REPUBLIC OF ZAMBIA

REPORT

OF THE

COMMITTEE ON PARASTATAL BODIES

ON THE

EXAMINATION OF THE ANNUAL REPORTS FOR THE TANZANIA ZAMBIA RAILWAY AUTHORITY FOR THE YEARS ENDED 2017 AND 2018

FOR THE

FOURTH SESSION OF THE TWELFTH NATIONAL ASSEMBLY APPOINTED ON 21ST SEPTEMBER, 2017

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1.0 Composition of the Committee

The Committee consisted of Mr P M W Daka, MP (Chairperson), Ms Ms P Kasune (Vice Chairperson), Mr A Kasandwe, MP, Mr G Chiyalika, MP, Mr D Syakalima, MP, Mr B Kambita, MP, Mr E K Belemu, MP, Mr G Putu, MP, Mr M Mukumbuta and Mrs M D Mwanakatwe, MP.

The Honourable Mr Speaker
National Assembly
Parliament Buildings
LUSAKA

Sir

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

2.0 Functions of the Committee

In accordance with the National Assembly 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/or agencies under its portfolio;
(ii) carry out detailed scrutiny of certain activities being undertaken by the Government ministries, departments and/or agencies under its portfolio and make appropriate recommendations to the House for ultimate consideration by the Government;
(iii) make, if considered necessary, recommendations to the Government on the need to review certain policies and certain existing legislation;
(iv) examine annual reports of Government ministries and departments under its portfolio in the context of the autonomy and efficiency of Government ministries and departments and determine whether the affairs of the said bodies are being managed according to relevant Acts of Parliament, established regulations, rules and general orders;
(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.

In line with the above, the main focus of the Committee is to:

(i) consider annual reports and accounts of parastatal bodies;
(ii) consider reports, if any, of the Auditor General on parastatal bodies;
(iii) consider, in the context of the autonomy and efficiency, the operations of parastatal bodies, whether the affairs of the parastatal bodies are being managed in accordance with the relevant regulations, rules and general orders, sound business principles and prudent commercial practice;
(iv) report and make appropriate recommendations to the Executive through the House on the mandate, management and operations of parastatal bodies;
(v) examine the instruments relating to the acquisition and disposal of parastatal companies and ensure that such exercises are conducted in a fair and prudent manner;
(vi) carry out detailed scrutiny of activities being undertaken by parastatal bodies and make appropriate recommendations to the House for ultimate consideration by the Executive;
(vii) make, if considered necessary, recommendations to the Executive on the need to review certain policies and existing legislation relating to parastatal bodies; and
(viii) consider any matter that may be referred to it by the Speaker or an Order of the House.

3.0 Meetings of the Committee

The Committee held thirteen meetings to consider submissions on "the Examination of the Annual Reports for the Tanzania-Zambia Railway Authority (TAZARA) for the years ended 2017 and 2018."

4.0 Procedure Adopted by the Committee

The Committee requested written and oral memoranda on the topic under consideration from the stakeholders listed at Appendix 1.

5.0 Arrangement of the Report

The Report is organised in two parts: Part I presents the findings from the Committee's deliberations on the Topical Issue. Part II deals with the Committee's consideration of the Action-Taken Report on the Report of the Committee for the Third Session of the Twelfth National Assembly.

PART I

Consideration of the Topical Issue: Examination of the Annual Reports of the Tanzania-Zambia Railway Authority, for the years ended 2017 and 2018

6.0 Background

The importance of transportation to social and economic development cannot be overemphasised. In this regard, efficient and effective transport systems are essential for economic growth and have the potential to reduce the overall cost of doing business in the country, thereby contributing to the attainment of a diversified and resilient economy for sustained growth and socio-economic transformation. An improved transport system and infrastructure would enable efficiency in the movement of goods and people within Zambia. Further, as a land-linked country, with eight neighbouring countries, Zambia requires its transport infrastructure to be in a good state to link to the principal ports and serve as a hub for goods in transit.

The transport sector, which constitutes four modes namely railways, aviation, roads and maritime, has played a critical role in facilitating the development process in all economic and social sectors as guided by the 2002 National Transport Policy.

Zambia's rail network consists of two systems: Zambia Railways Limited (ZRL) and the Tanzania-Zambia Railways Authority (TAZARA) which is jointly owned by the Tanzanian and Zambian Governments. As elucidated in the Seventh National Development Plan, the Government will prioritise construction of new railway spurs and rehabilitation of existing lines. The focus will be to undertake a comprehensive rehabilitation of the Zambia Railways mainline (including inter-mine lines) and to revitalise the Tanzania-Zambia Railway Authority (TAZARA) to increase operational efficiency, reduce the cost of freight, and increase the tonnage transported. The Committee, therefore, resolved to undertake a study on TAZARA, by examining the Annual Reports for TAZARA for the years 2017 and 2018, in order to garner a better understanding of the operations of the company and challenges faced, if any.

6.1 Objectives of the Study

The objectives of the study were to:

(i) review the adequacy of the legal framework governing TAZARA;
(ii) scrutinise the operational and financial performance of TAZARA for the years 2017 and 2018;
(iii) establish the role of TAZARA in the Zambian economy;
(iv) establish strategies that support and promote trade facilitation in the rail sector in the COMESA region;
(v) learn the challenges that exist in the management of TAZARA; and
(vi) make appropriate recommendations to the Executive on the way forward with regard to improving the performance of TAZARA.

7.0 Summary of Submissions by Stakeholders

The submissions by stakeholders, who are listed at Appendix 1, are summarised below.

7.1 Legal Framework Governing TAZARA

The Committee was informed that the TAZARA rail line which spanned a total of 1,860 kilometers was constructed and financed by the Chinese Government. TAZARA was a statutory body owned in equal shares by the Government of the Republic of Zambia and the Government of the United Republic of Tanzania. The Committee was further informed that the Authority began its commercial operations in July, 1976. The rail line spanned from the port of Dar es

Salaam in Tanzania to New Kapiri Mposhi in Zambia, with 975 kilometers in Tanzania and 885 kilometres in Zambia.

With regard to the legal framework governing the operations of TAZARA, the Committee was informed that these included, but were not limited, to the ones listed below.

(i) The National Transport Policy of 2019

The National Transport Policy aimed at enhancing the facilitatory role of the transport sector in social and economic development of the public and private sectors. It sought to promote private sector involvement in infrastructure development and service provision under a regulated environment. Further, it focused on promoting an integrated modal for the transportation of goods and passengers, enhanced cost efficiency in transport service provision by ensuring optimal maintenance and rehabilitation of existing transport infrastructure. It was aimed at promoting regional corridor competitiveness through the promotion of safe transport infrastructure and services.

(ii) The Tanzania-Zambia Railways Authority Act No. 4 of 1995

The Act provided for the governance structure which comprised the Council of Ministers, Board of Directors and the management team. The Council of Ministers was the supreme policy organ of TAZARA, and comprised six ministers from each country, respectively. These were the Ministers in charge of Transport, Finance and Trade or Commerce. The Ministers responsible for Transport were the Chairpersons of the Council on a rotational basis between Zambia and Tanzania. Further, the Board of Directors consisted of six members who were the Permanent Secretaries responsible for Transport and two members with experience in transport, commerce, industry or finance from each country respectively. The Committee also learnt that the Act stipulated that the Managing Director shall be appointed from Zambia, while the Deputy Managing Director shall be appointed from Tanzania.

(iii) Railways (Transport of Heavy Goods) Regulations ,Statutory Instrument No. 7 of 2018

The issuance of the Railways (Transport of Heavy Goods) Regulations, Statutory Instrument No. 7 of 2018, made it mandatory to transport 30 per cent of all bulk and heavy cargo by rail. This helped to increase the tonnage to be moved by TAZARA even though the Authority lacked the requisite capacity to benefit from the Statutory Instrument.

The above stated policy and laws offered broad and generic policy direction and guidance. Stakeholders, however, submitted that the above legal framework was inadequate to meet the railway industry's challenges and opportunities. Other stakeholders informed the Committee that the legislative framework was undergoing review in order to include provisions that would make TAZARA operate profitably, and in a sustainable manner. The stakeholders further submitted that amending the TAZARA Act would allow TAZARA to operate commercially through private sector injection of capital, and thereby minimise the dependency on the two shareholding countries. This would help raise the much needed capital to revamp the Authority. Additionally, it would allow the Authority to employ a Managing Director who was qualified and competent from any part of the world.

7.2 Operational and Financial performance of TAZARA for the years 2017 and 2018

The Committee was informed that the operational and financial performance of TAZARA was evaluated using the Balanced Scorecard (BSC) approach as shown in table 1 below. In addition to financial indicators, the BSC approach considered customer issues, internal business processes, employee activities, and shareholder concerns as key performance drivers as opposed to using the unilateral traditional financial analysis. The traditional financial analysis was unable to accurately represent the true state of the organisation, or what was likely to happen in the future. Further, the Committee was informed that the BSC was structured according to the logic of the management cycle, plan-do-check-act and was, therefore, applicable to non-profit and public sector organisations like TAZARA.

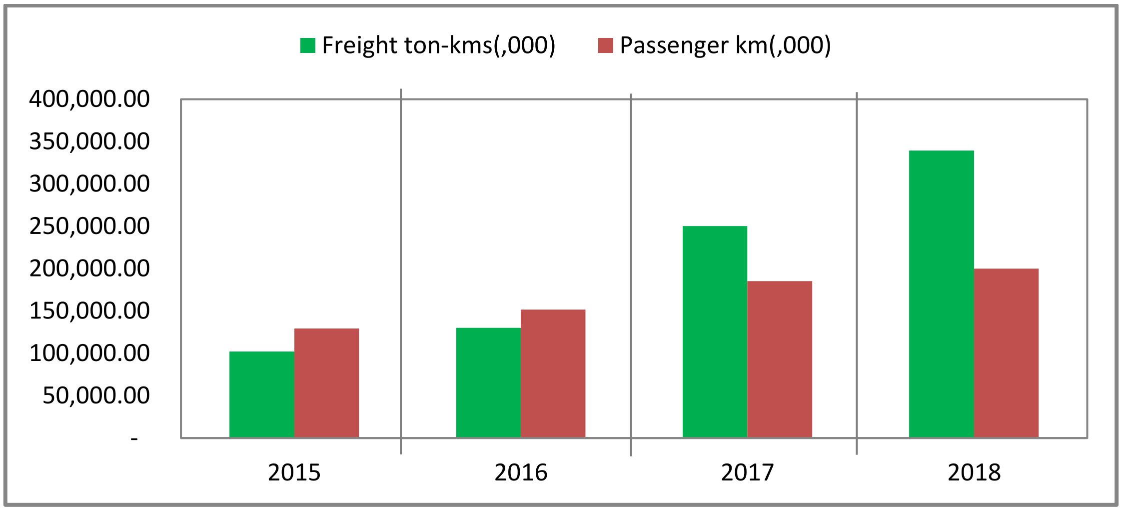
Table 1: Business Perspectives of the Balanced Scorecard

i. Stakeholder perspective	ii. Financial perspective
This was a customer–focused perspective i.e. customer care activities and customer satisfaction surveys and market development	This was a shareholder–focused perspective i.e. financial ratios and cash flows
iii. Internal processes	iv. Organisation perspective
This was a mission–oriented perspective i.e. product innovation and quality control	This was a staffing and organisation culture focused perspective i.e. quality of staff

(i) Stakeholder Perspective

The stakeholders submitted that for the period under review, TAZARA had a vision to be the most preferred transport organisation in the sub-region, and the mission was to satisfy the customer needs through the provision of an efficient and quality transport system. From the vision, mission and values of TAZARA, it was clear that the entity intended to operate with a strong customer focus. The Committee was further informed that considering that TAZARA was a bi-national organisation, its policy decisions for provision of services had a long chain of command and this negatively affected TAZARA's top mandate to carry passengers and goods by rail. The passengers and the owners of the goods were the key stakeholders who provided TAZARA with the revenue it required for sustainability. It was evident from the annual reports that there were improvements in the levels of service to the satisfaction of the customers. The annual reports attributed the turnaround to the work of the transformational task force, which had reassured the customers and won back their confidence of the brand. This was coupled with capital injections and the elevated attention given to improving transit time, security and safety of goods. For instance, average transit times reduced from eight days in 2016 to six days in 2017, while turnaround time reduced from seventy three days to thirty one days. Insights from the annual reports showed that there was a positive transformation with regard to customer relations. As shown in the figure 1 below, there was an increase in the freight service volumes and passenger demand which was an attestation to the improved customer focus of TAZARA.

