a Joint Industrial Bargaining Team for the top three public universities (University of Zambia, Copperbelt University and Mulungushi University) to ensure harmonisation of conditions of service and ensuring sustainability of the wage bill;

Progress:

The Joint Bargaining Team was established consisting of the Ministries of Higher Education and Finance, and representatives from the Management of the three Public Universities. From 2018, negotiations for improved conditions of service for the top three public universities were being held under this new arrangement and the process of harmonising the conditions of Service across the top three public universities commenced following the negotiations held in 2018.

2. **Gradual increase in the annual budget allocation for grants to the three public universities.**

Progress:

In line with the commitment made by the Government, the allocations for Grants to the three Universities had been increasing. Between 2017 and 2019 for example, the budget to the University of Zambia increased by 28 percent, while that of Copperbelt and Mulungushi Universities increased by 36 percent and 39 percent, respectively as outlined in table 1.

Table 1: Budget Allocations to the top three public universities

NO.	INSTITUTION	2017 BUDGET (K)	2018 BUDGET (K)	2019 BUDGET (K)	INCREASE (%)
1.	University of Zambia Grant	156,606,429	200,285,634	200,285,634	28
2.	Copperbelt University Grant	63,787,433	86,787,433	86,787,433	36
3.	Mulungushi University Grant	20,633,858	28,633,858	28,633,858	39

The increased budget allocations to the universities was expected to ease the operations of the universities in terms of meeting some of their obligations and facilitating a conducive environment for learning.

3. **Allocating funds for liquidation of arrears and accrued debt in the three Universities.**

Progress:

Since 2017, Government had allocated a total of K304.9 million towards liquidation of debt in public universities. The annual breakdown between 2017 and 2019 is as reflected in table 2.

Table 2

2017 Budget	2018 Budget	2019 Budget	Total
45,000,000	197,102,000	62,750,779	304,852,779

Part of the allocations in Table 2 were meant to cater for principal repayments for a commercial loan by the University of Zambia from ZANACO, where Government committed to be paying K30 million per annum. The loan was cleared in 2019. The rest of the allocations were meant for the payment of retirement benefits to former employees and serving employees who were owed by the three universities. Due to fiscal constraints in 2018, however, only K40 million was disbursed for paying of retirement benefits in the three public universities. Arising from the disbursement in 2018, all outstanding retirement benefits under Mulungushi University were cleared while only part of the obligations under the University of Zambia and Copperbelt University were cleared.

4. Commence loan recoveries from students that previously benefited from the Bursaries Committee, now called the Higher Education Loans and Scholarship Board.

Progress:

In September, 2018 the Government commenced loan recoveries from students that previously benefited from the Bursaries Committee, now called the Higher Education Loans and Scholarship Board. The recoveries started with those on the Government payroll in September, 2018 and were extended to those currently working in the private sector in January, 2019. However, the Government was currently working on modalities to start loan recoveries from those doing their own businesses. From September 2018 to second quarter 2019, a total amount of K33, 399,968.00 had been recovered.

Committee's Observations and Recommendations

The Committee appreciates the immense progress made on the matter. However, the Committee awaits an update on the harmonisation of conditions of Service across the top three public universities following the negotiations held in 2018 as it is the only matter outstanding.

viii. Meeting with Management of the Kenneth Kaunda International Airport (KKIA)

The Committee took note of the progress made and requested to be kept updated on the matter.

Executive Response

The Executive responded that the national airline, Zambia Airways (2014) Limited, had been incorporated under the *Companies Act* as a company limited by shares. The Airline would, therefore, be governed within the context of the *Companies Act*.

The national airline was a partnership between the Industrial Development Corporation (IDC) and Ethiopian Airlines with 55% and 45% shareholding, respectively. The total initial investment cost was USD 30million.

The Executive further responded that the IDC equity contribution comprised USD 5 million in assets, that is, hangers and buildings at Kenneth Kaunda International Airport and USD 11.5million in cash contribution towards airline working capital. On the other hand, Ethiopian airline's contribution would be a cash contribution of USD 13.5 million which would be split into USD 9million for three aircrafts lease rentals and a USD 4.5 million payment towards security deposit for aircraft lease. Further, Ethiopian Airlines would provide technical support and component exchange services to the Shareholders.

