CCPC

COMPETITION AND CONSUMER PROTECTION COMMISSION

(ESTABLISHED UNDER THE COMPETITION AND CONSUMER PROTECTION ACT NO. 24 OF 2010)

2018

ANNUAL REPORT

Abuse of Dominance

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CONTENTS

ACRONYMS

ACC	Anti-Corruption Commission
ACSZ	Agricultural and Commercial Society of Zambia
Act	Competition and Consumer Protection Act No 24 of 2010
Board	Board of Commissioners for the Commission
BOZ	Bank of Zambia
CCC	COMESA Competition Commission
CCPT	Competition and Consumer Protection Tribunal
CCSA	Competition Commission of South Africa
COMESA	Common Market for Eastern and Southern Africa
Commission	Competition and Consumer Protection Commission
ERB	Energy Regulation Board
FTC	Federal Trade Commission
ICN	International Competition Network
ICPEN	International Consumer Protection Enforcement Network
IDC	Industrial Development Corporation
LCC	Lusaka City Council
MCTI	Ministry of Commerce, Trade and Industry
NPA	National Protection Authority
PIA	Pensions and Insurance Authority
SADC	Southern African Development Community
UNCTAD	United Nations Conference on Trade and Development
WBG	World Bank Group
ZABS	Zambia Bureau of Standards
ZATP	Zambia Agribusiness and Trade Project
ZICTA	Zambia Information and Communications Technology Authority
ZITF	Zambia International Trade Fair
ZPPA	Zambia Public Procurement Authority

The Honourable Minister,
Ministry of Commerce, Trade and Industry
Lusaka

Hon. Minister

According to Paragraph 13 of the First Schedule of the Competition and Consumer Protection Act No. 24 of 2010, the Commission is required to present to the Minister of Commerce, Trade and Industry an Annual Report on the activities of the Competition and Consumer Protection Commission.

I hereby submit to you Hon Minister, the Annual Report together with the audited Statement of Financial Position and the Statement of Income and Expenditure. The report covers the year 2018.

Yours sincerely

Kelvin F. Bwalya
Chairman

STATUTORY MANDATES

The Competition and Consumer Protection Commission (CCPC) is a statutory body established under the Competition and Consumer Protection Act No 24 of 2010.

The mandate of the Commission as a primary advocate for competition and consumer protection cuts across all sectors of the economy including those sectors with specific sector regulators. Thus, in general terms, the principal aims of the Commission are twofold, that is:

- ❖ To promote a culture of competition for a sustained economic growth and wealth creation.
- ❖ To protect and enhance consumer welfare in the economy for the benefit of all Zambians.

The mandate and objectives are detailed into core functions for the Commission as listed below: -

COMPETITION REGULATION

- » Review the operation of markets in Zambia and the conditions of competition in those markets
- » Review the trading practices pursued by enterprises doing business in Zambia
- » Act as a primary advocate for competition and effective consumer protection in Zambia
- » Co-operate with and assist any association or body of persons to develop and promote the observance of standards of conduct for the purpose of ensuring compliance with the provisions of this Act
- » Liaise and exchange information, knowledge and expertise with competition and consumer protection authorities in other countries
- » Investigate and assess restrictive agreements, abuse of dominant positions and mergers

CONSUMER PROTECTION REGULATION

- » Undertake and publish general studies on the effectiveness of competition in individual sectors of the economy in Zambia and on matters of concern to consumers
- » Provide information for the guidance of consumers regarding their rights under this Act
- » Investigate unfair trading practices and unfair contract terms and impose such sanctions as may be necessary

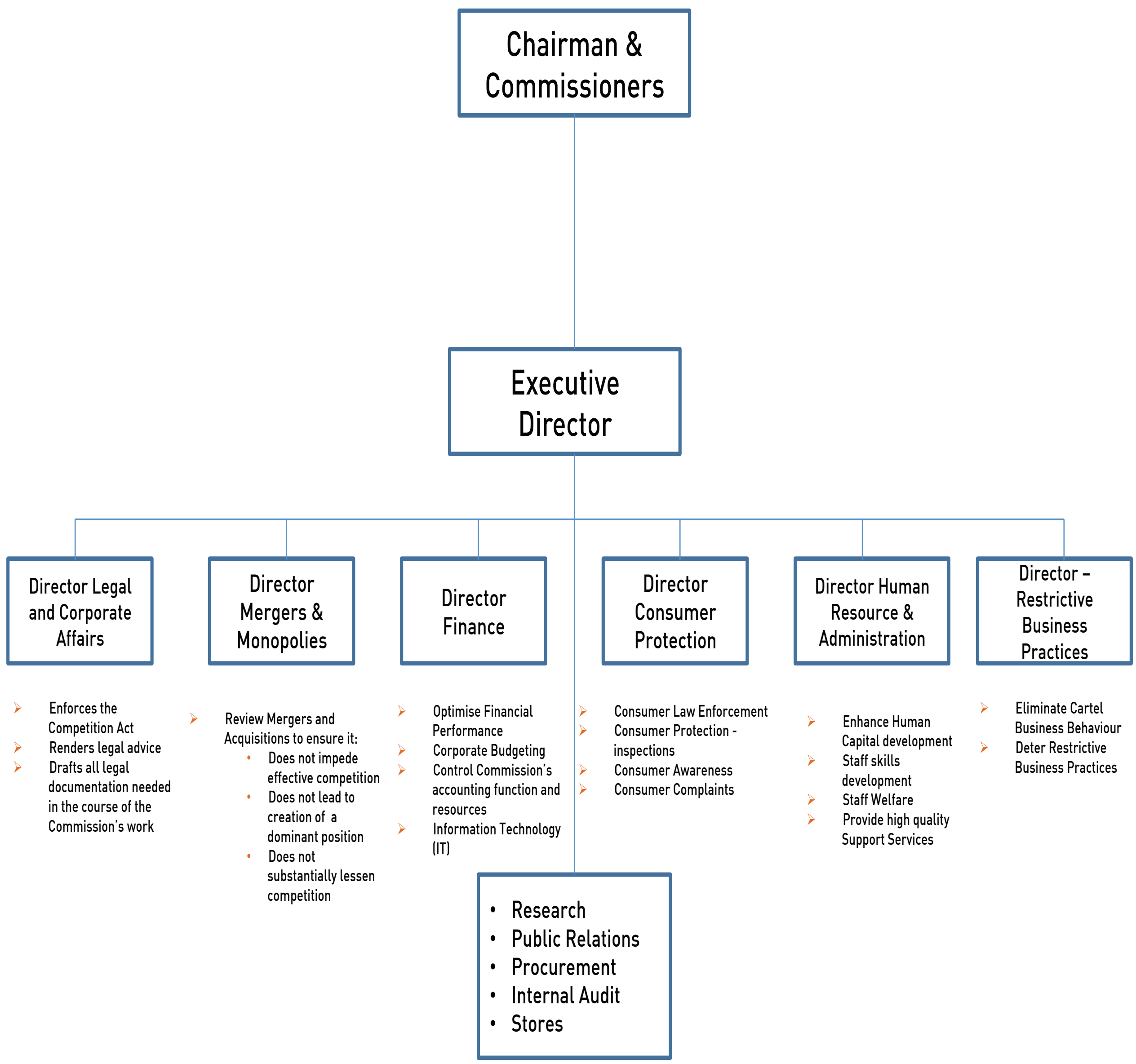
GOVERNMENT ADVISORY

- » Advise Government on laws affecting competition and consumer protection
- » Advise the Minister on agreements relevant to competition and consumer protection and on any other matter relating to competition and consumer protection
- » Do all such acts and things as are necessary, incidental or conducive to the better carrying out of its mandate under this Act

VISION/MISSION STATEMENTS

The Commission's goals and objectives to fulfil its mandate are articulated in the Vision and Mission Statements, with emphasis on the Organisational Values which govern how the Commission discharges its' functions, including its investigations, public outreach and stakeholder engagement.

ORGANISATIONAL STRUCTURE



CORPORATE GOVERNANCE

The Commission has a Board of Commissioners appointed by the Minister of Commerce, Trade and Industry, which is the governing body and is responsible for the guidance of the Commission's affairs. The Board has both corporate governance and adjudicative functions under the Act. The Commission also has a Secretariat appointed by the Board, whose primary role is to investigate cases and administer its affairs on a day by day basis.

The operations of the Commission are policy driven and within the confines of the Ministry of Commerce, Trade and Industry (MCTI) Strategic Focus and the Seventh National Development Plan. The Board has thus a performance contract with the MCTI with clear targets and reporting mechanisms and for the 2018 period, the Board managed to perform above these targets. Under its contractual obligations, the Board is thus expected to ensure that competition and consumer protection are promoted and protected. The Board further ensures that the operations of the Commission and its financial state are prudent and sound at all times.

BOARD COMMITTEES

The following are the Board Committees with respective terms of reference:

Technical Committee

- Advise on strategic goals and related technical aspects of the operational; performance of the Commission and implementation of the Act;
- Work with Management on issues related to the core functions of the Commission;
- Review the quality of work carried out by the Commission;
- Conduct Strategic Planning; and
- Undertake adjudication of cases and recommend to the Board.

Audit and Risk Management Committee

- Review the Commission's financial reports periodically in liaison with the External and Internal Auditors;
- Review the Commission's financial related statutory and non-statutory reporting obligations;
- Advise on risk identification and mitigation measures; and check on the reasonableness of the effectiveness and robustness of internal control measures; and
- Conduct Strategic Planning.

Finance and Administration Committee

- Review the budgeting processes of the Commission and measures to broaden sources of the Commission's financial resources;
- Review the interface between the Commission's resource inputs and expected outputs;
- Advise on internal financial control systems and provide oversight on financial reporting; and
- Advise on Human Resource and Administration related issues.

BOARD AND COMMITTEE MEETINGS

In 2018, the Commission held Board and Committee meetings as shown in the table below:

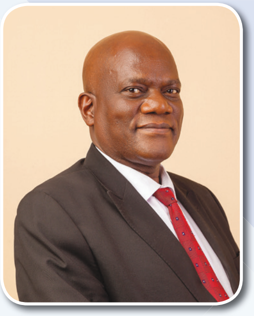
Types of Meeting	Number
Board Meetings on Adjudication of Cases	7
Board Meetings on Finance, Administration and Audit	7
Special Board Meetings on the Building Project	2
Technical Committee Meetings on Adjudication of Cases	11
Finance and Administration Committee Meetings	6
Audit and Risk Management Meetings	4

BOARD OF COMMISSIONERS

The six (6) Commissioners of the Competition and Consumer Protection Commission are appointed by the Minister of Commerce, Trade and Industry. They are vested with the responsibility, inter alia, for adjudicating on regulatory applications, making determinations, issuing orders and initiating prosecutions. The Commissioners are appointed on a part-time basis for a term of four-years. The Executive Director is an ex-officio Member of the Board.

Mr Kelvin.F. Bwalya
Chairman

Ms Chishala Kateka
Vice Chairman



Dr Chenga.S.Chisha
Technical Committee Chairman

Mrs Georgina Kasapatu
Commissioner

Dr Aubrey Chibumba
Audit Committee Chairman

Mr Fredrick Imasiku
Commissioner

Executive Management Team

The Executive Director is responsible for the day to day administration of the Commission, supervision of staff and work programmes of the Commission.

The Executive Director is assisted in the performance of his functions by an Executive Management Team comprising Heads of the Directorate's in six (6) operational divisions.

Mr Chilufya Sampa
Executive Director

Mrs Maureen Mwanza
Director Legal & Corporate Affairs

Mrs Luyamba Kapembwa
Director Mergers & Monopolies

Mr Vestus Chungu
Director Finance

Mr Brian Lingela
Director Consumer Protection

Mrs Naomi Fulaza
Director Restrictive Business Practices

Mrs Beene Siyumbwa
Director Human Resource & Administration

Chairman's Statement

The Zambian economy continues to be highly concentrated where a small number of companies account for a large percentage of the total relevant markets in many sectors. This high market concentration if left unchecked maybe detrimental to the intensity of competition by lessening innovation and productivity and increasing inequality. Market share concentration is driven by many factors, including those that that restrict entry, such as, Foreign Direct Investment (FDI) policies that support the first market entrants.

There has also been a lack of entrepreneurship amongst local companies due to outdated legislation and regulations that governed the command economy. As a consequence few businesses have inevitably resulted in positions of dominance.

Theme of 2018

The Commission has in its 2018 Annual Report adopted Abuse of Dominance as its theme. It is important to note that the Act does not prohibit a company from holding a dominant position in a market. However, it does place a distinctive responsibility on such a company, requiring them not to abuse their dominant position of market power.

Dominant Position of Market power

A company enjoying a dominant position in a market may not only exercise its market power by exerting a significant influence on the market price, or restrain the market output of a specific commodity or service, but may also create barriers for restricting entry or the freedom of other enterprises to operate in the market. It is this abuse of market power to exploit the consumer or restrict trade or entry that is prohibited. Interestingly, the abuse of dominant position of market may not only affect the relevant market in which the company operates but downstream and upstream markets as well.
A dominant position achieved or maintained through conduct arising from efficiencies, will not be regarded as an abuse of dominance. The Act is designed to foster competition which creates incentives for companies to innovate and reduce costs while simultaneously leading to lower prices and wider selection of goods and services for consumers.

Rules and Regulations

The Zambian economy continues to operate with rules and regulations that embolden anti-competitive behaviour. This has resulted in key sectors like agriculture and manufacturing not fully reaching their potential because of entry restrictions.

The Commission is supporting Government's economic diversification program through the Zambia Agribusiness and Trade Project (ZATP) a World Bank Group (WBG) funded project under the Ministry of Commerce, Trade and Industry through the promotion of fair competition. The objective of the project is to increase market linkages for emerging farmers as well as strengthening the regulatory and institutional frameworks for agribusiness.

The position of the Commission is to ensure that smaller companies, which often represent poorer sectors of the Zambian society, have a fair and level playing field in the economy. Competition law is used for such public interest issues, but it is crucial that clear guidance is given on how these objectives should be balanced against other objectives such as efficiency, innovation and statutory/parastatal bodies.

Abuse of Dominance in the Education Sector

The Commission in 2018 warned education service providers engaged in coercing parents and guardians that tied tuition and school places to school uniforms and exercise books, usually at exorbitant prices. This conduct exploits and limits consumer choice, a practice that deters Government efforts to provide affordable education.

Dominance guidelines

As part of the Commission's continued efforts to ensure a transparent and predictable enforcement policy and framework, the Commission has published its guidelines on the Abuse of Dominance Provisions contained in the Act. These guidelines provide an outline of the Commission's approach to enforcing the Abuse of Dominance Provisions and investigating possible violations. The guidelines explain how the Commission uses its powers under the Act in assessing the conduct of dominant undertakings and indicate some of the factors which are considered relevant in determining whether a dominant firm's behaviour may be regarded as protecting their position through anti-competitive conduct.

The Commission remains resolute in its commitment to eliminate anti-competitive trade practices, which impact negatively on Zambia's quest to promote a competitive business environment.

Way Forward

Going forward, the Commission will continue to enhance its capacity to manage the ever emerging dynamics, in its enforcement and advocacy initiatives.

I would like to thank the Minister of Commerce, Trade and Industry and the Ministry staff, my fellow Board Members, Management and staff for their unrelenting dedication to the Commission.

Kelvin F Bwalya
Chairman

The Executive Director's Report

The year 2018 was yet another important one for the Competition and Consumer Protection Commission (CCPC) as it continued to make markets work well for businesses and consumers.

Competitive markets drive businesses to innovate and creates a strong incentive for companies to pursue more efficient business models and develop better products and services for consumers. That kind of innovation is important for productivity, efficiency and inclusive growth across all sectors of the Zambian economy.

The Commission plays an important role in achieving these objectives by supporting competition to help drive innovation in the markets. Through our compliance and enforcement work, we endeavour to ensure a level playing field for innovative companies to succeed. By working to build a fairer and more open marketplace, we also help make Zambia become an attractive destination for foreign investment and growth opportunities.

In 2018, the Commission took up the Presidency of the International Consumer Protection and Enforcement Network (ICPEN) becoming the first African country to head the organisation in twenty –five (25) years of its existence and successfully hosted a two (2) day Best Practices Workshop attended by Consumer Protection Agencies from thirty-seven (37) countries.

During the year, the Commission has delivered significant competition and consumer protection outcomes to address critical issues facing the economy across its's strategic objectives which are highlighted in this report.

COMPETITION

Mergers and Monopolies

Mergers continue to play an important role in Foreign Direct Investment (FDI) as they provide great opportunities for enhancing efficiencies through generating economies of scale/scope and creating new combinations of technology and products as the Zambian economic liberalisation continues to mature.

Year on year, the Commission's reviews on Mergers continue to increase with eighty-eight (88) assessments in 2018 which translates to a 12% growth compared to 2017. The Commission's emphasis is to ensure that proposed mergers do not result in greater market power and higher concentration levels of industry that may give rise to monopolistic behaviour of firms.

The Agriculture, Services and Energy sectors constituted fifty percent (50%) of Merger cases, reflecting the economic trends driving growth in Zambia.

The Commission has continued to collaborate with COMESA Competition Commission (CCC) in merger reviews. Of the cases reviewed in 2018, twenty-five (25) were with CCC.

For a more transparent merger review process, the Commission published guidelines for Merger Fees that gives practical guidance on the calculation of merger notification fees.

Abuse of Dominance

In 2018, the Commission investigated cases of Abuse of Dominance, primarily in the Information Communications and Technology (ICT) and Services sector making up seventy-five (75%) of the cases closed. The investigations in these sectors led to a change in business practices persued by enterprises. Specifically in the provision of passive infrastrucure services in the ICT sector, it led to the removal of artificial barriers to entry by the dominant enterprise. On the other hand the investigation in the services sector led to the stabilisation in the prices of services based on objective costs of providing the particular services.

Abuse of Dominance guidelines were concluded in the year, which will give practical advice and guidance on the application of the relevant procedures and assessment methods in Abuse of Dominance cases as set out in the Act and in the Regulations.