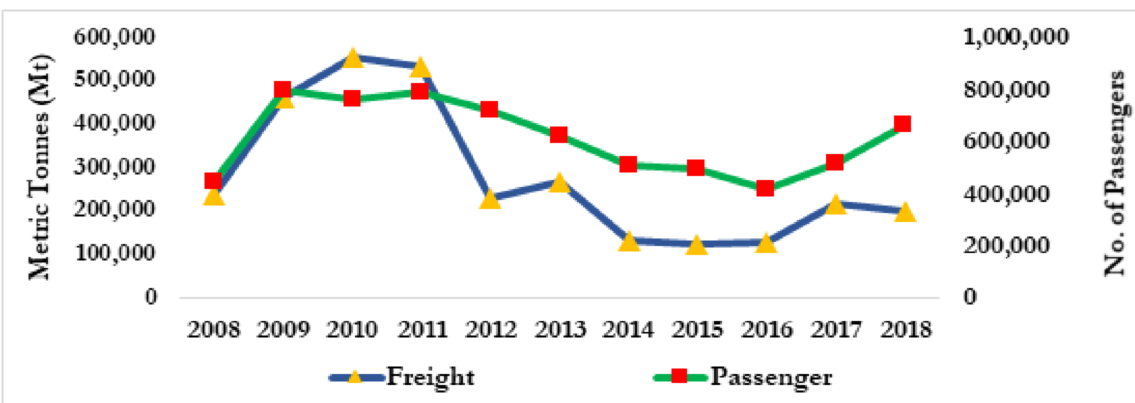
Figure 1: TAZARA Freight and Passenger Service Demand



Source: Zambia Institute for policy Analysis and Research (ZIPAR) based on TAZARA annual reports 2015 to 2018

The Committee was further informed that following TAZARA's strict adherence to service contracts, improvements in punctuality and transit times had triggered increases in ridership between 2016 and 2018. Notably, in 2018 TAZARA recorded the highest passenger transport demand an increase of about 12 per cent since 2015 as shown in the figure 2 below.

Figure 2: TAZARA Freight and Passenger Service Levels 2008 to 2018

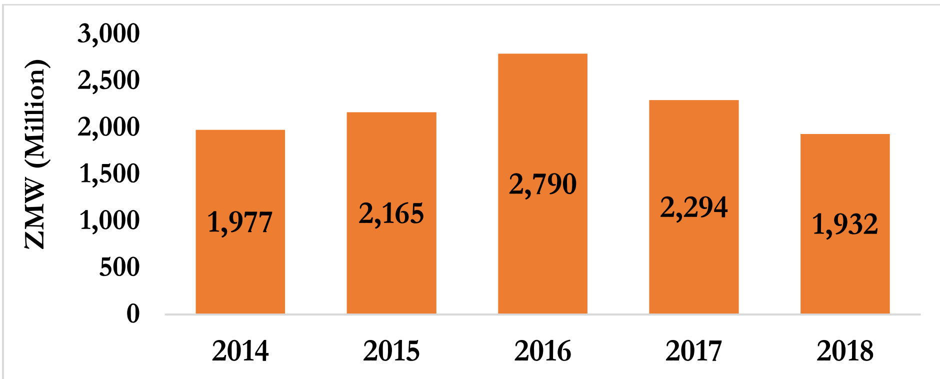


Source: (ZIPAR) based on data from Annual Economic Reports, Ministry of Finance.

(ii) Financial Perspective

The stakeholders submitted that the demand for railway transport was a derived demand. The demand boomed and slumped when the general economy boomed or slumped, respectively. The Committee was informed that following the sluggish growth of the Zambian economy and robust growth of the Tanzanian economy, during the period under review, it was expected that the financial performance would reflect a balance of the two economies' performances. However, the Authority continued to post net losses as shown in the figure 3 below. Further, it was sad to note that even though the entity recorded an impressive compounded annual growth rate in revenue of 44 per cent, the revenues were not able to cover the high operational costs. This obliterated the net income, as the operating cash flows continued to plummet.

Figure 3: TAZARA's Net Loss Position over the Years (ZM million)



Source: (ZIPAR) based on data from TAZARA Annual Reports from 2014 to 2018

(ii) (a) Operational efficiency

Operational efficiency was an aspect of the financial perspective that measured the efficiency with which an entity used its assets to generate revenue. It was sad to note that TAZARA's operational efficiency was unexceptionally low, despite the upward trend in asset turnover ratios. TAZARA generated only one ngwee in sales from every one kwacha of its assets. It was noteworthy that the situation improved in 2018 as TAZARA generated four ngwee in sales from every one kwacha in assets. Furthermore, TAZARA's overall return on assets had been unsound from 2014 to 2018, and the shareholder's value had continued to shrink.

(ii) (b) Dire Liquidity Position for TAZARA

The Committee was informed that TAZARA's liquidity position continued to be in dire straits, recording negative working capital in 2017 and 2018 as was the case from 2014 to 2016. Further, the current ratio showed that for every K1 obligation to its creditors, TAZARA only had less than K0.40 available as shown in the figure 4 below. This was a clear indication that TAZARA was not generating enough revenue required for its operations, and that the implication was that the corporation would not be in a position to effectively utilise its longer-term investment. As a result, it had no financial strength to cover short term liabilities without external assistance. Thus, TAZARA was constrained to finance its immediate operational needs such as obligations to employees, creditors and inventory. In this regard, the stakeholders submitted that TAZARA's financial position was poor and required major financial decisions for the Authority to improve.

Figure 4: TAZARA's Working Capital and Current Ratios for 2014 to 2018

Source: (ZIPAR) based on data from TAZARA Annual Reports from 2014 to 2018

(iii) (c) Solvency Position of TAZARA

With respect to the solvency position of TAZARA, the Committee was informed that although TAZARA's profitability and liquidity ratios were all declining, the Authority was able to survive for a long time as a going concern. This was revealed by the solvency ratio measured by the debt to total assets ratios. The stakeholders submitted that only less than 40 per cent of the assets of TAZARA were claimable by non-shareholders in the past five years and that the ratio of assets owned by shareholders was progressively decreasing.

(iv) Internal Processes Perspective

The Committee was informed that the internal process perspective explained how a company was going to satisfy its customers and meet its financial goals. Customers' needs could be satisfied by either improving the existing business processes, or implementing new business systems. Analysis of the financial statements revealed that freight was the principal revenue generation activity for TAZARA, while other non-core revenue generating products and services were engineering works and construction, quarries and training. Further, the stakeholders submitted that TAZARA's positive turn around in the levels of customer satisfaction as indicated in the annual reports for 2017 and 2018 was due to the measures put in place to improve its internal processes and hence generate revenue. Some of the measures which resulted into an increase in freight of 29 per cent included intensified marketing efforts, enhanced operations execution, adherence to service levels, allocation of revenues generated from operations to other priority areas such as maintenance of locomotives and the track. In addition, injection of funds by the shareholders resulted into an improvement in working capital, payment of salaries and provision of a revolving fund for fuel which helped to minimise disruption of operations.

(v) Organisational/ Learning Perspective

The Committee was informed that over the years, TAZARA had been saddled with severe human capital challenges. Most recruitments were done in 1976 during its establishment, and no apparent robust employee succession plan had been put in place thereafter. Therefore, when the first cohort of employees started to retire, the company experienced operational challenges associated with inadequate staffing and skills both at operational and management levels. As at 2018, out of the 3,749 of the approved establishment, the company only had 2,984. The stakeholders further submitted that TAZARA needed to recruit additional skilled staff in critical positions to compliment the general management of the company, which had been in the hands of individuals with less than the required expertise and skills to run the organisation.

7.3 Recapitalisation and restructuring of TAZARA to suit prevailing trends in the railway sector.

The Committee was informed that TAZARA had continued to record a poor trend both in its operational and financial performance owing to the lack of capitalisation. The Committee learnt that TAZARA's investment strategy over the years was by way of injection of funds through Protocols of Technical and Economic Corporation signed with China. However, this strategy was not beneficial to the company, as the spares and equipment that were provided were mainly dictated by the Chinese and not what management required. This resulted in lack of spares for the fleet of locomotives and other rolling stock. Additionally, the injection of funds from the two governments had been directed towards mitigating urgent issues especially salaries as opposed to capital investments. Consequently, this had less impact on improving the entity's operations. The stakeholders further submitted that there was urgent need for capitalisation and restructuring of TAZARA to attract private investment from the stock markets and to allow the business to operate as a commercial entity. The Committee further learnt that the two shareholding Governments had put in place measures to restructure the operations of TAZARA to suit the prevailing trends in the railway sector. These included those listed below.

7.3.1 Concession of TAZARA

The Committee was informed that in a bid to revamp the operations, the shareholding Governments requested China to participate and help revamp the operations of TAZARA. In this regard, China undertook a study in 2012 and released a report in 2016 through the Third Survey Design Institute (TSDI). The Chinese proposed a model of business cooperation to get a concession to operate TAZARA that would involve rehabilitation, operation, maintenance and Build Operate and Transfer (BOT) with the following conditions:

(i) the two shareholding Governments were to clean up the balance sheet by paying all the liabilities;
(ii) the two shareholding Governments were to meet the retrenchment of TAZARA workers;
(iii) the two shareholding Governments were to give China preferential policy treatment; and
(iv) to pay subsidies to the concessionaire in the event that they made a loss.

The Committee also learnt that the two governments had abandoned the proposal when it was established that the conditionalities that were proposed by China were not beneficial, considering that the two shareholding Governments were to raise US$ 523 million as opposed to US$ 435.3 million that management had estimated as the total outlay that was required to revitalise the operations of TAZARA. In this regard, the two Governments had directed TAZARA to formulate a bankable business plan that would be considered for funding by the two Governments.

7.3.2 Open Access Arrangement

The Committee was informed that the other means to restructure TAZARA was to allow other operators to run on TAZARA's rail line and pay access fees. The Committee learnt that TAZARA had entered into an open access arrangement with a Zambian operator (Calabash), who had operated on the line for a period of one year in 2019. The other way was to enter into strategic business alliances with other contiguous railways. To this end, TAZARA had entered into an open access agreement with Zambia Railways Limited which had resulted in an expansion of the market and customer base.

7.3.3 Repeal and Replacement of the TAZARA Act

The Committee was informed that the shareholding Governments had embarked on a process to repeal the *Tanzania-Zambia Railways Authority Act, No. 4 of 1995* in 2017. The repeal was expected to make TAZARA more attractive to other operators and financiers. The Committee learnt that the process was almost complete and that the draft bill and the bilateral agreements were expected to be tabled in both parliaments in 2020.

7.3.4 Development of the Dar es Salaam Corridor

The Committee also learnt that the Government of the Republic of Zambia had embarked on further development of the Dar Corridor as Economic Transport Corridor through facilitating linkages between the TAZARA and the Great lakes Region of East Africa. The stakeholders informed the Committee that the plan was to construct a rail link from TAZARA at Nseluka to the port of Mpulungu for enhanced connectivity and economic impetus of TAZARA via the Lake Tanganyika Market access to DRC, Burundi, Rwanda and Uganda.

