



CCPC

COMPETITION AND CONSUMER
PROTECTION COMMISSION

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

2019 ANNUAL REPORT

Theme: Fighting Cartels

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ACRONYMS

ACC	Anti-Corruption Commission
ACSZ	Agricultural and Commercial Society of Zambia
CCPA	Competition and Consumer Protection Act No.24 of 2010
BoZ	Bank of Zambia
CCPT	Competition and Consumer Protection Tribunal
CCSA	Competition Commission of South Africa
COMESA	Common Market for Eastern and Southern Africa
CCPC	Competition and Consumer Protection Commission (the Commission)
ERB	Energy Regulation Board
FTC	Federal Trade Commission
IAZ	Insurance Association of Zambia
IBA	Independent Broadcasting Authority
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
NFIS	National Financial Inclusion Strategy
NPA	National Protection Authority
PIA	Pensions and Insurance Authority
RICB	Regional Integration Capacity Building
RISM	Regional Integration Support Mechanism
RTSA	Road Transport and Safety Agency
RUFEP	Rural Finance Expansion Program
SADC	Southern Africa Development Community
UNCTAD	United Nations Conference on Trade and Development
ZABS	Zambia Bureau of Standards
ZATP	Zambia Agri-Business Trade Project
ZICTA	Zambia Information and Communications Technology Authority
ZITF	Zambia International Trade Fair
ZMA	Zambia Metrology Agency
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, relatively to the year immediately preceding.

I hereby submit to you, Honourable Minister, the Annual Report together with the audited Statement of Financial Position and the Statement of Income and Expenditure. The Report covers the year 2019.

Yours sincerely

**Kelvin F. Bwalya
Chairman**

STATUTORY MANDATES

The Competition and Consumer Protection Commission (“the Commission”) 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 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 as listed below: -

COMPETITION REGULATION

- Review the operation of market in Zambia and the conditions of competition in those markets
- Investigate and assess restrictive agreements, abuse of dominant positions and mergers

CONSUMER PROTECTION REGULATION

- 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
- Review the trading practices pursued by enterprises doing business in Zambia

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

GENERAL

- 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.
- 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.
- 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 necessary, incidental or conducive to the better carrying out of its mandate and under this act.

VISION/MISSION STATEMENTS

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

VISION STATEMENT

A vibrant and dynamic protector of competitive markets and consumer welfare in Zambia.

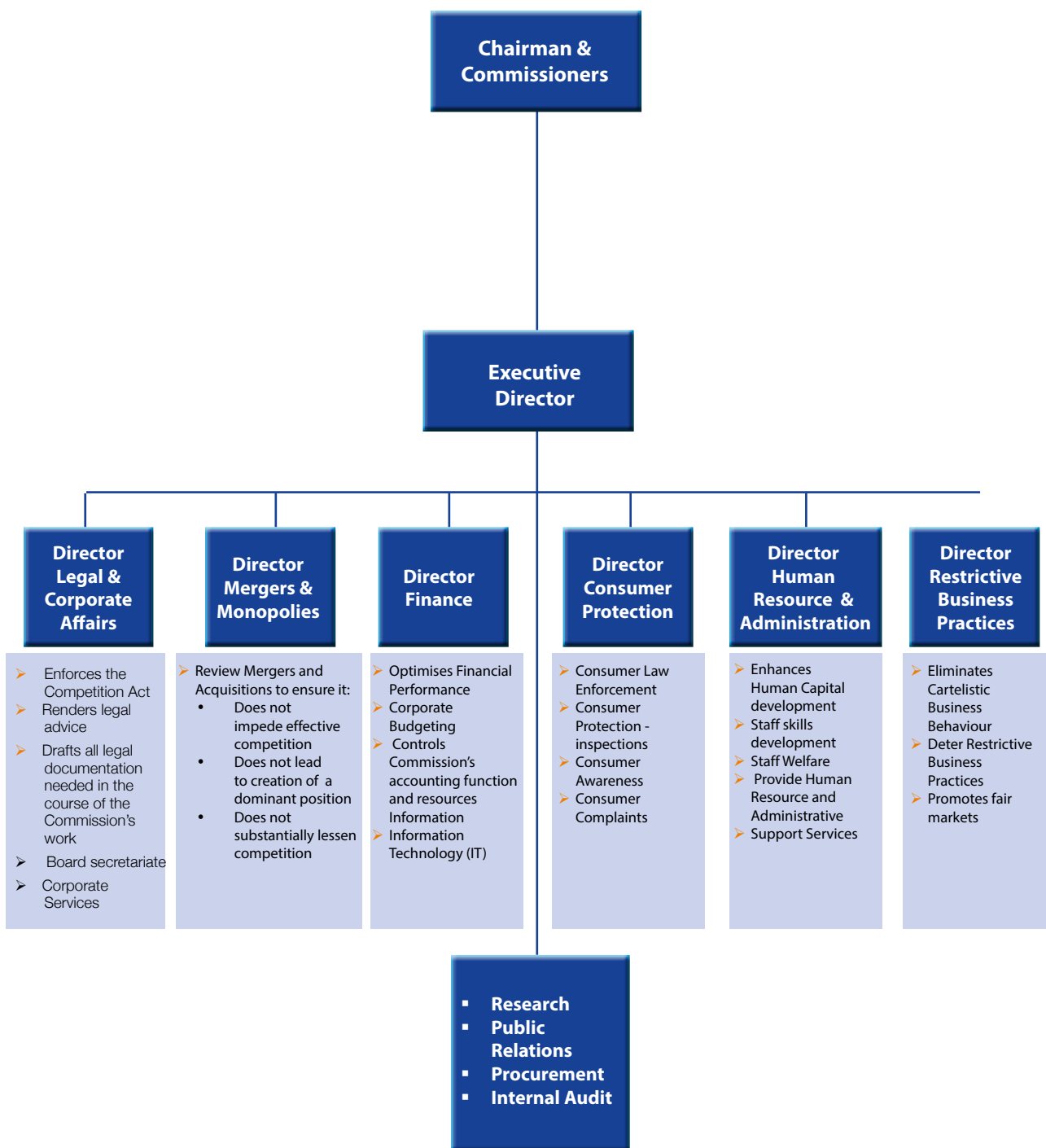
MISSION STATEMENT

To safeguard and promote a competitive business environment and enhance consumer welfare by prohibiting anti-competitive and unfair trading practices in Zambia.

ORGANISATIONAL VALUES

1. **Professional** - We act in a skilled and diligent manner, exhibiting good judgment and polite behaviour.
2. **Integrity** - We act fairly, ethically and transparently in all we do.
3. **Respect** - We respect and value all our stakeholders.
4. **Excellence** - We use our energy, skills and resources to deliver the best service.
5. **Responsive** - We proactively engage with all our stakeholders and respond in a timely manner.
6. **Transparency** - We are accountable and respect due process.

ORGANISATIONAL STRUCTURE



CORPORATE GOVERNANCE

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 MCTI with clear targets and reporting mechanisms and for the 2019 period, the Board managed to perform above the set targets. Under its contractual obligations, the Board is 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 status 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, and
- Strategic Planning.
- Adjudication of cases.

Audit and Risk Management Committee

- Periodically review the Commission's financial reports 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.
- 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; and
- Advise on internal financial control systems and provide oversight on financial reporting.
- Advise on Human Resource and Administration related issues.

BOARD AND COMMITTEE MEETINGS

In 2019, the Commission held Board and Committee meetings as shown in the table below:

Type 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 Board of Commissioners is vested with the responsibility, inter alia, of adjudicating on regulatory applications, making determinations and issuing orders. 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. The following was the Composition of the Board, during the period under review.



Mr Kelvin.F.Bwalya
Chairman



Ms Chishala Kateka
Vice Chairman



Dr Chenga.S.Chisha
Technical Committee
Chairman



Aubrey Chibumba
Audit Committee
Chairman



Mrs Georgina. N. Kasapatu
Commissioner



Mr Fredrick Imasiku
Commissioner



Mr Chilufya Sampa
Ex-Officio

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



I am pleased to present, on behalf of the Board, the Annual Report of the Competition and Consumer Protection Commission for the financial year ended 31st December 2019.

The Zambian economic environment in 2019 has been challenging and characterised by a number of factors that include the depreciation of the Zambian currency, reduced rainfall that affected agriculture, food security and power generation, increased oil prices as well as reduced metal prices on the international market due to the slowing global economy.

As a result, the Commission noticed a general consolidation of business activities either as a result of statutory requirements or a pure business strategy to weather the economic challenges. Unfortunately, some of the strategies adopted had been anti-competitive in nature.

2019 Theme

The Commission adopted the theme “**Fighting Cartels**” in its 2019 Annual Report to highlight the Commission’s effort in fighting Restrictive Business Practices that limit competition. Cartels distort economic markets and have an adverse effect on the vulnerable consumers and Small and Medium Enterprises (SME’s). In challenging economic times, businesses have a tendency to engage in cartels with claims of survival strategies. However, evidence world over and in Zambia shows that this does more harm than good to business, consumers and Government.

Cartels Conduct

Anti-cartel enforcement was the Commission’s top priority. The Commission proactively worked to prevent, detect, investigate and punish cartel conduct in different sectors of the economy, with recent probes and reprimands in the bread industry, milling sector and construction sector.

Cartel conduct have the effect of stifling competition resulting in reduced consumer choice and driving up prices of essential goods and services. The conduct not only affect the most vulnerable but also deny small entrepreneurs’ access to markets. Cartels conduct increases the cost of doing business as they tend to increase input cost. Often, the conduct creates barriers to market entry and reduces the incentives of cartel members to innovate and offer better products and services at competitive prices. Such conduct is against public interest which includes job creation, better consumer choice, affordable goods and services.

In an economy, where over 40% live below the poverty line, increased prices pushes the vulnerable and poor in worse off positions. Therefore, cartel enforcement is not only a matter of stopping or fighting anti-competitive behaviour, it is a fight against poverty.

Amnesty Programme

The Commission in its effort to detect cartels by various means and instruments, continued to invite the section of business community involved in cartel conduct to take advantage of the amnesty programme.

The Commission, in 2019 implemented the amnesty initiative effective 1st September 2019 to 28th February, 2020. Under the initiative, enterprises engaged in restrictive business practices in general and cartel conduct in particular would have an opportunity of reduced fines and possible immunity from prosecution once they self-reported their involvement in wrongful conduct and undertook to desist from continued engagement in wrong doing and ensure compliance with the Act. This is in addition to the Leniency Programme that is already available to them.

Way Forward

The Commission is committed to fighting cartels. This will encourage efficient allocation of resources and maximization of consumer welfare as goods and services will, be sourced from an open and competitive market. Thus eliminating cartels remains a priority area as ridding the market of cartels and other such vices will open up sectors to entry and expansion. Government and the private sector resources will further be saved and spend on other equally needy areas. Because it affects everyone in society, the fight against cartels should be a concerted effort. The Commission will thus continue to work with other stakeholders and sector regulators to ensure that where cartels exist, such are dealt with decisively.

In conclusion, I would like to thank the Minister of Commerce, Trade and Industry and the Ministry staff for their continued support and commitment in helping the Commission achieve its objectives. I further encourage my fellow Commissioners to remain steadfast and resolute in all the duties we have undertaken to perform together.

My gratitude to the Executive Director and his very competent staff for their contribution and commitment in enhancing the effectiveness of the Commission by continuing to curb anti-competitive conduct; consumer protection violations and contribute to inclusive growth and development of Zambia.

Kelvin F Bwalya
Chairman

The Executive Director's Report



In 2019, the Commission made strenuous efforts to promote competition principles in the economy and empower consumers, driven by the firm belief that free and fair competition is a powerful growth engine for the Zambian Economy.

The 2019 theme reflected the growing concern in Zambia as well as internationally for the detrimental effect cartels have on public welfare and national finances. Fighting cartels was one of the most important areas of activity and a clear priority of the Commission.

The Annual Report is intended to highlight the Commission's areas of activity which were aligned with its strategic objectives mandated by the Competition and Consumer Protection Act and the 2030 vision.

COMPETITION

Restrictive Business Practices and Cartels

The Commission investigated fifty-five (55) cases of Restrictive Business Practices (RBP) and closed seventeen (17) in 2019. To destabilize Cartels, the Commission introduced a limited-time Amnesty Program in September, 2019, scheduled to run till February, 2020 with the primary aim of encouraging companies to voluntarily self-report in exchange for possible reduced fines as well as immunity from prosecution.

Mergers and Monopolies

The Commission received ninety-one (91) merger notifications and closed eighty four (84), representing 92% of cases of fully reviewed mergers. These mergers were from various sectors of the economy, which included Agriculture, Services, Manufacturing, Energy, wholesale and Retail among others.

Regional collaboration in mergers and reviews continued to be cardinal therefore reflecting the important role mergers play in Foreign Direct Investments (FDI). The Commission reviewed Twenty-Nine (29) COMESA Competition Commission merger notifications representing one third of all mergers reviewed in the year.