Restrictive Business Practices and Cartels

In 2018, the Commission investigated sixty-four (64) cases which was a seventy-two percent (72%) increase in cases handled in 2017 and closed forty-five (45). The Commission fined four (4) hatcheries in a long running cartel case in which they were involved in collusive pricing for day old chicks. This collusion to limit production of day old chicks invariably drove up prices for consumers.

Cartel behaviour is a particularly insidious anti-competitive behaviour. It limits price competition and the ability of new entrants to enter the market. In 2018, the Commission investigated ten (10) cartel cases and is resolute in working with the ZPPA to fight bid-rigging, price-fixing, deceptive marketing practices and other tactics that harm competition and consumer confidence and cost Zambian consumers.

The Commission concluded its investigations in cartel behaviour by the Insurers Association of Zambia (IAZ) Members to fix prices on third party motor vehicle insurance. The Commission decided that the instigators be prosecuted in addition to the ten percent (10%) fine of their annual turnover imposed on all the Members.

CONSUMER PROTECTION

Consumer Complaints

In 2018, the Commission handled two thousand, one hundred and fifty-six (2,156) consumer complaints from a wide range of sectors of the economy, but primarily in the retail trade and insurance sectors which contributed sixty-two percent (62%) of the complaints received. Amongst the numerous categories of complaints received, the predominant ones were consumers being sold unsuitable services/ goods, unfair trading and defective products.

Inspections and Compliance

The Commission continues to conduct joint inspections with other sector regulators to enforce compliance with the law and seizes goods which are found to be non-compliant with the provisions of the Act.

In 2018, the Commission inspected one thousand, two hundred and sixty-one (1,261) business premises across all ten (10) provinces in Zambia, where they seized and destroyed goods worth K139,620 for not meeting legal requirements.

Consumer Awareness and Education

The Commission prioritises the need to empower consumers, to ensure that they are aware of their rights and responsibilities through awareness and education programmes.

The overall goal of these consumer awareness activities is to create and sustain awareness amongst different categories of consumers with a view of enabling them make informed purchasing decisions.

Provincial Sensitisation Campaigns

The Commission in 2018 held provincial sensitisation campaigns not only to educate consumers on their rights and obligations but also encourage compliance amongst local businesses.

The Commission conducted sensitisation campaigns in all ten (10) Provinces, which included interviews on local radio stations, market/chiefdom sensitisations and distribution of brochures – which are also printed in local languages.

Arising from these activities the Commission has seen an increase in the volume of cases being reported through both the toll free line calls and walk in consumers to Commission offices across the country. Further, this strategy has resulted in enterprises having fast track resolution of complaints even before they are reported to the Commission. Exploitation of rural consumers regarding the sale of expired products in rural areas has also reduced due to their access to consumer education.

RESEARCH

In 2018, the Commission undertook studies in key economic growth sectors like Agriculture, Tourism and Financial Services Sectors.

Agribusiness- (ZATP)

The Commission participated in the Zambia Agribusiness and Trade Project (ZATP), a project of the Government implemented through the Ministry of Commerce, Trade and Industry with the aim to improve the ability of small and emerging Small and Medium Enterprises (SMEs) to sustainably and commercially link into markets.

The Commission undertook various research studies including the "Cotton Value Chain Study" and the "Legal Infrastructure Study" into key product markets namely, maize, cotton seed, sugar and edible oils.

These reports aimed at changing the legal landscape and behaviour of players in the market. The findings have since been shared with the Ministry of Commerce, Trade and Industry, Ministry of Agriculture and other relevant stakeholders key to the implementation of the recommendations.

Rural Finance Expansion Project (RUFEP)

The Commission as part of the Rural Finance Expansion Project (RUFEP) under the Ministry of Finance is working collaboratively with other agencies to increase access to and use of sustainable financial services for the poor rural women, men and the youth.

A number of activities have thus been carried out including conducting a research meant to examine the competition and consumer protection challenges to financial inclusion faced by rural households. These findings are key in the development of targeted and appropriate advocacy messages for the identified groups in the study.

Tourism

The Tourism Sector having been identified as a key sector for economic growth, has higher accommodation rates in the Southern African region. The Commission undertook the study to identify the reasons for this price disparity and what was driving these high prices.

The Commission has since shared the study findings with the Zambia Tourism Agency and seeks to create dialogue with relevant stakeholders on how the sector can be made competitive.

Financial Services

Bank lending rates have constantly been cited as one reason why Zambia has a low uptake of banking services. The Commission undertook a study in the banking services sector on bank charges following observations indicating that a larger part of the adult population does not utilize banking services.

The reasons cited for the low utilisation of the services included the low levels of consumer knowledge on how the banking and financial institutions determined their rates.

The scoping study findings together with the Bank of Zambia internal processes and investigations focusing on bank charges culminated in the issuance of Gazette Notice Number 6693 on 31st August 2018 prohibiting certain charges categorized as "unwarranted".

INSTITUTIONAL DEVELOPMENT

Legal and Regulatory Coordination

In 2018, the Commission had two (2) cases which commenced before the Supreme Court and eight (8) cases being heard before the High Courts by way of appeal against the decisions of the Competition and Consumer Protection Tribunal. The two (2) cases before the Supreme Court were ruled in the Commissions favour. In addition, judgements were delivered in two (2) other cases which were also found in the Commission's favour. Further, there were six (6) cases pending judgement in the High Court.

The Competition and Consumer Protection Tribunal presided over thirty-two (32) cases in 2018, with twenty-one (21) cases yet to be determined. Of the eleven (11) cases determined, four (4) were ruled in the Commission's favour, five (5) are pending judgement, one (1) was ruled against the Commission and one (1) is currently before the High Court on appeal.

The Legal Directorate spearheaded the consolidation of the stakeholder consultative amendments to the Act, with the final document submitted to Ministry of Justice to be drafted into a Bill for onward presentation to Parliament

Audit, Risk Management and Governance

The Internal Audit function provides objective assurance on risk management, internal controls and governance processes.

In 2018, Internal Audit conducted reviews in nine (9) Provincial Offices and four (4) reviews at Head Office to ensure compliance to the approved policies, regulations and procedures.

Management has put up necessary measures to address the issues raised by the Internal Audit and follow ups are being made by audit and risk section to ensure that the recommendations are being implemented.

Human Capital

In 2018, the Commission continued to support its employees giving them more opportunities to develop their skills and leadership qualities, and by working towards an even safer and more inclusive work environment.

The Commission recognises its most valuable asset and continues to invest in human capital ensuring that staff are empowered and equipped to deliver superior performance by translating strategic objectives into operational productivity.

The Commission appreciates the direct correlation between superior performance and good health and well-being which is why in 2018, the Commission arranged health days, health talks and cancer screening to promote the health of employees. The Commission is determined to promote a culture of excellence founded on openness, collaboration and engagement, and securing tangible results.

Public Relations

The Commission enjoyed extensive media coverage in 2018 through print and broadcast media. One hundred and fifty (150) Featured television and radio programs ensured that the Commission's core mandate and roles of promoting competition and consumer protection were disseminated to customers and stakeholders.
Consumer interaction through social media channels and CCPC website continues to grow, with Facebook followers reaching six thousand (6,000) in the year.

The Commissions bi-annual newsletter and participation at trade shows and Expos guarantees interaction with external stakeholders. This strategy has positively raised visibility of the CCPC resulting in an enhanced corporate image of the Commission.

International Relations and Regional Engagements

In 2018, the Commission enhanced and strengthened the network of international and regional partners to address anti-competitive activity and deceptive marketing practices that cross borders and promote convergence in competition law policy.

By strengthening our network of international partners, it allows the Commission to participate in sharing of best practices through technical projects and capacity building workshops.

In 2018, the Commission participated in numerous international forums, including the COMESA region Anti- Cartel Enforcement Strategy in Eswatini, SADC Cooperation framework on Competition in South Africa and the Seventeenth (17th) International Competition Network (ICN) Annual Conference in India.

International Consumer Protection Enforcement Network (ICPEN)

In 2018, the Commission took over the Presidency of ICPEN. ICPEN brings together eighty (80) countries to tackle deceptive marketing practices and other consumer issues. One of the best ways to protect consumers in Zambia and around the world is by sharing best practices with our international counterparts.

The Commission hosted and facilitated the Best Practices Workshop which was attended by one hundred and eight (108) delegates from thirty-seven (37) countries.

The Commission sits on seven (7) ICPEN Project Groups. Under the Commission's Presidency, three (3) new project groups were introduced which are meant to enhance the enforcement of consumer protection laws and international best practices amongst Member States.

LOOKING AHEAD

The Commission will continue to strengthen its oversight of competition policy and consumer protection in Zambia by taking more enforcement action and continue to take a resolute stance in advocating for stiffer and more substantial penalties for businesses which engage in anti-competitive conduct that erodes the immense gains accrued through open markets and stifles consumer choice.

The Commission will also continue to balance the imperatives of business, the needs of consumers and its duty to enforce the law without fear or favour, recognising that its work may affect all Zambians almost every day.

The Commission will focus on developing our people, systems and tools to better support our role in promoting competition, fair trading and consumer welfare for the benefit of all Zambians.

ACKNOWLEDGEMENTS

I would like to thank our Minister Hon. Christopher B. Yaluma MP, the Office of the Permanent Secretary, Ministry of Commerce, Trade and Industry and the Board of Commissioners for the continued leadership, guidance and support provided to the Commission.

Finally, I am proud of the excellent results that were achieved by our dedicated and professional employees for businesses and consumers across the country in 2018.

Chilufya Sampa
Executive Director

MERGERS AND MONOPOLIES

Key Strategic Objectives:

- Establish improved, predictable and efficient merger regulation
- Enhancement of the Commission's capacity to regulate Mergers
- Enhance Competition in priority sectors by investigating Abuse of Dominance cases
- Increase awareness among market players on Abuse of Dominance
- Improve and Benchmark work on Mergers and Monopolies to meet regional and international best practices

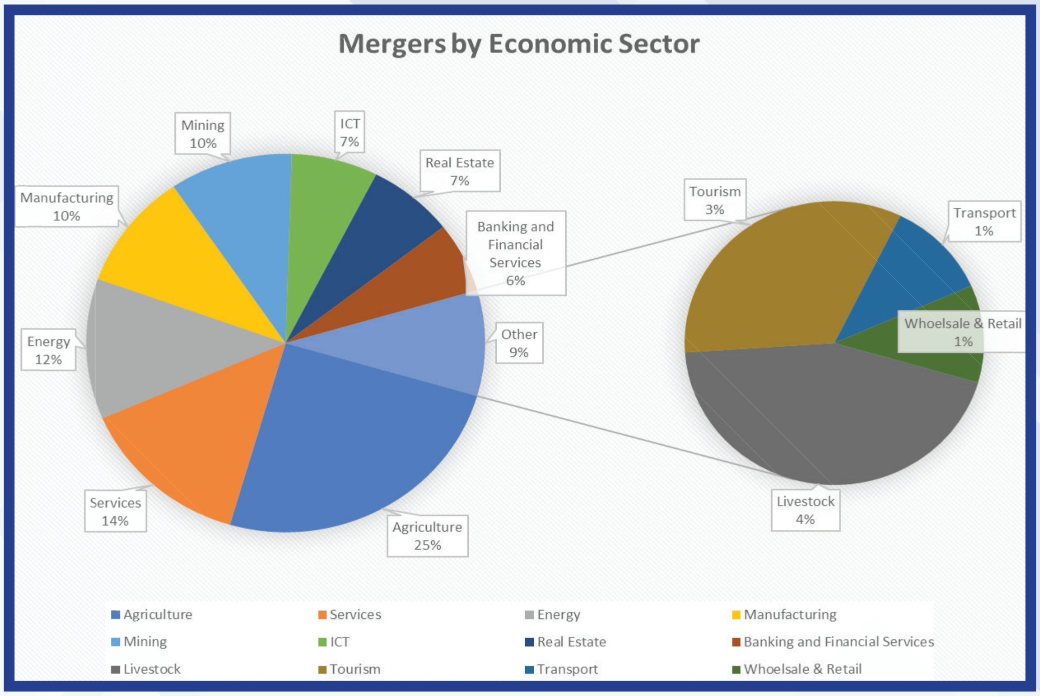
buse of Dominance

Mergers and Monopolies

The Commission reviews mergers of all sizes and in all sectors of the economy to ensure they will not substantially lessen or prevent competition, so that consumers and businesses will continue to benefit from a dynamic open market that offers innovative products/services, increased choice and competitive prices.

During the period under review, the Commission received eighty-eight (88) merger notifications out of which seventy-two (72) cases were reviewed and closed. Fifty percent (50%) of the total mergers reviewed and closed in the year 2018 were from key economy sectors – Agriculture, Energy and Services.

The pie chart below shows the number in percentages of merger cases handled in each sector:



Notable cases handled in 2018 included;

Sale of seventy-six percent (76%) Shares in Superior Milling Company Limited to the Industrial Development Corporation (IDC).

- Merger[1] between ZCCM-Investment Holdings and Investrust Plc
- Merger involving the Coca-Cola Company and Zambian Breweries PL

1 Section 24 (2) of The Competition and Consumer Protection Act defines a merger to include (a) purchase of shares or lease of assets by an enterprise or acquisition of an interest or shares belonging to another (b) amalgamation or combination of an enterprise with another (c) joint venture between two or more independent enterprises

CASE SUMMARY

THE INDUSTRIAL DEVELOPMENT CORPORATION GOES INTO MILLING

The Commission handled a merger involving the acquisition of 76% shares in Superior Milling Company Limited (Superior Milling) by the Industrial Development Corporation (IDC) of Zambia.

The relevant market was the market for the commercial milling, marketing and distribution of superior maize meal brand in the whole of Zambia.

Investigations by the Commission revealed that the market was not concentrated as a number of market players existed in this market.

It was noted that there were minimal barriers to entry in the relevant market which included the capital outlay that an enterprise that wanted to venture into the market would require, as well as acquiring approval from the Zambia Environmental Management Authority (ZEMA) to set up the plant for production.

The Commission observed that there would be effective remaining competition in the relevant market due to the fact that there were over twenty (20) milling companies that provided similar services to those provided by Superior Milling.

Further, the transaction would not lead to the creation of a dominant position as such there were no concerns of abuse of dominance. It was particularly noted that there would be no change in the structure of the relevant market as the acquirer was taking over the assets of an existing company.

The investigation concluded that the transaction would not lead to substantial lessening of competition in the relevant market. Therefore, the Board of Commissioners granted Authorisation to the transaction subject to the following conditions that:

i) The parties should continue to honour the existing agreements that Superior Milling Limited had entered into with the local suppliers for at least one year pursuant to Section 31 of the Act.

ii) The parties should ensure that no existing jobs, on both the operational and administrative side were lost by virtue of the transaction for at least one year pursuant to Section 31 of the Act.

iii) The Parties would not engage in any practices that would have the effect of preventing, restricting or distorting competition in the relevant market.

Investigations in Non-Notified Mergers

The Commission fined five (5) enterprises for implementing mergers without authorisation in 2018. These mergers that were uncovered in the period were mostly in the Agriculture Sector particularly relating to land for agricultural farming and Real Estate.

The Commission's priority is to assess and review mergers to prevent structural changes in markets that substantially lessen competition. The Commission's particular focus is on concentrated sectors of the markets and proposed acquisitions arising through privatisation of public sector assets.

In reviewing mergers, the Commission aims to work efficiently, transparently and effectively, taking into account the commercial needs of the parties involved. The Commission takes a scaled approach to merger assessments by ensuring that merger proposals that are non-contentious are dealt with expeditiously and information required from merging parties or other third parties is tailored according to the complexity of the issues raised.

CASE SUMMARY

MERGER BETWEEN ZCCM-INVESTMENT HOLDINGS AND INVESTRUST PLC

The Commission received a merger application involving the acquisition of a controlling interest in Investrust Holdings Plc (Investrust) by ZCCM-Investment Holdings Plc(ZCCM-IH).

The transaction involved ZCCM IH undertaking a mandatory offer to minority shareholders in Investrust which would increase its shareholding from 45.4% to more than 50% and thereby having a controlling interest in Investrust Plc.

The relevant markets affected by the transaction included the markets for the provision of corporate banking products and services and the provision of retail banking products and services.

Investigations conducted by the Commission revealed that the relevant market was not concentrated. It was determined that there were no insurmountable barriers to entry with regards to the provision of banking financial services in Zambia aside from the need for all banks to obtain a banking licence from the Bank of Zambia prior to commencing operations as well as complying with regulatory requirements such as capital adequacy and liquidity which did not constitute an insurmountable barrier to entry.

The transaction would not lead to the creation of a dominant position of market power by the merging parties that would lead to substantial lessening of competition in the banking services sector and as such abuse of dominance was not likely.

The Board of Commissioners granted conditional Authorisation to the transaction that:

i) The merging parties should continue to honour the existing agreements that Investrust had entered into with the local suppliers and other local (Zambian) third line industries for at least one year pursuant to Section 31 of the Act.

ii) The merging parties should ensure that no existing jobs for Investrust, on both the operational and administrative side were lost by virtue of the transaction for at least one year pursuant to Section 31 of the Act.

Strategic Objective: Establish improved, predictable and efficient merger regulation

Premerger notification meetings

In order to ensure that the merger notification process is predictable and efficient, the Commission encourages merging parties to come for pre-merger meetings where they are advised on different aspects relating to mergers. At these meetings, the parties are advised on what documents and information need to be filed and submitted to the Commission. The parties are also advised on the period it takes to review a merger or clarify whether a proposed transaction amounts to a merger or simply one that needs negative clearance.

Predictable Merger fees and guidelines

The Commission developed and published Guidelines for the Calculation of Merger Fees in May, 2018. The purpose of these Guidelines is to give practical guidance on the calculation of merger notification fees. The Guidelines explain the method the Commission uses in calculating the merger notification fees.