7.4 Role of TAZARA in the Economy

The stakeholders submitted that transportation systems, including railways, were considered an essential feature of all modern economies. Transportation had an important role in increasing production, reducing travel times, providing employment, and improved accessibility. Furthermore, it played an important role in reducing regional disparities and in improving the competitiveness of regions by facilitating trade, movement of labour, and economies of scale. In this regard, rail transport, like other modes of transport such as road, air and water played an important role in an economy. The Committee was further informed that rail transport had a number of advantages when compared to the other modes of transport. Experts were united in the belief that rail was more energy efficient and more economical than road with respect to bulk and long range haulage.

In view of the foregoing, the stakeholders submitted that the role of TAZARA in the economy could not be overemphasised. The use of railway transport in the movement of bulk cargo led to reduced transportation costs, and further contributed to reduction in the damage of the road infrastructure. Some of the notable roles that TAZARA played in the economy were as outlined below.

7.4.1 Facilitation of international and intra-trade

The Committee was informed that TAZARA was a conduit to international markets and thus facilitated international trade between the Southern African Development Community (SADC), East Africa Community (EAC) and beyond. Stakeholders further informed the Committee that TAZARA had in the last forty two years of its existence transported over 50,000,000 passengers, 30,000,000 tonnes of freight and over 150,000,000 parcels within the region, which included Tanzania, Zambia, Democratic Republic of Congo, Malawi, Zimbabwe, the Great Lakes Region and South Africa, where it provided predictable and cheaper transport services.

7.4.2 Economic and social development for people along the TAZARA line

TAZARA had been an important resource for the development of a thriving entrepreneurial economy along the stretch of the rail from Dar es Salaam to New Kapiri Mopshi. As at 2019, TAZARA was the only mode of transport that connected the local communities and provided farmers with physical, social and economic mobility.

7.4.3 Job Creation

Creation of employment remained a key objective for the Government in its bid to enhance prosperity for the nation through its citizenry. TAZARA had over the years provided stable employment to the citizens of Zambia and Tanzania for over 1000 people in each country. The Committee learnt that in 2017 and 2018 the total number of employees was 2,984 and 2,873 respectively, against an establishment of 3,749. Additionally, considering that one employee had an average family of six people, it meant that this employment had a multiplier effect. In essence, TAZARA supported over 22,000 people. It was noteworthy that due to TAZARA's operations, other people were directly employed to provide different goods and services in the transport and logistics chain such as inland container depots.

7.4.4 Reduction of road carnage and Government expenditure on road maintenance

The Committee was informed that TAZARA railway was a bulky and heavy carrier and each train had the capacity to transport an equivalent of forty trucks. Therefore, the use of railway reduced the damage on the roads and road carnage. Stakeholders further submitted that the high number of trucks caused damage to the roads and shortened their envisaged lifespan, which led to the Government spending colossal sums of money on repairs. It was the stakeholder's considered view that these funds could be directed towards the development of other sectors of the economy such as education and social service provision.

7.4.5 Fosters political social integration

The Committee was informed that TAZARA was a symbol of friendship and had assisted to integrate the political and social aspects of the people of Tanzania and Zambia. The Committee also learnt that there was free mobility of workers in both Tanzania and Zambia, and this had helped to enhance the integration and spirit of neighbourliness. TAZARA had also assisted to weld political ties and bilateral understanding as the two countries were in constant liaison through the Council of Ministers.

7.5 TAZARA's Client focus and viability of its investment strategies

The Committee was informed that TAZARA's main customers included producers of minerals, logistics companies, agriculture inputs and petroleum products. The Committee also learnt that there were new prospects that included AVZ Minerals Limited Company that owned a mine and envisaged to transport cargo from the Democratic Republic of Congo (DRC) of over 500,000 metric tonnes (mt) per year starting from 2021 to 2022, transportation of iron from Kafue of 100,000 mt per year and graphite of 1,000,000 mt. The Committee was further informed that with proper investment, TAZARA's prospects were high as it could also tap into various opportunities that included those listed hereunder.

(i) Increased copper production in Zambia and the DRC.
(ii) New traffic at Serenje as a result of manganese mining.
(iii) Transportation of fuel from Dar es Salaam to Zambia.
(iv) Increased transportation of imports such as sulphur, fertilizer among others, from the port of Dar es Salaam to Zambia.

The stakeholders also informed that Committee that with respect to the viability of TAZARA's investment strategies, it had embarked on short term strategies which included the repair of ten locomotives that required procurement of traction motors, and repair of 100 wagons and spare parts. Further, the Committee was informed that in 2016, the Council of Ministers agreed to fund the entity with US$ 9.577 million required for these projects. Another investment strategy was to involve the private sector in the running of the non-core assets such as Mununga Quarry, workshops and the Training centre. The Committee also learnt that TAZARA envisaged entering into smart partnerships with customers to fund the repair of the rolling stock, and that TAZARA also planned to hire more locomotives in a bid to improve availability.

7.6 Establish strategies that support and promote trade facilitation in the railway sector in the COMESA region

The Committee was informed that Article 86 of the Common Market for Eastern and Southern Africa (COMESA) Treaty, provided for cooperation among the member states in the railway transport sector. The Treaty provided for member states to agree to establish an efficient and coordinated railway service which would interlink member states within the common market, connection of the different railway gauges, and the construction of required additional railway links. The Committee also learnt that with respect to the Treaty, member states in whose territories railways operated were expected to undertake the measures listed below.

(i) Adopt common policies for the development of railways and railway transport in the common market.

(ii) Harmonise their legal and administrative requirements for inter-state railway transport within the common market, with a view to eliminating related barriers and inconsistencies that exited.
(iii) Harmonise and simplify documents required for inter-state railway transport.
(iv) Agree to charge non-discriminatory tariffs in respect of goods from their territories and goods from member states, except where their goods enjoyed domestic transport subsidies, and apply the same rules and regulations in respect of railway transport without discrimination.
(v) Harmonise procedures with respect to the packaging, marking and loading of goods and wagons for inter-state railway transport.

The stakeholders also informed the Committee that at continental level, amongst enablers of Agenda 2063 was the African Integrated High-Speed Railway Network (AIHSRN) championed by the African Union Commission. The initiative sought to interconnect African capitals with each other and with economical and industrial hubs and major tourism locations across the continent. It planned to use appropriate high-speed rail technology and other complementary power, trans-boundary water and ICT. The project would be developed in a phased approach with the first phase being implemented from 2013 to 2023. The two projects identified for piloting were the Gaborone to Walvis Bay route with a distance of 1 926 km at an estimated cost of US$ 3,522 million, and the Dar es Salaam to Kigali with a distance of 1515 km at an estimated cost of US$ 9 billion.

7.6.1 Establishment of the Tripartite Railway Association

The Committee was informed that in a bid to support and promote trade facilitation in the railway sector in the COMESA region, the Tripartite Ministers of Infrastructure approved the development of a Tripartite Railway Master Plan, and the establishment of a Tripartite Railway Association. Stakeholders further submitted that railways provided joint services on international traffic and, therefore, stood to benefit from close collaboration. Some of the benefits that would accrue were as outlined below.

(i) The association would create a platform for the operators to speak with a unified voice
The Committee learnt that the association would provide a platform for the operators to exchange ideas and information, expertise and experience. Additionally, through the association's activities, members would have an unequalled opportunity to contribute to and learn from their wealth of collective knowledge.
(ii) Provide for benchmarking opportunities among the railway operators
The stakeholders submitted that the association would provide a forum for the various railway companies to benchmark on training, learning, performance improvement process, practices and services against one another. Furthermore, the association would allow the members to benefit from a large and inclusive effort to benchmark across countries as well as to focus their benchmarking efforts within a particular geographic region.
(iii) Harmonisation would be accelerated.
The Committee was informed that there has been a constant need for increased performance and higher speed of the trains. Investment in infrastructure such as signalling, train control and communication installations are all important assets for

modern railways. However, the cost of implementation is often huge and that individual companies cannot afford hence this would help initiate the need for harmonisation which could only be accelerated through having an association.

(iv) Coordinated railway corridor management.

The stakeholders informed the Committee that interconnectivity of railway tracks across boundaries was fundamental to the seamless movement of trains across international borders and that this called for a coordinated and well managed corridor. The Committee learnt that to have an efficient corridor, there was need to manage the transfer of cargo or wagons at the boarders, undertaking of inspections and the synchronization of the movement of freight trains , which would lead to congestion at broader stations.

7.6.2 Improve the status of Railway Networks in the COMESA region

The Committee was informed that railway networks in the COMESA region were small, relatively old and had viability challenges. There was need for investment to upgrade and maintain the railway networks, while exploring opportunities for integrated operations across the countries in the member states. The stakeholders further informed the Committee that it was difficult to sustain the railways if they continued to operate individually, given the huge initial capital outlay and low traffic volumes. The stakeholders submitted that integrated regional railway operations would enable competition against road transport. The Committee also learnt that SADC was spearheading a Railways Revitalisation Initiative to explore the possibility of having integrated regional railway operations where resources would be pooled and operations undertaken by one regional operator to address the challenge of fragmentation.

7.6.3 COMESA Trade Facilitation Instruments

The Committee was informed that in order to support and facilitate trade, COMESA had formulated trade facilitation instruments. One of the instruments with regard to transport and communication, required the member states to foster cooperation to facilitate the production of goods, trade in goods and services, and movement of persons and make regulations for facilitating transit trade within the common market. Further, COMESA had a Customs Virtual Trade Facilitation System (CVTFS). This was an electronic trade facilitation initiative that monitored consignments along different transport corridors across the region. It integrated other COMESA instruments on one online platform including: the Yellow Card; Regional Customs Bond Guarantee System; Carrier License; Harmonised Axle Load and Customs Declaration Document.

7.7 Capacity Building in the Rail Sector

With regard to capacity building in the railway sector, the Committee was informed that no capacity building programmes had been undertaken in the COMESA region due to lack of resources, and that no national railway had benefited from capacity building programmes from COMESA. The stakeholders submitted that following the meeting of the COMESA Ministers of Infrastructure, a decision was made that all member states should undertake capacity building programmes to capacitate railways technically and managerially. The Committee also learnt that

COMESA was in the process of mobilising resources to undertake capacity building for commercial, technical and managerial personnel.

7.8 Challenges faced in the operations of TAZARA

The Committee was informed that although TAZARA possessed desirable characteristics such as capacity to transport bulk cargo, low cost per tonne due to economies of scale and fuel for it to be the preferred mode of transport, TAZARA's potential was hampered by a number of challenges. Stakeholders submitted that the two shareholder Governments were either reluctant or too overwhelmed to address these challenges. The challenges identified by stakeholders were as outlined below.

(i) Inadequate Recapitalisation

The Committee was informed that TAZARA's survival depended on debt and capital grants from the two shareholding Governments. However, these grants were disbursed intermittently and were insufficient to resolve its operational and investment requirements. Lack of capitalisation resulted in rapid accumulation of debt, failure to clear retiree's benefits; invest in new and improved technology; and the non replacement of the deteriorated railway line. The Committee was also informed that even though the track condition had been slightly improved and was able to sustain higher speeds, it had significantly degenerated due to inadequate repairs and maintenance. Consequently, the quality of service provided measured by transit time was still too long and compromised. In addition, the low train speeds of between twenty to thirty kilometres per hour posed security risks.