Abuse of Dominance

The Commission investigated fourteen (14) cases of abuse of dominant position. Of these cases, Nine (9) cases were closed with Four (5) cases still ongoing. The majority of the cases investigated under abuse of dominance emanated from the Agriculture, Manufacturing, Wholesale and Retail sectors.

The Commission published the Abuse of Dominance Guidelines, which would 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.

CONSUMER PROTECTION

Consumer Complaints

The Commission handled a total of two thousand four hundred and seventy (2,470) consumer complaints from a wide range of sectors of the economy with retail trade and insurance sectors accounting sixty four percent (64%) of the complaints received.

Amongst the numerous categories of complaints received, the predominant ones were unfair trading practices, unsuitable services, defective goods and misrepresented insurance.

Inspections and Compliance

The Commission through its Inspector's Project and joint Inspections with Local Authorities inspected seven hundred and two (702) trading premises in forty two (42) districts across the country and goods worth K129, 133 were seized for not meeting the provisions of the Act and the Food and Drugs Regulations under the Food and Drugs Act Cap 303 of the Laws of Zambia.

The Commission also conducted joint inspections with the ERB and ZMA to verify fuel dispensing facilities and fertilizer weights respectively, with the aim of enhancing consumer protection.

Consumer Awareness and Education

The Commission carried out sensitization campaigns in forty (40) districts across all ten (10) provinces not only to educate consumers on their rights and obligations but also to encourage compliance amongst local businesses.

Stakeholder Collaboration

The Commission continued collaborating with stakeholders such as the BoZ, ZICTA and PIA through Joint Working Committees (JWC). To this effect, the Commission signed the Multi-Sectoral Memorandum of Understanding (MMoU) under the National Financial Inclusion Strategy (NFIS), with BoZ, PIA and SEC.

INSTITUTIONAL DEVELOPMENT

Legal and Regulatory Coordination

In 2019, the Commission handled four (4) cases in the High Court. One (1) case was concluded in favor of the Commission. Two (2) cases are pending judgement and one (1) case is yet to be concluded.

The Commission also handled two (2) cases being appeals to the Court of Appeal which were yet to be determined.

The Competition and Consumer Protection Tribunal presided over Thirty-One (31) cases. Of the same, three (3) cases were settled ex-curia, while two (2) judgments were delivered by the Tribunal and five (5) were pending judgment, at the close of the period under review. This left twenty-one (21) active cases before the Tribunal.

The Commission reviewed the Competition and Consumer Protection (Amendment) Bill, 2019 and submitted it to Ministry of Justice for finalization and onward presentation to Parliament.

Audit, Risk Management and Governance

Internal Audit conducted reviews in nine (9) Provincial Offices and Five (5) audits at Head Office to ensure compliance with the approved policies, regulations and procedures. Reveals of the internal controls of the Commission from the aforementioned provinces were generally found to be satisfactory. However, they are few areas that need improvement.

Human Capital

To build capacity, the Commission under the World Bank Group Zambia Agribusiness Trade Project (ZATP) recruited Six (6) members of staff and supported thirty-five (35) members of staff that underwent varying training programs to enhance competencies and strengthen skills needed to perform their duties in order to attain the strategic objectives.

The Commission continued to develop operational procedures to optimize staff performance and employment satisfaction which was reflected in the high staff retention rate of ninety two percent (92%).

Public Relations

The Commission continued to strengthen and enhance public awareness of its work by effective communication of the Commission's core mandate through extensive media coverage.

The Commission disseminated information to customers and stakeholders through a wide range of media channels which included press releases, TV and Radio programmes including airing adverts in local languages and through daily newspapers which also included an article running every week in the Times of Zambia newspaper, for 24 weeks.

The Commission in collaboration with the Rural Finance Expansion Program (RUFEP) produced seven (7) documentaries on sensitizations in Western, Eastern, Lusaka, Southern, North Western, Luapula and Central Provinces.

The Commission participated in the provincial Expos on the Copperbelt, North Western and Southern Provinces and also ran awareness and educational campaigns at the Nc'wala, Kuomboka, Umutomboko, Likumbi Lya Mize and Ukusefya Pa Ng'wena Traditional Ceremonies.

Research

To keep up to date on market trends and industry practices, the Commission undertook in-depth market research in the agriculture sector. This was an essential tool that provided evidence-based data which underpins the Commission's work.

The Commission under the Regional Integration Support Mechanism (RISM), conducted the Leather Value Chain Study with support from the COMESA Regional Integration Capacity Building (RICB) Project. The study was aimed at analyzing the state of competition along the leather value chain in order to identify and eliminate bottlenecks to effective competition through offering recommendations to Government that enable firms compete and invest freely.

The Commission under the Financial Consumer Protection and Capabilities Working Group (FCPCWG) collaborated with organizations in the financial sector to promote financial inclusion under the Government's 2017-2022 National Financial Inclusion Strategy (NFIS) agenda.

International Relations and Regional Engagements

Under the Zambian 2019 Presidency of the International Consumer Protection and Enforcement Network (ICPEN), the Commission hosted one hundred and twenty four (124) delegates to the ICPEN High Level Meeting and Conference which focused on defining future areas of cooperation, institutional strategic planning and consumer protection in the digital economy. The Commission also hosted the 10th Annual African Consumer Protection Dialogue Conference in Livingstone which involved the participation of 20 countries from different consumer protection agencies and regional bodies around Africa. The meeting discussed on various issues relating to consumer protection across borders.

The Commission had continued having strong collaboration with regional and international bodies. The Commission was currently the Chair of the SADC Cartels Working Group through which the Commission continued interacting and sharing ideas and best practices with other Competition authorities within the SADC region.

The Commission as part of its induction programme hosted international delegates from Lesotho, Ethiopia, Seychelles and Uganda which enhanced and strengthened regional networks and sharing best practices.

The Commission participated in numerous international forums and working groups, including the Intergovernmental Group of Experts (IGE) on Competition Law and Policy and Consumer Protection Law Policy in Switzerland, COMESA Regional Workshop on Restrictive Business Practices in Kenya and Zambia, USA Safe Web Act made a presentation on continued cooperation with FTC; G20 International Conference on Consumer Policy in Japan; ICN Cartel Workshop in Brazil and SADC/ACF Cartels and Bid Rigging in Public Procurement in Mauritius.

LOOKING AHEAD

The Commission would continue to attach great importance to the detection and combating of cartels to effectively counter the serious restriction to competitiveness to the sectors involved.

The Commission will also continue to strengthen its co-operation with Competition authorities across the frontiers in order to achieve a more effectively functioning Zambian market economy and enhance free trade which invariably fosters growth and prosperity.

ACKNOWLEDGEMENTS

I would like to thank our Minister Honorable 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 would also like extend my appreciation to the committed and talented Commission employees for the exceptional results achieved by the Commission in 2019.

Chilufya Sampa
Executive Director

MERGERS AND MONOPOLIES

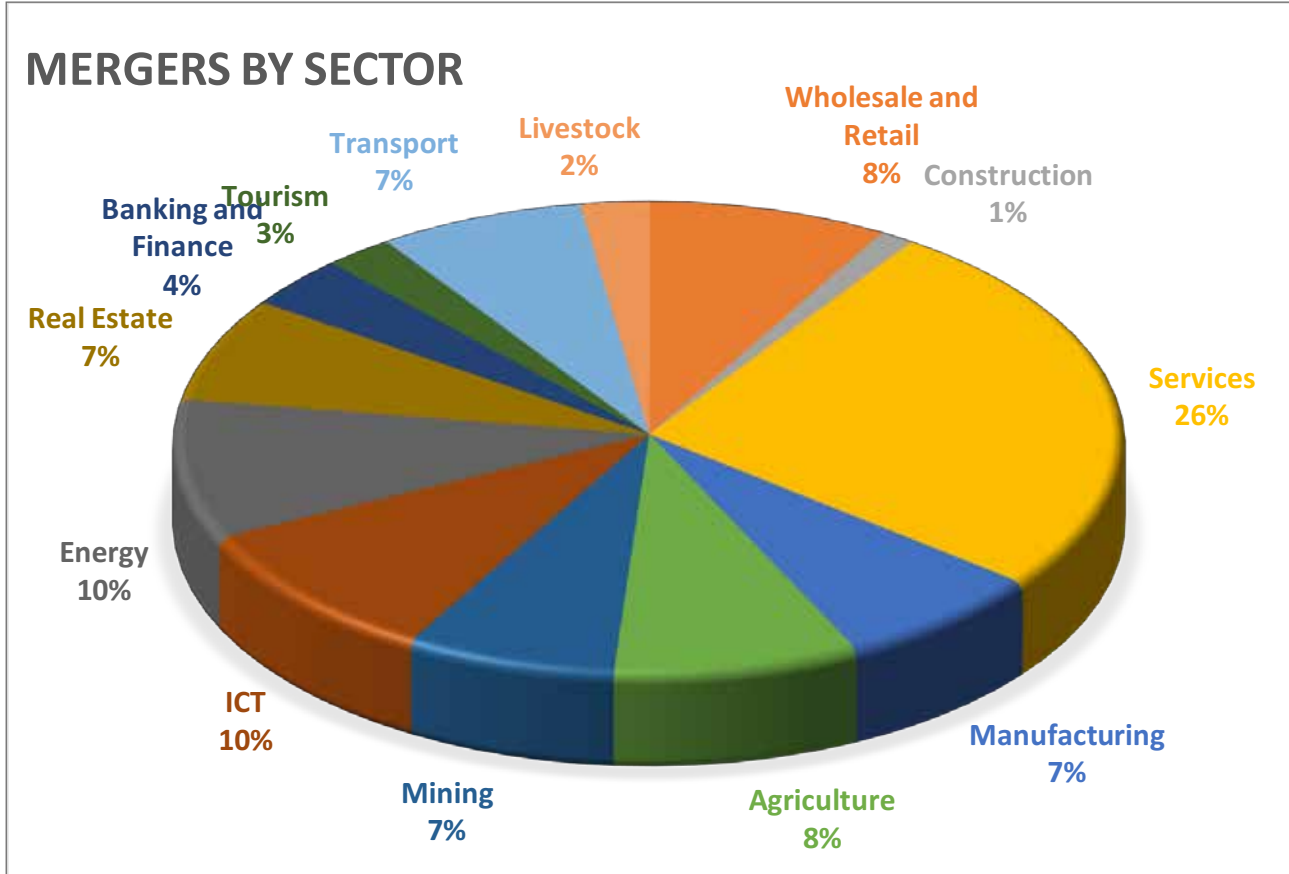
Key Strategic Objectives:

- 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

Mergers and Monopolies

In 2019, the Commission received Ninety-One (91) merger notifications out of which Eighty-four (84) cases were reviewed and closed. Sixty six percent (66%) of the total mergers reviewed and closed in the year 2019 were from key economy sectors – Manufacturing, Energy, Mining, Agriculture, Services, Wholesale and Retail.

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



Notable cases handled in 2019 included;

- The acquisition of assets of ZAMANITA Limited (ZAMANITA) by Parrogate Ginneries Limited (Parrogate).
- The acquisition of the Diamondale Dairy Business (Diamondale Business) from Galaunia Farms Limited (Galaunia) by Virgin Dairy Limited (VDL).

CASE SUMMARY

VIRGIN DAIRY LIMITED ACQUIRES DIAMONDALE DAIRY BUSINESS (DIAMONDALE BUSINESS) OF GALAUNIA FARMS LIMITED (GALAUNIA)



The Commission handled a merger involving the acquisition of the Diamonddale Dairy Business (Diamonddale Business) from Galaunia Farms Limited (Galaunia) by Virgin Dairy Limited (VDL).

Investigations by the Commission revealed that the relevant market which was the processing and sale of dairy products was concentrated. It was noted that there were no barriers to entry in the relevant market.

The Commission observed that there would be effective maintaining of competition in the relevant market due to the fact that there were over five (5) companies that were involved in the processing and sale of dairy products in Zambia. Further, the transaction would not lead to the creation of a dominant position due to the fact that Galaunia was not dominant in the relevant market and the acquiring firm had no operations yet, 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 Unconditional Authorisation to the transaction.

Investigations in Non-Notified Mergers

The Commission investigated three (3) cases of allegations of implementing notifiable mergers without authorisation in 2019. One (1) was fined whereas two (2) of the allegations were found to be baseless. The unnotified mergers were in the Services (2) and Banking (1) Sectors.

CASE SUMMARY

MERGER BETWEEN ZAMANITA LIMITED AND PARROGATE GINNERIES LIMITED (PARROGATE).

The Commission received a merger application involving the acquisition of assets of ZAMANITA Limited (ZAMANITA) by Parrogate Ginneries Limited (Parrogate).



The transaction involved the acquisition of ZAMANITA business assets that related to the manufacturing of edible oils. Specifically, the assets acquired were the Leasehold property, Movable property and Intellectual property.