Collaboration with SADC

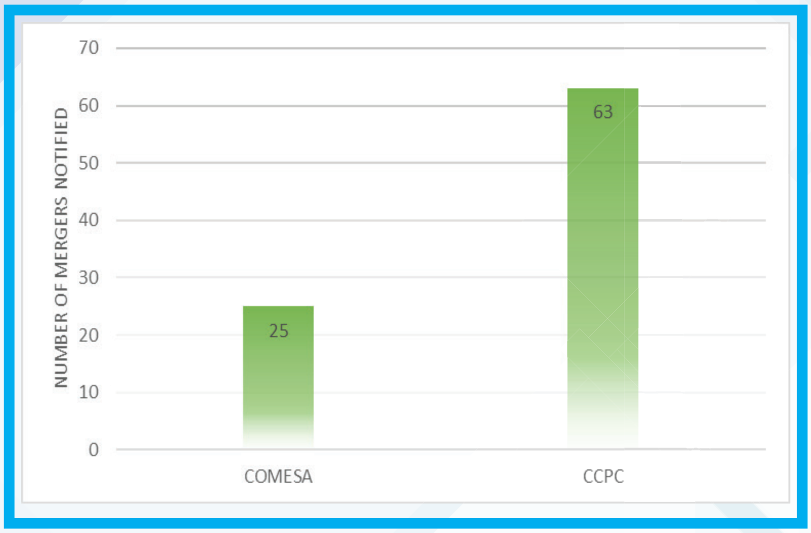
The Commission engages closely with competition and consumer protection counterparts in the SADC region. SADC Member States have formulated SADC Mergers Working Groups whose Chairmanship is held by Botswana.

This platform is used to share various country specific challenges and experiences being faced by Competition Authorities. It offers an opportunity for newer Competition Authorities to learn from the much experienced authorities such as the Zambian and South African Competition Authorities. Such collaborations are key for Competition Authorities in order to continuously improve their procedures and processes. This also contributes to formulating predictable regulations for effective enforcement of competition laws and ease of doing businesses in Zambia and in the region.

Collaboration with the COMESA Competition Commission

The Commission has continued its cooperation with the COMESA Competition Commission (CCC) by formulating an implementation plan for the operationalisation of the Memorandum of Understanding between the two institutions. This is aimed at enhancing predictability and efficiency in merger regulation, reducing the cost for companies undertaking multiple merger notifications in various jurisdictions among others. In this regard, there has been an increase in the number of merger notifications with a regional dimension of twenty-five (25) handled in 2018 as compared to twenty (20) received in 2017. The twenty-five (25) merger applications were part of the total eighty-eight (88) merger applications reviewed in 2018.

Additionally, the CCC also conducted a training workshop for merger handlers of different Member States. The training was aimed at bridging the gap on procedures and analysis of mergers done at National and Regional level.



One of the merger applications received that had a regional dimension included the proposed sale of some assets of Zambian Breweries Plc (ZamBrew) to The Coca-Cola Company (TCCC).

CASE SUMMARY

MERGER INVOLVING THE COCA-COLA COMPANY AND ZAMBIAN BREWERIES PLC

The Commission handled a merger notification from the COMESA Competition Commission (CCC) regarding the proposed sale of some assets of Zambian Breweries Plc (ZamBrew) to The Coca-Cola Company (TCCC). This transaction was handled by the CCC as it had a regional dimension i.e the parties were present in more than two COMESA Member States.

The transaction entailed the acquisition of certain assets and liabilities of ZamBrew's TCCC branded Non-alcoholic Ready to Drink (NARTD) bottling business. The acquisition was done through TCCC's affiliate company called Strategic Alliance JV. To facilitate the transaction, ZamBrew divided its business, such that the TCCC branded NARTD bottling business was housed in a new company called Zambian Softco that is wholly-owned by ZamBrew. Thereafter, Strategic Alliance JV acquired Zambian Softco. The parties submitted that the production, sell and distribution of TCCC branded NARTD beverages would continue in Zambia.

It was revealed that the transaction would not lead to substantial lessening of competition in the market, however, some public interest concerns were noted. The Commission observed that due to the fact that Strategic Alliance JV would acquire control in ZamBrew's TCCC branded NARTD beverages, it was important that the jobs of individuals working in the relevant market are secured as well as the contracts that ZamBrew had entered into with suppliers for a specified period of time. It was also important that Strategic Alliance JV continued with the production, sell and distribution of TCCC branded NARTD beverages in Zambia.

Therefore the Commission recommended that the CCC considers the following in its assessment of the transaction that:

i) TCCC should continue to honor the existing agreements that ZamBrew had entered into with the local suppliers for at least one year from the date of the CCC's decision.

ii) TCCC should ensure that no existing jobs, on both the operational and administrative side were lost by virtue of the transaction for at least one year from the date of the CCC's decision.

iii) TCCC should continue to honor the existing agreements that ZamBrew had entered into with the distributors for at least one year from the date of the CCC's decision and that no such contracts were terminated by virtue of the transaction.

iv) TCCC should ensure that the production of NARTD beverages for the Zambian market was done within Zambia.

Strategic Objective: Enhancement of the Commission's capacity to regulate Mergers

Staff Capacity Development

The Commission participated in a Regional Workshop held in Ezulwini, Eswatini in October, 2018. The focus of the workshop was on analysing competitive effects, public interest and remedies in Merger Review. The workshop discussed the importance of theories of harm which are central to merger analysis and formulating effective remedies narrowly tailored to resolve the competitive harm identified during a merger investigation.

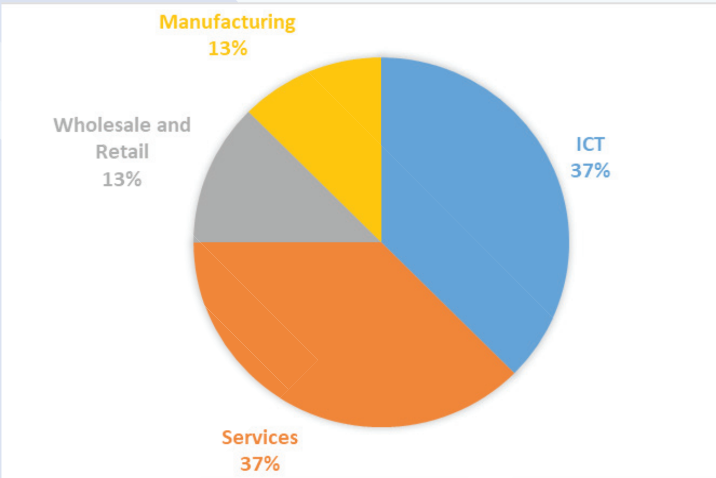
ABUSE OF DOMINANCE

Strategic Objective: Enhance Competition in priority sectors by investigating Abuse of Dominance Cases

Investigations on Abuse of Dominance

In 2018, the Commission investigated and closed eight (8) cases of enterprises that were alleged to have abused their dominant position in the economy to restrict competition and exploit consumers. The Commission noted that most of the abuse of dominance cases were in the Information Communications and Technology (ICT) and Services Sectors.

The pie chart below shows the percentages of cases handled in each sector



CASE SUMMARY

CCPC APPROVES APPLICATION FOR AUTHORISATION OF AN AGREEMENT BETWEEN SOCIETE FRANCAISE DE COMMERCE EUROPEEN AND TOYOTA ZAMBIA LIMITED FOR THE AUTHORISATION OF SUZUKI AUTOMOBILES, SPARE PARTS AND ACCESSORIES.

The Commission in 2018 received an application for authorization of an agreement between Toyota Zambia Limited (Toyota) and Societe Francaise De Commerce Europeen (SFCE). Specifically, the parties to the agreement submitted that around 1st April 2018, Suzuki Motor Corporation of 300, Tabatsukacho, Minamiku, Hamamatsushi, Shizuokaken, Japan ("Suzuki") entered into a distributorship agreement with SFCE under which SFCE had been appointed as an authorized distributor for selling and distribution of Suzuki brand automobiles, spare parts, and accessories within the Republic of Zambia on a non-exclusive basis.

The Commission assessment focused on the potential anti-competitive effects that would arise once Toyota Zambia together with its related companies (CFAO and Vehicle Centre) who were dominant as a single economic unit in the market for the distribution of brand new motor vehicles was awarded the distribution of the Suzuki Automobiles. More specifically, the Commission was concerned with possible abuse of dominance and/or market foreclosure.

The Commission's investigations revealed that the agreement was unlikely to lead to abuse of dominance in the market. The agreement only entailed that Toyota Zambia would be distributing Suzuki brand, and as such it could be regarded as Toyota adding another model to its portfolio of models. Further, it was observed that Toyota Zambia would be a sub distributor for SFCE and its conduct or pricing of the Suzuki brand was dependent on SFCE. It was therefore envisaged that the incentive to abuse their position of dominance in the market would not arise in relation to prices.

The Commission further observed that the agreement between Toyota and SFCE was on a non-exclusive basis and the current distributor of Suzuki in Zambia would continue with the distribution of the product.

It was observed from the investigations conducted that the Suzuki brand was not an established brand on the Zambian market and was insignificant in terms of market presence, thus the agreement would benefit the Suzuki brand in Zambia which would benefit from Toyota Zambia's wide distribution network in the country.

The Board of Commissioners approved the application.

Strategic Objective: Increase awareness among market players on Abuse of Dominance

Activities to promote Compliance and Competition Law

Guidelines formulation

The Commission concluded the formulation of the Abuse of Dominance Guidelines. The Guidelines for Abuse of Dominance give practical advice and guidance on the application of the relevant procedures and assessment methods in Abuse of Dominance cases as set out in the Act and in the Regulations. The Guidelines once published shall bind all persons regulated under the Act in so far as they are not inimical to the Act.

Compliance Talks

The Commission undertook Compliance Training with the Zambia Association of Manufacturers, Toyota Zambia and the Business Community on the Copperbelt, Southern, Eastern and Western Provinces. Furthermore, the Commission participated in a Competition Conference organised by Musa Dudhia Legal Practitioners, to continue increasing public awareness of the Act.

CASE SUMMARY

TYING OF SCHOOL FEES AND PLACES TO OTHER SCHOOL ITEMS BY SCHOOL MANAGEMENTS AND PARENT TEACHER ASSOCIATIONS (PTAS)

The Commission had observed a growing tendency by Schools to tie school fees for tuition to other activities that had no direct link to education. The Commission was aware that some schools had been forcing pupils to purchase school uniforms, exercise books and other school items from the schools or PTAs shops, failure to which pupils were removed from class.

The Commission was concerned that pupils were not being allowed in class if they purchased items such as school uniforms and exercise books from other sources even when these items were in conformity with the school's requirements. The conduct disadvantaged the general public and constituted unfair contract terms. The conduct also distorted the competition landscape among the players in the provision of school requirements. The Commission recognised the need for schools to undertake projects and raise funds but was against the practice of tying the school fees or places and attendance of class to the purchase of school uniforms, exercise books or other school requirements directly from the school.

The Commission therefore reiterated the fact that pupils should be allowed to attend class where they procured school requirements from another place as long as such items met the prescribed standards by the relevant school.

Schools that were involved in this practice violated the Competition and Consumer Protection Act No.24 of 2010

Strategic Objective Improve and benchmark to meet regional and international best practices

The Commission further participated in several fora dealing with the Abuse of Dominance cases and Unilateral Conduct. The Commission has participated in several teleconferences and webinars with the International Competition Network (ICN) Unilateral Conduct Working Group. The discussions included among others the trends in assessing Abuse of Dominance cases as well as sharing experiences on investigations of various cases.

Furthermore, the Commission continued to actively participate in the SADC Mergers Working Group. The Commission together with other participants in the Working Group shared cases on a quarterly basis in order to share experiences in case handling in the various jurisdictions.

The Commission hosted an African Competition Forum (ACF) Workshop in May 2018. The workshop was attended by Mauritius, Kenya, Tanzania, Botswana and South Africa. The Meeting discussed developments in respect of competition legislation across the continent with new competition law jurisdiction in Nigeria, Ghana, Mozambique and Angola. The Meeting also discussed developments in respect of the Continental Free Trade Agreement (FTA). The competition authorities had not previously been participating/influencing this process, therefore, there was need for initiatives to influence negotiations. The Meeting also agreed that with regards to global cooperation – African Competition Forum needed to formulate a position in relation to the UNCTAD initiative. Additionally, ACF needed to reflect on state of the organization as well as its future by considering the viability and sustainability of the platform.

RESTRICTIVE BUSINESS PRACTICES

Key Strategic Objectives:

- Improve Competition in the Zambian Economy to allow equitable participation
- Develop and implement a robust and SMART system for the detection, investigation and prosecution of Cartels and Restrictive Business Practices
- Benchmark CCPC's work on RBP's against regional and international best practices

Restrictive Business Practices

Strategic Objective: Improve Competition in the Zambian Economy to allow equitable participation

Enforcement of Competition Law

In 2018, the Commission investigated sixty-four (64) cases relating to business practices which were adversely at variance with principles of competitive markets and this stifled efficiencies, innovation and consumer choice. Ninteen (19) of these cases were brought forward from the previous year, 2017 whilst forty-five (45) were initiated in 2018 and ninteen (19) cases have been carried forward to 2019. The Table below shows the summary of the cases:

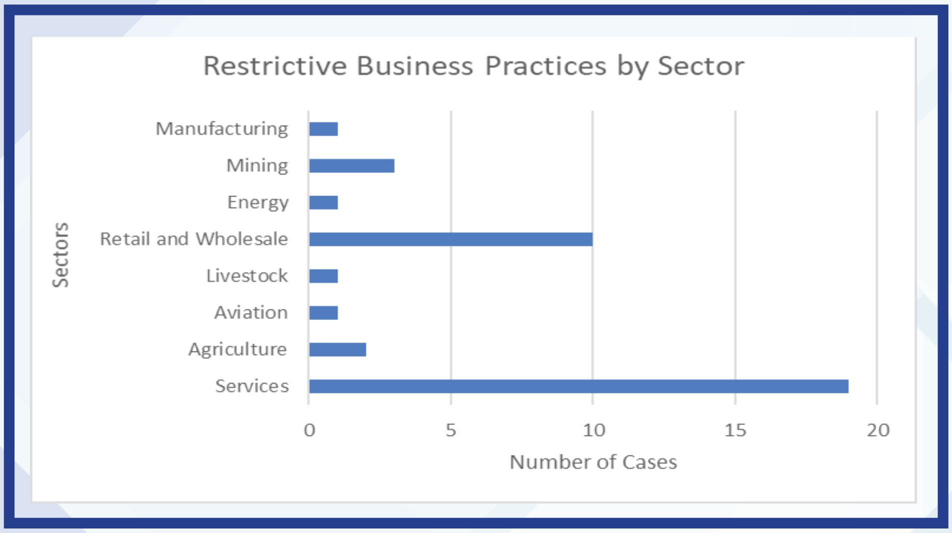
Case Statistics – Cartel/ Restrictive Business Practices

Brought Forward (2017)	Cases Received (2018)	Total Cases Handled (2018)	Cases Closed (2018)	Carried Forward (2019)
19	45	64	45	19

Sectors Investigated

In 2018, the Commission initiated investigations of Restrictive Business Practices in different sectors of the economy. The sectors in which investigations were conducted included Services, Livestock, Wholesale and Retail Trade, Mining, Agriculture, Manufacturing, Energy and Aviation.

The figure below shows the number of cases handled in each sector



The Services Sector contributed fifty percent (50%) of cases investigated, followed by Retail Trade and Wholesale which had twenty six (26%).

CASE SUMMARY

ALLEGATIONS OF RESTRICTIVE BUSINESS PRACTICES AGAINST INSURERS ASSOCIATION OF ZAMBIA AND ITS MEMBERS

In January 2017, the Commission acted on its own initiative and instituted investigations of Restrictive Business Practices against Insurers Association of Zambia (IAZ) and seventeen (17) member companies. It was alleged that IAZ and its Members met on 13th December, 2016 to discuss an increase in Third Party Motor insurance premiums. It was further alleged that following the said Meeting, third party motor vehicle insurance was increased effective from 1st January, 2017. In addition, it was further alleged that due to the increase in insurance premiums the Pensions and Insurance Authority (PIA) issued a press statement stating that the increment of insurance premiums was not approved as such the increment was not valid.

The Commission established that there was an agreement among IAZ Members to fix prices when they met and resolved to increase upwards the price of third party motor vehicle insurance. It was further established that IAZ enforced the agreement through the resolutions which were emailed to all Members to sign and effect the new rates on 1st January, 2017.

The Commission decided that;

(i) Goldman Insurance Limited, be granted full immunity from fines and prosecution having applied for Leniency and fully cooperated with the Commission during the investigation process.

(ii). That Directors of Insurers Association of Zambia, A Plus General Insurance Limited, Madison General Insurance Company Zambia Limited, being instigators of the conduct, should be prosecuted and their enterprises be fined 10% of their annual turnovers for violating Section 8 and 9 (1)(a) of the Act.

(iii). Professional Insurance Corporation Zambia Plc, Nico Insurance Zambia Limited, Advantage Insurance Limited, Golden Lotus Insurance Company Limited, Veritas General Insurance Limited, Meanwood General Insurance Limited, Innovate General Insurance Limited, ZSIC General Insurance Limited, Diamond General Insurance Limited, Ultimate General Insurance Limited, Africa Pride Insurance (Pvt) Limited, General Alliance Zambia Limited and Focus General Insurance Limited be fined 10% of their annual turnover for violating Sections 8 and 9 (1)(a) of the Act.

Combating Cartels

Improving Competition in the Economy

Cartel behaviour involves businesses agreeing with their competitors to fix prices, rig bids, share markets or restrict supply of products and services. By conspiring to control markets in these ways, a cartel protects and rewards its inefficient members while penalising honest, innovative and well-run companies.

In 2018, the Commission enhanced its investigations into cartel conduct by monitoring activities in various business sectors of the economy. The Commission investigated ten (10) cartel cases in the Services, Agriculture and Livestock sectors.