(ii) Insufficient working capital and Failure to release US$ 4.75 million

Stakeholders submitted that over the years, TAZARA had a dismal financial performance due to inefficiency in operations and insufficient working capital. This resulted in failure to generate enough cash flow from its operations to meet its day to day obligations. In addition, TAZARA deferred maintenance of rolling stock, and railway infrastructure. The Committee was also informed that TAZARA needed 600 locomotives and 1000 wagons to be able to transport about 600,000 metric tonnes of freight in order to break even. Furthermore, besides having inadequate rolling stock, the operations of TAZARA were subdued because of the poor state of the track, resulting into twelve speed restricted areas on the main line which in turn reduced the speeds and increased the turnaround time. Stakeholders further submitted that the Zambian Government had delayed to release US$ 4.75 million which was meant for repairs following the agreement by the two shareholders to fund the activity with a total of US$ 9.577 million, of which Tanzania had already honoured its obligation.

(iii) High indebtedness

The Committee was informed that as a result of low performance, TAZARA accumulated huge debts. Most of these debts were historical, including the funds that were loaned during the construction of the railway line in 1976. Stakeholders submitted that these debts were on

TAZARA's financial books, and thus made the company un-credit worthy. TAZARA's debt stood at K 1,902 million and comprised employee retirement benefits, trade and other payables.

(iv) Insufficient trained manpower

Stakeholders submitted that in recent past years, TAZARA had retired a number of its employees, most of whom were recruited at the inception of the company. Despite recording improvements in the quality of personnel at top management level, the general staff complement required capacity building to capacitate and build a cadre of employees that could turnaround the company. The stakeholders also submitted that there was need to restructure the organisation in order to attract qualified staff. Additionally, the terms and conditions of service at TAZARA were not competitive to attract qualified and skilled manpower.

(v) Intermittent funding for Salaries by the Zambian Government and Accrued Statutory Obligations

The Committee learnt that in December, 2014, the two shareholding Governments agreed to take up the responsibility to pay salaries in order to give the Authority some time to improve its performance and be self sustaining. However, the intermittent provision of salaries by the Zambian Government had been causing industrial disharmony, leading to prolonged stoppage of work by the employees on the Zambian region. Consequently TAZARA's performance greatly suffered due to these strikes.

(vi) Underpayment of Salaries

Stakeholders submitted that considering that TAZARA was a bi-national railway company, it had one salary structure in order to provide an equal pay system, for the same kind of work. Further, the salaries were pegged in the American dollar and were converted into respective local currencies obtaining at a respective prevailing rate at a given time. The Committee also learnt that in 2004, the Board of Directors resolved that when either of the national currencies depreciated by 20 per cent, management would automatically adjust the salary exchange rate in both countries. Unfortunately, this had not been upheld by management. The stakeholders also complained that as at December, 2019 the Zambian region paid its employees at a rate of US$ 8.5 as opposed to US$ 16 which was the country's prevailing exchange rate.

(vii) Inhospitable border and sea port formalities

Stakeholders submitted that it was difficult to expeditiously clear the wagons in the Democratic Republic of Congo due to prolonged custom's formalities, and inconsistent policies which resulted into a poor turnaround. The Committee also learnt that the other challenge had been the delays at the harbour to load Zambian exports due to the Tanzanian authority's regulatory requirements to check all transit goods before exports.

(viii) Unfair competition from the foreign transporters

The Committee was informed that foreign trucks that transited through Zambia were allowed to return to their country of origin with loaded cargo. These truckers undercut the normal charge rates because they would have already been paid a full rate for the initial delivery and their return trips were merely meant for surplus income. As a result, TAZARA was deprived of a business opportunity, and so were the Zambian truckers. The Committee also learnt that the Zambian truckers were not allowed to do back hauling in certain countries such as Tanzania.

(ix) Stiff competition from Road Transport

The Committee was informed that TAZARA's reduction in the quality of service created room for the trucking business to gain traction. The Committee learnt that road transport had become the dominant mode of transport to the port of Dar es Salaam in Tanzania. There were 2,000 local truckers plus an estimated 3,000 foreign truckers who offered more competitive prices and services compared to rail. In 2018, truckers transported 38,000,000 metric tonnes of the nation's cargo compared to 1,068,255 metric tonnes hauled by rail.

(x) Inadequate revenue from passenger and local freight in Zambia

Stakeholders submitted that the provision of the passenger train did not benefit Zambia as most of the passengers were domiciled in Tanzania. Furthermore, stakeholders submitted that this venture was loss making, and that the resources which were put into the passenger train services had put a strain on TAZARA's capacity, which could have otherwise been used on freight traffic to mitigate losses.

(xi) Inconsistent supervision of the Board of Directors

The stakeholders submitted that the *Tanzania-Zambia Railways Authority Act, No 4. of 1995* provided for the establishment of the Board of Directors which was mandated to meet four times in a year to give strategic direction and supervise management even though this was not being upheld.

(xii) Low marketing of TAZARA services

The stakeholders submitted that in the past, TAZARA and the Great North Road were the main and major access for Zambia to the sea before South Africa attained self rule and offered an alternative route to the sea. The Committee learnt that there was a significant decline in freight hauled from the highest 1.2 million metric tonnes during the 1986/1987 to the lowest 88,000 metric tonnes in 2014/2015. The stakeholders submitted that TAZARA did not aggressively market its services and products so as to increase its market inch and customer base.

(xiii) Passenger trains

The Committee learnt that the passenger train had a capacity to carry 3 million passengers per year but barely managed 543 194 passengers in the period under review. The stakeholders further submitted that provision of the commuter train was loss making and put a strain on TAZARA's capacity which could have otherwise been used on freight to mitigate losses. Furthermore, the stakeholders informed the Committee that the commuter train was more beneficial to Tanzania than to Zambia.

8.0 Committee's Observations and Recommendations

8.1 Restructuring of TAZARA, repeal and replacement of the TAZARA Railway Act

The Committee observes that over the years, TAZARA has had a poor financial performance, recording losses both in 2017 and 2018 due to inefficient operations. This is mainly due to poor management. The Committee further notes that the *Tanzania-Zambia Railways Authority Act, No. 4 of 1995* is an old piece of legislation which does not respond to the current trends of business in the railway sector.

The Committee therefore, strongly recommends that TAZARA should be restructured to enhance management performance and uphold the Authority's competitiveness in a dynamic global economy. Management should also formulate performance contracts for the employees if the company. In addition, the Committee urges the Government to expedite the process to repeal and replace the *Tanzania-Zambia Railways Authority Act* in order to enhance TAZARA's capacity to meet the prevailing challenges and opportunities.

8.2 Recapitalise TAZARA

The Committee observes with concern that TAZARA's operations depend on debt and capital grants from the two shareholding Governments. Unfortunately, these funds are disbursed intermittently, and are insufficient to resolve its operational and investment requirements. The Committee is saddened to note that TAZARA is operating with twelve locomotives and 600 wagons, when it requires twenty six locomotives and 2,000 wagons to breakeven.

The Committee strongly recommends that the two shareholding Governments should recapitalise TAZARA for the entity to be able to operate profitably, and to be weaned off the intermittent grant funding mechanisms. The Committee also recommends that the two Governments should expedite the process of formulating a bankable rescue business plan, whose preliminary proposals indicates that TAZARA requires US$ 435.3 million for its revitalisation.

8.3 Failure to Honour agreements timeously

The Committee observes that management has taken short term measures to turn around the dwindling fortunes of the company as shown by the slight improvements in the years 2017 and 2018. The Committee further observes that in 2016, the Council of Ministers agreed to fund US$ 9.577 million required to repair ten locomotives, procurement of traction motors, and repair of 100 wagons. The Committee is perturbed to note that the Zambian Government has not paid this fund, while the Tanzanian Government released its portion. In addition, it is sad to note that the Ministry of Finance could not indicate as to when this money will be availed to the company.

In light of the above, the Committee strongly recommends that the Government should fund the outstanding amount of US$ 4.3 million which was agreed upon by the Council of Ministers in

2016. The Committee further urges the Government not to treat TAZARA as a private entity which can access its own funding, considering that its balance sheet is very unattractive.

8.4 Dismantle Historical Debt

The Committee notes with concern that TAZARA's balance sheet is unattractive and has huge historical debts, including those acquired during its construction in 1976. TAZARA's debt as at 2019, was estimated to be US$ 165 million including protocols, retirement benefits, and trade payables. The Committee further notes that TAZARA's debt raises its risk profile to lenders, thus making the cost of borrowing higher for the company.

The Committee strongly urges the Government to put in place a realistic debt dismantling strategy to clean up TAZARA's books in the short to medium term, and set it on course to self sustaining operations. The Committee also recommends that the Chinese Government should be re-engaged with respect to the debt acquired through protocols during the construction of the rail line. The Committee also recommends that the Government should improve their negotiating and bargaining skills when signing protocols to avoid signing protocols that will disadvantage the country in the long run.

8.5 Ensure a good management system

The Committee observes that TAZARA lacks the right cadre of employees to turn around the operations of the entity. The Committee also notes that TAZARA has in the past experienced industrial unrest which was the main reason for the slump in 2014, from which TAZARA is still trying to recover.

The Committee urges the Government to ensure that TAZARA recruits personnel with the requisite skills to help turn around the company. The Committee further recommends that the Government should ensure that TAZARA is self sustaining to pay the employee salaries and to clear outstanding statutory obligations.

8.6 Accrued benefits of the Railways (Transport of Heavy Goods) Regulations, Statutory Instrument No. 7 of 2018

The Committee is concerned that Zambia is not yielding results from the issuance of Statutory Instrument No. 7 of 2018 that makes it mandatory for all players to transport 30 per cent of all bulk and heavy cargo by rail. This is because TAZARA lacks the required capacity to benefit from Railways (Transport of Heavy Goods) Regulations, Statutory Instrument No. 7 of 2018. Therefore, the status quo has remained the same as more and more trucks continue to transport their heavy cargo by road. Additionally, the Committee observes that there are no strict policing mechanisms to ensure that all players are adhering to the Statutory Instrument.

The Committee strongly urges the Government to come up with strict mechanisms that will guarantee the attainment of the objectives of the Railways (Transport of Heavy Goods) Regulations, Statutory Instrument No. 7 of 2018. The Committee further recommends that surveillance on all the companies that trade and transport heavy cargo should be enhanced.

8.7 Unfair competition from the foreign transporters

The Committee expresses concern that foreign trucks that transit through Zambia are allowed to return to their country of origin with loaded cargo, which in turn affects the business opportunities for TAZARA.

The Committee strongly urges the Government to engage counterpart governments, especially the Tanzanian Government to harmonise the trade agreements, which should level the playing field for all countries. Further, a reduction in the number of trucks carrying heavy cargo will also help reduce the deterioration of the roads.

8.8 Delays at the Port of Dar es Salaam

The Committee notes with concern that the turnaround for TAZARA is affected by the delays at the harbour to load Zambian exports due to the Tanzanian Authority regulator requirement to check all transit goods before exports. Consequently, these delays have made most clients in Zambia, especially the mines, to prefer to use the port of Durban which has more efficient systems and no delays. The Committee notes with sadness that in cases where goods have missed a prior booked shipping line, the delay can extend for two to three months.

In light of the above, the Committee strongly urges the Government to engage their counterpart government to ensure that such delays are resolved expeditiously, and that efficient systems are implemented in order for TAZARA to compete favourably, and to be a transporter of choice.

8.9 Improve the Railway Infrastructure and sign Public Private Partnerships

The Committee notes that TAZARA's rail line has over the years deteriorated due to lack of adequate maintenance. The Committee further notes that in the past four years, TAZARA has reduced the bad spots from fifty in 2014/2015 to twelve spots in 2017/2018.

In light of the above, the Committee urges the Government to take advantage of the railway revitalisation initiatives being spearheaded by SADC with the possibility of having integrated railway operations, where resources are pooled to allow for infrastructure maintenance. The Committee also urges the Government to expedite the process of separating operations from infrastructure, and allow for competitive access and funding of rail track maintenance. Additionally, the Government should allow Public Private Partnerships where major railway users such as mining companies are allowed to invest in railway locomotives and wagons to be used for transportation of their cargo. The investments can be offset through tariff discounts over an agreed period of time. This will in turn provide additional capacity for railways to serve the companies at a relatively cheaper cost.