Investigations conducted by the Commission determined that there were no insurmountable barriers to entry with regards to the manufacturing and processing of edible oils aside from the need of large financial capacity to set up the plant as well as acquiring approval from Zambia Environmental Management Authority (ZEMA) to set up the plant for production.

The investigations concluded that the transaction would neither lead to the creation of a dominant position of market power nor lead to substantial lessening of competition in the market for the manufacturing and processing of edible oils in Zambia.

The Board of Commissioners granted Unconditional Authorisation to the transaction.

Strategic Objective: Establish improved, predictable and efficient merger regulation

Premerger notification meetings

In its quest to make the merger notification process predictable and efficient, the Commission gave appropriate guidance to merging parties as to the methodology to be applied when gathering the required data that was submitted to the Commission for review.

Predictable Merger fees and guidelines

The Commission began the process of revising Merger Fee Guidelines; the publication of which was scheduled for the first quarter of 2020.

The purpose of these Guidelines was to give practical guidance on the calculation of merger notification fees. The Guidelines would outline the steps the Commission would take in calculating the merger notification fees.

Collaboration with SADC

The Commission was part of the SADC Mergers Working Group a platform where Competition Authorities from the SADC region interact and share various country specific experiences relating to merger regime. The information shared is usually non

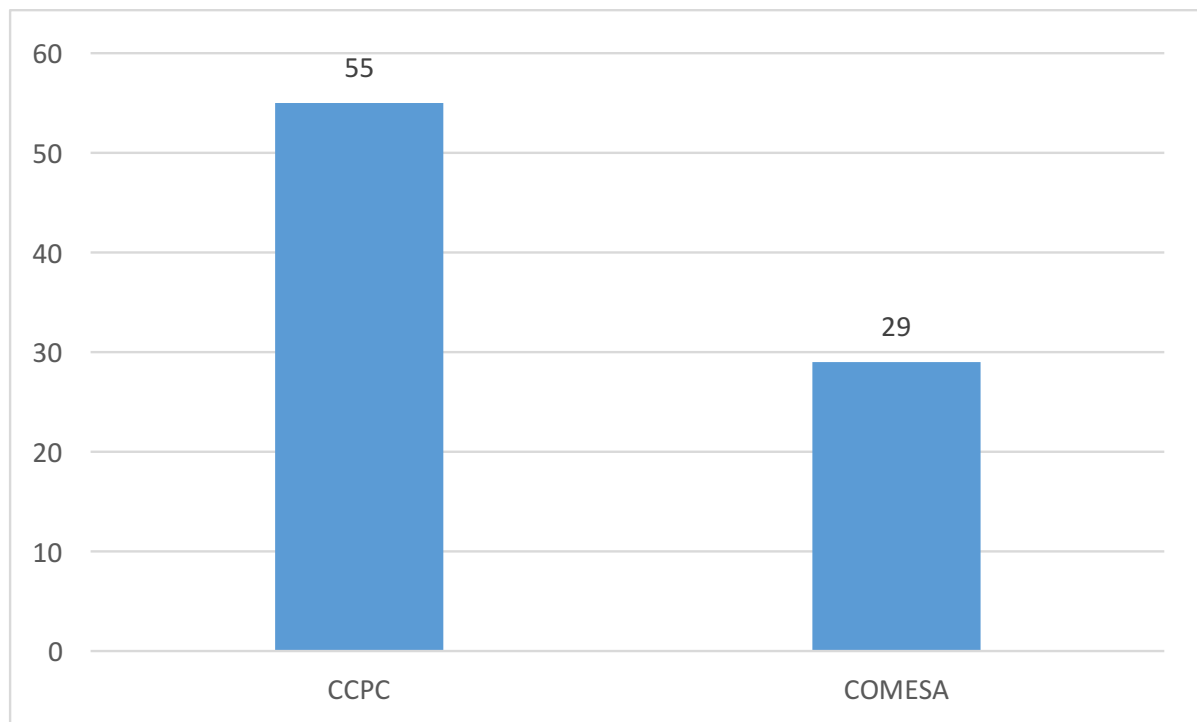
confidential information relating to cases handled as well as case statistics. Such collaboration was key to Competition Authorities, enabling them to continuously improve their procedures and processes. This also contributed to formulating predictable regulations for effective enforcement of competition laws and ease the doing of business in Zambia and in the region.

Cooperation with the COMESA Competition Commission

The Commission had 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 was aimed at enhancing predictability and efficiency in merger regulation, reducing the cost for companies undertaking multiple merger notifications in various COMESA Member States, among others. In this regard, there had been an increase in the number of merger notifications with a regional dimension from twenty-five (25) handled in 2018 to twenty-nine (29) in 2019.

The chart below shows the number of cases received through CCC and those which were notified directly with the Commission.

Number of Mergers Notified



Among the merger applications received that had a regional dimension was the proposed merger involving Barrick Gold Corporation and Randgold Resources Limited.

CASE SUMMARY

MERGER INVOLVING BARRICK GOLD CORPORATION AND RANDGOLD RESOURCES LIMITED

The Commission handled a merger notification from the COMESA Competition Commission (CCC) regarding the proposed Merger involving Barrick Gold Corporation (Barrick) and Randgold Resources Limited (Randgold).



This transaction was handled by the CCC as it had a regional dimension i.e the parties were present in two COMESA Member States.

The transaction entailed the acquisition of the entire issued, and to be issued, share capital of Randgold by Barrick such that on completion of the Transaction, Barrick shareholders would own approximately 66.6% and Randgold shareholders own approximately 33.4% of the new Barrick group on a fully-diluted basis.

Barrick had a subsidiary in Zambia, namely Barrick Lumwana Copper Mines which was a conventional open pit (truck and shovel) operation and located about 100 kilometers west of Solwezi whereas Randgold was a gold mining company with mining operations in Côte d'Ivoire, the Democratic Republic

of Congo (the DRC), Mali and Senegal but no operations in Zambia.

Investigations revealed that the transaction was not likely to substantially lessen competition in the relevant market, nor raise any competition concerns in Zambia as it would not change the market share of the parties in the country.

The Commission therefore recommended that the transaction be approved, and it was.

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

Staff Capacity Development

The Commission participated in a Regional Workshop held in Livingstone in August, 2019; organized by the CCC. The focus of the workshop included among other things determining jurisdiction in Merger Assessment between the CCC and National Competition Authorities (NCAs).

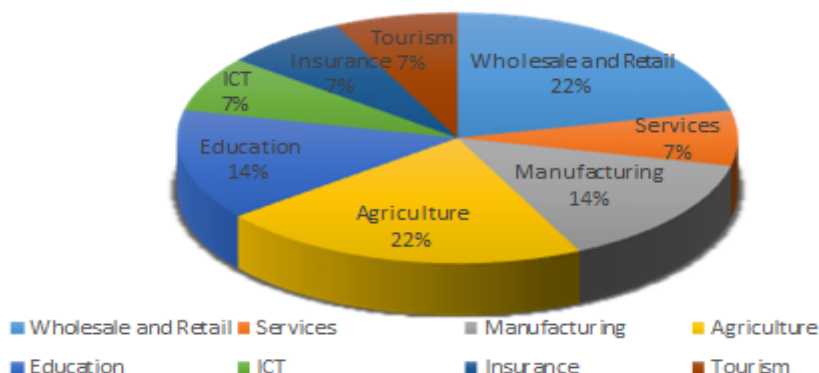
ABUSE OF DOMINANCE

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

Investigations on Abuse of Dominance

In 2019, the Commission investigated fourteen (14) enterprises that were alleged to have abused their dominant position in the various markets. This was an increase from eight (8) that were investigated for similar conduct in 2018. Of the 14, 9 cases were closed. The Commission noted that most of the abuse of dominance cases were in the Wholesale and Retail, Agriculture and Manufacturing.

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



CASE SUMMARY

ALLEGATIONS OF ABUSE OF DOMINANCE AGAINST MTN ZAMBIA

The Competition and Consumer Protection Commission fined MTN Zambia 2% of its annual turnover for abusing its dominance contrary to the provisions of the Act.



This was done following a complaint received by the Commission from Tekeniko Solutions Limited (Tekeniko) who alleged that after acquiring and registering short code 5055 from ZICTA, they applied to Mobile Network Operators (MNO's) namely, Airtel, MTN and Zamtel requesting configuration on the MNOs platforms. It was alleged that having met all the conditions given by the MNO's; Airtel and Zamtel agreed to configure Tekeniko on their platforms, while in spite of meeting MTN's requirements, MTN denied Tekeniko's configuration.

Investigations by the Commission revealed that there was no reasonable justification for MTN Zambia's refusal to configure Tekeniko on its platform. The Commission's investigations established that the relevant market considered was that of Configuration of short codes on the MTN Zambia platform as a service.

Investigations found that MTN Zambia was dominant in the market for the Configuration of short codes on the MTN Zambia platform as a service. It was found that the conduct by MTN Zambia violated Section 16(2) (b) as read together with Section 16(1) of the Act and had adverse effects on trade.

The Board of Commissioners determined that:

- (i) MTN Zambia be fined 2% of annual turnover for violating Section 16(2) (b) as read together with Section 16(1).
- (ii) MTN Zambia should desist from such conduct

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

Activities to promote Compliance and Competition Law

Guidelines formulation

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. To this effect, the Commission during the period under review developed and published Abuse of Dominance Guidelines, as well as Fines Guidelines.

CASE SUMMARY

CCPC APPROVES APPLICATION FOR AUTHORISATION OF AN AGREEMENT BETWEEN ONE WORLD LOGISTICS & FREIGHT AND UNITED PARCEL SERVICE



The Commission in 2019 received an application for authorization of an agreement between One World Logistics & Freight (One World) and United Parcel Service (UPS). In this application One World was notifying the Commission about the agreement they had entered into with UPS Air Couriers of America Limited (UPS).

The Commission noted that One World and UPS were both in the business of freight, logistics and courier services. It was also observed that the nature of the agreement was for One World to perform services required by UPS in connection

with customs clearance, sorting, consignment, pick-up and delivery of international packages containing letters, documents and non-documents in Zambia.

On the other hand, One World required that UPS, as an international courier company, performed services required by One World in its transportation of Packages containing Letters, Documents and Non-Documents throughout the world.

The Commission observed that both One World and UPS were courier companies operating at the same level in the market but with a difference in geography as UPS was not present in Zambia. The Commission observed that even though the agreement between One World and UPS was exclusive in nature, the exclusivity applied to international courier.

CASE SUMMARY

The Commission also observed that the parties to the agreement raised justifications which included efficiencies arising from courier service providers dealing with one international courier service provider. The Commission observed that the agreement would not affect the domestic courier market as One World was not restricted on who they could deal with locally.

The Commission further took note of the submissions by the sector regulator Zambia Information Communications Technology Authority (ZICTA) that the agreement would enhance the competitiveness of the postal and courier market in Zambia.

The Board of Commissioners approved the application.

Zambia Sugar PLC have since appealed and the matter is before the Competition and Consumer Protection Tribunal.

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

The Commission participated in several fora dealing with Abuse of Dominance cases and Unilateral Conduct cases under the International Competition Network (ICN) Unilateral Conduct Working Group.