CASE SUMMARY

ALLEGATIONS OF ANTI-COMPETITIVE TRADE PRACTICES AGAINST HATCHERIES AND THE POULTRY ASSOCIATION OF ZAMBIA

The Competition and Consumer Protection Commission fined Hybrid Poultry Farm Zambia Limited, Ross Breeders Zambia Limited, Quantum Foods Zambia Limited and TIGERChicks for anti-competitive trade practices in a long-running cartel case. This followed an investigation by the Commission which found that the four hatcheries were involved in collusive practices contrary to the provisions of the Act.

The investigation by the Commission revealed that the four hatcheries whilst being competitors in the production of day old chicks had through the Poultry Association of Zambia agreed to develop and implement a common policy known as 'chick order policy' that required poultry farmers to book day old chicks four weeks in advance. The investigation by the Commission revealed that the chick order policy was consistent with the definition of an agreement under the Act and was therefore considered as an agreement.

The investigation by the Commission further revealed that there was no justification for all four hatcheries to have a common policy as each hatchery had different production capacities, customer base, number of agents and employees and would therefore not all take the same time to sort out orders from poultry growers neither did each hatchery need four weeks to supply day old chicks to farmers. The investigation revealed that the four weeks' time requirement agreed by the hatcheries was in fact a trading condition and was therefore in Section 9(1) (a) of the Act. Furthermore, the investigation by the Commission revealed that the four (4) hatcheries through the chick order policy intended to limit the production of day old chicks on the market and consequently the price of day old chicks. In this regard, the four (4) hatcheries were indirectly setting production quotas and thus violated Section 9(1) (d) of the Act.

The agreement affected competition among hatcheries in the market for the sale of day old chicks since a similar trading condition was imposed on poultry farmers. The fact that poultry farmers were faced with a similar trading condition set by hatcheries entailed that their ability to choose the hatchery to deal with was reduced as far as delivery of day old chicks upon purchase was concerned given that the trading condition was the same for all hatcheries i.e. they have to book day old chicks four weeks in advance. Furthermore, the agreement was discouraging other hatcheries from investing in technology or methods that make it possible to supply day old chicks less than the four weeks required by the agreement. The investigation by the Commission revealed that in Botswana and Zimbabwe for instance, broiler growers book about a week or two in advance before collecting the chicks.

The Board of Commissioners decided that each hatchery be fined 7% of their annual turnover for violating Section 9(1) (a) and (d) of the Act in accordance with section 9(3) of the Act. In addition, the Board has directed Hybrid Poultry Farm Zambia Limited, Ross Breeders Zambia Limited, Quantum Foods Zambia Limited and TIGERChicks to develop and implement compliance programmers in their respective firms; to terminate the agreement and set a time requirement for pre-booking independently that is viable and auditable; and to publish quarterly performance numbers on deliveries of day old chicks in three (3) newspapers with nationwide circulation.

Awareness of Competition Tenets by Enterprises

The Commission has continued to create awareness about Competition Law in relation to Cartel detection, investigation and prosecution. The Commission continued to print Information Education Communications (IEC) Materials for dissemination at various events that the Commission took part in and where it was invited. The Commission further took advantage of such events to interact and also receive feedback from members of the public. The Commission also undertook several sensitisation activities with regards to awareness on Restrictive Business Practices.

Engagement of Government Ministries and Institutions.

In 2018, the Commission capitalized on the engagement of relevant Government Ministries/ Institutions.

The Commission specifically engaged the Ministry of Local Government and Housing following its investigations in the Waste Management Services sector. The Commission compiled a write up for the Local Government Association of Zambia's Newsletter detailing concerns raised from the findings of its report into the alleged conduct of Local Authorities dividing their areas into Waste Management Zones.

CASE SUMMARY

COMPETITION ISSUES IN THE AWARDING OF FRANCHISE CONTRACT AGREEMENTS

Traditionally, waste management services have been provided by Municipalities. This function is usually embedded in a set of legal statutes which gives local authorities the responsibility to manage solid waste generated from residential, commercial and industrial dwellings. In recent years however, private companies have joined the market for the provision of waste management services through franchise contract agreements with the local authorities. This change has mainly been driven by demand arising from population growth and logistical challenges faced by many local authorities to efficiently collect waste especially in highly populated areas.

Whereas contracting out the service to private companies ensures efficiency in the collection, transportation and disposal of waste generated by households and commercial establishments; the clauses in the contracts and the manner in which these contracts are awarded may raise competition concerns. It is worth noting that most local authorities that have entered into these contracts have divided their jurisdictions into several waste management zones and appointed only one company in each zone to provide the service. From a competition perspective, this may result in restricting the competition among service providers and reduce the choices of consumers in terms of service provider subscription.

Therefore, it is very important that local authorities award the contracts to companies through an open and competitive bidding process so that companies wishing to operate in any zone participate in the tender. The Commission has noted that it is the same companies that are always given the contracts in various jurisdictions. In this regard, local authorities should encourage and allow companies to form joint ventures so that small businesses can build their capacities and strengthen their competitiveness.

The Commission reviewed agreements that Lusaka City Council, Luanshya Municipal Council, Ndola City Council and Kafue District Council had with private waste collection companies in order to assess their potential effect on competition. The Commission found that in all the agreements, there was a clause that provided for automatic renewal of the contracts without stating the circumstances under which the contract would be renewed or the period of renewal. The Commission observed that this clause could potentially preclude other waste management companies from bidding for the contracts after their expiration period.

It is important that local authorities that intend to engage the private sector in waste management services through franchise service agreements notify the agreements before they are in effect so that the Commission can determine whether or not such agreement are within the confines of the Competition and Consumer protection Act, No. 24 of 2010

Strategic Objective: Develop and implement a robust and SMART system for the detection, investigation and prosecution of Cartels and Restrictive Business Practices

Workflow System

The Commission in 2018 strengthened its investigations of Cartels and Restrictive Business Practices by establishing a revised workflow of the full investigation process. The revision of the workflow has resulted in the identification of risks and their mitigation.

The workflows for cartel/horizontal agreements and Restrictive Business Practices were compiled for members of staff to follow as a principle guide in case management.

The workflow diagrams outlined every step of the investigation process from receiving a complaint right through to Board adjudication of cases or appeal in the Competition and Consumer Protection Tribunal.

Compliance and Awareness Programmes

In 2018, the Commission held five (5) workshops under Regional Integration and Support Mechanism (RISM) which related to the promotion of the Leniency and Settlement Programmes that were introduced by the Commission in 2016.

The workshops took place in Lusaka, Livingstone, Mongu, Kitwe and Chipata. The workshops were attended by Legal Practitioners, Trade Associations, chain stores, stock brokers and insurance, telecommunications and milling companies.

The aim of the workshops was to increase awareness and knowledge of the two programmes the Commission had introduced as tools for investigations.

The Commission has continued to participate in the World Competition Day Commemorations which fall on 5th December every year. In 2018 the Commission steered the commemoration of the World Competition Day whose theme was Digital Economy, Innovation and Competition.

Strategic Objective: Benchmark CCPC's work on RBPs against regional and international best practices

Staff Capacity Development

The Commission through the RISM Project trained Commission Officers at the University of Lusaka. The program focused on Competition Law and Policy as well as other key legal courses including Law of Evidence, Law of Contract, Law of Tort, Criminal Law, Intellectual Property and Administrative Law so that Officers could enhance their analytical and investigative skills and appreciate the various legal aspects in execution of their day to day work.

Strong Collaboration with Regional and International bodies

As Chair of the SADC Cartels Working Group, the Commission participated in the programme formulation of the SADC Cartels Investigative Techniques Workshop held in Dar Es Salaam, Tanzania in September 2018.

The Commission also took part in a workshop on Joint Team of Experts to review the SADC Cooperation Framework on Competition and Competition and Consumer Protection in October 2018 in Pretoria, South Africa. The main aim of workshop was to assess the status of competition and consumer protection laws and policies across SADC. The framework on competition and consumer protection has been in existence since 2009 and a number of developments have taken place in the region which has necessitated the review. The review report will be submitted to the SADC Council of Ministers in June 2019 for adoption.

The Commission also took part in a workshop on the COMESA Competition Commission Region-Wide Anti-Cartel Enforcement Strategy in October 2018 in Ezulwini, Eswatini. The main objective of the workshop was to agree on the provisions and thematic areas of the strategy.

The Commission in 2018 continued to participate in the International Competition Network (ICN) Cartel Working Group which is mandated to address the challenges of anti-cartel enforcement. The Commission has continued to participate in the working group's activities by monitoring best practices from members which could be adopted for better enforcement locally.

CONSUMER PROTECTION

Key Strategic Objectives:

- Improve the handling and resolution of Consumer Complaints
- Enhance enterprises compliance to Consumer Regulation
- Enhance Consumers with knowledge on their rights and obligations
- Benchmark CCPC's Consumer Protection Work against regional and international best practices

CONSUMER PROTECTION

Strategic Objective: Improve the Handling and Resolution of Consumer Complaints

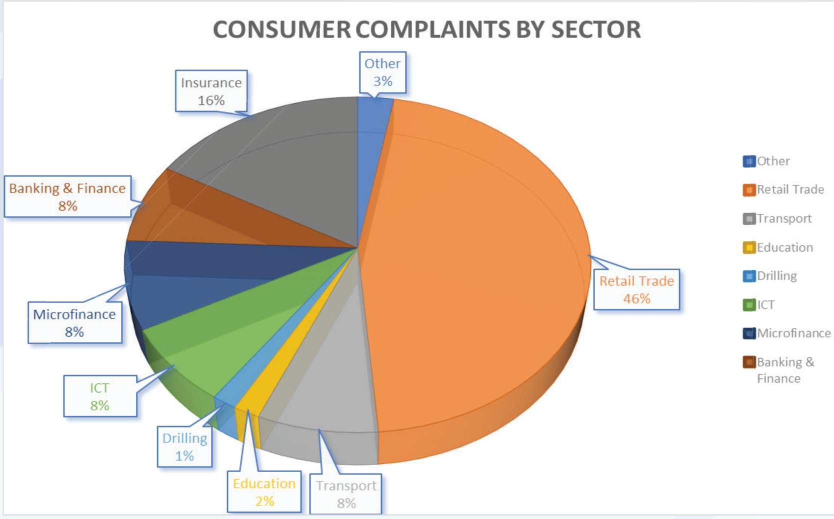
Consumer Complaints – Cases Investigated and Resolved

In 2018, the Commission resolved a total of two thousand, one hundred and fifty-six (2,156) cases. This number represents 80% of cases resolved within three (3) months by way of fully fledged investigations and those resolved by effective use of advocacy.

The Commission successfully helped consumers recover K1,320,679 and K883,035 in refunds and replacements respectively.

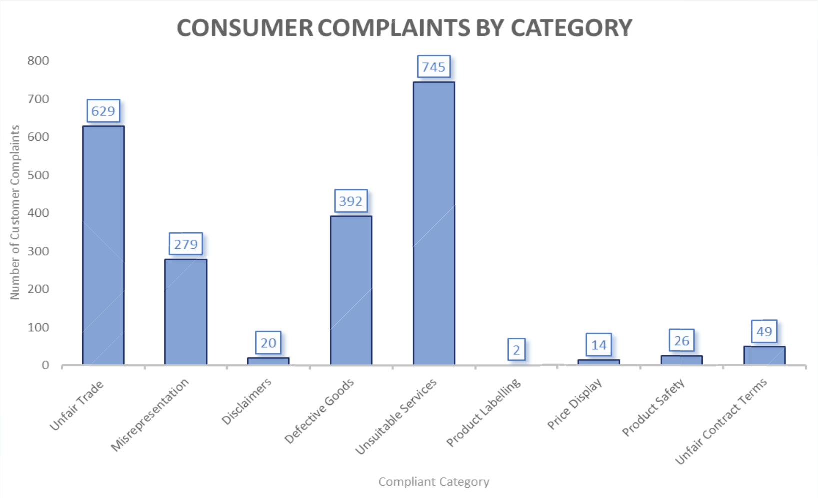
The Retail Trade and Financial sectors had the most complaints of 991 and 707 cases respectively, primarily driven by cases of defective products especially on electrical and electronic products and poor service delivery such as unsuitable and misrepresented insurance and microfinance products.

The graph below shows the number in percentages of cases handled in each sector



These consumer complaints stem from a variety of categories which range from selling of an unsuitable product or service, unfair trading to selling of defective goods and misrepresentation.

The graph below shows the number of consumer complaints across various categories.



Case Summary on Allegations of Unfair Trading Practices against Mwaiwanu.Com Bus Services by Mr. Francis Pelekelo

On March 21, 2018, the Commission received a complaint from Mr. Francis Pelekelo (the Complainant) against Mwaiwanu.Com Bus Services (the Respondent) alleging that on 20th March, 2018, he arrived at the Intercity Bus Terminus around 06:30 hours with the intention of travelling to Chipata. The Complainant alleged that the Respondent's officers informed him that their bus would depart for Chipata at 08:00 hours and he therefore purchased a bus ticket from them. The Complainant alleged that by 15:00 hours the bus had not yet started off and he therefore requested for a refund but was not refunded. The Commission further observed a statement on the bus ticket stating that "passengers should ensure that luggage is on board before departure. The company will not be liable for any loss or damage to luggage" which appeared to be a disclaimer.

The Commission investigations on the case were carried out pursuant to Section 46(1) as read together with Section 45(a)(b); Section 47(a)(ii), Section 48(1) and Section 49(5) of the Act. The findings of the case revealed that the Respondent had misled the Complainant and had also failed to provide a service with reasonable care and skill. Investigations also revealed that the notice "The company will not be liable for any loss or damage to luggage" was a disclaimer.

The Board therefore

i. Fined the Respondent 0.1% of their annual turnover for displaying a disclaimer on their passenger bus ticket and were ordered to submit their latest books of accounts within 30 (thirty) days of receipt of the directive so that the Commission determines how much they are liable to pay in accordance with Section 48(2) of the Act.
ii. Directed the Respondent to remove the disclaimer from the passenger bus tickets.
iii. Fined the Respondent 0.5% of their annual turnover in line with the Commission's Guidelines for Issuance of Fines for breach of Section 46(1) as read together with Section 45(a) and Section 45(b) of the Act in accordance with Section 46(2) of the Act.
iv. Fined the Respondent 0.5% of their annual turnover in line with the Commission's Guidelines for Issuance of Fines for breach of Section 47(a)(ii) of the Act.
v. Fined the Respondent 0.5% of their annual turnover in line with the Commission's Guidelines for Issuance of Fines for breach of Section 49(5) of the Act in accordance with Section 49(6) of the Act.
vi. Directed the Respondent to refund the Complainant K200.00 for the passenger bus ticket he had purchased and did not use.

Strategic Objective: Enhance Enterprises Compliance to Consumer Regulation

Inspections – Compliance and Enforcement

In 2018, the Commission through its Inspector's Project and joint Inspections with Local Authorities inspected one thousand, two hundred and sixty-one (1,261) trading premises across the country and goods worth K139,620 were seized for not meeting the provisions of the Act. These goods were either expired or not properly labelled.

PROVINCE	INSPECTIONS and RECOVERIES
COPPERBELT	During the first quarter, the Commission conducted inspections in which twelve (12) trading premises in Kitwe were inspected and goods worth K1,003 seized, twenty-two (22) outlets in Mufulira where goods worth K2,582 were seized, twenty-seven (27) shops were also inspected in Ndola and forty-six (46) in Masaiti. In the second quarter a total of twenty-four (24) outlets were inspected in Luanshya and Chingola. Goods worth K1,642 were seized for destruction.
NORTHERN	In the first quarter two (2) inspections were conducted in Northern Province, in which 31 trading premises were inspected and K1,100 worth of goods seized. In the second quarter one hundred (100) trading premises were inspected in Luwingu, Mungwi (Nseluka), Kasama and Mporokoso and goods worth about K4,020 were seized. The Commission conducted inspections in seventeen (17) shops in Mpulungu and K271 worth of goods were seized.
NORTH WEST-ERN	The Commission conducted an inspection in Solwezi District in which a total of eighteen (18) shops were inspected with goods worth K2,510 were seized and destroyed. Fifty Eight (58) outlets were inspected in three (3) Districts with goods worth K4,985 seized. In the third quarter, seventy-one (71) shops were inspected in Ikeleng'i, Mwinilunga and Kalumbila districts and K4,126 worth of goods seized.
LUSAKA	The Commission in Lusaka Conducted joint inspections with ZABS, Zambia Police and LCC in which twenty-four (24) trading premises were inspected and goods worth about K3,403 seized. In the second quarter the Commission inspected a total of sixty-two (62) outlets in Luangwa, Chongwe and Rufunsa and goods worth K1, 508 were seized. In the third quarter, forty-eight (48) shops in Chirundu, Kafue and Chilanga districts were inspected and K2,150 worth of goods seized.
MUCHINGA	The Commission in the first quarter inspected nine (9) trading places in Chinsali district. The activity was coordinated by the Commission, as well as inspectors from the local authority and the ZABS provincial inspector for Chinsali. Drinks worth K2,509 were seized and destroyed. The Commission also conducted inspections through the appointed CCPC inspector in Shiwa Ngandu district. In the second quarter six (6) inspections were conducted with a total of one hundred and twenty-four (124) trading places inspected in Isoka, Mafinga, Nakonde, Chinsali, Chama and Lavushi Manda districts. Goods worth K10,869 seized for destruction. In the third quarter, nine (9) shops were inspected in Chinsali and K2,500 worth of goods seized. In the fourth quarter, thirty-one (31) shops were inspected and K 6,289 worth of items seized.
LUAPULA	The Commission conducted two (2) inspections with a total of ninty-eight (98) trading places inspected in Mansa and Chipili Districts in the first quarter. Goods worth K1,499 were seized. In the second quarter, a total of one hundred and sixteen (116) outlets were inspected in Samfya, Mwense, Mwansabombwe, Nchelenge, Kawambwa and Nchelenge and goods worth K7,675 seized.
EASTERN	The Commission conducted thirty-three (33) inspections in Lundazi District during which total goods worth K1,202 were seized. In the second quarter the Commission inspected thirty-six (36) outlets in Katete and Petauke with goods worth K4,802 being seized.
SOUTHERN	In the first quarter, the Commission conducted one inspection in Livingstone where wholesale premises were inspected. In the second quarter, a total of forty-seven (47) outlets were inspected in Livingstone, Mazabuka and Monze with goods worth K5,505 being seized for destruction. In the third quarter, the Commission inspected sixty-eight (68) shops in Zimba and Kalomo districts and K14,441 worth of goods were seized. In the fourth quarter, the Commission through the Local Authority CCPC part-time Inspector inspected fifty-seven (57) shops in Kalomo and seized goods worth K7,831.
WESTERN	In the first quarter the Commission conducted two (2) inspections in Mongu, and Sesheke Districts. In the second quarter inspections were conducted in Nalolo, Kaoma, Mongu, Nkeyema, Sioma and Lealui districts with forty-five (45) trading places being inspected and goods worth K6,352 being seized.
CENTRAL	The Commission conducted one inspection of trading premises in Mumbwa District and goods worth K1, 794 were seized in the first quarter. In the second quarter a total of sixteen (16) outlets were inspected in Kabwe, Mumbwa and Itezhi-Tezhi with goods worth K41,461 being seized for destruction.