8.10 Inefficient supervision of management by the Board-Corporate Governance

The Committee notes that the *Tanzania-Zambia Railways Authority Act, No. 4 of 1995* provides for the establishment of the Board of Directors whose members consists of six technocrats, three members from each state and chaired by the permanent secretaries of transport and communications. The Committee notes that the board is mandated to meet four times in a year to provide strategic direction and supervise management. However, the board has not been meeting frequently leading to failure to supervisee management and monitor the implementation of their resolutions.

The Committee urges the Government to ensure that the Board of Directors meets regularly as stipulated by law, and supervises management, and monitors the implementation of the resolutions of the Council of Ministers and the Board of Directors.

8.11 Employee welfare and pension obligations

The Committee notes that in December, 2014, the two shareholding Governments agreed to take up the responsibility to pay salaries in order to allow TAZARA improve its performance. Unfortunately, the Zambian Government has since been struggling to pay salaries to employees as compared to the Tanzanian Government. As a result, the TAZARA Management was forced to start paying the salaries. The Committee further notes that management has been paying only net salaries resulting into arrears for employee cooperatives, insurance cover, and other statutory obligations. The Committee finds it unacceptable that Government should be paying salaries for a company that is supposed to stay afloat commercially. The Committee also condemns management's failure to honour the agreements with respect to the exchange rate when paying salaries.

In light of the above, the Committee recommends that the Government must expedite the process of revitalising the operations of TAZARA for it to operate as a business entity with very minimal dependence on Government grants. The Committee also strongly recommends that the Government should settle all employee obligations with respect to terminal benefits and other employee entitlements. The Committee further urges the Government to ensure that it harmonises the discrepancies with respect to the payment of salaries at respective prevailing exchange rates.

8.12 Improve TAZARA's marketing strategies

The Committee notes that there are a number of companies operating in Zambia that are not using TAZARA due to the fact that the company has not adequately marketed its services to these clients. The Committee notes that even though TAZARA's operations have in the past been marred with operational inefficiencies, the situation has been improving since 2017/2018. A case in point is that TAZARA had managed to transport 1,000,000 metric tonnes of fuel from Dar es Salaam to Kapiri Mposhi within seven days in the first quarter of 2020.

In light of the above, the Committee strongly urges the Government to ensure that TAZARA's management formulates marketing strategies that will help the company improve its dwindling financial performance. Additionally, the Committee urges the Government to expedite the development of the Dar Corridor which is envisaged to be an economic transport corridor, through facilitating linkages between TAZARA and the Great Lakes Region of East Africa.

8.13 Commuter train operations

The Committee notes that TAZARA has two inter-state passenger trains that operate between Dar es Salaam and the New Kapiri Mposhi. The Committee is saddened to note that the passenger trains are operated as a public service obligation and not as a profit making venture. The Committee also notes that currently, the Zambian Region is not operating as expected in terms of local freight and that Tanzania is benefitting more from the commuter train, which translates into having fewer vehicles on their roads. The Committee further observes that TAZARA only generates some meagre revenue on the commuter when it is on the Tanzania side, as Zambia does not have the numbers to generate revenue from the commuters.

In light of the above, the Committee urges the Government to come up with strategies that will ensure that Zambians living in the Northern corridor begin to utilise the TAZARA commuter services, especially in the transporting of farm produce, among others. Additionally, the Government should consider renegotiating the investment protocols with respect to the passenger train, as investment in the passenger train accrues very meagre benefits for Zambia. This puts a strain on the resources which can otherwise be used on freight traffic.

8.14 Open access

The Committee observes that open access entails allowing other operators to run on the TAZARA railway line and pay access fees. The Committee further notes that TAZARA signed open access agreements with Zambia Railways and a Zambian private operator (Calabash). These arrangements have led to an increase in the cargo transported on the TAZARA rail line and further increased the revenue for TAZARA.

The Committee urges the Government to ensure that more open access arrangements are signed so as to help increase the revenue for TAZARA, and also to ensure that the railway infrastructure is used optimally and maintained periodically with the revenue gained.

PART II

9.0 Consideration of the Action Taken Report on the Review of the Operations and Management of ZCCM-IH and ZAMTEL for the Third Session of the Twelfth National Assembly

9.1 Review of the Operations and Management of ZCCM-IH

9.1.1 Overlapping roles between IDC and ZCCM-IH

The Committee had recommended that IDC should realign its activities to its initial mandate to ensure that there was efficient provision of quality goods and services, attainment of viability and contribution to economic development. The Committee had further recommended that ZCCM-IH should continue to expand and diversify its investment within mining and other economic sectors such as manufacturing, that were more resilient to external shocks in order to insulate the company against the effects of commodity price shocks.

Executive's Response

The Committee was informed that the mandate of the IDC was twofold: to own and supervise commercially oriented state owned enterprises and invest in new and emerging industries with a focus on value addition. On the other hand, the mandate of ZCCM-IH was to hold state interests in mining companies that were privatised as well as invest in new mines and mining value addition. The Executive further added that in the past, ZCCM-IH had invested outside its core mandate, but the IDC had since directed ZCCM-IH to focus on its core mandate by restricting itself to mining, mining value addition and energy such as its investment in the Maamba Coal Fired Power Plant. Consequently, ZCCM-IH had revised its strategic focus to a mining and energy investment focused entity. Additionally, ZCCM-IH would hive off the non-mining related subsidiaries such as Investrust Bank Plc and Mushe Milling Company. These measures would ensure that the operations of both IDC and ZCCM-IH did not overlap.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await a progress report on the actual hiving off of the non-mining related business subsidiaries.

9.1.2 Creation of a Sovereign Wealth Fund (SWF) best model to manage ZCCM – IH

The Committee had recommended that the Government should consider establishing a Sovereign Wealth Fund (SWF), through an Act of Parliament, whose management and utilisation should be insulated against external influence and abuse by instituting strict rules and regulations. In addition, all earnings from ZCCM-IH should be channelled into the SWF. The pool of funds that would be saved should be used to diversify the economy and to mitigate negative externalities associated with mining operations such as environmental degradation and pollution.

Executive's Response

The Committee was informed in the Action Taken Report that the dividends from the Industrial Development Corporation would be used to contribute to the Sovereign Wealth Fund (SWF) once it was established. The Executive added that as a subsidiary of the IDC, ZCCM Investment Holdings paid dividends to the IDC. These dividends would be pooled with dividends from other subsidiaries, and would form part of the funds that would be used as the IDC's contribution to the Sovereign Wealth Fund.

Committee's Observations and Recommendations

The Committee notes the response and requests for an update on the setting up and performance of the Sovereign Wealth Fund.

9.1.3 Lack of capacity to monitor mining processes and declaration of taxes

The Committee previously recommended that the Government should take measures to ensure that the capacity of ZCCM-IH to monitor the mining processes in collaboration with the Zambia Revenue Authority, through the Mineral Value Chain Monitoring Project (MVCMP) was enhanced. The Committee had further recommended that the Government must expedite the implementation of the Extractive Industries Transparency Initiative framework (EITI), which would help consolidate the processes of monitoring mineral outputs by the Zambia Revenue Authority, Ministry of Finance and other relevant stakeholders.

Executive's Response

The Committee was informed in the Action Taken Report that the Government of the Republic of Zambia had mandated the Zambia Revenue Authority(ZRA) to implement the Mineral Value Chain Monitoring Project (MVCMP) in collaboration with other government institutions, namely: Central Statistical Office (CSO); Ministry of Mines and Minerals Development (MMMD); Patents and Companies Registration Agency (PACRA); Road Development Agency (RDA); Road Transport and Safety Agency (RTSA); and Zambia Bureau of Standards (ZABS). The Project commenced in 2014 with the objectives of reviewing existing mechanisms for monitoring the mining and mineral value chain, develop and implement mechanisms for monitoring and facilitating the export of minerals out of Zambia, realising expected financial benefits and institutionalisation of the framework in other agencies through effective change management. Further, in line with the Project objectives, the Government had developed an electronic platform called the Minerals Output Statistical Evaluation System (MOSES) for the submission of mineral production reports and issuance of mineral export permits which had also been interfaced with other relevant government electronic systems for effective monitoring of the minerals value chain.

As of July, 2018, all base and precious metal production reports and export permits were done on this platform and the Project would be extended to other platforms such as gemstone mining. Production reports of all the major mining companies in the base and precious metals sub sectors were therefore, consistently being submitted on the system which had also enhanced the ability for the MMMD staff to analyse the submitted reports. This information was available for sharing with all the relevant government institutions and agencies, of which ZCCM-IH was one. In addition to the electronic platform for the submission of reports and mineral export permit applications, the Project had also invested in three state of the art laboratory facilities to enhance the mineral quality verification capacity which had been a major issue in the monitoring of the sector. One of the laboratories was located at the Geological Survey Department (GSD) at the MMMD, the second one at ZABS in Lusaka and the third at ZRA Kitwe Office. There was scope for collaboration between the MVCMP and the ZCCM-IH in the area of production and sales figures for the mining companies dealing in the specified mineral categories.

Committee's Observations and Recommendations

The Committee notes the response and requests for an update on how the mechanisms and policies put in place are helping to ensure a foolproof monitoring framework. The Committee further reiterates its previous recommendation that a progress report on the implementation of the Extractive Industries Transparency Initiative framework (EITI) be submitted to it.

9.1.4 Shift from a Dividend Model to a Revenue Sharing Model

The Committee had recommended that the Government should support ZCCM–IH in its quest to shift from a dividend model to a revenue sharing and royalty model. It was the Committee's considered view that this would ensure that the copper produced was shared in line with the respective shareholding structures. Further, the payment of royalties would, on the other hand, ensure receipt of income from the mining companies even in years when the companies did not declare profits and dividends.

Executive's Response

The Executive responded in the Action Taken Report that Government was committed to maximising revenues from its extractive industry without compromising the mining companies' ability to make profits and expand their investments. Equally important was whether the mining companies that operated in Zambia were contributing their fair share in respect to paying taxes and creating employment. Additionally, the Executive informed the Committee that with regard to the shift from a dividend to model a revenue sharing model, there was need for a thorough and detailed research to determine its impacts both on enhancing revenue generation and operations of the mining industry in respect to investment and profit making.

Committee's Observations and Recommendations

The Committee notes the response and urges the Executive to expedite the process of undertaking a detailed research to determine the impact of the shift from a dividend to a revenue sharing and royalty model. The Committee will await a progress report on the matter.

9.1.5 Extension of new Dividend Policy to subsidiary companies

The Committee had previously recommended that the new dividend policy should extend to the subsidiary companies in which ZCCM-IH was the major shareholder. This would help to ensure that the investee companies were compelled to declare dividends annually.

Executive's Response

The Executive responded that government would ensure ZCCM-IH directed all the subsidiaries' boards to adopt the ZCCM-IH Group Dividend policy.

Committee's Observations and Recommendations

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

9.1.6 Investments into Green Fields

The Committee previously recommended that the Government should provide ZCCM-IH with a free carry strategic holding in new mining ventures to safeguard the country's natural resources and ensure that there was local participation in the industry pursuant to the *Mining and Minerals Development Act, No. 11 of 2015*.

Executive's Response

The Executive informed the Committee in the Action Taken Report that ZCCM-IH had proposed a minimum of 35 per cent free carry shareholding with specific management participation rights in the operation of new mines. The Ministry of Mines and Minerals Development would continuously engage ZCCM-IH management to ensure that their request to have a free carry strategic holding in the new mines came to fruition.

