

# Competition Reforms in Key Markets for Enhancing Social & Economic Welfare in Developing Countries (CREW Project)

## Brief Report of the Opening Meeting and Fact Finding Mission (FFM)

Zambia, April, 2013

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*This report summarises the discussions with key stakeholders that were met and brings to the fore key issues of interest to the CREW Project. The discussions have been clustered into three component as follows – list of stakeholders met and summary of the discussions; suggested relevant literature to focus on; and lastly proposed national reference group members*

### **1. Commuter Rights Association (CRAZ)**

1.1 CRAZ is one of the leading watchdogs championing the right commuters in Zambia – through research, lobby and advocacy. CUTS met with Mr Aaron Kamuti (Chairman), Mr Pascal Chikumbi (Secretary General) and Mr Dismus Banda (National Chairman and Research Coordinator).

1.2 From the discussions that ensued, it was evident that there were a number of issues that were raised and could be of importance to the CREW project. Government in 1991 relinquished interest in provision of passenger transport services to private sector but retained with the responsibility to regulate and facilitate a conducive environment for conducting business. Private sector, on the other hand responded by making unprecedented investments in passenger transport services especially when government removed import duty and excise on vehicles in 1994 for about five fiscal years. Investments on public motor vehicles have continued even after the import and exercise duties were reversed according to CRAZ. It is however clear to them on whether the gains of service providers of public transport have been quantified or not and the CREW project was seen as an opportunity for the same.

1.3 Coming specifically to the issues which CRAZ works on i.e. consumer/commuters protection, CRAZ was quick to mention that Access and choice has improved – though on the latter they expressed optimism that more needs to be done. Further, a number of concerns which would be key for the CREW project to factor in as the process of the diagnostic country studies commence were as follows;

- Minibus operators have compromised on quality, choice and safety in a number of ways. For example, lining up on first-come-first-pack basis implies that passengers have to board the bus that is packing at that time compromising on choice. This has resulted in sitting on damaged seats or getting on a bus that has inadequate ventilation.
- Even the materials they use to make seats impose great danger to human nature. There are instances when someone uses aluminium or steel bars to make a seat which is very uncomfortable for the passengers. How comfortable are you going to be if you are traveling a long distance because some of these buses commute to areas outside Lusaka? Even in cases of accidents, you will find that there are more chances of one getting injured because of the same materials. There is 90% possibility that one might hit himself to these materials.
- Other issues are the overloading of buses and occasional mistreatment of passengers by conductors and drivers who often use derogatory language, diversion from normal routes to run away from traffic

police if the bus is not road worthy and passengers being dropped at places different from their original destinations.

- Mr. Chikumbi further said that minibus owners usually set daily revenue targets for their agents. This has serious implications for vehicular speed and time spent at bus stops with a high risk of incidences of road accidents. Further, they also try to make some extra money for themselves even at the cost of the safety of passengers

1.4 Key resource materials that were proposed to focus on for the crew project were as follows;

- RoadTrafficActNo.11of2002–
- SS 26 of S108
- Transport Policy

## **2 Jesuit Centre for Theological Reflection (JCTR)**

2.1 JCTR is a research, education and advocacy team that promotes study and action on issues linking Christian Faith and social justice in Zambia and Malawi. The Centre engages in research on key social issues like cost of living, social implications of debt servicing, accessibility of healthcare and education, and integrity of local democracy. One key famous initiative which the organisation has implemented in Zambia is the Food Basket – which is produced for purposes of highlighting consumer pricing on basic essential commodity such as staple food. CUTS met with Daniel Mwale (Manager) and Faith Mutale, (Programmes Officer - Living Conditions Department).

2.2 From the discussions that ensued, JCTR informed that there are a number of concerns in the staple food area and as an organisation they have been championing for the need to have more private sector participation across a number of sector in the value chain of maize production. JCTR proposed the CREW project would benefit a lot in Zambia (and the project) if the Maize was chosen as a key staple as project focus. This was one contentious sector which needed to be researched more.