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 2019, the Commission handled a total of Fifty-five (55) cases relating to restrictive business practices which were adversely at variance with principles of competitive markets and this stifled efficiencies, innovation and consumer choice. The table below shows the summary of the cases:

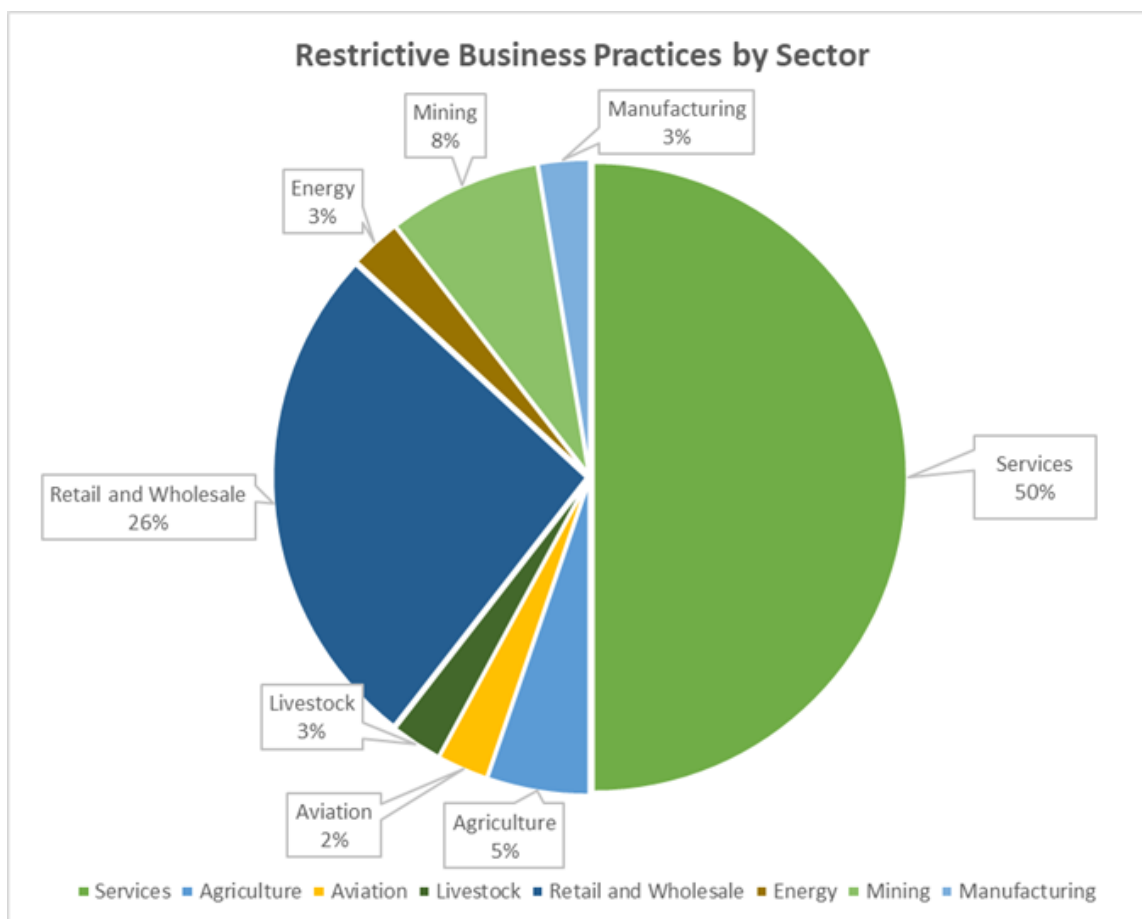
Case Statistics – Cartel/ Restrictive Business Practices

Brought Forward (2018)	Cases Received (2019)	Total Cases Handled (2019)	Cases Closed (2019)	Brought Forward (2018)
25	30	55	17	38

Sectors Investigated

The services sector continued to dominate with the most investigated cases accounting for fifty percent (50%), followed by Retail and Wholesale which accounted for twenty-six percent (26%). Other sectors investigated included Education, Livestock, Transport, Health, Agriculture, Banking and Finance, Construction, Real Estate, Information Communication Technology, Tourism and Energy.

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



CASE SUMMARY

ALLEGATIONS OF RESTRICTIVE BUSINESS PRACTICES AGAINST INSURERS ASSOCIATION OF ZAMBIA



In November 2016, the Commission received a complaint from Goldman Insurance Limited (“the Complainant”) against the Insurers Association of Zambia (“IAZ”). The Complainant alleged that the Government of the Republic of Zambia introduced Statutory Instrument No. 33 of 2015, [“the Road Traffic (Certificates of Security and Insurance) (Display) Regulations”] (“S.I. 33”) which required insurance companies to issue insurance discs to motorists for motor insurance policy. It was further alleged that IAZ took advantage of the situation and made it mandatory for all of its members to print insurance discs through two printing companies. It was alleged that IAZ directed its members to make Purchase Orders and payments for insurance discs through the Association and added an extra K1.00 charge for each disc printed through the Association.

After receiving the Complaint, the Commission instituted an investigation in the matter under Sections 8 as read with Sections 58 of the Competition and Consumer Protection Act, No. 24 of 2010 (“Act”).

After investigations, it was established that the RTSA logo was part of the design and format of the disc as stipulated in S.I. 33 and therefore, insurance companies had the legal right to use the RTSA logo in order to comply with the S.I. 33. It was further established that having a common disc did not necessarily mean that insurance companies should have a common printing firm as this was not stipulated in the S.I. 33. It was established that there was no need for IAZ to continue charging insurance companies a K1.00 fee for each disc printed as it was increasing the cost of doing business for insurance companies.

It was established that IAZ made a decision after the General Insurance Council resolved to engage Oriental Security Printing Solutions and Associated Printers as the only two companies to print insurance discs for the Zambian market. It was established that the decision was intended to restrict the number of printing companies involved in the printing of insurance discs. It was further established that the decision by IAZ was made without floating a tender which precluded other printing companies from bidding for this service (especially the printing companies that were engaged by insurance companies prior to the introduction of S.I. 33).

It was established that there were about 800,000 vehicles in Zambia and twenty-two (22) general insurance companies selling motor vehicle insurance who were members of IAZ. It was further established that restricting the printing of insurance discs to two printing companies affected the entire industry as such the decision by IAZ was in violation of Section 8 of the Act.

The Commission decided that;

- i. IAZ terminates the agreements it has with Oriental Security Printing Solutions and Associated Printers in accordance with Section 58(2) of the Act;
- ii. IAZ ceases to print insurance discs on behalf of its members in accordance with Section 58(1) of the Act;
- iii. Insurance companies be advised to print insurance discs from printing companies of their choice as long as the discs are in conformity with the provisions of S.I. 33;
- iv. Insurance companies be advised to use the RTSA logo as guided by the Solicitor General;
- v. The Commission advised RTSA of the legal opinion by Solicitor General;
- vi. The Ministry of Transport and Communications be advised to amend S.I. 33 to include certification of printing companies that will print insurance discs; and
- vii. IAZ be fined 5% of its annual turnover for the year 2016 for violating Section 8 of the Act; in accordance with Section 58(3) of the Act. This case has been appealed before the Competition and Consumer Protection Tribunal (CCPT)

Combating Cartels

Improving Competition in the Economy

Combating cartels was a top priority for the Commission. The Commission enhanced its investigations into cartel conduct by monitoring activities in various sectors of the economy, where businesses agreed with their competitors to fix prices, rig bids, share markets or restrict supply of products and services. The Commission handled eight (8) cartel cases with Six (6) and two (2) emanating from the services and agriculture sectors respectively.

The Commission initiated an Amnesty Programme which commenced on 1st September, 2019 and was scheduled to run till 28th February, 2020. The aim of the programme was to grant persons or enterprises engaged in Cartels and Restrictive Business Practices (RBP) an opportunity to be given, possible immunity from prosecution a reduction in fines, as well as raise awareness on compliance with the law.

Awareness of Competition Tenets by Enterprises

The Commission continued to create awareness about Competition Law in relation to Cartel detection, investigation and prosecution. The Commission undertook several sensitisation activities with regards to awareness on Restrictive Business Practices.

Engagement of Government Ministries and Institutions.

The Commission continued engaging with the Ministry of Higher Education, Ministry of Tourism and Arts, Ministry of Local Government, Ministry of Information and Broadcasting, Independent Broadcasting Authority (IBA) and the Food Reserve Agency (FRA) with the primary aim of raising awareness about the mandate of the Commission and to find ways of resolving any anti-competitive issues that arise within various Government Ministries/Institutions.

CASE SUMMARY

Application for Authorization of Vertical Agreements between Zambian Breweries Plc and Third Party Distributors

The Commission received an application from Zambian Breweries Plc (“Zambian Breweries”) for authorization of vertical agreements. On the basis of this formal application, the Commission instituted investigations under Sections 8 of the Competition and Commission Protection Act, No. 24 of 2010 for the purpose of establishing the effects of the agreement in the relevant market.

The Commission found that Zambian Breweries had entered into vertical agreements with various distributors to deliver Zambian Breweries products to its customers in various locations across the country. A review of the signed copies of the third party distributorship agreements revealed that the distributors were independent companies appointed by Zambian Breweries to provide a service on behalf of Zambian Breweries as third party distributors having independent business units in their respective rights. The Commission also found that the agreements were on a non-exclusive basis and as such, any company willing to be appointed as a distributor could apply provided they met the set criteria. The Commission further found that there was no clause in the agreements that indicated that Zambian Breweries would be involved in price maintenance as the agreements specifically stated that Zambian Breweries will provide third party distributors with recommended retail price guidance to allow the distributors to be competitive in the market.

The Commission established that none of the clauses in the agreements had any competition concerns. In this regard, the agreements did not prevent, restrict or distort competition by object or effect and thus the agreements were not in violation of Section 8 of the Act.

The Board decided that:-

- (i) The Commission approves the authorization of the vertical agreements between Zambian Breweries and third party distributors; and that
- (ii) The Commission should retain the discretion to open an investigation should there be new information that might affect competition.

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

Initiatives undertaken by the Commission

Compliance and Awareness Programmes

The Commission conducted a number of awareness programmes amongst the business community in Lusaka. The aim of the training programmes was to raise awareness on the mandate of the Commission and its role in the Zambian economy. Amongst the institutions trained included Stanbic Bank, Zambia National Building Society and CR Holdings Limited.

The Commission undertook to increase awareness within the business community on the need to notify any agreements they had entered into for Exemption relating to Anti-Competitive clauses in the said agreements. Under the Act, the Commission might grant authorization to a business that had entered into a restrictive agreement provided they could show pro-competitive contributions or consumer welfare enhancement emanating from the agreement. However, it must be noted that this did not apply to per-se agreements and agreements involving cartels.

This notification program had seen an increase in the number of applications from the business community in relation to agreements they had entered into with their agents.

In line with the powers provided by the CCP ACT, the Commission conducted raids in the construction sector on suspicion of collusion in the provision of drilling services.

The Commission conducted advocacy programs with various Government bodies to educate them on the effects the policies they put in place had on competition. Based on recommendations from investigations in the milling, waste management and school uniforms sub-sectors, the Commission engaged the Ministry of Education, Ministry of Local Government and the Food Reserve Agency.

The key areas deliberated were the hoarding of grain stock by millers, which resulted in the creation of artificial commodity shortage on the market thus driving up prices. Franchise agreements entered into by Local Councils and waste collection companies as well as

and education service providers tying school uniforms to tuitions were also among the issues of concern.

The Commission also conducted an awareness programme with the Insurance Association of Zambia (IAZ). This stemmed from investigations conducted in the sector where IAZ and its Members were fined for taking part in a cartel.

The Commission also organised the Competition Business Week in the first week of December, 2019.

Talks at Association Annual General Meetings (AGMs)

The Commission continued its engagement with Trade Associations and gave a talk at the 2019 Insurers' Association of Zambia Conference. The Commission raised awareness on the Association's role in promoting a competitive market environment and shared with the participants the potential practices that could violate competition law and how the Association could prevent against such risks.

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

Strong Collaboration with Regional and International bodies

The Commission had continued having strong collaboration with regional and international bodies. The Commission was currently the Chair of the SADC Cartels Working Group under the SADC Cartels Working Group.

The Commission continued to participate in the International Competition Network (ICN) Cartel Working Group which was mandated to address the challenges of anti-cartel enforcement.

The Commission took a leading role in organising the African Competition Forum (ACF) Workshop on Cartel Investigation Skills which was held in October 2019 in Bagatelle, Mauritius.

The Commission took part in the Regional Training Workshop on Restrictive Business Practices which was organised by the COMESA Competition Commission. The workshop was held in June 2019, in Nairobi, Kenya.

CASE SUMMARY

Application for an Exemption by Pick n Pay Zambia Limited for an Exclusivity Clause in a Lease Agreement between Graduare Property Development Limited and Pick n Pay Zambia Limited

1. The Competition and Consumer Protection Commission (the “Commission”) received an application from Pick n Pay Zambia Limited (“Pick n Pay”) for exemption of an exclusivity clause in the lease agreement between Graduare Property Development Limited (“Graduare Zambia”) and Pick n Pay. The lease agreement submitted for review was a vertical one; and the exclusivity clause in question was clause 6, which clause contained a number of restrictions on the letting of premises at East Park Mall. The Commission reviewed the vertical agreement under Sections 8 and 12 of the Competition and Consumer Protection Commission Act, No. 24 of 2010 (“Act”).

The Commission established that the lease agreement between Graduare Zambia and Pick n Pay was consistent with the definition of an agreement under the Act. The Commission also established that the lease agreement did not restrict competition by object but rather restricted competition by effect as the agreement affected a considerable gross lettable area in the relevant market and created a barrier for other supermarkets to operate at East Park Mall. It was also reported that with the expansions being undertaken at the shopping mall, it did not make economic sense to have just one anchor tenant.

2. The Commission established that the exclusive and letting restriction clause in the lease agreement lessened competition to an appreciable extent as it restricted the right of Graduare Zambia to lease to Pick n Pay competitors at East Park Mall without seeking approval from Pick n Pay even for any future expansions at the shopping mall. It was established that the clause in the lease agreement did in fact prevent, restrict and distort competition by effect and thus was in violation of Section 8 of the Act. Furthermore, the Commission established that East Park Mall was expected to have the largest market share in terms of gross lettable area in the relevant geographical market and therefore the exclusivity clause in the lease agreement significantly created an entry barrier for other supermarkets to operate at East Park Mall. The Commission further established that as a result the exclusivity clause in the lease agreement substantially lessened competition in the provision of lettable retail space at East Park Mall and was therefore in violation of Section 12.