Joint Inspections with other Regulators

The Commission in collaboration with the Zambia Measures Agency (ZMA) conducted a Joint Market Surveillance of the status of sugar on the Zambian market to determine if the weight was as stated on the label. A total of twelve (12) premises were inspected with only one (1) shop found wanting for sale of underweight sugar.

The Commission also undertook Joint inspections with Zambia Information and Communications

Technology Authority (ZICTA) on type approved electronic gadgets where eight (8) premises were inspected and K57,912 worth of defective and non-compliant gadgets were seized. The Commission further undertook Joint Inspections with local District Inspectors as well as District Medical Health Authorities and the Zambia Bureau of Standards (ZABS) Provincial Inspectors in Muchinga, Luapula, Chipata and North-Western Provinces. In total seventeen (17) premises were inspected and goods worth K134,829 that were deemed not to be in conformity with the Act were seized. The Commission also inspected twenty-seven (27) premises in Lusaka with ZABS and Lusaka City Council (LCC) where goods worth K3,000 were seized.

The Commission also continued training business entities on consumer related issues. Toyota Zambia Limited, NatSave Bank Zambia Limited, AtlasMara Bank Zambia Limited, Pick N Pay, Ndola Hill Mall, and Choppies to mention but a few were some entities that were trained in 2018.

Goods seized by a Joint Team from the Commission and Local Council in Solwezi.

Case Summary on Allegations of Unfair Trading Practices against Sanlam Life Insurance Zambia Limited by Mr. Laston Lumayi.

Unfair Trading Practices

On 29th January, 2018, the Commission received a complaint from Mr. Laston Lumayi ("the Complainant") against Sanlam Life Insurance Zambia Limited ("the Respondent") alleging that the Respondent caused to be deducted a total amount of K777.20 from his salary from August, 2017, to November, 2017, despite him not being their client. The Complainant alleged that the deductions were effected through the Payroll Management Establishment Control (PMEC) system as he was an employee of the Government of the Republic of Zambia. The Complainant further alleged that this was the third time the Respondent had caused money to be deducted from his salary despite him being a non-policy holder.

The Commission's investigations which were carried out pursuant to Section 47(a)(iv) of the Act revealed that the Complainant did not consent to the policy as the Respondent submitted that there might have been some misrepresentation on the part of their sales agent. The Commission established that in April, 2018, the Complainant was issued a refund of K1,165.80; totalling the amount of deductions made over six (6) months, that is, from August, 2017 to January, 2018. However, the Respondent further caused to be deducted a total amount of K293.38 from the Complainant's May and June, 2018 salaries.
The Board therefore:

i. fined 0.5% of their annual turnover for violating Section 47(a)(iv) of the Act, in accordance with Section 47(a)(iv) of the Act and subject to the applicable cap in line with the Commission's Guidelines for Issuance of Fines.
ii. Directed the Respondent to submit its annual books of accounts to the Commission for calculation of the actual fine within 30 (thirty) days of receipt of the directive in accordance with Section 5(d) of the Act.
iii. Directed the Respondent to stop the deductions, ensure that they do not recur and refund the Complainant K293.38 within ten (10) days of receipt of the Board Decision in accordance with Section 5(d) of the Act.

Strategic Objective: Enhance Consumers with Knowledge on their Rights and Obligations

Consumer Education and Awareness

Sensitisation Activities

In order to enhance Consumer Education and Awareness, the Commission conducted sensitisations programmes in all the ten (10) provinces of Zambia. The sensitisations took the form of drama shows, distribution of brochures during inspections of trading premises, radio programmes and chiefdom sensitisations such as a workshop for Headmen in Mpongwe and visits to Kasoma Bangweulu, Mushota and Kanyembo Chiefdoms where the Commission interacted with the Chiefs and their subjects. The Commission also conducted sixteen (16) sensitisation talks to institutions of higher learning.

Stakeholder Collaboration

The Commission continued collaborating with stakeholders such as the Bank of Zambia (BoZ), Zambia Information Communications and Technology Authority (ZICTA) and Pensions and Insurance Authority (PIA) through Joint Working Committees (JWC). The JWCs arose from the Memoranda of Understanding (MoU) signed with the said sector regulators in an effort to have a collaborative approach to sorting out consumer protection complaints and carry out awareness programmes.

In 2018, the Commission, BoZ, PIA and the Securities and Exchange Commission (SEC) drafted a Multi-Sectoral MoU (MMoU) under the National Financial Inclusion Strategy (NFIS) and the said MMoU is undergoing review by the institutions. The Commission was also chosen as the Secretariat for the Financial Consumer Protection and Capability Working Group, under the NFIS.

Provincial Sensitisation Campaigns

The Commission continued to conduct provincial sensitisation campaigns to educate consumers and enhance compliance by businesses.

The Commission conducted sensitisation campaigns which included interviews on local radio stations and distribution of brochures – which are also printed in local languages in five (5) districts of Luapula Province and seven (7) Districts in Western Province

On the Copperbelt Province, the Commission conducted two (2) presentations on consumer rights at the Copperbelt University and the Zambia Institute of Business Studies and Industrial Practice (ZIBSIP) respectively. The Commission also carried out presentations in Secondary Schools, Colleges and trading premises.

Develop Communication Tools in Local Languages

The Commission conducted radio programmes and ran spot advertisements in the seven local languages. Commission brochures were also translated in local languages.

Promotion of School Clubs

The Commission continued with the successful promotion of School Clubs through a wide range of interactive competitions like essays, quizzes, debates and workshops held on Competition and Consumer Protection.

The Commission conducted Inter-School Club quizzes in Mongu, Kabwe (including schools in Kapiri Mposhi and Chisamba) and a provincial quiz in Solwezi. In Chipata, Choma and Mansa, the Commission conducted inter-school debates. The Commission also ran essay competitions in Kasama, Lusaka and Chongwe Districts and a provincial essay competition for Luapula.

The Commission also conducted sensitisations via radio and television programmes with learners in Solwezi, Mansa and Chipata. School Club Members from fifteen (15) schools also participated in inspections in Lusaka whilst learners were involved in outdoor sensitizations in Kitwe and Kasama.

CCPC School Club Members pose for a picture after conducting mock inspections with their Patrons.

Strategic Objective: Benchmark CCPC's Consumer Protection Work against regional and international best practices.

SADC Consumer Working Group

The Commission in 2018 made progress in finalising the Memorandum of Understating (MOU) for the SADC Consumer Protection Working Group and it was further submitted to the Attorney General's Chambers for review and comments. The MOU would be signed after contribution by the francophone countries.
The Commission in June 2018 participated in the 9th SADC Committee Meeting held in Gaborone, Botswana.

African Consumer Protection Agencies Training Workshop (ACPATW)

In November 2018, the Commission held a training workshop in Lusaka on investigations for Africa Consumer Protection Agencies. The training workshop was attended by sixty-three (63) delegates from eight (8) African countries with trainers from Africa, North America, Europe and Australia.

The key areas covered during the Capacity building training workshop were misleading advertising focusing on investigating and evidence gathering and online investigation skills focusing on online payments and information asymmetry.

International Consumer Protection and Enforcement Network (ICPEN)

As 2018/19 President of ICPEN, the Commission held an ICPEN Best Practices Workshop in Lusaka in November 2018. The workshop was attended by one hundred and eight (108) delegates from thirty-seven (37) countries including representation from two (2) regional blocs; the COMESA Competition Commission and the European Commission.

The ICPEN Best Practices Workshop enabled the countries to share their experiences in addressing consumer rights concerns. Participating countries further shared best practices on how consumers could be protected in the emerging digital markets with consideration of evolving market dynamics.

The workshop comprised sessions which included unfair trading practices in the financial sector, misleading quality, e-commerce and payments systems, online investigation skills, cross-border complaint gathering and analysis, terms and conditions in the digital economy, ICPEN Intelligence Steering Group - improving data sharing and cooperation, planned obsolescence and consumer education.

Zambia will host the ICPEN High Level Meeting and Conference from 8th to 10th May, 2019 in Livingstone. The ICPEN High Level Meeting and Conference will provide a forum for developing and maintaining regular contact between consumer protection agencies and focusing on consumer protection concerns.

LEGAL AND REGULATORY

Key Strategic Objectives:

- Prosecution and litigation of cases
- To improve the provision of legal services and support to CCPC in the discharge of its statutory functions
- Enhance Staff Capacity

LEGAL

In 2018, the Directorate offered legal advisory services to the other Directorates through various means, including review of cases. In this regard, the Directorate reviewed a total of eighty-eight (88) investigative reports, of which forty-seven (47) were from the Department of Consumer Protection, twenty (20) from the department of Restrictive Business Practices another twenty (20) from the Mergers and Monopolies Department.

Strategic Objective: Prosecution and litigation of cases

Summary of Cases in Court

Supreme Court	High Court	Total Cases
2	8	10

Matters before the Courts 2018

Supreme Court

Two (2) cases were commenced by way of Appeal to the Supreme Court and both cases were heard by the Supreme Court and ruled in the Commission's favour.

i. Competition and Consumer Protection Commission vs Puma Energy
ii. Tokyo Vehicles vs Competition and Consumer Protection Commission

High Court

Eight (8) cases were commenced in the High Court by way of Appeal against the Decisions of the Competition and Consumer Protection Tribunal. Out of the eight (8) cases four (4) were heard, and judgment was delivered in two (2) cases, while two (2) cases are pending judgment. Two (2) cases were settled ex-curia while the other two (2) are yet to be heard and determined by the High Court.

The table below shows the names of cases in the High Court and their current status.

NAME OF CASE	***STATUS***
Shoprite Zambia VS CCPC	Pending judgment
Mary Carlos Vs. CCPC	Pending Judgment
Zambia Breweries vs CCPC	Judgment delivered in CCPC Favour
CCPC vs Racheal Mahone Chama	Judgment delivered in CCPC Favour
Airtel VS Macnicious Mwimba and CCPC	Yet to be heard
GOTV VS CCPC	Settled ex-curia
Dr. Patrick Nkhoma vs Sothern Cross Motors Limited, CCPC and Attorney General	Yet to be heard
MultiChoice Africa Limited vs CCPC	Settled ex-curia

Appeals received against decisions of the Commission

In relation to cases before the Competition and Consumer Protection Tribunal, sixteen (16) cases had been commenced in the year 2018, while sixteen (16) other cases were carried forward from 2017 bringing the total number of cases before the Tribunal at the end of the year to thirty-two (32). Out of thirty-two (32) cases, judgment was delivered for six (6) cases, while five (5) cases were pending delivery of judgment. By the end of 2018, the Tribunal still had twenty-one (21) cases being heard and yet to be determined.

Below is a table showing this narration.

Summary of the number of cases before the Competition and Consumer Protection Tribunal

No. of cases commenced in 2018	*No. of Cases brought forward from 2017*	*Total No. of cases before the Tribunal*	*No. of Judgments delivered*	*No. of cases pending delivery of Judgment*	*No. of cases yet to be determined*
16	16	32	6	5	21

Cases where the Competition and Consumer Protection Tribunal has delivered Judgment and those pending delivery of judgment.

NAME OF CASES	***STATUS***
CCPC VS Yambe Driving School	Judgment Delivered in CCPC favour
Cell site vs CCPC	Judgment Delivered in CCPC favour
GOTV vs CCPC	Judgment Delivered in CCPC favour
Invesco vs CCPC and Coca-Cola	Judgment Delivered in CCPC favour
Macnicious Mwimba Vs Airtel and CCPC	Judgment delivered - currently before the high court on appeal
Italian School vs CCPC and Sajeev Nair	Judgment delivered against CCPC
Pangea Securities Limited vs CCPC	Pending Judgment
CCPC vs Southgate	Pending Judgment
Steeltreck vs CCPC and Peter Kunda	Pending Judgment
Rumpus Trading Limited vs CCPC	Pending Judgment
Zamm imports and Newstyle Property Development vs CCPC	Pending Judgment

Strategic Objective: To improve the provision of legal services and support to CCPC in the discharge of its statutory functions

Regulatory Affairs

Comments from stakeholders consolidated into the final draft of the amendments to the Competition and Consumer Protection Act No. 24 of 2010.

In 2018, the Ministry of Commerce, Trade and Industry, the Competition and Consumer Protection Commission and the Ministry of Justice met to consolidate comments received from stakeholders during the workshops for the amendments to the Act. A final document was drafted encompassing most of the proposed amendments and through the Ministry of Commerce, Trade and Industry, the proposed amendments were forwarded to the Ministry of Justice to be drafted into a Bill and for onward presentation before Parliament.

Strategic Objective: Enhance Staff Capacity

17th ICN Annual Conference – India

Two (2) Officers from the Commission attended this Years' ICN Annual Conference. The wide range of topics discussed this year included the following:

- Cartel Enforcement and Competition
- Evaluation of Unilateral Conduct Decisions and Remedial actions
- Perspectives from the Bench in Litigating Competition Cases
- Vertical Mergers and the competition concerns arising from such transactions
- Integrating Economics in Case Assessment
- Liability of Parent Companies
- Efficient and Effective Merger Investigative Process
- Online markets and Vertical Restraints
- Unilateral Conduct in Highly Capital Intensive Industries.

Prosecution Course- Zambia Institute of Advanced Legal Education (ZIALE);

Six (6) Officers from the Commission were trained at Zambia Institute of Advanced Legal Education (ZIALE) on how to prosecute cases, which included subjects on evidence and criminal procedure.

The course enabled non- Legal practitioners to be appointed as Public Prosecutors by the Director of Public Prosecutions which has increased the staff capacity of prosecutors at the Commission from five (5) to eleven (11).

INSTITUTIONAL DEVELOPMENT

Finance Department

Human Resources and Administration Department

Internal Audit
Procurement
Stores
Research
Public Relations

Key Strategic Objectives:

- Review and Strengthen the Governance and Oversight Functions
- Improve quality of Research, Development and Advocacy
- Improve the provisions of Corporate Affairs Services
- Enhance capabilities and performance of Staff
- High quality support services

INSTITUTIONAL DEVELOPMENT

The key component of building an effective Commission is to ensure that the core operating principles, organisational structure, culture and job accountabilities are fully aligned to the strategy and that they deliver improvements in performance of the institution.

Strategic Objective: Review and Strengthen the Governance and Oversight Functions

Audit and Risk

Strengthen Audit and Risk Management

The Commission's Internal Audit's function provides an independent, objective assurance and consulting activity designed to add value and improve the Commission's operations.
It helps the Commission accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal Audit and Risk Management enhances and protects the organizational values by providing risk-based and objective assurance, advice, and insight. Internal Audit Department (IAD) reports functionally to the Board of the Commission. Internal Audit Department (IAD) bears a primary responsibility for all audits.

In 2018, nine (9) planned provincial offices and four (04) Head Office audit reviews were carried out to check the compliance levels to the approved policies, procedures and relevant legislations. It also appraised the adequacy, design and operational effectiveness of internal controls.

The External Auditors which include the Auditor General's Office, provided the external assurance through systems and financial reviews on the various Revenue and Expenditure Cycles of the Commission.

Internal Audit attended capacity building workshops for Internal Audit, Governance and Risk Management organised by the African Federation of Institute of Internal Auditors (AFIIA).

Strategic Objective: Improve quality of Research, Development and Advocacy

Research

In 2018, the Research Unit provided targeted economic analysis for cases as part of interdivisional teams. The unit further undertook several research projects and contributed to local/international fora and conferences.

Zambia Agribusiness and Trade Project (ZATP)

The Unit was tasked with the implementation of the Commissions' participation in the Zambia Agribusiness and Trade Project (ZATP). The ZATP is a flagship project of the Government implemented through the Ministry of Commerce, Trade and Industry. The aim of the project is to improve the ability of small and emerging Small and Medium Enterprises SMEs to sustainably and commercially link into markets through a structured support around take off opportunities that the private sector identifies as priority.

As part of fostering an enabling business environment devoid of competition bottlenecks, the Commission undertook various research studies including the "Cotton Value Chain Study" and the "Legal Infrastructure Study" into key product markets namely, maize, cotton seed, sugar and edible oils. In addition to identifying weakness in the conduct of markets and of players that frustrate competition, the Commission's interventions also sought to identify legislation and policies that act against competition and frustrate SMEs opportunities in various product markets. The Commission has other value chains under consideration that include animal feed, agro-inputs (fertilizer) and textiles. The objective was to make recommendations that received buy-in from stakeholders in order to foster a competitive outcome.

Rural Finance Expansion Project (RUFEP)

The Commission as part of the Rural Finance Expansion Project (RUFEP) is working collaboratively with other agencies to increase access to and use of sustainable finance services for the poor rural women, men and the youth. Failure to access finance is a manifestation of a number of challenges that include a poor competition and consumer protection culture and a legal framework that is non responsive to unique needs. Through evidence based engagement, the Commission seeks to create a dialogue platform through various means including advocacy with the objective of stimulating the demand and supply side of financial access and the means to finance acquisitions.