2.3 Key resource materials that were proposed to focus on for the crew project (both by JCTR) were as follows;

- Food Basket Reports
- Making Markets Work Better for the Poor

## **3. Zambia Bureau of Standards (ZABS) Elias Kasembe, Baiton Mtonga (Senior Inspectors) and Mr Lee Haamunji (Public Relations Officer)**

3.1 It was clear from this meeting that standards form a very important part for both producers/service providers and consumers in their service delivery and consumption. It was learnt that ZABS was holding consultation and awareness programs to find an effective way of ensuring that products reaching Zambia are of good quality and comply with the Zambian Standards. Pursuant to this objective, ZABS introduced the Import Quality Monitoring Scheme (IQMS) in the year 2003. A number of products and materials were covered under this scheme and worked really well to improve the quality of products in the Zambian market. Following the success of the above scheme where inspections were done upon entry at the Zambian border, an inclusion was made to the range of products i.e. used motor vehicles.

3.2 However for motor vehicles (including public transport vehicles) modifications were done where inspections were performed in the countries of origin of the motor vehicles. To make this possible, ZABS

entered into a contract with an institution named Japan E vehicle Inspection Centre. The role of this institution was to perform the inspections before the vehicles were shipped to Zambia.

3.3 According to ZABS, this scheme has worked very well and the quality of vehicles imported into Zambia has improved. Alas, stakeholders such as the CRAZ, feel that the standards on Japan E vehicle Inspection Centre needs to be improved to address issues such as quality of ventilation and seats in these vehicles. ZABS with Road Transport and Safety Agency (RTSA) and have developed a standard on speed limiters to monitor speed limits on vehicles, as accidents on long distance travel have been on the rise. CRAZ is also of the view that these speed limiters should be placed on intra-city also.

3.4 The second issue to be discussed was ZABS' role in the agriculture sector specifically on staple food. It was learnt that, under the standards Act CAP 416 of the Laws of Zambia, ZABS is mandated to make arrangements or provide facilities for the examination and testing of commodities, materials and substances from which commodities may be manufactured, processed, treated and finished. The staple food sector is one such sector and manufacturers are mandated by law to test their products with the Authority before bringing them in the market for consumption.

3.5 Thirdly, in the quest to ensure that manufacturers desist from eluding the ZABS quality control and quality assurance activities and for purposes of better serving consumers with quality products, ZABS recently launched the new quality mark. This quality mark would be inscribed on products that meet the requirements for certification to certain quality standards. It was learnt that the quality mark denotes compliance to standards that will contribute to enabling Zambian producers to enhance quality of their products and be able to penetrate new markets within and outside the country. But more importantly, the quality mark is also intended to aid the consumers to differentiate between a quality assured product and a counterfeit one. This standard applies staple food as well.

#### **4. Agricultural Consultative Forum, Zambia Mr Masiye' Nawiko (Programme Officer) and Joseph Mbinji, (Executive Director)**

4.1 The forum was initiated to contribute to the development of a viable and responsive agriculture sector through evidence-based policy analysis, knowledge management and undergo policy dialogue with relevant stakeholders. They advised that the main staple food to be looked at for Zambia should be maize as there are a number policy related challenges affecting the subsector. They underscored the importance of predictable and transparent rules for the state's involvement in agricultural markets. ACF has been lobbying for the adoption of the marketing Policy which was aimed at depoliticizing the maize sector and promoting private sector participation.

4.2 Marketing of maize through Food Reserve Agency (FRA) was burdened by the introduction of new control measures aimed at preventing purchases from ghost farmers which in turn lead to delayed payments to genuine Zambian farmers. Hence additional allocations had to be made to FRA in order to facilitate these payments. Delays in implementing the Marketing Act in combination with increased Government spending on Fertilizers Support Programme (FSP) and FRA perpetuated uncertainty in the sector and probably had a negative effect on the further realization of its growth potential.