In addition, the Government, through the IDC was in advanced engagements with a multilateral development financial institution in conjunction with a local Bank with respect to the equity contribution of $11.5 million. This amount would be on the balance sheet of IDC as the borrower and the process was expected to be completed by end of the third quarter of 2019. In the meantime, IDC had mobilised K14 million to be applied towards pre-operational related expenses from the domestic financial sector. Therefore, in repaying the debt IDC would not be falling on the Treasury.

Committee's Observations and Recommendations

The Committee takes note of the progress made and requests to be kept updated on the matter. The Committee further requests an update on how IDC would repay the USD 11.5 it intended to borrow.

ix. Meeting with Management of the Kasumbalesa One-Stop Border Post

The Committee requested to be kept updated on the matter until it is settled in court and a way forward is agreed.

Executive Response

The Executive responded that the matter between Chililabombwe Municipal Council and the Ming'omba community is still in Court. However, the Community had approached the local authority to have the mater settled out of Court. The Committee would be kept up to date as the matter progressed.

Committee's Observations and Recommendations

The Committee takes note of the response and still awaits an update on the matter.

x. Kasumbalesa Border Infrastructure Development Plan

The Committee requested a progress report on the status of the Kasumbalesa Border infrastructure development plan.

Executive Response

The Executive responded that the Government, through the council, had already started with the process of re-planning Kasumbalesa. It had started with the process of picking all buildings in order to identify the extent of encroachments into other plots in comparison to the existing layout. The biggest challenge had been that due to the illegalities that had existed there, the existing layout had not been followed to the letter. Therefore, during the production of the infrastructure plan, the activities lined up were as outlined hereunder.

a) Picking of all structures
b) Meetings with all stakeholders
c) Alignment of some plots
d) Correction of some misaligned buildings

e) Identification of land for new developments
f) Creation of a new and updated layout plan

The council had so far undertaken the activities below.

a) identified 10 hectares land for a truck facility through a PPP arrangement;
b) written to Lubambe Mine for additional land for a truck park;
c) identified and reserved land for public toilets and a private investor had been approved through a PPP arrangement; and
d) Government was in the process of building a modern market at Kasumbalesa for effective trading. A contractor had already visited the site for construction.

The infrastructure development plan was expected to be finalised by the end of 2019. This plan would go a long way in alleviating the various problems at Kasumbalesa border. However, the following needed urgent attention.

a) Working on and expanding the road leading to the border.
b) Construction of a trade centre big enough to accommodate all traders.
c) Quickly approving/selecting the contractor to do the truck park. The PPP unit and Ministry of Commerce, Trade and Industry were handling this matter.

Committee's Observations and Recommendations

The Committee appreciates the progress made and the fact that stakeholders have been involved in formulating the Infrastructure Development Plan. However, the Committee urges the Government to expedite the process and ensure that the Plan is implemented without any further delay. The Committee awaits an update on the matter.

xi. Digitalisation of the Kasumbalesa Border Post

The Committee requested a progress report on the status of the implementation of the digitalisation of the Kasumbalesa Border Post.

Executive Response

The Executive responded that the Government, through the Zambia Revenue Authority (ZRA), had been working on the development of the interface between the ASYCUDA World System and the Traffic Management System of the Concessionaire, Zambia Intellectual Property Border Crossing Company (ZipBCC).

Development of the interface was done and the technical tests were conducted. Following the tests, few issues were raised on how best the exchange of data with ZipBCC could be utilised. This had since been addressed and user testing would be finalised during the fourth quarter of 2019 prior to the implementation.

Development of the interface for customs data exchange between ZRA and DGDA, the Revenue Authority of the Democratic Republic of Congo (DRC), had also reached an advanced stage. The technical team had since commenced testing and the implementation of the data exchange was also planned for the third quarter of 2019.

Following the parliamentary response from ZRA on the modernisation of the Kasumbalesa Border Post, a technical functional team from the Zambia Revenue Authority and Smart Zambia Institute had been constituted and would be carrying out a continuous assessment of Government intervention at busy borders such as Kasumbalesa, Chirundu and Kazungula.

Committee's Observations and Recommendations

The Committee takes note of the response and commends the Government for the effort. However, the Committee urges the Government to finalise the user testing and fully digitalise Kasumbalesa Border Post. The progress report will be awaited by the Committee.