Price Survey

As part of research activities, the Commission carried out a price survey on the regional (Selected Southern Africa Countries) comparison of accommodation pricing in tourism areas. The outcome was that on average Zambia accommodation in tourism areas was highly priced compared to its regional peers. Following these revelations, the Commission has embarked on a follow up study to determine the cause of the high accommodation pricing in Zambia in tourism areas.

Food Fortification

The Zambian Government has used food fortification as one of the key interventions for the control of micronutrient deficiencies in the country. Following calls to expand the "vehicles" of micronutrient delivery, Government through the Ministry of Health (MoH) considered the possibility of mandatory fortification of flour and maize meal with Vitamin A. The Commission considered the potential competition effects of mandatory fortification such as increased barriers to entry and market foreclosure. A position paper was prepared and presented to the Ministry of Health for consideration proposing alternative means of promoting Vitamin A intake such as promotion of consumption of yellow maize and other yellow fleshed agriculture products.

Lending Rates

Bank lending rates have constantly been cited as one reason why Zambia has a low uptake of banking services. Several studies such as the FINSCOPE 2015 indicates that only about 25% of the Zambian population utilises banking services.

The Commission as part of its mandate undertook a study in the banking sector on bank charges following observations indicating that a larger part of the adult population did not utilize banking services.

The reasons cited for the low utilisation included the low levels of consumer knowledge on how the banking and financial institutions determined their rates; the sophistication of the sector making it difficult for consumers to question the pricing of bank products or the charges levied on the services offered and lack of trust as the fundamental barriers limiting financial inclusion. The Commission engaged the Bank of Zambia that ultimately issued a Statutory Instrument by abolishing the unwarranted bank charges effective September 4, 2018.

Knowledge, Attitude, Behaviour and Perception Survey (KABP)

It is important for the Commission to consistently communicate key messages to stakeholders across multiple platforms, as well as to receive feedback from stakeholders, to inform the Commission on the perception and effectiveness of its engagement in the market. The Commission undertook a parallel KABP survey from the one that was undertaken by the World Bank Group in 2017. Areas covered in the survey included consumer perceptions on competition and consumer rights, awareness of competition law and compliance and knowledge and perceptions about the Commission.

It was revealed that there was moderate knowledge on the existence of the Commission and the purpose of competition law. It was further revealed that there was a positive perception about complaint lodging with 73% of the participants knowing that lodging a complaint was free. The Commission renewed vigour to find alternative ways of raising awareness.

Monitoring and Evaluation of CCPC Activities in 2017

Monitoring and Evaluation exercise is a fundamental management instrument that is especially used extensively in development projects. The Commission 2017 – 2021 Strategic Plan requires that Monitoring and Evaluation is conducted annually to quantify the attainment of program goals on an annual basis and identify areas of improvement. The M and E exercise reviewed the progress made towards the implementation of the 2017 Activity Plans and the extent to which departments have been able to meet or conform to their Service Level Agreements/ Charters. It was revealed that Directorates and Units were performing effectively and therefore, the exercise recommended there should be continued effective performance.

Customer Feedback Survey

The Commission aims to communicate perceptions of stakeholders with regards to its service delivery as well as assess performance through the eyes of stakeholders. The Commission embarked on a Customer Feedback Survey. The Survey which targeted the customers that physically visit the Commission offices. The Commission wishes to attain as much feedback as possible to assess its performance in a quest for continuous improvement in service delivery.

Strategic Objective: Improve the provisions of Corporate Affairs Services

Public Relations

In strengthening and enhancing public awareness of the Commission's mandate, the Commission used various activities to reach out to its stakeholders.

The Commission engaged with the media to communicate important corporate messages such as enforcement actions, competition compliance guidance for businesses and public awareness campaigns. The Commission also continued to enhance consumer interaction through social media with over six thousand (6,000) followers and the CCPC website.

Increase the Commission's Visibility

Media Relations

In 2018, the Commission proactively issued twelve (12) media releases covering a range of topics, including enforcement actions, compliance and cases determination. Commission news that dominated the media included the Abuse of Dominance cases on tying of school uniforms, ZNBC and Star Times Joint Venture, Provincial Inspections and seizures and the Commission's international recognition of promoting competition regulation.

The Commission featured forty-seven (47) times on TV, one hundred and twelve (112) times on Radio and thirty-six (36) times in the Newspapers. The Commission also aired over 3,976 adverts against a set target of 2,500 across the country in English and local languages aimed at raising awareness on Consumer rights. Interactive radio programs continue to play a major role in coverage with a "Consumer Feedback" a weekly radio program on Hot FM and produced eight (8) radio programs on Radio Phoenix.

The Commission further produced two (2) documentaries on sensitizations in Western Province and on the CCPC ICPEN Presidency against a set target of three (3) due to budgetary constraints.

Three (3) Media briefings where the Commission disseminated information on its activities were conducted in 2018.

Newsletters

The newsletter continues to be a distinct tool for external communication. It is produced and circulated bi-annually highlighting the activities of the Commission. In 2018, Four (4) CCPC and ICPEN Newsletters were produced and circulated to various stakeholders electronically and in hard copy.

Participating in Local Fairs and Exhibitions

The Commission coordinated the World Consumer Rights Day (WCRD) by facilitating media coverage and week-long events leading up to the official commemoration by the Minister of Commerce, Trade and Industry Honourable Christopher B Yaluma, MP.

The Minister of Commerce Trade and Industry Hon Christopher Yaluma MP takes a moment to interact with CCPC Commissioner Dr Chenga Chisha in black (Jacket) and Executive Director Chilufya Sampa (shaking Hands) during the WCRD Commemorations in Lusaka.

In the year under review, the Commission participated in the Copperbelt Mining Expo which was only for corporate attendees and also the Zambia International Trade Fair and the Lusaka Commercial and Agriculture Show which afforded the Commission to interact not only with business houses but also the individual consumers. The Commission further, participated in the Central and Northern Province Expos and also sensitised members of the public at the Nc'wala, Kuomboka, Umutombo, Likumbi Lya Mize and Ukusefya Pa Ng'wena Traditional Ceremonies.

CCPC Chipata Office employees exhibiting during the Nc'wala ceremony in Eastern Province

The Commission also utilised the opportunity the Shows and Trade Fairs offer to increase understanding on how the Commission works and build public trust in the Commission's reputation as a leading Competition and Consumer Protection regulator.

Strategic Objective: Enhance capabilities and performance of Staff

Human Capital

Staff Capacity Development

The Human Resource (HR) function oversees the employees of the Commission to ensure that there is an organized, productive and thriving workforce. HR affects all aspects of the Commission and manages employees who are the most valuable asset of the Commission. Without good and dedicated employees, the execution of the Commission's strategies and mandate would fail. Therefore, the Commission can only thrive if right people are hired in the right positions at the right time and are working at the highest level of performance and delivering superior results.

Recruitment

The Commission recruited ten (10) members of staff in the period under review. Six (6) of these were recruited under the World Bank Group Zambia Agribusiness Trade Project (ZATP) for a period of two (2) years, one (1) Legal officer, one (1) Receptionist, one (1) Investigator and one(1) Project Coordinator.

Training

The Commission has continued to train its members of staff in various training as a way of building capacity. The training arises from identified training needs assessments identified by supervisors. The training enhances the Officer's competencies and strengthens skills needed to perform their duties in order to attain the strategic objectives.

In the year under review there were twenty one (21) members of staff who were trained; Four (4) were trained in Competition Law and Policy; two (2) were trained in drafting effective remedies in Mergers Investigations in Eswatini; one (1) was trained in Advanced Excel in South Africa; three (3) were trained in Output Based Budgeting (OBB); five (5) were trained in Advanced Prosecutors Course; one (1) was trained in Understanding Labour Laws;

three (3) were trained in International Public Sector Standards in Accounting and two (2) were trained in Records Management.

There were fifteen (15) members of staff who attended high level meetings and seminars at regional and international level.

The high level meetings included: International Competition Network (ICN) Annual General Conference in India; ABA Spring Meeting in USA; African Dialogue Consumer Protection Conference in Gambia; African Federation of Institute of Internal Auditors in Morocco; ICPEN Best Practice Workshop in Zambia and the Bowman's Annual Law Conference in South Africa. The international meetings expose the Officers to international best practices that are key to the global economy.

Performance Management

The performance assessments of employees in the period under review averaged 85%. The high rate speaks to the fact that employees were performing exceptionally well and were able to translate strategic objectives into operational results.

The Commission has continued to enjoy a staff retention rate of 96% due to the trust that the employees have in the Commission's strategies and objectives.

Policies

The Commission developed the Wellness and Internship Policies in 2018. Policies assist the Commission in guiding staff behaviour, conduct and ensure compliance to relevant laws and regulations.

Health and Wellness Rules

The Commission also strengthened health and wellness activities such as health days, health talks on various topics and cancer screening that promote the health of employees in the period under review.

The benefits of a healthy lifestyle are productive and motivated employees; decreased risk of disease; enriched quality of life; and lower health costs for the Commission.

High Performance Organization (HPO)

A High Performance Organization (HPO) is an organisation that achieves financial and non-financial results that are exceedingly better than those of its peer groups over a period of five (5) years by focussing on what matters to the organization.

HPO continues to be mainstreamed at the Commission since its accreditation in 2016. Areas of focus have continued to be employee quality, management quality, long term planning and orientation, openness and action oriented and continuous improvement. The Commission encourages staff to come up with ideas that would help refine the institution processes and systems that would help the Commission in its delivery of exception public service.

International Exchange Programme

In an effort to collaborate and develop capacity in the region, Zambia continues to offer support in the development of the competition authorities in the region. Four (4) members of staff from Swaziland Competition Commission were attached to the Commission for five (5) months from February to April 2018. The Commission also hosted a delegation of five (5) Commissioners from the Competition Authority of Sudan in October 2018.

KEY CHALLENGES, RECOMMENDATIONS AND OPPORTUNITIES

CHALLENGES

Budgetary Constraints

The Commission is cognisant of the competing Government activities on public finances. The Commission has faced serious budgetary constraints which have adversely affected its operations especially in the last half of 2018. With the budgetary constraints, the Commission was unable to meet some of its benchmarks. The Commission will continue to ensure that strategic activities that ensure businesses comply with competition legislation and how the Commission can better protect Consumer rights are prioritised in light of limited resources.

Capacity building and institutional strengthening of the Commission

The Commission's staff complement for the 2017-2021 Strategic Plan was 143 staff but is currently operating at 55% staff complement as of 2018. Most Directorates and Units remain understaffed and underfunded. There is a risk that the Commission might not fully realise the goals its set in the Strategic Plan. The Commission is however fortunate that it has a pool of dedicated and committed staff who despite working under tremendous pressure, were able to deliver on most of the strategic activities for the Commission.

Information Technology Infrastructure

The mandate of the Commission largely relates to how enterprises conduct business and hence quick decision making and case processing is utmost to business sector operations. The need to protect sensitive and confidential information cannot be overemphasized. Equally, consumers expect prompt decision making. Decreasing turnaround time is thus paramount to effective implementation of the Commission's mandate.

The physical expansion of the Commission and its increasing role has however not been matched by an equivalent digital expansion and capability of the Commission. This is largely due to inadequate financial and non-financial resources while the need remains even greater for an enhanced Information Communication and Technology (ICT) infrastructure.

Cognisant of this problem, the Commission has embarked on an ambitious program of enhancing its IT systems and digital infrastructure.

Regulatory Reforms - Advocacy

The Commission has taken an active role in advancing the need to have fair markets that ensure business strive and consumer welfare is protected. In order to have a coordinated approach, the Commission put up a Communication and Advocacy Strategy in place.

Legal and institutional short comings continue to affect competition. Thus, the Commission's advocacy has prioritised laws, regulations and policies that directly affect competition. The Commission has also continued to engage the private sector through induction and compliance programs as part of its advocacy work.

Data Availability for Economic Analysis

Data availability is critical in order to measure variables and the impact of Government interventions. However, data availability has been limited in scope and depth.

The Commission continued to work closely with other sector regulators and the Central Statistical Office (CSO) to get its data needs and the private sector has increasingly been helpful with regards to data provision.

RECOMMENDATIONS

Adequate Funding

Due to increasing economic activity and corresponding expansion of the Commission, there is need to ensure that the Commission is adequately resourced in order to prevent the erosion of gains that have accrued to the country from competition and consumer protection.

Information Technology Investment

The Commission will continue to pursue its digitalisation program through the support of Government and other corporation partners. In addition, alternative stop-gap strategies such as the use of Government Wide Area Network (GWAN) and server mirroring with the Zambia National Data Centre are being explored to guarantee the Commission business continuity.

OPPORTUNITIES

Changing behaviours and Public Perception

Several perception surveys carried out by the Commission in 2018 indicate an increase in the appreciation of the role of competition in an economy and the need for Consumer Protection. Further, there is an increasing realisation of institutions that Government has put in place to ensure that markets remain competitive without entry and exit barriers and the existence of consumer violation redress.

There is also need to continue and sustain this trajectory to ensure that the Zambian people and business community understand their obligations and rights within the spheres of competition and consumer protection laws.

Business Awareness

To ensure that the Commission is an effective enforcement authority, the Commission will seek to provide greater clarity and transparency on its key processes, system policies and enforcement approaches. In particular, the Commission has been developing guidelines and notes to streamline its operations which have been done with extensive stakeholder consultation. The 2018 year saw the development and publishing of the Mergers Fees Guidelines, the finalisation of the Abuse of Dominance Guidelines and the commencement of the revisions to the Fines Guidelines.

Whilst the Commission's work is primarily focused at policing anti-competitive conduct and enhancing consumer protection, the Commission continually engages other agencies to ensure a cohesive aligned and robust law enforcement framework.

Interface with Sectorial Regulators

The Commission recognises that it is imperative for institutional interface for better coordination with sector regulators. The Commission needs to raise awareness among stakeholders on the importance of submitting information, develop Memoranda of Understanding (MOUs), strengthen already existing MOUs with other sector regulators and increase levels of communication through Joint Working Committees.

COMPETITION AND CONSUMER PROTECTION COMMISSION

(ESTABLISHED UNDER THE COMPETITION AND CONSUMER PROTECTION ACT NO. 24 OF 2010)

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2018

PKF Zambia
Chartered Accountants

PKF
Accountants &
business advisers

COMPETITION AND CONSUMER PROTECTION COMMISSION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

Competition and Consumer Protection Commission
Annual report and financial statements
For the year ended 31 December 2018

CONTENTS

COMMISSION INFORMATION

COMMISSIONERS	DESIGNATION
Mr. Kelvin Fube Bwalya	: Chairperson
Ms. Chishala Kateka	: Vice Chairperson
Dr. Aubrey M Chibumba	: Commissioner
Dr. Chenga S Chisha	: Commissioner
Mr. Fredrick Imasiku	: Commissioner
Mrs. Georgina Kasapatu	: Commissioner
Mr. Chilufya Sampa	: Executive Director/ Ex Officio

CHIEF OFFICERS	DESIGNATION
Mr. Chilufya Sampa	: Executive Director
Ms. Luyamba Mpamba	: Director Mergers and Monopolies
Mr. Brian Lingela	: Director Consumer Protection
Mrs. Maureen Banda Mwanza	: Director Legal and Corporate Affairs
Mrs. Beene Shadunka Siyumbwa	: Director Human Resource and Administration
Mr. Vestus Chungu	: Director Finance
Mrs. Naomi Mbanangwa Fulaza	: Director - Restrictive Business Practice
Mrs. Marian Mwalimu Mulenga	: Manager Legal and Corporate Affairs
Mr. Shakayobo Shandavu	: Finance Manager
Mrs. Naomi B. Nguni	: Internal Auditor
Mr. Masauso Phiri	: Chief Investigator - North
Mrs. Eunice Hamavhwa	: Chief Investigator - South
Mr. Patrick Chengo	: Chief Investigator - Mergers
Mr. Parret Muteto	Chief Analyst

BOARD COMMITTEES	MEMBERS	DESIGNATION
Finance and Administration Committee	: Ms. Chishala Kateka	Chairperson
	: Mr. Fredrick Imasiku	Member
	: Ms. Gillian Mazimba	Member
	: Mr. Chilufya Sampa	Ex-officio
Audit Committee	: Dr. Aubrey M Chibumba	Chairperson
	: Mr. Gabriel Banda	Member
	: Mr. Andrew Musukwa	Member
	: Mr. Chilufya Sampa	Ex-officio
Technical Committee	: Dr. Chenga S Chisha	Chairperson
	: Mrs. Georgina Kasapatu	Member
	: Mr. Philip Chitalu	Member
	: Mr. Chilufya Sampa	Ex-officio

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS
: 4th Floor Main Post Office, Cairo Road
: P.O.Box 34919
: Lusaka, Zambia

BRANCHES

: Mansa	Solwezi
: Kitwe	Kasama
: Livingstone	Chinsali
: Mongu	Chipata
: Kabwe	

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Competition and Consumer Protection Commission
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For the year ended 31 December 2018

COMMISSION INFORMATION (CONTINUED)

INDEPENDENT AUDITOR	: PKF Zambia Chartered Accountants : Sable House 11 Sable Road, Kabulonga : Lusaka, Zambia
PRINCIPAL BANKERS	: Standard Chartered Bank Zambia Plc : North End Branch : Plot 4999 : Corner Cairo/ Kalambo Roads : Lusaka, Zambia
	: Atlasmara Bank Zambia Limited : Chanik House-First Floor : P.O.Box 37102 : Lusaka, Zambia

REPORT OF THE COMMISSIONERS

The Commissioners submit their report and the audited financial statements for the year ended 31 December 2018, which disclose the state of affairs of the Commission.