4.3 Key resource materials that were proposed to focus on for the crew project were as follows;

- Agricultural Policy
- Draft Agricultural Investment Policy
- Draft Marketing Act

- Food Reserve Agency (FRA) Act
- Farmer Input Support Programme (FISP)

## **5. Indaba Agricultural Policy Research Institute (IAPRI) - Mr Kuteya**

5.1 When CUTS met IAPRI, the institute highlighted a number of concerns over the high prices of staple food – Mealie Meal. Being the major government/ donor think tank on agriculture related issues, the institute had undertaken some research on this subject and the findings were to be tabled before the government. From this study, IAPRI attributed the hike in Mealie-meal prices to lack of competition among large scale millers accessing subsidised maize that have squeezed informal traders out of the market.

5.2 It was indicated to the Fact Finding Mission Team (FFMT) that there has been little benefits transmitted to consumers from the FRA’s maize subsidies to millers. The questions on who was covered for maize subsidies from FRA and why retailers or millers were able to keep prices so high despite these subsidies are consistently put up. IAPRI is of a view that the Government had created a problem where only a few retailers or millers were able to benefit from maize offloaded by FRA, which has squeezed out the informal milling sector.

5.3 The FFMT were further informed that increased demand for Zambian maize in the region had exposed problems in the marketing system which has led to shortages and high prices of Mealie-meal. During the period between 2010 -2012, the national treasury lost about KR3.8 billion (K3.8 trillion) through FRA due to large scale wastage, transport costs, storage/handling costs and storage losses.

5.4 Further IAPRI (just like ACF) is of the view that FRA should only remain a strategic food reserve and allow the private sector to get involved in the marketing role.

5.5 Key resource materials that were proposed to focus on for the crew project were as follows;

- Is the Government of Zambia’s Subsidy to Maize Millers ...  
<http://fsg.afre.msu.edu/zambia/wp67.pdf>

## **6. Miller Association of Zambia (MAZ) Allan Sakala, President [allangeorgesakala@yahoo.com](mailto:allangeorgesakala@yahoo.com)**

6.1 This discussion highlighted the political economy surrounding the pricing of Maize Meal. Even though the competition and consumer protection commission and other consumer organisations have accused MAZ of price fixing, what was interesting to learn was that MAZ was just a voiceless piece as the pricing of Maize Meal was politically driven at the top level through the president’s office. Presently, there is a proposed increment of Maize Meal due to the scraping off of fuel subsidies which has resulted into higher prices of inputs such as fuel. The millers have therefore proposed a 15percent hike on maize meal and government and the milers are yet to meet to discuss the price. What is important to note for the CREW project is the issue of price fixing and other cross cutting issues.

6.2 Mr Sakala feels the research work to be undertaken on CREW project will be very relevant in the current and could be a better resource to assist stakeholders and government understand the dynamics and the sector can be improved further.

## **7. Road Development Agency, Mukuka Simumba**

7.1 RDA had embarked upon a road construction and maintenance programme. It was learned that RDA wishes to connect the Zambian provinces under the link 8000 Zambia project. This according to RDA will assist in improving the business environment in the country – as provinces will be linked through shorter routes.

7.2 This large infrastructure development programme is the laying down of about 8000 km road connecting cities and towns in Zambia. He gave an example of the Kasumba Lesa - Solwezi project, that creates a direct link between the two towns and this would save the travel time and hence increase trade. Another project that was mentioned was the pave Zambia 200. This project targets the development of urban roads and there-by improving intra-city road network.

7.3 Key resource materials that were proposed to focus on for the crew project were as follows;

- Look at the Road Development Master Plan

## 8. Conclusion

8.1 All these organisations and individuals that were met are interested in being part a of the CREW project. A few organisations to meet are Grain Trader Associations, Ministry of Transport, and Agriculture. It has been difficult to get through the Ministries as they have been tied up in a web of discussions over government’s decision to remove fuel and Agricultural subsidies. They will be met soon.

## 9. Proposed National Reference Group Members

<b>Government and Quasi Government Inst</b>	<b>Non State Actors/ Cooperating Partners</b>
Ministry of Agriculture	Commuter Rights Association
Ministry of Transport	CUTS Lusaka
Competition and Consumer Protection Authority	Zambia Consumer Association
Competition Tribunal	
Zambia Bureau of Standards	
Road Transport and Safety Agency	
Road Development Agency	
Zambia Institute for Policy Research	