Committee's Observations and Recommendations

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

9.1.7 Revamping of Ndola Lime

The Committee had previously recommended that in addition to various ventures that were being undertaken by ZCCM-IH, such as investing in the new cement plant, the Government should, as a matter of urgency, also seek an equity partner to invest in Ndola Lime Company which would in turn share the risks of managing the company through a diversified ownership structure as opposed to ZCCM-IH having a 100 per cent shareholding.

Executive's Response

The Executive responded that ZCCM-IH was in discussion with potential equity partners who had shown interest to invest in Ndola Lime Company. Further, the Executive informed the

Committee that the discussions would progress once the High Court had decided on the matter regarding the business rescue proceedings brought against the company by two of its former employees. Government would monitor progress on the matter.

Committee's Observations and Recommendations

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

9.1.8 Investigations through Interpol on the Procured Kiln

The Committee had recommended that IDC should engage Interpol to pursue the matter in which over US$ 7, 976,140 was unaccounted for, funds which were part of the recapitalisation project under the contract total sum of US$ 100 million. The Committee further recommended that a forensic audit should be conducted with a view to bring to book all the Zambian consultants and employees of Ndola Lime Company who would be found wanting.

Executive's Response

The Executive took note of Committee's strong recommendation and informed the Committee through the Action Taken Report that the Government through the relevant ministry would urge ZCCM-IH to cooperate with the IDC to implement this directive.

Committee's Observations and Recommendations

The Committee notes the response and urges the Executive to expedite the process, and provide a time frame for completion of the project. The Committee will await a progress report on the matter.

9.1.9 Recapitalisation of Misenge Environmental Technical Services

The Committee had recommended that ZCCM-IH should recapitalise the operations of Misenge Environmental Technical Services (METS). It was the Committee's considered view that METS had a critical role in ensuring that the country had a clean environment. This was to be achieved through safe mining activities which did not cause damage to the environment. Additionally, it was the Committee's considered view that the campaign for sustainable use of the environment provided a viable market for Misenge hence the call for its immediate recapitalisation.

Executive's Response

The Committee was informed in the Action Taken Report that ZCCM-IH had formulated the turnaround plan for the period 2019-2023. The plan was aimed at repositioning the company from a loss-making enterprise to a profit making one. Some of the focus areas in the Strategic Plan included those set out below.

a) Achieving financial excellence and profitability.
b) Becoming a leader in the environmental, radiation safety and analytical services market.
c) Embarking on organisational development to optimise human capital.

d) Leveraging on ZCCM-IH to exploit business opportunities.
e) Lobbying the Government for the regulation of the environmental and radiation safety sectors.

In this regard ZCCM-IH would support METS with the necessary capital to support the turnaround strategy. Additionally, the Ministry would monitor progress on the implementation of the strategy.

Committee's Observations and Recommendations

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

9.1.10 Environmental Liabilities

The Committee had recommended that in circumstances where environmental liabilities were found to have mineral deposits, the Ministry of Mines and Minerals Development should give priority to ZCCM-IH when issuing mining licenses and that the Government should formulate a permanent solution to resolve the management of the environmental liabilities.

Executive's Response

The Committee was informed that the Ministry of Mines and Minerals Development noted the Committee's recommendation and remained open to discussions with ZCCM-IH management in circumstances where mineral deposits were found in environmental liabilities (tailings dumps).

Committee's Observations and Recommendations

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

9.2 Review of the Operations and Management of ZAMTEL

9.2.1 Provision of concessions on regulatory fees and a supporting legal framework to incentivise players in the ICT Sector

The Committee had recommended that the Government should formulate a legal framework to incentivise players in the ICT sector to invest in underserved or unserved areas. Further, the Committee had recommended that the Government should offer concessions on regulatory fees to Zamtel, to reduce its operational costs incurred in implementing the Universal Access to ICT Project in unprofitable areas.

Executive's Response

The Committee was informed in the Action Taken Report that the recommendation was noted. However, the IDC recognised that its subsidiaries operated in various sectors and thus strongly urged its subsidiaries to comply with industry regulators. Offering concessions on regulatory fees to Zamtel would stifle competition and would breach regulations for regulators like ZICTA.

Committee's Observations and Recommendations

The Committee notes the response with concern. It is the Committee's considered view that Zamtel has a special role to play in facilitating the Universal Access to ICT Project in unprofitable areas and failure to provide concessions to Zamtel disadvantages the company from competing favourably with other Mobile Network Operators ("MNO"). In this regard, the Committee urges the Government to come up with mechanisms to ensure that Zamtel competes on a fair platform, while taking its special role into account.

9.2.2 Partnering with a Strategic Equity Partner

The Committee had strongly recommended that Government should consider shifting the US$ 280 million debt which was acquired to implement the GRZ project for universal accessibility from Zamtel's books to the Treasury. The Committee had further recommended that the Government should consider finding a strategic equity partner that could offer financing to liquidate the other legacy debts in exchange for equity. Additionally, the Committee had also recommended that a model should be adopted where the Government would own 35 per cent of shares on behalf of the people of Zambia to be listed on the Lusaka Securities Exchange (LUSE), while 40 per cent shares were to be owned by the equity partner and the rest by Zamtel.

Executive's Response

The Executive responded that a number of options for reviving the fortunes of Zamtel had been developed, including invitation of a strategic equity partner and business re-engineering. The particular option to be pursued would be guided by the IDC Board of Directors. The IDC was undertaking business restructuring of Zamtel in an effort to make it a viable company.

Committee's Observations and Recommendations

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

9.2.3 Balance Sheet Restructuring and Quoting

The Committee had previously recommended that the Government should consider converting the debt owed by Zamtel into equity as this would reduce its impact and allow Zamtel to undertake investments in technology and infrastructure which were essential for the company to remain competitive. The Committee had also recommended that converting the debt would help reduce the impact of foreign movements on the company's indebtedness considering that most of the loans were denominated in foreign currency. Further, this would facilitate for the quoting of Zamtel on the Lusaka Stock Exchange.

Executive's Response

The Committee was informed in the Action Taken Report that the IDC was reviewing a number of strategic options aimed at restructuring Zamtel's balance sheet. One of the options included the carving out of passive infrastructure (mainly towers) from Zamtel into a new subsidiary (Infratel) that would allow for enhanced utilisation of the fixed assets by making them available to other Mobile Network Operators ("MNO") on a co-location basis. This model was being deployed by other MNO's in the Zambian market who leased access to passive infrastructure. With Zamtel being the only MNO that currently owned such infrastructure this presented a constraint in its ability to deliberately market co-location services while at the same time increasing maintenance and operational overheads ultimately leading to low returns on assets. The reorganisation of passive infrastructure within the IDC Group would also ensure the transfer of associated liabilities which constituted approximately 50 per cent of the total outstanding debt stock of Zamtel which was denominated in United States dollars. Furthermore, the proposed reorganisation would significantly reduce the foreign exchange exposure on Zamtel's balance sheet. The IDC was also exploring other options associated with the resolution of the remaining debt stock which included the possibility of converting all government and government guaranteed loans amounting to US$ 222 million into equity. Stakeholder engagement in this respect had since commenced with a position expected in due course.

Committee's Observations and Recommendations

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

9.2.4 Enhancement of the Public Switched Telephone Network

The Committee had previously recommended that the Government should urge Zamtel to invest in more efficient technologies in order to reduce the company's operational costs. The company should also consider expanding its services and use the wide coverage advantage to provide other related services such as Fibre to the Home and Asymmetric Digital Subscriber Line (ADSL) using PSTN, considering that it had an infrastructure advantage over other operators.

Executive's Response

The Committee was informed through the Action Taken Report that as part of network modernisation, all Public Switched Telephone Network (PSTN) customers would gradually be migrated from the cost intensive copper network to wireless LTE technology. This migration had already begun with about 5,000 customers earmarked to be migrated by the end of the third quarter of 2019. The exercise would, among others, provide better quality of service through reduced network outages, and enable Zamtel to adhere to customer Service Level Agreements (SLAs).

Committee's Observations and Recommendations

The Committee resolves to await an update on the implementation of new technologies that will in turn reduce operational costs and provide better quality of services through reduced network outages, and enable Zamtel to adhere to customer Service Level Agreements (SLAs).

9.2.5 Shift from Vendor Financing

The Committee had recommended that the Government should urge Zamtel, through the IDC, to pursue other capital expenditure financing models, as opposed to relying on vendor financing which had very high financing costs.

Executive's Response

The Executive responded that in order to address the identified problem of high vendor financing costs, the IDC had created a vehicle called Infratel, as an immediate step to reduce the financing costs by transferring the obligation of acquiring the tower equipment and thereby reducing reliance on the named vendors. In this regard, the IDC was working through Infratel to actualise the initiative.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await a progress report on the actualisation of the initiative to transfer the acquisition of all equipment to Infratel. The Committee further urges the IDC to provide a time frame within which this will be completed.

9.2.6 Expedite the Creation of Infratel

The Committee had recommended that the Government should formulate a clear plan as to when Zamtel would be relieved of the responsibility of managing the passive infrastructure, and also to expedite the creation of Infratel that would manage the entire passive telecommunications infrastructure in the country and consequently enable Zamtel to concentrate on the core business of being a prime driver of digital transformation and providing subscribers with reliable voice and data connectivity.

Executive's Response

The Committee was informed that the process was underway. Infratel was incorporated in August, 2018 and the project team had since commenced operations. The project was scheduled to run up to December, 2019. In the same vein, 1,282 towers were to be transferred from Zamtel to Infratel and these included 474 old towers and 800 new towers that were being constructed under the GRZ community-centred towers project. The project was at 60 per cent complete, with all the towers identified at the stage of signing the asset transfer agreement. The actual movement of the towers would start with phase one by September, 2019 and phase two would be on the Copperbelt and the rest by December, 2019.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await a progress report on the transfer of towers to Infratel. The Committee further urges the Executive to provide a report on the value of the towers, and what will be paid to Zamtel to ensure that there is no loss.

9.2.7 Formalisation of Capacity Exchange

The Committee had recommended that the exchange of capacities between Zamtel and Zesco should be formalised through a memorandum of understanding.

Executive's Response

The Committee was informed in the Action Taken Report that the IDC Board approved that excess capacity from Zesco fibre network should be commercialised through an agreement with Infratel and ensure that revenues were shared in proportions to be agreed upon.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await an update on the actualisation of the board's approval.

9.3 Report on the Local Tour of Selected Infrastructure under the Judiciary

9.3.1 Abandonment of Project Sites

The Committee had recommended that the Judiciary should take responsibility and secure the project sites as opposed to relying on the contractors who in most cases had abandoned the project sites.

Executive's Response

The Executive responded that the Judiciary had taken note of the Committee's observations and recommendations, and would endeavour to secure the project sites.

Committee's Observations and Recommendations

The Committee notes the response and requests for a detailed plan on how the project will be secured.

9.4 General Observations and Recommendations on the Review of Operations and Management of ZCCM- Investment Holding and Zambia Telecommunications Company

9.4.1 Exemption from lengthy procurement processes

The Committee had recommended that the Government should develop an appropriate model that would take care of the challenges faced by SOEs, which arose as a result of the long procurement processes required through the *Public Procurement Act, No. 12 of 2008.*

Executive's Response

The Executive responded that the IDC, through an extensive consultative process with the SOEs, actively engaged and made submissions to the Zambia Public Procurement Authority (ZPPA) and the Ministry of Finance, on the challenges surrounding the procurement processes, and the proposed solutions for the IDC Group. The proposals were being reviewed by ZPPA. Once approved, it was expected that SOEs would be exempted; and consequently develop a self-regulated procurement framework.

Committee's Observations and Recommendations

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

9.4.2 Extent to which the IDC supervision of the SOEs had impacted the operations of ZCCM-IH and Zamtel

The Committee had recommended that the IDC should continue to undertake situational analysis of all SOEs under its portfolio, with a view to recapitalise those that had a good business case, and wind up those that were not viable. This would help promote industrialisation as a means of diversifying the economy.