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

i. **Implementation of the e-voucher system**

The Committee resolved to keep the matter open until the challenges and inefficiencies that were being experienced by the farmers in the implementation of the e-voucher system were ironed out. The Committee, therefore, sought a progress report on the matter.

Executive Response

The Executive responded that the e-voucher implementation in 2017/2018 farming season faced a number of challenges. In order to address most of the challenges experienced in 2017/2018 farming season, the Farmer Input Support Programme (FISP) was implemented using two approaches, namely; the e-voucher system and the direct input supply system.

Under direct input supply, the Government procured and distributed fertiliser and assorted seed varieties for issuing to farmers in selected districts, while in some districts, a cardless system was used by farmers to access inputs.

The cardless redeeming processes reduced a number of challenges experienced when using cards. This meant that delays by banks in issuance of cards were done away with as farmers were using e-value to transact with agro-dealers. The Zambia Integrated Agricultural Management Information System (ZIAMIS) was producing automatic invoices for the agro-dealers, which Government was using to pay agro-dealers.

Other improvements made during the 2018/2019 agricultural season included:-

i.) Farmer Deposits Management - real time deposit confirmation mechanism was possible as all service providers were integrated with ZIAMIS;

ii.) subsidy authorisation and loading of e-value - immediately after confirmation of deposit to ZIAMIS, the e-value was made available to the farmer to redeem inputs; and

iii.) transaction reconciliation and reporting. All participating banks and service providers provided all necessary reconciliation information through ZIAMIS and a number of standard reports were added to ZIAMIS.

Committee's Observations and Recommendations

The Committee notes that the Executive has acknowledged that the 2017/2018 farming season had numerous challenges with regard to the e-voucher system and access to inputs by farmers. The challenges ranged from network issues to inadequate agro dealers in some districts.

Further, the Committee is aware that some farmers did not receive farming inputs for the 2018/2019 period and the Government has not refunded some farmers. The Committee also notes that the e-voucher approach of the FISP is not effective as some agro dealers are exploiting farmers by inflating prices of seed and fertiser. The Committee is further aware that under the direct input supply system, each farmer is entitled to six bags of fertiliser unlike under the e-voucher system where each farmer receives four bags of fertiliser for the same amount.

In this regard, the Committee urges the Government to provide reasons as to why some farmers have not been refunded. The Government should also provide details on how many farmers are owed by the Government and the amounts involved. The Committee also urges the Government to do a comprehensive analysis of the two systems namely; Direct Input Supply System and e-voucher which are being implemented parallel to each other, and ensure that a more effective and efficient approach is uniformly implemented in all districts so that other districts are not disadvantaged. The Committee awaits a progress report on the matter.

ii. **Land Policy**

The Committee reiterated its earlier observation and recommendation and requested a progress report on the finalisation of the Land Policy.

Executive Response

The Executive noted the recommendation made by the Committee. However, the Government urged the Committee to note that the Ministry of Lands and Natural Resources had undertaken some activities as outlined hereunder:

i.) Technical Committee (TC) for the development of the Land Policy was reconstituted in March, 2019;
ii.) in April, 2019, a cordial handshaking meeting with the Chairperson of the House of Chiefs supported by five other chiefs took place;
iii.) In May, the Technical Committee met with Committee of Permanent Secretaries for guidance on contentious issues that Chiefs raised at their 28th and 29th May, 2018 meeting and continues to receive responses from multiple ministries;
iv.) In July, the Ministry of Lands and Natural Resources met with the full House of Chiefs during its sitting and agreed on the way forward with regard to the draft land policy and its contents; and
v.) In November, 2019, the Ministry is hopeful that the validation of the National Land Policy will be held.

Committee's Observations and Recommendations

The Committee is disappointed that development of such an important policy has taken inordinately long. The Committee urges the Government to expedite the finalisation of the Land

Policy and ensure that it is implemented without any further delay. The Committee resolves not to close the matter and awaits a progress report.

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

i. Unbundling of ZESCO

The Committee requested a progress report on the matter.