The Board decided that:-

- i. The Commission refuses to grant the exemption to Pick n Pay of an exclusivity and letting restriction clause in the lease agreement;
- ii. Pick n Pay be directed to sever clause 6 on exclusivity and letting restrictions in the lease agreement it has entered into with Graduare Zambia; and that
- iii. Graduare Zambia renegotiates the terms of the lease agreement with Pick n Pay to take into account the severing of the exclusivity clause.

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

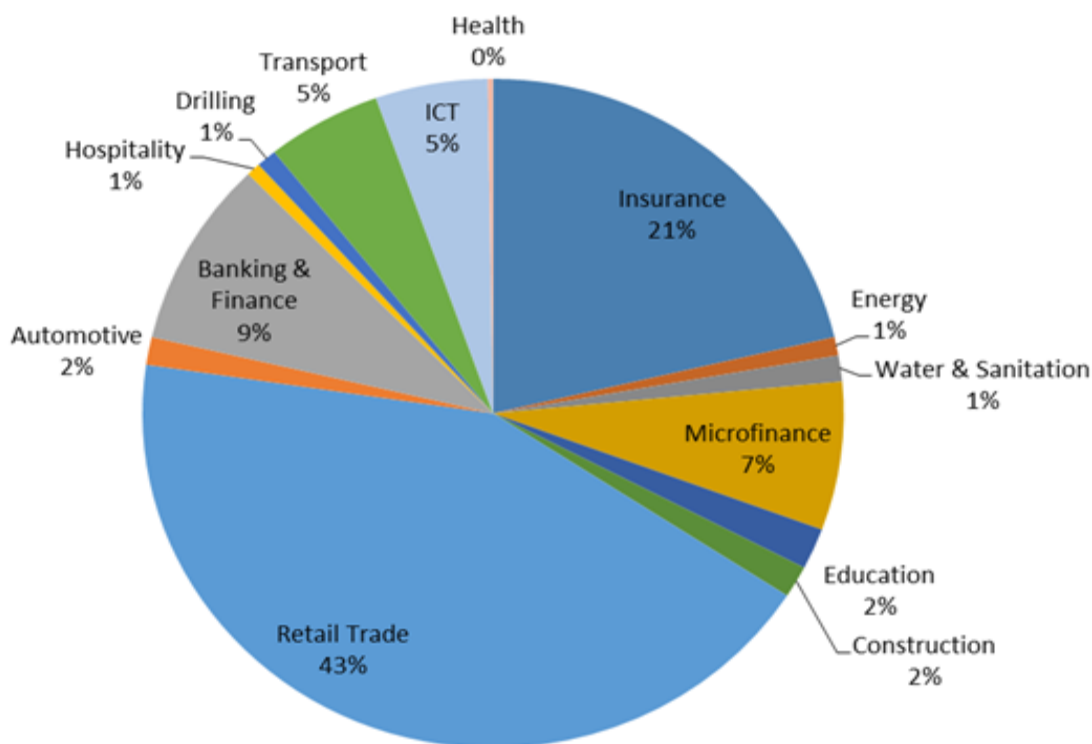
Consumer Complaints – Cases Investigated and Resolved

In 2019, the Commission resolved a total of Two Thousand Four Hundred and Seventy (2,470) 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 K3, 780,417 and K784, 321 in refunds and replacements respectively.

The Retail Trade and Financial Sectors had the most complaints of 1,066 and 927 cases respectively. This was primarily driven by cases of defective products; especially on electrical and electronic products, as well as poor service delivery, such as unsuitable and misrepresented insurance and microfinance products.

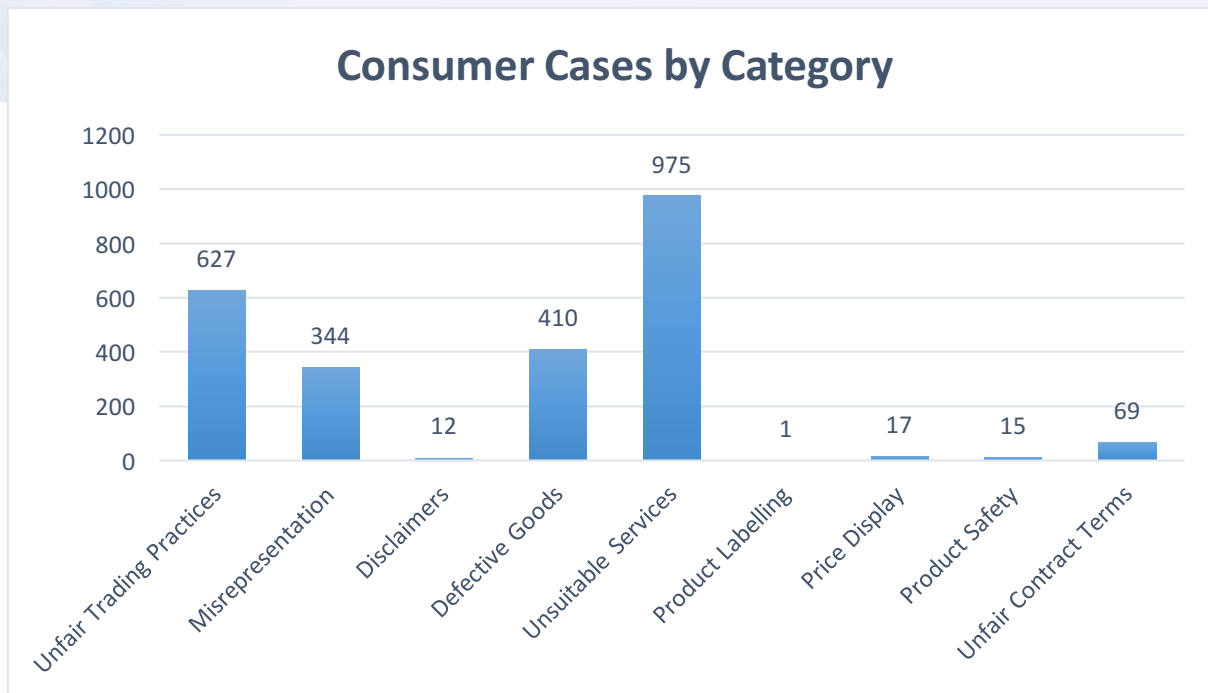
The graph below shows the number in percentages of cases handled by sector

Consumer Cases by Sector



These consumer complaints stem from a variety of categories which ranged from selling of unsuitable products or services, unfair trading to selling of defective goods and misrepresentation.

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



CASE SUMMARY

Allegations of Unfair Trading Practices against Stanbic Bank Zambia Limited by Dr. Suzanna Mwanza

The Commission received a complaint from Dr. Suzanna Mwanza (“the Complainant”) against Stanbic Bank Zambia Limited (“the Respondent”) alleging that she got a loan of K100, 000.00 from the Respondent’s Chipata branch on 2nd June, 2014. The Complainant alleged that the agreement was that the monthly loan repayment of K5, 283.56 would be deducted directly from her salary through the P MEC. The Complainant alleged that after completing repayment in September 2016, the Respondent continued deducting and then refunding the deductions from her salary towards loan repayment. The Complainant however, alleged that in 2018, she received a call from the Respondent and was told that she still owed K4, 187.89 despite paying off the loan in 2016.

Investigations were carried out pursuant to Section 49(5) of the Act. The findings of the case revealed that the residual balance resulted after the Respondent erroneously deducted and refunded the Complainant without recovering what was fully due to them. It was further revealed that the Respondent refunded the Complainant the residual balance which resulted from an outstanding balance of K2, 654.32 which accrued to K4, 122.00. This was not the Complainant’s fault, as such, the Commission found that the Respondent violated Section 49(5) of the Act.

The Board therefore:

- (i) Fined the Respondent 0.5% of their annual turnover with a cap of K50, 000 for violating Section 49(5) of the Act in line with Section 49(6) of the Act.
- (ii) Directed that the Respondent ensures that the practice of writing to customers directly as a measure is encouraged as communication is effective this way.
- (iii) Directed that the Respondent reviews their system to ensure incidences such as this case do not recur.
- (iv) Directed that the Respondent submits their latest annual books of accounts to the Commission for calculation of the actual fine within ten (10) days of receipt of the Board Decision according to Section 49(6) of the Act.

Strategic Objective: Enhance Enterprises Compliance with Consumer Regulation

Inspections – Compliance and Enforcement

In 2019, the Commission through its Inspector's Project and joint inspections with Local Authorities inspected seven hundred two (702) trading premises in forty-two (42) districts across the country and goods worth K129, 133 were seized for not meeting the provisions of the Act and the Food and Drugs Regulations under the Food and Drugs Act Cap 303 of the Laws of Zambia. These goods were either expired, improperly labelled or had damaged packaging. The table below shows provincial highlights of the inspections and seizures conducted:

PROVINCE	INSPECTIONS AND RECOVERIES OF 2019
Copperbelt	<p>In the 1st Quarter, the Commission inspected 12 outlets in Mufulira district and the traders were found to be compliant with the Act.</p> <p>In the Second Quarter the Commission inspected 14 outlets in Kitwe and items worth K10, 084 were seized for failure to comply with the Act.</p> <p>In the 3rd Quarter, the Commission conducted inspections in Masaiti, Lufwanyama and Mpongwe with a total of 44 outlets being inspected and goods worth K2, 267 in total being seized. The CCPC inspectors also inspected 15 outlets in Kitwe with goods worth K4,404 being seized.</p>
Northern	<p>In the 1st Quarter, the Commission took part in ZMA initiated inspections of agro dealers in Kasama focusing on the weight of fertilizer bags. 6 major agro-dealers were inspected.</p> <p>In the 3rd quarter, the Commission conducted inspections in Mporokoso and Mpulungu in which 20 and 15 outlets were inspected, respectively. Goods worth K735 were seized.</p>
North Western	<p>In the 1st Quarter the Commission inspected 18 outlets in Kasempa district with goods worth K18,500 being seized.</p> <p>In the 3rd Quarter, the Commission conducted inspections in Zambezi, Kabompo, Mufumbwe, Manyinga, Kasempa and Kalumbila districts. In total, 73 outlets were inspected and goods worth K3,833.33 were seized.</p>
Lusaka	<p>In the 2nd Quarter the Commission conducted targeted inspections in collaboration with ZCSA and LCC at Spar Zambia Crossroads outlet in Lusaka following a complaint on presence of house fly larvae for flies in food stuffs. The samples obtained showed no physical evidence to show presence of eggs for flies.</p> <p>In the 4th Quarter the Commission together with LCC inspected Nu Metro Cinema at Arcades in Lusaka following a complaint by a member of the public of sale of expired soft drinks. Assorted soft drinks worth K20,200 were seized during the inspection.</p>
Muchinga	<p>In the 1st Quarter, the Commission inspected 37 outlets in Chinsali and goods worth K4,351 were seized.</p> <p>In the 2nd Quarter CCPC inspectors inspected 23 outlets in Chinsali and goods worth K7,939 were seized.</p> <p>In the 3rd Quarter, inspections covered the districts of Chinsali, Mafinga, Chama, Shiwangandu, Lavushimanda, Kachibiya and Mpika. A total of 84 outlets were inspected with goods worth K5,861 in total being seized.</p> <p>In the 4th Quarter CCPC inspectors inspected 20 outlets in Mafinga district and goods worth K892 were seized.</p>
Luapula	<p>In the 2nd Quarter the Commission inspected 12 outlets in Mansa and goods worth K2,220 were seized.</p> <p>In the 3rd Quarter, inspections were conducted in Kawambwa, Nchelenge, Samfya, Chipili and Mwanabombwe districts. Overall 49 outlets were inspected and goods worth K2,210 seized.</p> <p>In the 4th Quarter 18 shops were inspected by CCPC inspectors in Mwense district and goods worth K946 were seized.</p>
Eastern	<p>In the 3rd Quarter, inspections were conducted in 3 districts namely Sinda, Lundazi and Katete. A total of 116 outlets were inspected and goods worth K15, 376 were seized.</p>
Southern	<p>In the 2nd Quarter, the Commission conducted inspections in four markets in Livingstone namely, Maramba, Mbita, Linda and Libuyu markets where a total of 45 premises were inspected and goods worth K16,423 were seized. CCPC Inspectors inspected 15 outlets in Namwala and goods worth K10,478 were seized. The Commission further conducted inspections in Kafue Gorge, Choma and Kalomo where 35 trading premises were inspected and good worth K5,736 seized.</p>
Western	<p>In the 2nd Quarter the Commission with the Local Authorities conducted inspections in Mulobezi, Sioma, Nkeyema and Kaoma where 47 trading premises were inspected and goods worth K2,538 were seized.</p>
Central	<p>In the Third Quarter 2 outlets were inspected by CCPC inspectors in Kabwe with no goods being seized</p>

Joint Inspections with other Regulators

In 2019, the Commission was part of the joint verification of fuel dispensing facilities exercise conducted in Solwezi led by the Energy Regulation Board (ERB) and the Zambia Metrology Agency (ZMA). Seven (7) filling stations were inspected in Solwezi. The aim was to enhance consumer protection in the service delivery process of Oil Marketing Companies.