Executive's Response

The Committee was informed in the Action Taken Report that the IDC had continued to undertake enhanced due diligence of all SOEs under its portfolio and appropriate interventions were derived from the same.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await a progress report on the interventions being undertaken.

10.0 Consideration of the Action Taken Report on the Review of the Management and Operations of the Industrial Development Corporation (IDC) for the Second Session of the Twelfth National Assembly

10.1 Recapitalisation of SOEs under the IDC Portfolio

The Committee had recommended that the Government should come up with a robust private sector driven intervention to reposition some of the SOEs. This entailed bringing in carefully selected strategic equity partners with the potential to bring in technological efficiencies, capital injection and the technical competence for managing businesses, based on international best practices.

Executive's Response

The Executive responded that the recommendation was noted. Further, with respect to Indeni, the IDC was in discussion with a potential partner identified through the procurement process. The Committee would receive an update on the outcome of the negotiations which were on going. The IDC was also pursuing the listing of the Zambia Forestry and Forest Industries Corporation Limited (ZAFFICO) on the Lusaka Stock Exchange in order to increase efficiency and capital injection.

Committee's observations and Recommendations

The Committee notes the response and recommends that the IDC should ensure that it is transparent in the listing of ZAFFICO, and that Zambians should be given first priority to buy shares. With respect to Indeni, the Committee expresses concern on the plan to find an equity partner, as the process to engage a potential investor has taken long to conclude. The Committee requests for an update on the finalisation of the engagement.

10.2 Reducing the Bureaucracy in the Operations of SOEs

The Committee had recommended that the Government must streamline the approval of contracts and procurement processes so as to ensure speedy implementation of activities by the SOEs, and that the Government should review the *Zambia Public Procurement Act, No 15 of 2011* in order to ensure that SOEs were able to compete with the private entities without losing out on time due to the bureaucratic processes stipulated in the Act.

Executive's Response

The Executive responded that the IDC through an extensive consultative process, the SOEs actively engaged and made submissions to the Zambia Public Procurement Authority (ZPPA) and the Ministry of Finance, on the challenges around procurement processes and the proposed solutions for the IDC Group. The proposals were being reviewed by ZPPA. Once approved and the SOEs were exempted, the SOEs would develop a self-regulated procurement framework.

Committee's Observations and Recommendations

The Committee is concerned that it has taken long to finalise the ongoing consultative processes that will ensure that SOEs are exempted from the bureaucratic procedures prescribed in the *Zambia Public Procurement Act, No 15 of 2011*and urges the Ministry of Finance to expeditiously conclude the matter. The Committee resolves to await a progress report.

10.4 Committee's Observations and Recommendations arising from the Local Tour undertaken during the Second Session of the Twelfth National Assembly

Arising from its findings during the local tour and on the spot check of the infrastructure in selected parastatal institutions, the Committee made the observations and recommendations set out below.

10.4.1 TOUR OF ZESCO–KAFUE GORGE LOWER GREEN FIELD PROJECT

(i) The Committee had recommended that in order to make ZESCO as a regional hub for power generation and distribution, there was need to expedite the Cost of Service Study, which would help in the determination of cost reflective tariffs for electricity, and attract potential investors in the power sector.

Executive's Response

The Executive informed the Committee through the Action Taken Report that the Government through the Ministry of Energy and the Energy Regulation Board, were in the process of finalising the process of engaging another consultant. It was expected that by the end of the year 2019, the consultant would be engaged and by early 2020 the report would be completed.

Committee's Observations and Recommendations

Committee notes with concern that the matter has not been resolved. The Committee urges the Government to expedite the process, and resolves to await a progress report on the matter.

10.4.2 Tour of Nitrogen Chemicals of Zambia (NCZ)

(i) The Committee had recommended that a candid decision should be made by the Government to either liquidate the company or urgently come up with a re-modernisation plan to sustain its operations.

Executive's Response

The Executive responded that the IDC had reviewed the recommendations from the technical specialists and had developed proposals which were yet to be considered by the Board of the IDC as per corporate governance requirement of the IDC. Generally, the IDC was exploring the following:

a. Tolling (arrangement whereby a firm uses the NCZ plant to produce fertiliser at a fee);
b. Business re-engineering;
c. Strategic equity partner; and
d. Liquidation

Committee's Observations and Recommendations

The Committee notes the response and resolves to await a progress report on the decision to be made by the Board of the IDC with respect to the alluded to options. The Committee further recommends that IDC should take into consideration the plight of the employees when a final decision is agreed upon.

(ii) The Committee had recommended that the Government should honour the debt owed to NCZ, amounting to K240 million, and further recommended that it be paid as a lump sum, to enable the company clear its liabilities in the form of statutory obligations, pension dues and amounts due to suppliers.

Executive's Response

The Executive responded that it was aware about the continued challenges with respect to the huge debt. NCZ was still pursuing debt swap with the Government and negotiations were still ongoing.

Committee's Observations and Recommendations

The Committee observes with concern that it has taken long to settle the debt owed to NCZ. The Committee strongly urges the Treasury to intervene, and to provide a time frame within which the matter will be conclusively addressed.

10.4.3 Zambia Railways Limited (ZRL)

(i) The Committee had recommended that the Government should consider separating the railway business with the railway infrastructure maintenance and management of the railway lines. This had to be done through a creation of a rail infrastructure agency which would focus on maintenance of the railway infrastructure. ZRL would then pay user fees to the agency to facilitate continuous maintenance of the rail infrastructure.

Executive's Response

Executive responded that Cabinet directed that the Authority should not be created but instead, the mandates and functions of the existing agencies namely the Road Development Agency (RDA), National Road Fund Agency (NRFA) and Road Transport and Safety Agency (RTSA) should be expanded to include the railway sector. Additionally, the Government was still undertaking the necessary consultations before implementation of the above directive.

Committee's Observations and Recommendations

Committee notes the response with concern and is of the view that expanding the mandates of RDA, NRFA and RTSA would make these entities become difficult to manage. It is the Committee's considered view that this may not achieve the intended goal of separating rail management and maintenance from the core business. The Committee urges the Government to reconsider its position, and will await an update on the matter.

(ii) The Committee recommended that the shareholder must help mobilise financing for the establishment of dry ports to facilitate transportation of heavy cargo by road to the railway tracks, so as to open up new business opportunities within the country and the region.

Executive's Response

The Executive responded that the tender for Expression of Interest on the dry ports which was done in April, 2018 did not meet the expectations of ZRL. The establishment of the eight dry ports had been incorporated in the ZRL Strategic Business Plan (SBP) and discussions with various financiers were work in progress. The Committee was also requested to note that the IDC had been facilitating the raising of funds and development of dry ports through various partners and several entities that had expressed interest. A case in point was for the Chipata dry port of which, Mitsui of Japan, CEAR/CDN of Malawi and Mozambique and Reliance Logistics of Zambia had expressed interest.

Committee's observations and Recommendations

The Committee is concerned that it has taken longer than anticipated to finalise the process of setting up dry ports. The Committee urges the IDC to provide a time frame within which this will be done and the Committee resolves to await an update on the matter.

(iii) The Committee had recommended that management of ZRL must, without fail enforce the judgment which was passed in its favour by repossessing the land from the Luanshya Local Authority, and demolish any developed properties that were built within a 50 metre radius of the railway line. In addition, the Committee had recommended that the Ministry of Lands and Natural Resources and the local authorities should with immediate effect revoke all the certificates of title that were illegally issued in relation to land belonging to ZRL.

Executive's Response

The Committee was informed through the Action Taken Report that in 2014, Zambia Railways Limited brought an action against the Local Authority (Luanshya Municipal Council) before the Ndola High Court over a purported encroachment on their farm plots numbered 1392 and 1393 situated in Luanshya, Copperbelt Province. There was a claim that Luanshya Municipal Council had encroached on the said piece of land and allocated parts of the same to some members of the public who even proceeded to acquire title deeds from the Ministry of Lands. Following commencement of the case before the Ndola High Court, Luanshya Municipal Council made efforts to engage Zambia Railways Limited to reach an amicable settlement which proved futile due to unwillingness on their part. Luanshya Municipal Council was anxious for an ex curia settlement that they delayed to file in their defence and the memorandum of appearance. On the 22nd of August, 2014 Zambia Railways Limited were granted an order for interlocutory injunction to maintain the status quo and a judgment in default of defence and appearance was entered which had since been set aside.

The Executive further informed the Committee in the Action Taken Report, that the Attorney General and Mahamoud Moussa Soliman were joined to the proceedings as 2nd defendants and interested parties respectively. However, Zambia Railways Limited stopped to pursue the case for prosecution in 2016. Consequently, Mahomoud Moussa Soliman the interested party through his lawyers Martha Mushipe and Associates made an application to the court to dismiss the case for non-prosecution and requested the court to declare him as legal owner of the land, which was allocated to him by Luanshya Municipal Council. Furthermore, on June 11, 2018, the Court granted the order dismissing the case for non-prosecution and the declaration which was sought. Zambia Railways Limited, through their lawyers VK Mwewa and Company, filed an application into court on 27th November, 2018 for special leave to review the Order dismissing the case for non-prosecution. Therefore, the matter was remained active in the Ndola High Court. On the 27th August, 2019 the matter came up for hearing of the application for special leave to review the Order dismissing the case for want of prosecution. The matter did not take off and the Court adjourned the matter to a later date which was yet to be communicated to the parties. Therefore, since the case went back to Court, the Ministry of Lands and Natural Resources could not proceed with the revocation of all certificates of title issued with respect to farm 1392 and 1393. Similarly, progress on demolition of the illegal structures built on these pieces of land could not progress until the matter was determined. However, the Municipality was still amenable to an out of Court settlement by compensating ZRL with an alternative piece of land.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await an update on the matter.

(iv) The Committee had recommended that the Government must facilitate the recovery of the funds owed by BUK following its failure to meet contractual obligations as specified in the contract signed in 2013. The Committee also recommended that funds owed by Bombardier who had failed to supply and deliver a signalling system as agreed in the contract signed in February, 2014 must be recovered. The Committee directed that the Ministry of Finance should help ZRL to recover the funds in question with interest.

Executive's Response

The Executive informed the Committee through the Action Taken Report that the mutually appointed Arbitrator had subsequently recused himself after being appointed to serve at the Supreme Court. The parties had since appointed another Arbitrator but were mutually exploring an ex-curia settlement to avoid the added costs associated with Arbitration. As regards the $3.6m that ZRL paid to Bombardier as advance payment under the contract for supply and delivery of a signalling and telecommunications system, Bombardier offered to settle the amount in kind by supplying and installing a redundant CTC at Lusaka station, as a backup system to the main CTC at Kabwe. However, on assessment of the proposal, ZRL advised that the redundant CTC was not an immediate requirement for ZRL. ZRL thus counter proposed the purchase of new wagons worth $3.6m at international benchmarked prices as payment in kind of the $3.6m because wagons were an immediate and urgent need for ZRL. ZRL awaited a response from Bombardier on the proposal.

Committee's Observation and Recommendations

The Committee is extremely disappointed with the pace at which the matter regarding BUK is being handled. The Committee urges IDC to intervene and find a lasting solution. The Committee resolves to await a progress report on the counter proposal to buy wagons as opposed to installing the redundant CTC equipment at Lusaka Station, following the discussion that was held between Bombardier and ZRL. However, the Committee calls upon the IDC to be proactive and exert pressure on Bombadier for a response to the counter proposal or institute litigation for the recovery of the funds without further delay.

(v) The Committee had recommended that the Government, through the Ministry of Finance, should support ZRL to recover the funds in question with interest.