Executive Response

A full time implementation team comprising senior civil servants from Management Development Division, Ministries of Finance, Justice, National Development Planning, Energy and Labour and Social Security had since been constituted following Cabinet directive. To this effect, a roadmap had been developed and it required Cabinet approval for the Team to commence the coordination and execution of the recommendations on the transformation of ZESCO Limited. That notwithstanding, it had been realised that there was need to co-opt additional personnel as well as allow the IDC to take the lead in the ZESCO Limited transformation process.

The roadmap set out the framework through which the required actions to resolve ZESCO's challenges would be implemented. In particular, the roadmap sought to enhance ZESCO's revenue while containing costs, thereby leading to strengthening of ZESCO's financial position. Further, effective implementation of the roadmap would ensure that the corporate governance lapses were addressed.

The proposed roadmap was in two phases. The proposed interventions in phase one were meant to achieve quick-wins in order to improve ZESCO's financial position. On the other hand, interventions in phase two would not only consolidate the gains under phase one but also create an enabling environment for increased private sector participation in the electricity industry.

Committee's Observations and Recommendations

The Committee notes the response and awaits the outcomes of the road map and how the current challenges ZESCO is facing will be addressed by the framework.

ii. Dismantling debt owed to ZESCO Limited

The Committee requested a progress report on the operationalisation of the debt swap.

Executive Response

The Executive responded that a total debt owed to ZESCO by central government, Ministries and Other Spending Agencies, water utilities and parastatals as at 23rd July, 2019 amounted to K682, 168,727.91.

As at 23rd July, 2019 the debt owed to ZESCO in unsettled electricity bills by Government stood at K505, 038,551.28. The debt age on electricity bills for Government was on average 30 months or 900 days. Currently, ZESCO had engaged the Ministry of Finance to debt swap the debt owed to it by central government, Ministries and other spending agencies, water utilities and parastatals. However, the Ministry of Finance had guided that the debt swap would only be done on the debt owed by Central Government and Other Spending Agencies. The requisite verification was carried out and the audited electricity debt was established to be K351, 602,497.32 as at June 2018. The Audit report had since been submitted to the Ministry of Finance. In addition, ZESCO engaged the Ministry of Finance in January, 2019 to debt swap with all the water utilities whose electricity debt was standing at ZMW243, 872,570.71 as at December, 2018. The Ministry of Finance had since been carrying out debt verifications for the water utilities in terms of water bills owed by Government. Therefore, implementation of the swaps would only be operationalised upon completion of the audit process which was currently on going.

Committee's Observations and Recommendations

The Committee urges the Government to expedite the audit process of water utilities in order to establish the exact amount owed to ZESCO before the possibility of debt swaps could be explored. Further the Committee requests to be kept updated on the liquidation of debt owed to ZESCO by the central government, spending agencies, parastatal bodies and water utilities through debt swaps. The Committee shall await a progress report on the matter.

iii. National Social Protection Bill

The Committee requested a progress report on the Social Protection Bill.

Executive Response

The Executive responded that the Government had subjected the draft National Social Protection Bill to further consultations with key stakeholders including the pension houses. As earlier agreed upon, the draft Bill proposed the opening up of the Public Service Pension Fund (PSPF) and Local Authorities Superannuation Fund (LASF) to new membership as occupational schemes while maintaining the National Pension Scheme Authority (NAPSA) as the basic scheme. This implied a three tier pension system where members would contribute to NAPSA as the first pillar and also to either PSPF or LASF as a supplementary, occupational pillar. However, the Government had plans of embarking on other policy options to ensure the efficiency and effectiveness of the pension system in Zambia, and this might affect the operations of PSPF and LASF. A final decision on the best available reform option would soon be made by Government and would be communicated to the Committee and the general public at large once all the available options were considered. The Government had already conducted actuarial studies relating to the operations of PSPF and LASF and the draft reports on this exercise were currently being reviewed.

Committee's Observations and Recommendations

The Committee takes note of the response and resolves to await a progress report on the presentation of the National Social Protection Bill to the National Assembly.

iv. Tour to the Copperbelt Energy Corporation - Kabompo Hydro Electric Power Project

The Committee requested a progress report on the issuance of the Certificate of Title.

Executive Response

The Executive responded that the process for issuance of Certificate of Title for Copperbelt Energy Corporation was underway. The Ministry of Lands and Natural Resources wrote to the Republican President on 19th June 2018 requesting that the land in question be given approval by him. The Ministry was still awaiting feedback.