PRINCIPAL ACTIVITIES

The Commission has a dual role of safeguarding competition and protecting consumers from unfair trading practices. All consumer complaints are covered countrywide and in all sectors of the economy. The key activities of the Commission as set out in the Competition and Consumer Protection Act (CCPA) No.24 of 2010 are;

a. Review the operations of markets in Zambia and the conditions of competition in these markets
b. Review the trading practices pursued by enterprises trading in Zambia
c. Investigate and assess restrictive agreements , abuse of dominant positions and mergers
d. Investigate unfair trading practices and unfair contract terms and impose such sanctions as may be necessary;
e. Undertake and publish general studies on the effectiveness of competition in individual sectors of the economy in Zambia and on matters of concern to consumers;
f. Act as a primary advocate for competition and effective consumer protection;
g. Advise the Government of The Republic of Zambia on laws affecting competition and consumer protection;
h. Provide information for the guidance of consumers regarding their rights under the Act;
i. Liaise and exchange information , knowledge and expertise with competition and consumer protection authorities in other countries
j. Advise the Minister of Commerce , Trade and Industry on agreements relevant to competition and consumer protection and on any other matters relating to competition and consumer protection
k. Co-operate with and assist any association or body of persons to develop and promote the observance of standards of conduct for the purpose of ensuring compliance with the provisions of the Act; and
l. Do all such acts and things as are necessary , incidental or conducive to the better carrying out of its functions under this Act.

BUSINESS REVIEW

Operating results

	2018 ZMW	2017 ZMW
Surplus for the year	255,815	306,832

Income

During the year 2018 the Commission received grants from the Government of The Republic of Zambia amounting to K24.34 million (2017:K30.456 million)

Other income attributable to the Commissions Investment in short term financial assets amounted to K1,806,724 (2017:K1,823,751)

Fees, penalties and fines

Fees for mergers, acquisitions and negative clearances fees is revenue collection on behalf of the Government of The Republic of Zambia collected by the Commission.

-Merger, acquisition and negative clearance fees for the year amounted to K 25.59 million (2017:K13.141 million)
-Fines and Penalties for the year amounted to K4.42 million (2017:K2.054 million)

These do not pass through the Commission's accounting system but are paid directly to the Government of The Republic of Zambia and have been excluded from the operating results of the Commission.

REPORT OF THE COMMISSIONERS (CONTINUED)

COMMISSIONERS

The Commissioners who held office during the year and to the date of this report are shown on page 1.

INDEPENDENT AUDITOR

PKF Zambia Chartered Accountants was appointed during the year to carry out the audit of the Financial Statements of the Competition and Consumer Protection Commission for the years ended 31 December 2017 to 31 December 2019.

BY ORDER OF THE BOARD

CHAIRPERSON **VICE CHAIRPERSON**

LUSAKA

4th March 2019

STATEMENT OF COMMISSIONERS' RESPONSIBILITIES

The Commissioners are responsible for the preparation of annual financial statements which give a true and fair view of the state of affairs of the Commission as at the end of the financial year and of its financial performance and cash flows for the year then ended. It also requires the Commissioners to ensure that the Commission keeps proper accounting records that are sufficient to show and explain the transactions of the Commission; that disclose, with reasonable accuracy, the financial position of the Commission and that enable them to prepare financial statements of the Commission that comply with the International Financial Reporting Standards. The Commissioners are also responsible for safeguarding the assets of the Commission and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Commissioners accept responsibility for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards . They also accept responsibility for:

i. Designing, implementing and maintaining such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
ii. Selecting and applying appropriate accounting policies; and
iii. Making accounting estimates and judgements that are reasonable in the circumstances.

The Commissioners are of the opinion that the financial statements give a true and fair view of the financial position of the Commission as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

In preparing these financial statements the Commissioners have assessed the Commission's ability to continue as a going concern. Nothing has come to the attention of the Commissioners to indicate that the Commission will not remain a going concern for at least the next twelve months from the date of this statement.

The Commissioners' acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

So far as each of the Commissioners is aware, there is no relevant audit information which the auditor is unaware of, and each of the Commissioners has taken all the steps that ought to have been taken in order to become aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by the Board of Commissioners on 4th March 2019 signed on its behalf by:

CHAIRPERSON

VICE-CHAIRPERSON

PKF Zambia
Chartered Accountants

PKF
Accountants & business advisers

REPORT OF THE INDEPENDENT AUDITOR TO THE MINISTER OF COMMERCE, TRADE & INDUSTRY

Opinion

We have audited the financial statements of Competition and Consumer Protection Commission (Commission) set out on pages 8 to 27, which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and retained earnings and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Commission as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standard.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the commission in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zambia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The commissioners are responsible for the other information. The other information comprises the commission information, report of the commissioners and the schedule of expenditure but does not include the financial statements and our report of the independent auditor thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Commissioners for the Financial Statements

The commissioners are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and for such internal control as the commissioners determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the commissioners are responsible for assessing the commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the commissioners either intend to liquidate the commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the commission's financial reporting process.

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PKF Zambia Chartered Accountants • Sable House, 11 Sable Road • Kabulonga • PO Box 31290 • Lusaka • Zambia

Partners: Antony Ranjan, Stephen Chibwe, Rajarathnam Ravisankar, Simon Njelemba

PKF
Accountants &
business advisers

REPORT OF THE INDEPENDENT AUDITOR TO THE MINISTER OF COMMERCE, TRADE & INDUSTRY (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

i. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.

ii. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the appropriateness of the commission's internal control.

iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the commissioners.

iv. Conclude on the appropriateness of director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the independent auditor to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
However, future events or conditions may cause the commission to cease to continue as a going concern.

v. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner responsible for the audit resulting in this report of the independent auditor is Steve Chibwe - practicing certificate number. M/PC 000589.

PKF Zambia
Chartered Accountants

7 March 2019
Our Reference: AR/LSK/022/19

Steve Chibwe

Competition and Consumer Protection Commission
Annual report and financial statements
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STATEMENT OF INCOME AND EXPENDITURE

	Notes	2018 ZMW	2017 ZMW
Grant income	2	24,342,689	30,456,922
Other income	3	10,227,348	1,846,762
Employment costs		(23,512,303)	(19,999,049)
Other operating expenses		(10,801,919)	(11,997,803)
Surplus for the year		255,815	306,832
Total comprehensive surplus for the year		255,815	306,832

The notes on pages 12 to 27 form an integral part of these financial statements.

Report of the Independent Auditor - pages 6 and 7.

STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2018 ZMW	2017 ZMW
FUNDS			
Accumulated funds		21,201,959	20,946,144
		21,201,959	20,946,144
Non-current liabilities			
Capital grants		622,826	-
		622,826	-
		21,824,785	20,946,144
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	4	1,523,796	2,394,153
Investment in joint ventures	5	359,757	83,800
Intangible asset	6	111,390	65,470
		1,994,943	2,543,423
Current assets			
Financial assets	7	1,856,547	1,098,440
Receivables	8	462,617	469,849
Loans and advances	9	2,691,527	3,366,752
Cash and cash equivalents	10	23,774,090	17,615,620
		28,784,781	22,550,661
Current liabilities			
Payables and accruals	11	5,143,197	1,439,170
Provisions	12	3,811,742	2,708,770
		8,954,939	4,147,940
Net current assets		19,829,842	18,402,721
		21,824,785	20,946,144

The financial statements on pages 8 to 28 were approved and authorised for issue by the Commissioners on 4th March 2019 and were signed on its behalf by:

Chairperson

Vice Chairperson

The notes on pages 12 to 27 form an integral part of these financial statements.

Report of the Independent Auditor - pages 6 and 7.

Competition and Consumer Protection Commission
Annual report and financial statements
For the year ended 31 December 2018

STATEMENT OF ACCUMMULATED FUNDS

	Accumulated funds ZMW	Total ZMW
Year ended 31 December 2018		
At start of year	20,946,144	20,946,144
Total comprehensive surplus for the year:		
- Surplus for the year	255,815	255,815
At end of year	21,201,959	21,201,959
Year ended 31 December 2017		
At start of year	20,639,312	20,639,312
Total comprehensive surplus for the year		
- Surplus for the year	306,832	306,832
At end of year	20,946,144	20,946,144

The notes on pages 12 to 27 form an integral part of these financial statements.

Report of the Independent Auditor - pages 6 and 7.

STATEMENT OF CASH FLOWS

	Notes	2018 ZMW	2017 ZMW
Operating activities			
Cash from operations	13	7,636,618	2,958,890
Net cash generated from operating activities		7,636,618	2,958,890
Investing activities			
Purchase of property, plant and equipment	4	(897,429)	(1,283,665)
Proceeds from disposal of property, plant and equipment		28,800	133,470
Cash paid for acquisition of joint venture		(275,957)	(83,800)
Cash paid for purchase of financial assets		(758,106)	(121,682)
Interest received		(198,281)	(167,059)
Net cash outflow used in investing activities		(2,100,973)	(1,522,736)
Financing activities			
Changes in restricted cash balances		622,826	-
Net cash from financing activities		622,826	-
Increase in cash and cash equivalents		6,158,471	1,436,154
Movement in cash and cash equivalents			
At start of year		17,615,620	16,179,466
Increase in cash and cash equivalents		6,158,471	1,436,154
At end of year	10	23,774,091	17,615,620

The notes on pages 12 to 27 form an integral part of these financial statements.

Report of the Independent Auditor - pages 6 and 7.

NOTES

GENERAL INFORMATION

The Commission is a State Agency, established under the CCPA Act No.24 of 2010. The Commission receives Government Grants for the implementation of its core activities which are listed below:

a) Review the operations of markets in Zambia and the conditions of competition in these markets
b) Review the trading practices pursued by enterprises trading in Zambia
c) Investigate and assess restrictive agreements , abuse of dominant positions and mergers
d) Investigate unfair trading practices and unfair contract terms and impose such sanctions as may be necessary;
e) Undertake and publish general studies on the effectiveness of competition in individual sectors of the economy in Zambia and on matters of concern to consumers;
f) Act as a primary advocate for competition and effective consumer protection;
g) Advise Government of The Republic of Zambia on laws affecting competition and consumer protection;
h) Provide information for the guidance of consumers regarding their rights under the Act;
i) Liaise and exchange information , knowledge and expertise with competition and consumer protection authorities in other countries
j) Advise the Minister of Commerce , Trade and Industry on agreements relevant to competition and consumer protection and on any other matters relating to competition and consumer protection
k) Co-operate with and assist any association or body of persons to develop and promote the observance of standards of conduct for the purpose of ensuring compliance with the provisions of the Act; and
l) Do all such acts and things as are necessary , incidental or conducive to the better carrying out of its functions under this Act.

The address of its principal place of business is:
4th Floor Main Post Office, Cairo Road
P.O.Box 34919
Lusaka, Zambia

1. **SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) **Basis of preparation**

The financial statements have been prepared under the historical cost convention, except as indicated otherwise below, and are in accordance with International Financial Reporting Standards (IFRS). The historical cost convention is generally based on the fair value of the consideration given in exchange of assets.

Going concern

The financial performance of the Commission is set out in the Commissioners' Report and in the Statement of Income and Expenditure. The financial position of the Commission is set out in the Statement of Financial Position. Disclosures in respect of risk management are set out in note 14.

Based on the financial performance and position of the Commission, its risk management policies and the Act (CCPA) No.24 of 2010, the Commissioners are of the opinion that the Commission is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

New and amended standards adopted by the Commission

All new and amended standards and interpretations that have become effective for the first time in the financial year beginning 1 January 2018 have been adopted by the Commission. Of those, the following has had an effect on the Commission's financial statements:

IFRS 9 requires all financial assets to be measured at fair value on initial recognition and subsequently at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

NOTES (CONTINUED)

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

a) **Basis of preparation (continued)**

New and amended standards adopted by the Commission (continued)

For the impairment of financial assets, IFRS 9 introduces an "expected credit loss" (ECL) model based on the concept of providing for expected losses at the inception of a contract; this will require judgement in quantifying the impact of forecast economic factors. For financial assets for which there has not been a significant increase in credit risk since initial recognition, the loss allowance should represent ECLs that would result from probable default events within 12 months from the reporting date (12-month ECLs). For financial assets for which there has been a significant increase in credit risk, the loss allowance should represent lifetime ECLs. A simplified approach is allowed for trade receivables and lease receivables, whereby lifetime ECLs can be recognised from inception.

The Commission has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies. The Commission did not early adopt IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Commission elected not to restate comparative figures.

Consequently, for notes and disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes and disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Commission. Further details of the specific IFRS 9 accounting policies applied in the current period are described in more detail in note 1(a) (i) and note 15.

(i) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39		IFRS 9	
	Measurement category	**Carrying amount ZMW**	**Measurement category**	**Carrying amount ZMW**
Financial assets				
Cash and cash equivalents	Amortised cost	1,711,825	Amortised cost	1,711,825
Receivables	Amortised cost	469,849	Amortised cost	469,849
Loans and advances	Amortised cost	3,366,752	Amortised cost	3,366,752
Other financial assets;				
- Available for sale (non-'equity)	FVTOCI (Available for sale)	1,098,440	FVTOCI	1,098,440
- Held to maturity	Amortised cost	15,903,795	Amortised cost	15,903,795
		22,550,661		22,550,661
Financial liabilities				
Trade and other payables	Amortised cost	1,439,170	Amortised cost	1,439,170

NOTES (CONTINUED)

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

a) **Basis of preparation (continued)**

New and amended standards adopted by the company (continued)

(ii) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Commission performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. For more detailed information regarding the new classification requirements of IFRS 9, refer to note 1(a) (i).

(iii) Significant and material impacts

- There was no material impact resulting from the 'classification and measurement' changes.

IFRS 15: Revenue from contracts with customers

Under IFRS 15, revenue from sales of services is recognised over time, provided the consumption of the service by the customer is simultaneous with the performance of the service by the Commission. The application of the standard, retrospectively, in the current year has not had a material impact on the financial position or financial performance of the Commission, and a prior period adjustment has, therefore, not been required.

New standards, amendments and interpretations issued but not effective

At the date of authorisation of these financial statements the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective for the year presented:

- Amendments to IAS 12 'Income Taxes' effective for annual periods beginning on or after 1 January 2019 clarifying on the recognition of income tax consequences of dividends.

- Amendments to IAS 19 'Employee Benefits' effective for annual periods beginning on or after 1 January 2019 clarifying the effects of a retirement benefit plan amendment, curtailment or settlement.

- Amendments to IAS 23 'Borrowing Costs' effective for annual periods beginning on or after 1 January 2019 clarifying that specific borrowings remaining unpaid at the time the related asset is ready for its intended use or sale will comprise general borrowings.

- Amendments to IAS 28 'Investments in Associates and Joint Ventures' effective for annual periods beginning on or after 1 January 2019 clarifying that IFRS 9 is only applicable to investments to which the equity method is not applied.

- Amendments to IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements' effective for annual periods beginning on or after 1 January 2019 in relation to remeasurement of previously held interests on a joint operation on obtaining control.

- Amendments to IFRS 9 'Financial Instruments' effective for annual periods beginning on or after 1 January 2019 clarifying that the existence of prepayment features with negative compensation will not in itself cause the instrument to fail the amortised cost classification.

- IFRS 16 'Leases' (issued in January 2017) effective for annual periods beginning on or after 1 January 2019, replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement Contains a Lease' and their interpretations (SIC-15 and SIC-27). IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

- IFRS 17 'Insurance Contracts' (issued May 2017) effective for annual periods beginning on or after 1 January 2022 establishes the principles for the recognition, measurement, presentation and disclosure of insurance

NOTES (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

New standards, amendments and interpretations issued but not effective (continued)

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (issued in December 2016) effective for annual periods beginning on or after 1 January 2018, clarifies that the exchange rate to use in transactions that involve advance consideration paid or received in foreign currency is the one at the date of initial recognition of the non-monetary asset or liability.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (issued June 2017) effective for annual periods beginning on or after 1 January 2019 clarifies the accounting for uncertainties in income taxes.

The Commissioners expect that the future adoption of IFRS 16 may have a material impact on the amounts reported. However, it is not practicable to provide a reliable estimate of the effects of the above until a detailed review has been completed. The Commissioners do not expect that adoption of the other standards and interpretations will have a material impact on the financial statements in future periods. The society plans to apply the changes above from their effective dates.

b) Critical accounting estimates and judgement

In the application of the accounting policies, the Commissioners are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The Commissioners have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- **Measurement of Expected Credit Losses (ECL):**

  The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumption about future economic conditions and credit behaviour.

  A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

  - Determining criteria for significant increase in credit risk;
  - Choosing appropriate models and assumptions for the measurement of ECL;
  - Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
  - Establishing groups of similar financial assets for the purposes of measuring ECL

  ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument.

  The measurement of ECLs are based primarily on the product of the instrument's Probability of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD).

  The ECL model applied for financial assets other than trade receivables and contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

  - Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.

NOTES (CONTINUED)

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

b) Critical accounting estimates and judgement (continued)

- **Measurement of Expected Credit Losses (ECL):(continued)**

  - Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.

  - When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

Assessment of significant increase in credit risk: The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. IFRS 9 however includes rebuttable presumptions that contractual payments are overdue by more than 30 days will represent a significant increase in credit risk (stage 2) and contractual payments that are more than 90 days overdue will represent credit impairment (stage 3). The company uses these guidelines in determining the staging of its assets unless there is persuasive evidence available to rebut these presumptions

For trade receivables, the Commission has applied the simplified model under IFRS 9 where lifetime expected credit loss allowance is recognised on the basis of a provisioning matrix.

Management reviews the useful lives and residual values of the items of property and equipment on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

c) Revenue recognition

The Commission recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the Commission's activities as described below.

i) Fees and penalties paid to the Commission are recognised in restricted funds when they are received and remitted to control accounts at the Central or commercial banks.
ii) Other Income comprises mostly of non-operating income
iii) The Commission recognises revenue from grants as below:

Revenue grants are treated as income in the year they are received. Capital Grants are capitalised and treated as deferred income and amortised on a systematic basis in equal instalments over the expected economical useful life of the related assets concerned. The resultant amortisation is charged to the surplus for the year.

A grant is recognised only when there is reasonable assurance that:
a) the entity will comply with any conditions attached to the grant and
b) the grant will be received.