Executive's Response

Executive responded that in August, 2015, Diamond Motors Limited delivered one mobile flush butt-welding machine, which, upon physical inspection by ZRL, was suspected to have been a second hand machine. When ZRL attempted to reject the machine, the supplier indicated that it had not completed its pre-delivery inspection and had, therefore, not officially delivered the equipment to ZRL for ZRL to reject or accept it. The supplier requested for time within which to finalise inspection, deliver and hand over the machine to ZRL.

ZRL reported that Diamond Motors had failed to deliver two mobile flush butt welding machines as per contract executed in 2014. ZRL demanded a refund of the US$258,764.50 and US$ 1,035,058.00 or alternatively, delivery of the two machines, as per contract specification. The parties had engaged in discussions to mutually resolve the matter but subsequently failed to reach an agreement. On that basis, the ZRL declared a dispute and issued a notice on Diamond Motors Limited to commence Arbitration proceedings as per contract, with specific claims of a refund of the US$258,764.50 and US$1,035,058.00, with interest, or alternatively, delivery of the two welding machines. The parties had mutually agreed to appoint one Arbitrator to adjudicate. The matter awaited commencement of Arbitration. Further it was worth noting that the Zambia Police impounded the mobile flash butt machines, before it was officially handed over to ZRL, for purposes of criminal investigations. The police had not concluded their investigations and, therefore, the mobile flash butt machine was still in police custody and had not been delivered to ZRL.

Committee's Observations and Recommendations

The Committee observes with concern the manner in which the issue of the flush-butt welding machine is being handled. The Committee is disappointed that colossal sums of money were spent and Diamond Motors Limited has still not honoured the contractual obligations. The Committee directs the IDC to engage the Ministry of Home affairs for the release of the wrongly impounded mobile flash butt machine. The Committee further directs that the matter should be resolved expeditiously without any further delay. The Committee resolves to await an update on the matter.

(vi) The Committee had recommended that the Government, through the Ministry of Finance, needed to halt discussions with Bombardier, given that Bombardier failed to fulfil its contractual obligations in the contract signed between ZRL and Bombardier in 2014.

Executive's Response

The Executive responded that Bombardier had accepted to settle the outstanding US$3.60 million in kind. The discussions on what would be supplied by Bombardier were yet to be concluded. ZRL had proposed that Bombardier should purchase new rail wagons worth US$3.60 million. In this regard, considering that Bombardier accepted to settle the outstanding US$3.60 million in kind, the Ministry of Finance and IDC had continued to engage Team Sweden Rail (TSR) on rehabilitating the railway track infrastructure including the signalling and the purchasing of rolling stock. Consultations were still ongoing.

Committee's Observation's and Recommendations

The Committee notes the response but is disappointed over the inordinate delay in concluding the matter. To this effect, the Committee urges the IDC to ensure that a time frame is attached within which the transaction will be finalised.

(vii) The Committee had recommended that to improve the railway business, there was need to urgently rehabilitate the railway track and procure high speed wagons. In addition, the Committee strongly recommended that the Government must embark on an ambitious exercise to repair the vandalised railway track to enable ZRL attract more business opportunities, both locally and internationally.

Executive's Response

The Executive responded that GRZ (IDC, MoF and ZRL) had reached an advanced stage in concluding an EPC+F agreement with Team Sweden Railway (Bombardier Transportation Sweden AB, Yapiray and PT INKA), for the rehabilitation of rail (Livingstone and Kabwe) and procurement of wagons. The investment was backed up by the Kingdom of Sweden by a strong financial solution through the Swedish Credit Agency ("EKN") and the Swedish Credit Corporation ("SEK"), refereeing to Letter of Interest dated 14th May, 2019. The Kingdom of Sweden would also support and finance the completion of the Environmental Social Impact study as well as finance an independent consultancy for an assessment and feasibility of the suggested project. The Committee was also informed that IDC was the counterparty of Swedfund.

Committee's Observations and Recommendations

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

10.4.4. Mukuba Hotel

(i) The Committee had recommended that the hotel should price its services competitively, comparable to other players in the industry, so as to attract more customers, and sustain its business operations.

Executive's Response

The Executive responded that K5.5 million that was advanced by the shareholder was not sufficient, consequently the entity had requested for additional funds from the shareholder. The IDC was thus working with Mukuba Hotel to help the company obtain a commercial loan to inject into the company to meet the working capital needs. Further, the IDC had engaged a consultant to review the operations of Mukuba and various recommendations were derived which included restructuring of the organisation.

Committee's Observations and Recommendations

The Committee notes the response and expresses concern that there is no time frame indicated within which Mukuba Hotel's operations will be revamped. The Committee resolves to await an update on the matter.

(ii) The Committee had recommended that the Government should look for an equity partner, who should take up the majority shareholding, and help revamp Mukuba Hotel to avoid putting undue pressure on the Treasury.

Executive's Response

The Executive reiterated that the IDC engaged a turnaround manager for a period of six months and within that period the company had posted its first profit. At the end of the turnaround period, additional recommendations were made which were followed through by Mukuba Board.

Committee's Observations and Recommendations

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

(iii) The Committee had recommended that to sustain the operations of the hotel, there was need to inject more capital to give the hotel a facelift and not just focusing on construction of the convention centre. The Committee reiterated that to meet the capital requirement for modernising the hotel, there was need for Government to look for an equity partner.

Executive's Response

The Executive responded that IDC took the route of engaging a turnaround manager who made certain recommendations for the board and management to turn the company to profitability.

Committee's Recommendations and Observations

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

10.4.5. Mpulungu Harbour

(i) The Committee had recommended that as a long term measure, the harbour must be modernised to an internationally acceptable standard to open up more business opportunities in the shipping industry. In this regard, the committee recommended that the shareholders must help the company mobilise resources to facilitate the modernisation of the harbour.

Executive's Response

The Executive responded that the Mpulungu Harbour Modernisation Project was submitted to the African Development Bank for possible financing. The African Development Bank would present the project at the Africa Investment Conference to be held in Johannesburg in November, 2019.

Committee's Observations and Recommendations

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

(ii) The Committee had recommended that the management at Mpulungu Harbour Corporation, through the Ministry of Finance, must come up with a debt swap arrangement to clear the debt owed by Pendulum.

Executive's Response

The Executive responded that the parties were in a dispute with respect to the actual amounts owed between them, since Mpulungu raised a counterclaim. They were still reconciling the figures and a position would be advised once reconciled.

Committee's Observations and Recommendations

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

(iii) The Committee had recommended that Mpulungu Harbour Corporation should look for more business opportunities to cushion its revenue uptake in case of a ban on exportation of products such as maize and cement.

Executive's Response

The Executive responded that the Committee's recommendation for Mpulungu Harbour Corporation to look for more business opportunities to cushion its revenue uptake in case of a ban on exportation of products such as maize and cement was noted. However, the export restrictions were limited to maize and maize products in order to secure the National Food Security while other agricultural commodities could be exported through Mpulungu Harbour subject to them meeting the export requirements. As a starting point, Mpulungu Harbour was in the process of engaging a Business Development Manager, who would be tasked with the implementation of the plan, to focus not only on the traditional market of Zambia, but also target regional markets, in the Great Lakes Region**.**

Committee's Observations and Recommendations

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

11.0 Conclusion

The importance of efficient and effective transport systems to social and economic development cannot be overemphasised. In addition, For a land locked country like Zambia which is rich in mineral resources and has a multiple of import and export trade routes, railway transport is the ideal mode of transport for local, export and import traffic. Zambia's central geographic position in the region exposes it to development corridors by various Regional Economic Communities. These trade routes traverse Zambia and provide access to all Southern Africa Development Community (SADC) sea ports but have not been fully exploited. TAZARA is therefore, recognised as crucial to Zambia's aspiration of becoming a regional transport hub. Unfortunately, despite its crucial role to the economy and the region, TAZARA is marred with numerous challenges, including lack of recapitalisation, low working capital, old equipment, poor balance sheet and a workforce that is de-motivated. Furthermore, the *Tanzania-Zambia Railways Authority Act, No. 4 of 1995* does not respond to changing parameters in the railway industry hence the need to repeal and replace the Act.

Despite its poor performance, TAZARA remains an important player in the economy as it facilitates trade through the transportation of heavy and bulk cargo. TAZARA has huge potential to operate profitably given the wide range of industries it services in both Zambia and Tanzania. But the challenges identified need to be addressed as a matter of urgency.

Given the above, the Committee is hopeful that the observations and recommendations made in this Report will be acted upon expeditiously by the Executive.

The Committee is grateful to the office of the Speaker and the Clerk for the guidance and administrative support rendered to it during the Session. The Committee is further indebted to all witnesses that submitted memoranda and appeared before it.

P M W Daka, MP
CHAIRPERSON

July, 2020
LUSAKA

Appendix I

List of Witnesses

Ministry of Finance
Mr F K Yamba, Secretary to Treasury
Ms F M Kazangwa, Director - PRS
Mr E Manunga, Principal Accountant
Ms M Malishawa, Senior Accountant
Mr B Ng'andu, Principal Economist
Mr B T Chinyandu, Managing Director (TAZARA)
Mr K Musonda, Accountant General

Ministry of Commerce Trade and Industry
Mr M Mubanga, Permanent Secretary
Mr N Ngwira, Director
Mr L Mwanza, Director
Ms L Bwalya, Director
Mr B Moonga, Chief Planner
Ms P Mando, Director (HRA)
Mr J A Mulongoti, Director - Industry

Ministry of Transport and Communications
Eng. M Lungu, Permanent Secretary
Mr N Chikwenya, Director Transport
Mr B T Chingandu, Managing Director (TAZARA)
Mr M N Kakumba, Personal Assistant
Mr S Mbewe, Director Planning
Ms M Chiluwe, Principal Planner
Ms L M Munyama, Senior Planner
Ms M Mwanza, Assistant Director (HRA)
Mr M Chisuku, Planner
Mr J Zimba, Government Inspector of Railway

Zambia Chamber of Mines
Mr S W Chilembo, Chief Executive Officer

Zambia Institute for Policy Analysis and Research
Mr Z Chikuba, Researcher
Ms M Chatore, Researcher
Mr C Cheelo, Researcher
Ms N Mungomba, Reseacher
Mr E Mumba, Researcher
Mr M Bwalya, Researcher

Zambia Association of Chambers of Commerce and Industry
Mr M Nyirenda, Immediate Past President
Mr L Haangala, Vice President
Ms T Y Neba, Legal officer
Mr A Lawrence, Board Member
Mr A Chitalu, Research Officer

Zambia Railways Limited
Mr C C Musonda, Managing Director
Ms C Sikazwe, Director Finance
Ms M Mwalusi, Legal Counsel
Mr A Shamabanse, Manager - Audit and Risk

Indeni
Mr D S Lungu, Managing Director
Mr N Milambo, Business Planning Manager
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Sinoma
Mr C Katema, Legal officer

Lafarge Cement
Mr O Nkandu, Supply Chain Director

Workers' Union of TAZARA
Mr B Malowa, President
Mr K Banda, General Secretary

Crews and Workers' Union of Zambia
Mr B Silumbe, President
Mr A Silwamba, General Secretary

TAZARA Management
Mr B T Chingandu, Managing Director
Eng. K Ndhlovu, Regional General Manager (Zambia)
Mr J Chiluwe, Assistants Director- Roads and Railways
Mr J Kabela, Manager Planning and Corporate Affairs

COMESA
Ms C M Kapwepwe, Secretary General
Ms M S Sinyambo, Executive Support Officer to the Secretary General
Mr B J Mutabazi, Director Infrastructure and Logistics
Mr C A Sinyango, Trade and Customs
Mr A Y Salih, Coordinated Border Management Expert

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Appendix II

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)
Mr E I C Chilimboyi, Committee Clerk
Mrs V B Tembo, Typist
Mr D Lupiya, Committee Assistant
Mr S M Kantumoya, Parliamentary Messenger