The Commission also conducted a joint inspection with the Zambia Compulsory Standards Agency (ZCSA) in Mansa. The Commission also participated in inspections by ZMA in Kasama district focusing on the weight of fertilizer. Six (6) major agro-dealers were inspected.

The Commission trained a number of enterprises on consumer related issues which included; MTN, Toyota, Ok Furniture, Mobile City General Dealers, Sanlam Life, Budget Stores Limited, Shoprite, USAID, Express Cash Limited, MK World Champions Limited, Spar Limited, Bayport, Radian Stores and Multichoice Zambia Limited.

CASE SUMMARY

Unfair Trading Practices against Automotive Equipment Limited by Mr. Clayton Pollen

The Competition and Consumer Protection Commission in Lusaka received a complaint from Mr. Clayton Pollen (“the Complainant”) against Automotive Equipment Limited (“the Respondent”) alleging that he purchased a motor vehicle Hi-Q battery from the Respondent at a cost of K495 but after using the battery for less than six (6) months it stopped working as it could not power the motor vehicle engine to start.

The Commission's investigations were carried out pursuant to Section 46(1), as read together with Section 45(b) and Section 49(1). An independent assessment carried out by University of Zambia Department of Electrical and Electronic Engineering revealed that the green indicators were only visible when the battery was shaken but disappeared thereafter when the electrolytes inside settled down. The assessment further revealed that the car battery was faulty and the problem could have occurred at the factory as the electrolyte mixing was compromised. The Commission found that the Respondent was in violation of Section 49(1) of the Act. However, the Commission found that the Respondent was not in violation of Section 46(1) as read together with Section 45(b) of the Act.

The Board therefore directed that:

- (i) The Respondent refunds the Complainant K495 which he paid for the purchase of the Hi-Q motor vehicle battery in accordance with Section 49(3) of the Act.

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

Consumer Education and Awareness

Provincial Sensitisation Activities

In order to enhance Consumer Education and Awareness, the Commission conducted sensitisation 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 in over forty (40) Districts. The Commission also conducted sensitization talks at seven (07) institutions of higher learning throughout the country.

On the Copperbelt Province, the Commission conducted a joint presentation with Bank of Zambia (BoZ) on financial literacy at the Copperbelt University (CBU) under the auspices of Greengwee, a Non-Governmental Organization dealing in financial literacy.

Develop Communication Tools in Local Languages

The Commission conducted radio programmes and ran spot advertisements in Nyanja, Lozi, Kaonde, Lunda, Luvale, Bemba and Tonga. The Commission also translated English brochures into the aforementioned languages.

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

The Commission while sitting as Deputy Chairperson and the National Consumer Commission of South Africa as Chairperson of the Southern African development Community (SADC) Working Group on Consumer Protection facilitated the development of the SADC Consumer Protection Working Group Memorandum of Understanding (MOU). The MOU was shared with the SADC Secretariat for onward signing by SADC.

The Commission further signed a bilateral MOU with the National Consumer Commission of South Africa on 10th May, 2019 aimed at facilitating cross border cooperation on consumer protection related matters, investigations of consumer protection issues and information sharing on best practices in the consumer protection field.

International Consumer Protection and Enforcement Network (ICPEN)

In 2017, Zambia was elected by the International Consumer Protection and Enforcement Network (ICPEN) as President for the 2018-2019 year, becoming the first African country to head the Network under the theme "*Freedom for Consumers through Global Collaboration*". The Commission hosted the ICPEN High Level Meeting and Conference in Livingstone from 8th to 10th May 2019 with a total participation of 124 delegates. The conference focused on defining future areas of cooperation, institutional strategic planning, consumer protection in the digital economy and ICPEN Coordinated and Joint Actions. During the conference the ICPEN Presidency was passed on to Colombia.

African Consumer Protection

Further, the Commission, in collaboration with and African Consumer Protection Dialogue and ICPEN held the Tenth Annual African Consumer Protection Dialogue Conference tagged "*Celebrating a Decade of Growth for African Cross – Border Consumer Protection Collaboration.*" in Livingstone. The aim of the conference was to explore the key milestones in the African Dialogue as well as among African agencies and regional bodies on consumer protection.

LEGAL AND REGULATORY

Key Strategic Objectives:

- Prosecution and litigation of cases
- Increase awareness on compliance and enforcement of the CCP Act
- Enhance Staff Capacity

LEGAL

In 2019, 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 one hundred (100) investigative reports, of which ninety (90) were from the Department of Consumer Protection, five (5) from the Department of Restrictive Business Practices and another five (5) from the Mergers and Monopolies Department.

Strategic Objective: Prosecution and litigation of cases

Summary of Cases in Court

Court of Appeal	High Court
2	4

Matters before the Courts 2019

Court of Appeal

Two (2) cases were commenced by way of Appeal to the Court of Appeal and were yet to be determined; V 13:

- i. *MTN Zambia Limited vs Competition and Consumer Protection Commission CAZ/08/069/2019*
- ii. *MTN Zambia Limited vs Competition and Consumer Protection Commission CAZ/08/070/2019*

High Court

Four (4) cases were commenced in the High Court by way of Appeal against the Decisions of the Competition and Consumer Protection Tribunal. Out of the four (4) cases, three (3) were concluded, and judgment was delivered in one (1) case in the favour of the Commission, while two (2) cases are pending judgment.

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

NAME OF THE CASE	STATUS
<i>Airtel Networks Plc VS Macnicious Mwimba and CCPC 2018/HP/A013</i>	<i>Judgment delivered in favour of the Commission</i>
<i>Dr. Patrick Nkhoma vs Southern Cross Motors Limited, CCPC and Attorney General 2018/HP/0803</i>	<i>Matter still being heard by the Court</i>
<i>Mary Carlos Vs. CCPC 2017/HJ/0103</i>	<i>Pending Judgment</i>
<i>Shoprite Zambia Vs. CCPC 2015/HK/709</i>	<i>Pending Judgment</i>

Appeals received against decisions of the Commission

In relation to cases before the Competition and Consumer Protection Tribunal, there were a total of thirty-one (31) cases before the Tribunal. Of the same, three (3) cases had been settled ex-curia, while two (2) judgments had been delivered by the Tribunal and five (5) are pending judgment. In this regard, by the end of 2019 there were twenty-one (21) active cases before the Tribunal.

Below is a table showing this narration:

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

Total number of cases in 2019	Number of cases settled via ex-curia	Number of cases judgments delivered	Number of cases pending judgments	Number of cases still active at the end of 2019
31	3	2	5	21

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

NAME OF THE CASE	STATUS OF THE CASE
Zamm Imports and Newstyle Property Development Vs CCPC 2018/CCPT/006/COM	Judgment delivered. Not in favour of the Commission
Rumpus Trading Limited vs CCPC 2017/CCPT/019/COM	Judgement delivered. In favour of the Commission
AM Trading Vs. Mrs. Constance Mibenge, Efficient Freight (Z) limited and CCPC 2017/CCPT/005/COM	Pending judgment
Steeltreck Vs. CCPC and Mr. Peter Kunda 2017/CCPT/016/CON	Pending judgment
Tombwe Processing Limited, MRI Seed Zambia and Precision Farming Holdings Ltd vs CCPC 2017/CCPT/002/CON	Pending judgment
Pangaea Securities Limited vs CCPC 2017/CCPT/005/COM	Pending judgment
Zambia Airports Corporation Vs. CCPC and ZEGA Limited 2016/CCPT/010/COM	Pending judgment

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

Regulatory Affairs

Following the incorporation of comments from stakeholders on the proposed amendments to the Competition and Consumer Protection Act No. 24 of 2010, the final draft of the proposed amendments was submitted to the Ministry of Commerce, Trade and Industry for onward remittance to the Ministry of Justice. The Bill now awaits tabling before Parliament.

INSTITUTIONAL DEVELOPMENT

- Internal Audit and Risk
- Research
- Public Relations
- Human Capital
- International Engagements
- Awards

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

Strategic Objective: Review and Strengthen the Governance and Oversight Functions

Internal Audit and Risk

Strengthen Audit and Risk Management

In 2019, nine (9) planned provincial offices and five (5) 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, both the PKF Chartered Accountants and Auditor General's Office provided external assurance through systems and financial reviews on the various Revenue and Expenditure Cycles of the Commission.

Furthermore, Internal Audit Unit (IAU) assisted the Board and Management in discharging its duties relating to the identification, measurement, monitoring and control of risks undertaken by the Commission, ensuring that the controls, processes, procedures and systems employed met the requirements of the Competition and Consumer Protection Act and other regulatory authorities. Internal Audit Unit (IAU) does not have the primary responsibility for the risk management process but rather facilitates the process.

IAU reviewed and assessed the integrity of the Risk Management Systems and ensured that risk policies and strategies are effectively managed.

Additionally, in trying to embed a risk-aware culture across the Commission, IAU conducted a presentation on Organisational Wide Risk Management at the Team Building event held in Chibombo district of Central Province from 10th to 13th October, 2019.

Strategic Objective: Improve quality of Research, Development and Advocacy

Research

In 2019, the Research and Education 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 coordinated and facilitated the implementation of the Commission's participation in the Zambia Agri-Business and Trade Project (ZATP) under MCTI.

As part of fostering an enabling business environment devoid of competition bottlenecks, the Commission undertook various research studies which included the Animal Feed, Textiles and Agro-Input studies in a bid to identify weaknesses 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.

Under the Regional Integration Support Mechanism (RISM), the Unit conducted the Leather Value Chain Study with support from COMESA Regional Integration Capacity Building (RICB) Project. This study was aimed at analysing the state of competition along the leather value chain in order to identify and eliminate bottlenecks to effective competition by offering recommendations to Government that enable firms compete and invest freely.

Rural Finance Expansion Project (RUFEP)

RUFEP sought to increase access to the use of sustainable financial services for the rural women, men and the youth. Through evidence-based engagement, the Commission had created a platform through various means including advocacy with the objective of stimulating debates and discussions on how the demand and supply side of financial access could be harnessed to benefit the rural communities.

School Club Activities.

The Commission has continued to use education as a tool to reach out to schools across the country. As a strategy to raise awareness on financial consumer protection, the Commission in collaboration with RUFEP had trained over 7,383 peer educators countrywide through the use of community radio stations, gatherings and drama among others.

Other advocacy activities which the Commission continued to undertake included; the Chiefdom and school club sensitization programs in various parts of the country. These activities were aimed at targeting trusted authorities such as traditional leaders and pupils who were a good conduit in the dissemination of key financial messages around the community respectively.

In its quest to enhance access to financial information, the Commission broadcast short Message Services (SMS's) to the rural populace with specific focus on Eastern, Southern, Western and Copperbelt Provinces in order to empower small-holder farmers and rural communities with information on how they could access finances.

National Financial Inclusion Strategy (NFIS)

In its quest to complement Government's effort to promoting financial inclusion under the 2017-2022 National Financial Inclusion Strategy (NFIS) agenda, the Commission under the Financial Consumer Protection and Capabilities Working Group (FCPCWG) worked with several players in the financial sector in order to raise awareness on financial consumer protection. The players which the Commission worked with included Pensions Insurance Authority (PIA), Securities and Exchange Commission (SEC), Bank of Zambia (BoZ), Ministry of Finance (MoF), Consumer Unit Trust Society (CUTS), Bankers Association of Zambia (BAZ) and the Zambia Information and Communication Technology Authority (ZICTA).

Monitoring and Evaluation of CCPC Activities in 2019

Mid-Term Review

As part of the Commission's Monitoring and Evaluation (M&E) exercise, the Unit conducted a Mid-Term Review (MTR) on all Directorates in order to assess the progress made against the goals and outcomes of the Strategic Plan. From the exercise, it was revealed that the departments and Units were to a larger extent able to meet their set targets as reflected in the Strategic Plan.

Customer Feedback Survey

The Commission aims to communicate perceptions of stakeholders with regards to its service delivery as well as assess its performance through the eyes of stakeholders. The Commission embarked on a Customer Feedback Survey whose scope was spread to all the ten Commission offices in the country.

Inspectors Project

Under the Inspectors Project, the Commission conducted a Monitoring and Evaluation exercise which targeted a total of 139 inspectors from all provinces countrywide. The analysis revealed that great progress had been attained in ensuring that enterprises operating in various districts of Zambia do not engage in unfair trading practices against consumers.

Strategic Objective: Improve the provisions of Corporate Affairs Services

Public Relations

Brand Communication through consumer engagement was at the core of activities the Commission undertook in 2019. This was aimed at marketing the services of the Commission to the different stakeholders to increase visibility, improve brand awareness and recognition as well as creating trust with consumers.

The Commission strengthened and enhanced public awareness by engaging 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 platforms such as the website as well as Facebook with over nine thousand (9,000) followers.