Committee's Observations and Recommendations

The Committee reiterates its previous recommendation and requests a progress report on the issuance of the Certificate of Title.

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

i. **Comprehensive debt strategy and policy**

The Committee requested a progress report on the formulation of a Public Debt Policy.

Executive Response

The Executive responded that the Ministry of Finance had proposed to undertake the formulation of the Public Debt Policy in the 2019 work plans. However, due to fiscal constraints and reduced budget ceilings, the Public Debt Policy was not included. In this regard, the Debt Policy would be considered in the 2020 fiscal year. Suffice to mention that the Ministry was currently undertaking the revision of the Medium-Term Debt Strategy which would subsequently feed into formulation of the Policy.

Committee's Observations and Recommendations

The Committee urges the Government to prioritise this important policy and relevant legislation in view of the current debt position the country is in. The Committee, therefore, requests a progress report on the formulation of the Public Debt Policy.

CONSIDERATION OF THE ACTION-TAKEN REPORT ON THE REPORT OF THE AUDITOR GENERAL ON THE MANAGEMENT OF OCCUPATIONAL SAFETY AND HEALTH FOR THE FIFTH SESSION OF THE ELEVENTH NATIONAL ASSEMBLY

i. Occupational Safety and Health Policy

The Committee requested a progress report on the finalisation of the Occupational Safety and Health (OSH) Policy.

Executive Response

The Executive responded that the Government had made considerable progress on the development of the OSH Policy. To ensure effective coordination of OSH issues in Zambia, the Ministry of Labour and Social Security the Ministry of Mines and Minerals Development and the Ministry of Health had started discussing modalities of developing a comprehensive OSH Policy and these discussions were nearing completion. Once the policy framework was approved, Government would consider establishing a body or authority that would help in regulating all matters related to Occupational Safety and Health in Zambia.

Owing to the current fragmentation of OSH law enforcement by different institutions, Government, through the Ministry of Labour and Social Security, had drafted the Memorandum of Understanding (MoU) that would enhance coordination among the implementing institutions responsible for addressing OSH issues in Zambia. Once the proposed MOU was agreed upon by the parties involved, the draft policy would be validated and the three institutions namely; the Ministry of Labour and Social Security the Ministry of Mines and Minerals Development and Ministry of Health would be made to implement the OSH Policy collectively.

Committee's Observations and Recommendations
The Committee appreciates the response and requests a progress report on the validation and implementation of the OHS Policy.

ii. Occupational safety and health institutional strategic plans
The Committee noted with disappointment that it had taken over two years now and several meetings of the National Assembly since 2017. However, the National Social Protection Bill had not yet been submitted. It called for expeditious action on the matter and requested a progress report on the preparation of institutional strategic plans that addressed OSH issues.

Executive Response
The Executive reported that the Government had taken note of the recommendations by the Committee and would ensure that the National Social Protection Bill was finalised expeditiously. The institutional strategic plans addressing issues related to Occupational Safety and Health would be embedded in the National OSH Policy which was being finalised.

Committee's observation and recommendations
The Committee requests a progress report on the finalisation of the National Social Protection Bill and the institutional strategic plans.

iii. Occupational safety and health legislation
The Committee requested a progress report on the review of OSH legislation.

Executive Response
The Government was in the process of finalising the review of the *Factories Act, Chapter 441 of the Laws of Zambia*. To ensure that the proposed regulations were not affecting the business environment, the Ministry of Labour and Social Security had been advised to undertake extensive consultations with key stakeholders and consider conducting the Regulatory Impact Assessment as prescribed under Section 6 of the *Business Regulatory Act, No. 3 of 2014*. The proposed regulations were also scheduled to be discussed through the Tripartite Consultative Labour Council (TCLC) Meeting.

Committee's Observations and Recommendations
The Committee urges the Government to attach importance to the safety of workers in various institutions and expedite the finalisation of legislation pertaining to safety and health legislations without delay. The Committee awaits a progress report on the matter.

iv. Poor funding for occupational safety and health operations

The Committee requested a report on the implementation of the plans so as to resolve the operational challenges of the units.