On systematic basis, the grant is recognised as income over the period necessary to match them with the related costs, for which they are intended to compensate. Non monetary grants, such as land and other resources, are accounted for at either their fair value or at a nominal amount, depending upon the availability of information.

A grant receivable as compensation for costs already incurred or for immediate financial support, with no future related costs, are recognised as income in the period in which it is receivable. A grant relating to assets are to be presented as deferred income.

NOTES (CONTINUED)

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

c) **Revenue recognition (continued)**

A grant relating to income may be reported separately as 'other income' or deducted from the related expense. If a grant becomes payable, it should be treated as a change in estimate. Where the original grant is related to income, the repayments should be applied first against any related unamortised deferred credit, and any excess should be dealt with as an expense.

d) **Capital Management**
Capital resources comprise accumulated funds and unamortised portions of grant balances. The Commission's objectives for the management of capital are to safeguard its ability to continue as a going concern. The Commission considers its cash and cash equivalents to be the manageable capital from its financial resources. The Commission's policy is to maintain sufficient cash balances to cover operating and administration costs over a reasonable future period. The Commission currently has no externally imposed capital requirements except to maintain sufficient cash balances.

e) **Translation of foreign currencies**
Transactions in foreign currencies during the year are converted into Zambian Kwacha (the functional currency), at the rates ruling at the transaction dates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. The resulting differences are recognised in the period in which they arise.

f) **Property, plant and equipment**

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the commission and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Depreciation on all assets is calculated on the straight line basis method to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life using the following annual rates:

	2018 Rate %
Motor vehicles	25%
Office equipment	25%
Computer equipment	25%
Furniture and fittings	25%
Capital Work In Progress	0%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit/loss.

g) **Impairment of non-financial assets**

At the end of each reporting period, the Commission reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

NOTES (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Impairment of non-financial assets (continued)

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

h) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Computer software
Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Commission, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development staff costs and an appropriate portion of relevant overheads.

Computer software production costs recognised as assets and are amortised over their estimated useful lives of 3 years.
Work in Progress is not amortised

i) Financial instruments

Financial instruments are recognised when, and only when, the Commission becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the Commission commits itself to the purchase or sale.

- Financial assets

The Commission classifies its financial assets into the following categories:

i) **Amortised cost;**
Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding and are not designated at Fair Value Through Profit or Loss (FVTPL), are classified and measured at amortised cost; The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured.

ii) **Fair Value Through Other Comprehensive Income (FVTOCI):**
Financial assets that are held for collection of contractual cash flows where these cash flows comprise SPPI and also for liquidating the assets depending on liquidity needs and that are not designated at FVTPL, are classified and measured at value through other comprehensive income (FVTOCI). Movements in the carrying amount are taken through OCI, except for recognition of impairment gain or losses, interest revenue and foreign exchange gain and losses. Gains and losses previously recognised in OCI are reclassified from equity to profit or loss on disposal of such instruments. Gains and losses related to equity instruments are not reclassified.

NOTES (CONTINUED)

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

i) **Financial instruments (continued)**

iii) **Fair Value Through Profit or Loss (FVTPL)**:
Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measure at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement.

Notwithstanding the above, the Commission may:
- on initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it at fair value through other comprehensive income
- on initial recognition of a debt instrument, irrevocably designate it as classified and measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

At initial recognition of a financial asset, the Commission determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Commission reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Commission has not identified a change in its business models.

Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the Commission has transferred substantially all risks and rewards of ownership, or when the Commission has no reasonable expectations of recovering the asset.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Financial instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Impairment

The Commission recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are measured at amortised cost or at fair value through other comprehensive income (FVTOCI):
- Cash and cash equivalents
- Trade and other receivables
- Other financial assets

No impairment loss is recognised on investments measured at FVTPL.

The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which:
- the credit risk has increased significantly since initial recognition; or
- there is observable evidence of impairment (a credit-impaired financial asset).

If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

NOTES (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial instruments (continued)

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.
Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the balance sheet date, those which management has the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

Financial liabilities

Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or loss. The company may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

All other financial liabilities are classified and measured at amortised cost.

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the Commission's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the Commission does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

j) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and financial assets with maturities of less than 91 days.

k) Accounting for leases

The Commission as lessee

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to income or expenses on a straight line basis over the period of the lease. Lease incentives received are recognised as a liability and reduction of the rental expense on a straight line basis.

NOTES (CONTINUED)

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

l) **Investments in joint ventures**

When the Commission undertakes its activities under joint venture arrangements directly rather than in a separate entity (a joint operation), the Commission's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Commission's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Commission and their amount can be measured reliably.

m) **Taxation**

The Commission is an Agency of the Government of Zambia created under an Act of Parliament. Its principal activities are as per General information on page 12.

The Commission is exempt from tax.

n) **Employee entitlements**

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an accrual expense .

o) **Retirement benefit obligations**

The Commission and its employees contribute to the National Pension Scheme Authority (NAPSA), a statutory defined contribution scheme registered under the NAPSA Act. The Commission's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate. The Commission has no further payment obligations once the contributions have been paid.

The Commission operates a defined contribution staff retirement benefit scheme for its Permanent and Pensionable Employees. The Commission's contributions to the defined contribution retirement benefit scheme are charged to profit or loss in the year to which they relate. The Commission has no further payment obligations once the contributions have been paid.

The Commission operates a gratuity scheme for its Directors which qualifies as a defined benefit scheme. Under the plan, the Directors are entitled to 35% of their total basic salary for the successfully completed years of service. For the purpose of computing Gratuity payable, the basic pay is taken to be the ruling basic pay as at the end of the contract.

p) **Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

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NOTES (CONTINUED)

2. Grant income

	2018 ZMW	2017 ZMW
Grants from the Government of The Republic of Zambia	24,342,689	30,456,922
	24,342,689	30,456,922

3. Other income

	2018 ZMW	2017 ZMW
CCPC/RUFEP grant amortisation	392,307	-
Agri - business grant	7,999,457	-
Interest from staff loans	198,281	167,059
Interest from fixed deposit	1,390,593	1,588,605
Interest from available for sale financial assets	217,910	68,087
Profit on disposal of property, plant and equipment	28,800	23,011
	10,227,348	1,846,762

4. Property, plant and equipment
As at 31 December 2018

	Motor vehicles ZMW	Office equipment ZMW	Computer equipment ZMW	Furniture and fittings ZMW	Total ZMW
Cost					
At start of year	7,257,628	904,147	1,188,897	1,040,354	10,391,026
Additions	740,000	24,559	87,910	44,960	897,429
Disposals	(249,898)	-	-	-	(249,898)
At end of year	7,747,730	928,706	1,276,807	1,085,314	11,038,557
Depreciation					
At start of year	5,485,023	686,886	1,007,103	817,862	7,996,873
Disposals	(249,898)	-	-	-	(249,898)
Charge for the year	1,328,105	157,993	152,034	129,655	1,767,786
At end of year	6,563,230	844,879	1,159,136	947,516	9,514,761
Net book value	1,184,500	83,827	117,671	137,798	1,523,796

Additions acquired through payments by the Commission.

As at 31 December 2017

	Motor vehicles ZMW	Office equipment ZMW	Computer equipment ZMW	Furniture and fittings ZMW	Total ZMW
Cost					
At start of year	6,796,658	896,512	1,160,607	901,614	9,755,391
Additions	1,109,000	7,635	28,290	138,740	1,283,665
Disposals	(648,030)	-	-	-	(648,030)
At end of year	7,257,628	904,147	1,188,897	1,040,354	10,391,026
Depreciation					
At start of year	4,412,475	499,366	836,255	625,570	6,373,666
Disposals	(537,571)	-	-	-	(537,571)
Charge for the year	1,610,119	187,520	170,848	192,292	2,160,778
At end of year	5,485,023	686,886	1,007,103	817,862	7,996,873
Net book value	1,772,605	217,261	181,794	222,492	2,394,153

Additions acquired through payments by the Commission.

NOTES (CONTINUED)

5. **Investment in joint ventures**

	2018 ZMW	2017 ZMW
At start of year	83,800	-
Acquisition	275,957	83,800
At end of year	359,757	83,800

The ongoing Capital Work-In-Progress relates to property development. The project is carried out jointly between PACRA and CCPC.

The Commission's share of its joint venture, which is unlisted and its share of the assets is ZMW359,757 as at 31 December 2018.

6. **Intangible assets**

Cost		
At start of year	65,470	-
Additions	45,920	65,470
At end of year	111,390	65,470

The intangible assets relates to Work In Progress for the production of a Case Management System.

7. **Financial assets**

Fair value through profit or loss financial assets

	2018 ZMW	2017 ZMW
Available for sale:		
At start of year	1,098,440	976,758
Additions	1,322,452	779,786
Disposals	(710,386)	(726,191)
Fair value gains	146,041	68,087
At end of year	1,856,547	1,098,440

The financial asset is a short term Investment held with BC Benefits. The objective of the investment is to ensure that adequate resources are available when the gratuity payable to directors as per note 11, fall due.

The Commissioners are of the opinion that the Commission's exposure to credit risk is limited as there has been no recent history of default.

	2018 Gross amount ZMW	ECL allowance ZMW	Carrying amount ZMW	2017 Gross amount ZMW	Loss provision ZMW	Carrying amount ZMW
BC benefits	1,856,547	-	1,856,547	1,098,440	-	1,098,440
	1,856,547	-	1,856,547	1,098,440	-	1,098,440

The Commission has not recognised a loss allowance for expected credit losses on its available for sale assets.

NOTES (CONTINUED)

8. **Receivables**

	2018 ZMW	2017 ZMW
Current		
Medical schemes	94,812	170,455
Staff debtors and advances	254,794	84,477
Deposits	98,188	51,604
Related party balances (Note 14)	-	58,246
Prepayments	14,823	105,067
Less: provision for expected credit losses	-	-
Total Receivables	462,617	469,849

	2018 Gross amount ZMW	2018 ECL allowance ZMW	2018 Carrying amount ZMW	2017 Gross amount ZMW	2017 Loss provision ZMW	2017 Carrying amount ZMW
Staff debtors and advances	254,794	-	254,794	84,477	-	84,477
	254,794	-	254,794	84,477	-	84,477

In the opinion of the directors, the carrying amounts of receivables approximate to their fair value.
No credit loss has been recognised on the remittance receivables and receivables from related parties as the entire balances has been subsequently recovered

The directors are of the opinion that the company's exposure to credit risk is limited as the prepayments have been subsequently expensed and the company continued to utilise the properties relating to the deposits.
Receivables did not include any receivables past due or any impaired receivable.

The carrying amounts of the Commission's receivables are denominated in Zambian Kwacha.

The Commission has not recognised a loss allowance for expected credit losses on its receivables.

9. **Loans and advances**

	2018 ZMW	2017 ZMW
Loans and advances	2,691,527	3,366,752
	2,691,527	3,366,752

In the opinion of the Commissioners, the carrying amounts of Loans and Advances approximate to their fair value.

	2018 Gross amount ZMW	2018 ECL allowance ZMW	2018 Carrying amount ZMW	2017 Gross amount ZMW	2017 Loss provision ZMW	2017 Carrying amount ZMW
Loans and advances	2,691,527	-	2,691,527	3,366,752	-	3,366,752
	2,691,527	-	2,691,527	3,366,752	-	3,366,752

The Commission has not recognised a loss allowance for expected credit losses on loans and advances.

The Commission's credit risk arises primarily from Loans and Advances. The Commissioners are of the opinion that the Commission's exposure is limited because the loans are deductible from the payroll.

NOTES (CONTINUED)

9. Loans and advances (continued)

The aged analysis of loans and advances to staff is as below:

	2018 ZMW	2017 ZMW
Current	162,511	230,900
0 to 1 month	7,458	198,333
2 to 3 months	2,667	232,908
4 to 12 months	118,290	584,567
Over 12months	2,400,601	2,118,815
	2,691,527	3,365,523

The effective interest rate on Loans and Advances to staff was 8% (2017: 8%)

The carrying amounts of the Commission's loans and advances are denominated in Zambian Kwacha.

10. Cash and cash equivalents

	2018 ZMW	2017 ZMW
Cash at bank and in hand	7,323,050	1,711,825
Short term bank deposits	16,451,040	15,903,795
	23,774,090	17,615,620

For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise of the above.

The Commissions bank balances are held with two major Zambian financial institutions and, insofar as the Commissioners are able to attribute any credit risk to these assets, it is deemed to be limited.

The carrying amounts of the Commissions cash and cash equivalents are denominated in Zambian Kwacha.

11. Payables and accruals

Current - 0 to 3 months	2018 ZMW	2017 ZMW
Sundry Suppliers	619,326	286,109
Suppliers Control Account	344,864	291,843
Zambia Revenue Authority	4,179,007	861,218
	5,143,197	1,439,170

In the opinion of the Commissioners, the carrying amounts of payables approximate to their fair value.

The carrying amounts of the Commission's payables are denominated in Zambian Kwacha.

12. Provisions

	Gratuity Provision ZMW	Leave Pay Provision ZMW	Total ZMW
At start of year	1,260,373	1,448,397	2,708,770
Additional provisions	749,003	353,969	1,102,972
Utilised during the year	-	-	-
At end of year	2,009,376	1,802,366	3,811,742

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NOTES (CONTINUED)

13. **Cash generated from operations**

	2018 ZMW	2017 ZMW
Reconciliation of operating surplus to cash from operations:		
Operating surplus for the year	255,815	306,832
Adjustments for:		
Depreciation on property, plant and equipment (Note 4)	1,767,786	2,160,778
Profit on disposal of property, plant and equipment	(28,800)	(23,011)
(Gains) on fair value adjustment	(45,920)	(65,470)
Interest received	198,281	167,059
Changes in working capital:		
- Trade and other receivables	682,457	4,146
- Trade and other payables	4,806,999	408,556
Cash generated from operations	7,636,618	2,958,890

14. **Related party transactions and balances**

	2018 ZMW	2017 ZMW
Amounts due from related parties		
Ministry of Commerce, Trade and Industry	-	58,246
	-	58,246

The amounts due from Ministry of Commerce, Trade and Industry are unsecured and have no specific repayment terms.

Key Management Compensation	2018 ZMW	2017 ZMW
Board Members (Commissioners)	754,902	1,463,966
Directors	3,552,636	2,794,593
	4,307,538	4,258,559

15. **Risk management objectives and policies**

Financial Risk Management
The Commission's activities expose it to a variety of financial risks: credit risk and liquidity risk.

The Commission's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Commission's financial performance.

Risk management is carried out by the Management under policies approved by the Board of Commissioners. Management identifies, evaluates and hedges financial risks under the supervision of the Board of Commissioners.

A. Market Risk
Interest rate risk
The Commissions' exposure to interest rate risk arises from interest bearing financial assets. Financial assets obtained at different rates expose the Commission to interest rate risk. Financial assets obtained at fixed rates expose the Commission to fair value interest rate risk, except where the instruments are carried at amortised costs.

B. Credit Risk
Credit risk arises from cash and cash equivalents as well as credit exposures, including outstanding receivables.

There were no financial assets that were renegotiated during the year.

The exposure to credit risk arising from loans, advances to staff , other receivables and cash and cash equivalents has been quantified under notes 7, 8 and 9 respectively.

NOTES (CONTINUED)

15. **Risk management objectives and policies (continued)**

Financial risk management (continued)
C. Liquidity Risk
Cash flow forecasting is performed by the finance department of the Commission by monitoring the Commission's liquidity requirements to ensure it has sufficient cash to meet operational needs. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, Management ensures that cash inflows and outflows are matched to ensure that the entity has the capacity to settle liabilities as they fall due.

Note 11 discloses the maturity analysis of payables and accruals. The liabilities within the statement of financial position have not been discounted as the effect of discounting is not material.

	2018 ZMW	2017 ZMW
16. **Property lease commitments - as a lessee**		
The future minimum lease payments payable under non-cancellable operating leases are as follows:		
Not later than 1 year	702,130	574,649
	702,130	574,649
17. **Capital commitments**		
Building Project (proposed Commission's offices)	-	2,080,248

During the year the Commission through its Board suspended all the plans for the Office building due to budget constraints till such a time when the Commission will be in a position to continue with the project.

18. **Commitments**

Operating lease commitments - as a lessee

The future minimum lease payments payable under non-cancellable operating leases are as follows:		
Not later than 1 year	772,000	574,649
	772,000	574,649

19. **Contingent liabilities**

As at the reporting date, there were no contingent liabilities.

20. **Events after the end of the reporting date**

There were no events after the reporting date that require disclosure or adjustment to these financial statements.

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SCHEDULE OF EXPENDITURE

1 EXPENSES	2018 ZMW	2017 ZMW
Employment:		
Medical & funeral expenses	296,376	122,788
NAPSA- employer contribution	936,906	579,483
Personnel emoluments	22,132,885	18,884,712
Staff training	61,462	293,616
Staff welfare expenses	84,674	118,450
Total employment costs	23,512,303	19,999,049
Other operating expenses:		
Advertising & promotions	-	41,236
Agri business	78,824	-
Audit and consulting fees	131,872	84,352
Bank charges	63,526	70,781
Bad debts	58,246	-
Board & committee expenses	754,902	1,463,966
CCPC/RUFEP expenses	320,987	-
Computer expenses	6,385	3,435
Courier & postage	49,052	54,969
Department activities	3,603,206	3,747,265
Depreciation	1,767,787	2,160,778
Fuel, oil & lubricants	795,262	640,143
HIV/AIDS	20,924	23,630
Insurance	510,336	474,716
Legal expenses	1,775	255,932
Miscellaneous expenses	11,623	17,110
Motor vehicles running expenses	420,927	457,907
Office operational	218,201	477,917
Printing, periodicals & newspapers	225,857	268,914
Rentals	702,130	574,649
Repairs & maintenance	92,841	68,415
Security	90,480	90,480
Subscriptions	-	4,614
Telephone, fax & internet expenses	345,977	293,652
Travelling , subsistence and accommodation	510,155	710,095
Utilities	20,644	12,847
Total other operating expenses	10,801,919	11,997,803
Total expenses	34,314,222	31,996,852

Notes

Notes