Increase the Commission's Visibility

Media Relations

In 2019, the Commission proactively issued ten (10) media releases covering a range of topics, including enforcement actions, compliance and cases determination. Commission news that dominated the media included the provision of an Amnesty Programme on Cartels and Restrictive Business Practices, Abuse of Dominance cases on tying of school uniforms, caution to PAZ and MAZ against Price Dictation and Insurance sector complaints, 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 forty-seven (147) times on Radio, thirty-six (36) times in the daily Newspapers and twenty-four (24) targeted articles on Competition and Consumer Protection were published in the Times of Zambia Newspaper. The Commission also aired 1,200 adverts 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.

Two (2) Media Briefings where the Commission disseminated information on its activities were held in 2019.

Newsletters

The newsletter continues to be a distinct tool to explain how the Commission work delivers benefit and outcomes for consumers. It is produced and circulated bi-annually highlighting the activities of the Commission. In 2019, 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 .

In 2019, the Commission participated in 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. In an effort to further

enhance visibility, the Commission participated in the Copperbelt, North Western and Southern Province Expos and also sensitised members of the public at the Nc'wala, Kuomboka, Umutomboko, Likumbi Lya Mize and Ukusefya Pa Ng'wena Traditional Ceremonies.

also utilised the opportunity the Shows and Trade Fairs offered to increase understanding on how the Commission works; as well as to 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 was an organized, productive and thriving workforce. HR affected all aspects of the Commission and manages employees who were the most valuable asset of the Commission.

Therefore, the Commission could only thrive if the right people were hired in the right positions at the right time and were working at the highest level of performance and delivering superior results.

Recruitment

The Commission recruited six (6) members of staff during the period under review. The six Staff were recruited under the World Bank Group Zambia Agribusiness Trade Project (ZATP) for a period of one (1) year and these were absorbed in the Commission at the end of the year.

Training

The Commission has continued to train its members of staff as a way of building capacity. In the year under review there were thirty five (35) members of staff who were trained; ten (10) were trained in consumer complaints handling procedure; two (2) were trained in Output Based Budgeting (OBB); fifteen (15) were trained in Cybercrime and Computer forensics; two (2) were trained in Understanding Labour Laws and the New Employment Code Act No. 3 of 2019; three (3) were trained in International Public Sector Standards in Accounting and two (2) were trained in Balanced Scorecard.

There were thirty-seven (37) members of staff who attended high level meetings and seminars at regional and international level.

Performance Management

The performance assessments of employees in the period under review averaged eighty-five percent (85%). The high rate spoke to the fact that employees were performing exceptionally well and were able to translate strategic objectives into operational results.

The Commission had a staff retention rate of ninety-two (92%) due to the trust that the employees had in the Commission's strategies and objectives.

Policies

In 2019, the Commission developed several manuals and policies in 2019. The CCPC Terms and Conditions of Service were reviewed in the period under review so as to align them to the new Employment Code Act No. 3 of 2019 and other relevant legislation. The CCPC Training Policy was also reviewed to adapt to new laws and regulations and to industry best practices. The 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. These were done to promote health living.

High Performance Organization (HPO)

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

HPO continued 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.

Corporate Social Responsibility (CSR)

The Commission has a Corporate Social Responsibility programme (CSR) that aimed at making a difference in the communities in which they lived and worked. The CSR programme aims at empowering the poor and vulnerable in our society and ensuring that their lives become purposeful. The employees of the Commission adopted two (2) school girls they were sponsoring. One girl, Gertrude Kalimbe completed Grade Twelve in 2017 and obtained 6 points. Gertrude was accepted at the University of Zambia (UNZA) for the 2020 intake. However, Gertrude later received a scholarship to study Pharmacy in Russia. Another girl, Precious Kabwenga was a Grade 9 pupil at Garden Hill Secondary School in Chunga, Lusaka.

The desire of the Commission employees was to see the two girls complete their education and be independent and productive citizens that would contribute to the growth of the economy of Zambia.

Strategic Objective: Enhance Staff Capacity

Staff Capacity Development

In 2019, the Commission through the RISM Project trained thirty (30) Commission Officers at the University of Lusaka. The main purpose of the course was to equip Officers with knowledge in Industrial Economics, Financial and Investment Appraisal. This was to enhance Officers' analytical and investigative skills and for them to appreciate the various industrial economics principles in execution of their day to day work.

Industrial Economics and Financial Accounting and Investment Appraisal Course- University of Lusaka (UNILUS)

The Directorate of Legal and Corporate Affairs had an opportunity to participate in Industrial Economics, Financial Accounting and Investment Appraisal 3 month training in 2019.

The staff members' understanding of the course was tested through examinations. At the end of the course the Legal practitioners gained a broader understanding of economics and are able to apply the same when reviewing the investigative reports or analysing investigations relating to cartels or abuse of dominance.

KEY CHALLENGES, RECOMMENDATIONS AND OPPORTUNITIES

CHALLENGES

Budgetary Constraints

The year 2019 saw a great improvement in the budgetary releases to the Commission especially in the last half of the year. The budgetary allocation for the Commission, despite an expansion in all the provinces and a general increase in staffing levels and activity scope had remained the same over the past three years. This had resulted in scaling down progress towards some activities and institutional capacity development. The timely budget release coupled with the realignment of the Commission approach ensured that activities were delivered cost effectively making the Commission achieve its targets.

Capacity Building and Institutional Strengthening of the Commission

The Commission's staff complement for the 2017-2021 Strategic Plan was 143 members of staff. However, the Commission was operating at 60% staff complement as of 2019. The increase in staffing levels was meant to provide extra support and capacity to the provincial offices. Most Directorates and Units still remained understaffed. As such, there was a risk that the Commission might not fully realise the Strategic Plan goals.

Information Technology Infrastructure

The world of trade and information dissemination is increasingly becoming digital. The Commission's most valuable material for its work is information. Increasingly, accessing relevant information was becoming difficult as more and more digital products and applications were introduced and were being used in the economy. One major stumbling block the Commission had was inadequate IT infrastructure to the extent that it faced difficulties in data extraction for successful prosecution of cases.

Regulatory Reforms - Advocacy

The Commission was delighted that the National Assembly had continued calling on it to give input on laws with a potential impact on business. However, a number of laws and policies still remained anti-competitive especially in the agricultural Sector. The Commission had carried out several studies to this effect and proposals were made to the relevant stakeholders.

Data Availability for Economic Analysis

The mandate of the Commission and its functions rely on data and information as it was investigative in nature. Data provides crucial evidence to the smooth and successful completion and prosecution of cases. Unfortunately, the culture of keeping and preserving data by most industries was still lacking, making it difficult to get sufficient information. The Commission continued to work closely with other sector regulators and the Zambia Statistics Agency (ZSA) to source for accurate information. The private sector had also been encouraged to track and keep data and information in order to assist in informed decision making.

RECOMMENDATIONS

Adequate Funding

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

Information Technology Investment

The Commission would continue to pursue its digitalisation program with the support of Government through the Smart Zambia Institute and other cooperating 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 were being explored to guarantee the Commission's business continuity.

OPPORTUNITIES

Business Awareness

To ensure that the Commission remains an effective enforcement authority, the Commission would seek to provide greater clarity and transparency on its key processes, system policies and enforcement approaches. In particular, the Commission had been developing guidelines to streamline its operations. This has been done with extensive stakeholder consultation.

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

Interface with Sectorial Regulators

The Commission recognises that it was imperative for institutional interface for better coordination with sector regulators. The Commission needed 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)

A background image of a magnifying glass over a financial statement table. The table contains various numerical values and column headers like 'July' and 'August'.

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2019

*Competition and Consumer Protection Commission
 Annual report and financial statements
 For the year ended 31 December 2019*

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*Competition and Consumer Protection Commission
Annual report and financial statements
For the year ended 31 December 2019*

COMMISSION INFORMATION

COMMISSIONERS

Mr. Kelvin Fube Bwalya
Ms. Chishala Kateka
Dr. Aubrey M Chibumba
Dr. Chenga S Chisha
Mr. Fredrick Imasiku
Mrs. Georgina Kasapatu
Mr. Chilufya Sampa

: **DESIGNATION**
: Chairperson
: Vice Chairperson
: Commissioner
: Commissioner
: Commissioner
: Commissioner
: Executive Director/ Ex Officio

CHIEF OFFICERS

Mr. Chilufya Sampa
Ms. Luyamba Mpamba
Mr. Brian Lingela
Mrs. Maureen Banda Mwanza
Mrs. Beene Shadunka Siyumbwa
Mr. Vestus Chungu
Mrs. Naomi Mbanangwa Fulaza
Mrs. Marian Mwalimu Mulenga
Mr. Shakayobo Shandavu
Mrs. Naomi B. Nguni
Mr. Masauso Phiri
Mrs. Eunice Hamavhwa
Mr. Patrick Chengo
Mr. Parret Muteto

: **DESIGNATION**
: Executive Director
: Director Mergers and Monopolies
: Director Consumer Protection
: Director Legal and Corporate Affairs
: Director Human Resource and Administration
: Director Finance
: Director - Restrictive Business Practice
: Manager Legal and Corporate Affairs
: Finance Manager
: Manager Internal Audit
: Chief Investigator - North
: Chief Investigator - South
: Chief Investigator - Mergers
: Chief Analyst

BOARD COMMITTEES

Finance and Administration Committee

: **MEMBERS**
: Ms. Chishala Kateka
: Mr. Fredrick Imasiku
: Ms. Gillian Mazimba
: Mr. Chilufya Sampa

: **DESIGNATION**
: Chairperson
: Member
: Member
: Ex-officio

Audit Committee

: Dr. Aubrey M Chibumba
: Ms. Chishala Kateka
: Mr. Gabriel Banda
: Mr. Andrew Musukwa
: Mr. Chilufya Sampa

: Chairperson
: Member
: Member
: Member
: Ex-officio

Technical Committee

: Dr. Chenga S Chisha
: Mrs. Georgina Kasapatu
: Mr. Philip Chitalu
: Mr. Chilufya Sampa

: Chairperson
: Member
: Member
: Ex-officio

**REGISTERED OFFICE AND
PRINCIPAL PLACE OF BUSINESS**

: 4th Floor Main Post Office, Cairo Road
: P.O.Box 34919
: Lusaka, Zambia

BRANCHES

: Mansa
: Kitwe
: Livingstone
: Mongu
: Kabwe

: Solwezi
: Kasama
: Chinsali
: Chipata

*Competition and Consumer Protection Commission
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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

: Atlas Mara Bank Zambia Limited
: Chanik House-First Floor
: P.O.Box 37102
: Lusaka, Zambia

*Competition and Consumer Protection Commission
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For the year ended 31 December 2019*

REPORT OF THE COMMISSIONERS

The Commissioners submit their report and the audited financial statements for the year ended 31 December 2019, 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. 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

	2019 ZMW	2018 ZMW
Surplus for the year	<u>3,148,791</u>	<u>255,815</u>

Income

During the year 2019 the Commission received grants from the Government of The Republic of Zambia amounting to K 35.1million (2018:K24.34 million)

Other income attributable to the Commission's Investment in short term financial assets amounted to K1.77 million (2018: K1.81 million)

Fees, penalties and fines

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

-Merger, acquisition and negative clearance fees for the year amounted to K24.9 million (2018:K 25.59 million)

-Fines and Penalties for the year amounted to K54.3 million (2018:K4.42 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.

Competition and Consumer Protection Commission
Annual report and financial statements
For the year ended 31 December 2019

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 to carry out the audit of the Financial Statements of the Commission on a three year contract covering the years 31 December 2017 to 31 December 2019.