Executive Response

The Executive responded that during the 2017- 2018 financial years, Government allocated funds for the procurement of motor vehicles and computers for labour offices in selected districts. The resources were released and a total number of twenty six vehicles (4x4 and Saloon cars) were successfully procured as planned. Furthermore, a number of computers were procured and delivered to the field stations. This had helped in addressing the operational challenges facing the Labour and OSH Inspectors in various districts. However, more still needed to be done and Government would consider buying more vehicles and computers for the remaining district offices progressively when resources permitted.

With regard to capacity building, the Ministry of Labour and Social Security had been holding the Labour Officers' Conference with a view to capacitating the officers with the skills required in their operations. Importantly, the International Labour Organisation (ILO) had been facilitating the training of a number of officers in labour and OSH administration.

Committee's Observations and Recommendations

The Committee resolves to keep the matter outstanding until motor vehicles and computers are procured for the remaining districts

v. Inadequate personnel to carry out meaningful safety and health inspections

The Committee requested a progress report on the granting of Treasury authority to fill the positions as per the revised organisation structure for the Occupational Safety and Health Department.

Executive Response

The Executive responded that Treasury Authority was yet to be granted for the positions created as per the revised organisation structure. To address the challenges facing the OSH Department under the Ministry of Labour and Social Security in terms of conducting inspections countrywide, the Government would consider this matter during the preparation of the 2019-2020 Medium Term Expenditure Framework (MTEF).

Committee's Observations and Recommendations

The Committee reiterates its request for a progress report on the Treasury authority to fill the positions as per the revised organisation structure for the OSH Department.

11.0 CONCLUSION

The Committee notes the vision of the National Financial Inclusion Strategy 2017 to 2022 which is to have universal access to and usage of a broad range of quality and affordable financial products and services. It is paramount, therefore, that affordable, quality and easy to utilise financial services are made available in order to meet the growing need for these products.

With the positive trajectory financial inclusion is moving on, it is cardinal that investment in infrastructure is escalated coupled with increase in the quantum and quality of the financial products and services. These services include access to loans which act as a source of credit for business investments as well as consumption and a form of saving especially for those located in rural areas.

It is evident that progress has been made with regard to the policy and legal framework as well as the strategic planning instruments in the digital financial services sector. However, there are still significant disparities in financial inclusion between rural and urban areas, men, women, youths, MSMEs and large firms. The potential to leverage digital technologies to reduce costs and expand the reach and access of the formal financial sector has not yet been fully exploited in Zambia.

The Committee is grateful to you, Mr Speaker, and to the Clerk of the National Assembly for the guidance and support rendered to it during the consideration of its topical issue. The Committee is also indebted to all the witnesses who appeared before it for providing the necessary memoranda and briefs on the topical issue for consideration by the Committee.

Dr S Musokotwane, MP	June, 2020
CHAIRPERSON	**LUSAKA**

APPENDIX I

List of National Assembly Officials

Ms C Musonda, Principal Clerk of Committees
Mr H Mulenga, Deputy Principal Clerk of Committees (FC)
Mrs C K Mumba, Senior Committee Clerk (FC)
Mrs E K Zgambo, Committee Clerk
Mrs G Chikwenya, Typist
Mr M Chikome, Committee Assistant
Mr D Lupiya, Committee Assistant
Mr M Kantumoya, Parliamentary Messenger

APPENDIX II

List of Witnesses

i. Ministry of Finance
ii. Ministry of Transport and Communication
iii. Ministry of Commerce, Trade and Industry
iv. Ministry of Community Development and Social Welfare
v. Ministry of Higher Education
vi. Smart Zambia
vii. Competition and Consumer Protection Commission
viii. Bank of Zambia
ix. Shoprite Zambia
x. Zambia Congress of Trade Unions
xi. Zambia Information and Communication Technology Authority
xii. Jesuit Centre for Theological Reflection
xiii. Zambia Institute for policy Analysis and Research
xiv. Financial Sector Deepening Zambia
xv. Bankers Association of Zambia
xvi. Zambia National Commercial Bank
xvii. First National Bank
xviii. Stanbic Bank
xix. National Savings and Credit Bank
xx. Zoona
xxi. Consumers Unity Trust Society
xxii. Airtel Zambia
xxiii. Zambia Telecommunications Company Limited
xxiv. MTN Zambia