BY ORDER OF THE BOARD



CHAIRPERSON
LUSAKA

4th MARCH 2020



VICE CHAIRPERSON

Competition and Consumer Protection Commission
Annual report and financial statements
For the year ended 31 December 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 2019 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 2020 signed on its behalf by:


CHAIRPERSON


VICE-CHAIRPERSON

PKF Zambia
Chartered Accountants



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 (the Commission) set out on pages 8 to 27, which comprise the statement of financial position as at 31 December 2019, 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 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

PKF Zambia Chartered Accountants is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

**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 Commissioners' 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 MPC000762


Chartered Accountants
LUSAKA

Date: 6 March 2020

Our Reference: AR/LSK/029/20

Competition and Consumer Protection Commission
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For the year ended 31 December 2019

STATEMENT OF INCOME AND EXPENDITURE

	Notes	2019 ZMW	2018 ZMW
Grant income	2	35,161,662	24,342,689
Other income	3	6,465,455	10,227,348
Employment costs		(26,252,690)	(23,512,303)
Other operating expenses		<u>(12,225,636)</u>	<u>(10,801,919)</u>
Surplus for the year		<u><u>3,148,791</u></u>	<u><u>255,815</u></u>
Total comprehensive surplus for the year		<u><u>3,148,791</u></u>	<u><u>255,815</u></u>

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
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STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December	
		2019 ZMW	2018 ZMW
FUNDS			
Accumulated funds		24,553,833	21,201,959
		<u>24,553,833</u>	<u>21,201,959</u>
Non-current liabilities			
Capital grants		380,342	622,826
		<u>380,342</u>	<u>622,826</u>
		<u>24,934,175</u>	<u>21,824,785</u>
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	4	898,298	1,523,796
Investment in joint ventures	5	788,229	359,757
Intangible asset	6	123,750	111,390
		<u>1,810,277</u>	<u>1,994,943</u>
Current assets			
Financial assets	7	1,419,247	1,856,547
Receivables	8	635,279	462,617
Loans and advances	9	3,575,795	2,691,527
Cash and cash equivalents	10	22,746,193	23,774,090
		<u>28,376,514</u>	<u>28,784,781</u>
Current liabilities			
Payables and accruals	11	1,796,142	5,143,197
Provisions	12	3,456,474	3,811,742
		<u>5,252,616</u>	<u>8,954,939</u>
Net current assets		<u>23,123,898</u>	<u>19,829,842</u>
		<u>24,934,175</u>	<u>21,824,785</u>

The financial statements on pages 8 to 28 were approved and authorised for issue by the Commissioners on 4th MARCH 2020 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
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STATEMENT OF ACCUMMULATED FUNDS

	Accumulated funds ZMW	Total ZMW
Year ended 31 December 2019		
At start of year	21,201,959	21,201,959
Opening balance difference	203,083	203,083
Total comprehensive surplus for the year:		
- Surplus for the year	<u>3,148,791</u>	<u>3,148,791</u>
At end of year	<u><u>24,553,833</u></u>	<u><u>24,553,833</u></u>
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	<u>255,815</u>	<u>255,815</u>
At end of year	<u><u>21,201,959</u></u>	<u><u>21,201,959</u></u>

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 2019*

STATEMENT OF CASH FLOWS

	Notes	2019 ZMW	2018 ZMW
Operating activities			
Cash (spent on)/generated from operations	13	(371,053)	7,636,618
Net cash (spent on)/ generated from operating activities		(371,053)	7,636,618
Investing activities			
Purchase of property, plant and equipment	4	(280,171)	(897,429)
Proceeds from disposal of property, plant and equipment		109,338	28,800
Cash paid for acquisition of joint venture		(428,472)	(275,957)
Cash received from disposal of financial assets		437,300	(758,106)
Interest received		(252,355)	(198,282)
Net cash outflow used in investing activities		(414,360)	(2,100,974)
Financing activities			
Changes in restricted cash balances		(242,484)	622,826
Net cash from financing activities		(242,484)	622,826
(Decrease)/Increase in cash and cash equivalents		(1,027,897)	6,158,470
Movement in cash and cash equivalents			
At start of year		23,774,090	17,615,620
(Decrease)/Increase in cash and cash equivalents		(1,027,897)	6,158,470
At end of year	10	22,746,193	23,774,090

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
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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

The following, which became effective from 1 January 2019, have been adopted but have not had a significant impact on the group's financial statements.

- 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 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 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.

Competition and Consumer Protection Commission
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NOTES (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

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 1 and IAS 8 'Definition of Material' (issued in October 2018) applicable to annual periods beginning on or after 1 January 2020, clarify the definition of material and how it should be applied by including in the definition guidance that previously featured elsewhere in IFRS.

The commissioners do not expect that adoption of these standards and interpretations will have a material impact on the financial statements in future periods. The Commission 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 assumptions 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)

a) Basis of preparation (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.

- Useful lives and residual values of property, plant and equipment, intangible assets and right-of-use assets

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.

Competition and Consumer Protection Commission
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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
	<u>Rate %</u>
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.

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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 measured 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 reassesses 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.

Competition and Consumer Protection Commission
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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.

Competition and Consumer Protection Commission
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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.

Competition and Consumer Protection Commission
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NOTES (CONTINUED)

	2019 ZMW	2018 ZMW
2. Grant income		
Grants from the Government of The Republic of Zambia	35,161,662	24,342,689
	<u>35,161,662</u>	<u>24,342,689</u>
3. Other income		
CCPC/RUFEP grant amortisation	1,103,484	392,307
Agri - business grant	3,252,308	7,999,457
Interest from staff loans	252,355	198,281
Interest from fixed deposit	1,765,470	1,390,593
Interest from available for sale financial assets	65,000	217,910
Profit on disposal of property, plant and equipment	26,838	28,800
	<u>6,465,455</u>	<u>10,227,348</u>

4. Property, plant and equipment
As at 31 December 2019

	Motor vehicles ZMW	Office equipment ZMW	Computer equipment ZMW	Furniture and fittings ZMW	Total ZMW
Cost					
At start of year	7,747,730	928,706	1,276,807	1,085,314	11,038,557
Additions		3,200	157,807	119,164	280,171
Disposals	(829,796)	-	-	-	(829,796)
At end of year	<u>6,917,934</u>	<u>931,906</u>	<u>1,434,614</u>	<u>1,204,478</u>	<u>10,488,932</u>
Depreciation					
At start of year	6,563,230	844,879	1,159,136	947,516	9,514,761
Disposals	(747,296)	-	-	-	(747,296)
Charge for the year	537,250	70,389	105,106	110,424	823,169
At end of year	<u>6,353,184</u>	<u>915,268</u>	<u>1,264,242</u>	<u>1,057,940</u>	<u>9,590,634</u>
Net book value	<u>564,750</u>	<u>16,638</u>	<u>170,372</u>	<u>146,538</u>	<u>898,298</u>

Additions were acquired through cash payments made by the Commission.

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	<u>7,747,730</u>	<u>928,706</u>	<u>1,276,807</u>	<u>1,085,314</u>	<u>11,038,557</u>
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	<u>6,563,230</u>	<u>844,879</u>	<u>1,159,136</u>	<u>947,516</u>	<u>9,514,761</u>
Net book value	<u>1,184,500</u>	<u>83,827</u>	<u>117,671</u>	<u>137,798</u>	<u>1,523,796</u>

Additions were acquired through cash payments made by the Commission.

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NOTES (CONTINUED)

	2019 ZMW	2018 ZMW
5. Investment in joint ventures		
At start of year	359,757	83,800
Acquisition	428,472	275,957
At end of year	<u>788,229</u>	<u>359,757</u>

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 ZMW788,229 as at 31 December 2019.

6. Intangible assets

Cost

At start of year	111,390	65,470
Additions	12,360	45,920
At end of year	<u>123,750</u>	<u>111,390</u>

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

	2019 ZMW	2018 ZMW
7. Financial assets		
Fair value through profit or loss financial assets		
Available for sale:		
At start of year	1,856,547	1,098,440
Additions	1,456,085	1,322,452
Disposals	(1,893,385)	(710,386)
Fair value gains	-	146,041
At end of year	<u>1,419,247</u>	<u>1,856,547</u>

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, falls 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.

	Gross amount ZMW	2019 ECL allowance ZMW	Carrying amount ZMW	Gross amount ZMW	2018 Loss provision ZMW	Carrying amount ZMW
BC benefits	1,419,247	-	1,419,247	1,856,547	-	1,856,547
	<u>1,419,247</u>	<u>-</u>	<u>1,419,247</u>	<u>1,856,547</u>	<u>-</u>	<u>1,856,547</u>

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

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NOTES (CONTINUED)

8. Receivables		2019	2018
		ZMW	ZMW
Current			
Medical schemes		162,760	94,812
Staff debtors and advances		262,906	254,794
Deposits		196,271	98,188
Prepayments		13,341	14,823
Less: provision for expected credit losses		-	-
Total Receivables		<u><u>635,279</u></u>	<u><u>462,617</u></u>

	Gross amount	2019 ECL allowance	Carrying amount	Gross amount	2018 Loss provision	Carrying amount
	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW
Staff debtors and advances	262,906	-	262,906	254,794	-	254,794
	<u>262,906</u>	<u>-</u>	<u>262,906</u>	<u>254,794</u>	<u>-</u>	<u>254,794</u>

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		2019	2018
		ZMW	ZMW
Loans and advances		3,575,795	2,691,527
		<u>3,575,795</u>	<u>2,691,527</u>

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

	Gross amount	2019 ECL allowance	Carrying amount	Gross amount	2018 Loss provision	Carrying amount
	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW
Loans and advances	3,575,795	-	3,575,795	2,691,527	-	2,691,527
	<u>3,575,795</u>	<u>-</u>	<u>3,575,795</u>	<u>2,691,527</u>	<u>-</u>	<u>2,691,527</u>

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.

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NOTES (CONTINUED)

9. Loans and advances (continued)	2019 ZMW	2018 ZMW
The aged analysis of loans and advances to staff is as below:		
Current	-	169,969
2 to 3 months	6,655	2,667
4 to 12 months	114,671	118,290
Over 12 months	3,454,469	2,400,601
	<u>3,575,795</u>	<u>2,691,527</u>

The effective interest rate on Loans and Advances to staff was 8% (2018: 8%)

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

10. Cash and cash equivalents	2019 ZMW	2018 ZMW
Cash at bank and in hand	5,029,177	7,323,050
Short term bank deposits	17,717,016	16,451,040
	<u>22,746,193</u>	<u>23,774,090</u>

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

The Commission's 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 Commission's cash and cash equivalents are denominated in Zambian Kwacha.

11. Payables and accruals	2019 ZMW	2018 ZMW
Current - 0 to 3 months		
Sundry Suppliers	189,879	619,326
Suppliers Control Account	389,892	344,864
Zambia Revenue Authority	1,216,371	4,179,007
	<u>1,796,142</u>	<u>5,143,197</u>

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

As at 31 December 2019

	Gratuity Provision ZMW	Leave Pay Provision ZMW	Total ZMW
At start of year	2,009,376	1,802,366	3,811,742
Additional provisions	2,646,758	599,142	3,245,900
Utilised during the year	(3,015,661)	(585,507)	(3,601,168)
At end of year	<u>1,640,473</u>	<u>1,816,001</u>	<u>3,456,474</u>

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NOTES (CONTINUED)

12. Provisions (continued)

As at 31 December 2018

	Gratuity Provision ZMW	Leave Pay Provision ZMW	Total ZMW
At start of year	1,260,373	1,448,397	2,708,770
Additional provisions	1,603,155	1,245,193	2,848,348
Utilised during the year	(854,152)	(891,227)	(1,745,379)
At end of year	<u>2,009,376</u>	<u>1,802,363</u>	<u>3,811,739</u>

13. Cash generated from operations

	2019 ZMW	2018 ZMW
Reconciliation of operating surplus to cash from operations:		
Operating surplus for the year	3,148,791	255,815
Adjustments for:		
Adjustment for prior year errors	203,083	
Depreciation on property, plant and equipment (Note 4)	823,169	1,767,786
Profit on disposal of property, plant and equipment	(26,838)	(28,800)
(Gains) on fair value adjustment	(12,360)	(45,920)
Interest received	252,355	198,281
Changes in working capital:		
- Other receivables	(1,056,930)	682,457
- Other payables	(3,702,323)	4,806,999
Cash (spent)/ generated from operations	<u>(371,053)</u>	<u>7,636,618</u>

14. Related party transactions and balances

Key Management Compensation

Board Members (Commissioners)	658,895	754,902
Directors	<u>3,773,312</u>	<u>3,552,636</u>
	<u>4,432,207</u>	<u>4,307,538</u>

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 Commission's 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.

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NOTES (CONTINUED)

15. Risk management objectives and policies (continued)

Financial risk management (continued)

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.

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.

	2019 ZMW	2018 ZMW
16. 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.

17. 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	703,495	702,130
	<u>703,495</u>	<u>702,130</u>

18. Contingent liabilities

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

19. 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	2019 ZMW	2018 ZMW
Employment:		
Medical & funeral expenses	223,348	296,376
NAPSA- employer contribution	808,940	936,906
Personnel emoluments	25,019,365	22,132,885
Staff training	115,818	61,462
Staff welfare expenses	85,219	84,674
Total employment costs	<u>26,252,690</u>	<u>23,512,303</u>
Other operating expenses:		
Agri business	1,103,479	78,824
Audit and consulting fees	114,016	131,872
Bank charges	76,124	63,526
Bad debts	-	58,246
Board & committee expenses	658,895	754,902
CCPC/RUFEP expenses	1,155,507	320,987
Computer expenses	11,068	6,385
Courier & postage	44,315	49,052
Department activities	4,055,683	3,603,206
Depreciation	823,169	1,767,787
Fuel, oil & lubricants	953,634	795,262
HIV/AIDS	6,092	20,924
Insurance	397,760	510,336
Legal expenses	15,727	1,775
Miscellaneous expenses	85,797	11,623
Motor vehicles running expenses	525,960	420,927
Office operational	543,454	218,201
Printing, periodicals & newspapers	200,259	225,857
Rentals	703,495	702,130
Repairs & maintenance	135,848	92,841
Security	83,520	90,480
Telephone, fax & internet expenses	265,800	345,977
Travelling , subsistence and accommodation	241,596	510,155
Utilities	24,438	20,644
Total other operating expenses	<u>12,225,636</u>	<u>10,801,919</u>
Total expenses	<u><u>38,478,326</u></u>	<u><u>34,314,222</u></u>

