

COVID-19 SUPPLIERS BUSINESS INTEGRITY SCREENING ASSESSMENT:

Z a m b i a



September 2022

Introduction

The COVID-19 global pandemic was a watershed moment for numerous reasons including its implications on global public health as well as the interconnectedness of economies globally. Even as the pandemic tapers off, the effects, experiences and lessons pertaining to the pandemic response lingers on. Seemingly, COVID-19 created ‘winners and losers’; for instance, Oxfam International purports that the world’s richest doubled their net worth during the two years of the pandemic¹. Further various media reports revealed that COVID stimuli and or social funds did not reach the intended beneficiaries in a number of countries and jurisdictions².

For Transparency international (TI), including TI Zambia, the COVID pandemic revealed a number of corruption vulnerabilities and risks pertaining to, but not limited to, public procurement, identification criteria of beneficiaries of COVID social protection funds and management of those funds. It is against this background that TI Zambia undertook a business integrity screening assessment, as part of the [Adaptive Risk-Based Approaches to Anti-Corruption in COVID 19](#) project. The purpose of the integrity screening was to interrogate the integrity of businesses that were awarded significant contracts by government ministries during the COVID-19 response in Zambia. This is because the audit reports on COVID published by the Office of the Auditor General (OAG)³ in Zambia and TI Zambia’s COVID Risks maps⁴ revealed irregularities in procurement processes, including in the manner in which businesses were selected for bids, the type of bidding/selection processes used and the way in which contracts were managed, among others.

Cognizant of the juxtaposition between due diligence in public procurement and the urgent nature of the emergency response, the business integrity assessment seeks to shade some light on some of the businesses that participated in public procurement related to the COVID-19 response. This was done with the objective of ascertaining corruption red flags pertaining to the businesses awarded COVID public tenders so as to generate evidence to inform advocacy interventions aimed at contributing to strengthening public procurement systems and anti-corruption.

Methodology

The integrity screening assessment was heavily literature review based on the OAG’s report, other relevant literature and a search on the PACRA portal. Fourteen (14) businesses were sampled from those that were cited in the OAG COVID report of 2021 covering the period July 2020 to October 2021. The businesses were selected based on their contract worth (amount), thus the selection of the businesses for this assessment was based on those who were awarded high value contracts for COVID

¹ Oxfam International, 2022. Accessed at; <https://www.oxfam.org/en/press-releases/ten-richest-men-double-their-fortunes-pandemic-while-incomes-99-percent-humanity>

² Transparency International, 2020. Citizens struggle ad promised COVID-19 aid goes missing. Accessed at: <https://www.transparency.org/en/news/citizens-struggle-as-promised-covid-19-aid-goes-missing>

³ https://www.ago.gov.zm/?page_id=5324

⁴ <https://codot.tizambia.org.zm/covid-19-emergency-response-corruption-risk-maps-zambia/>

materials and supplies above ten million Zambian Kwacha⁵. TI Zambia’s third-party integrity screening of the identified suppliers that met this value threshold were assessed mostly using information on the Patents and Company Registration Agency (PACRA) online portal of registered businesses in Zambia.

“A beneficial owner is the real person who ultimately owns, controls or benefits from a company or trust fund and the income it generates” – Transparency international

The screening sought to verify whether or not the companies were registered with PACRA, the dates of incorporation, business status and shareholding information as well as if businesses had disclosed beneficial ownership data as part of their company profile. Of keen interest was data on the legal and ultimate (beneficial) owners of the business. Upon identification of the owners, the identities (names) were cross-referenced for potential links to or association with politically exposed persons (PEPs) or politically Influential Persons (PIPs) through a web search.

“A politically exposed person is an individual who is or has been entrusted with a prominent function typically of a public, political or international nature” – Financial Action Task Force

Evidently, a limitation of the assessment is that not all-registered businesses have yet disclosed beneficial ownership information, as PACRA is still rolling out this initiative and has granted a grace period for disclosure. Even so, shareholder information was used for cross-referencing for PEPs. Nonetheless, there currently is no comprehensive register or data on PEPs or PIPs in Zambia

⁵ This excluded procurement or empowerment funds administered and managed by the Ministry of Tourism and Arts under this assessment as the amounts were below ten million

Supplier Business Integrity Screening

Supplier:	Supplier Contract Contract ed by:	Contract amount (ZMW):	Goods / Services Supplier contracte d:	Nature/ Category of Business (PACRA)	Date of Incorpor ation (with and business location:	Busine ss Status (with PACRA):	Entity Category and Legal owners:	Benefi cial Owner ship data disclos ed:	PEPs/PIPs affiliated or owned ⁶ :
Carco Carpentr y & Construc tion Company Limited	Disaster Manage ment and Mitigati on Unit (DMMU)	12,740,000 .00	Supply and delivery of 3 ply surgical masks	Manufact uring of other products wood, plaiting materials & retail sale of other goods	13 June 2016 Physical address located in Lusaka, Zambia	Active Compa ny was not compli ant with filing annual return s ⁷ , last annual return s were made on 5 Februa ry 2020	Local Company limited by shares The company has three individual shareholde rs, with the Zambian shareholde r holding 60% of shares and two Chinese nationals holding	No	Majority shareholder has links to PEPs and shares ownership of another entity, Zambia Cooperative Federation (ZCF) Lusaka Regional Trade Centre, with a close associate (friend) of the former President. According to media reports the Zambian shareholder also has part ownership of another company (Lusaka Freezer Chain Technology linked to a scandal pertaining to shareholding of ZCF Lusaka Regional Trade Centre. https://www.makanday.com/posts/zcf-cooperative-for-the-rich

⁷ PACRA prescribes an annual return as a yearly statement that provides essential information about a company's status. PACRA portal also outlines a record of the nature of the company's business, the location of its premises, directors, secretary, and members etc.

									20% shares respectively
Anita Classic Fashion Limited	DMMU	19,800,000.00	Supply and delivery of 3 ply surgical face masks	Nature of business classified as retail sale of textiles in specialised stores	19 April 2017	Active	Local company limited by shares	No	One of the shareholder's is associated to/has links to a PEP. The respective shareholder's spouse is reportedly a close friend of the former President https://zambiatelegraph.com/news/dec-detain-father-lupupas-sister/
120170003112							The company has two individual shareholders whom are also directors/partners of the company each holding 50% of shares.		
Emyright Investment	DMMU	34,000,000.00	Supply of disposable coveralls	Renting and leasing of other machinery, equipment and tangible goods	12 May 2015	Active	Local company limited by shares.	No	No substantive links as/to PEPs identified
120150132249							The company has two individual shareholders of foreign (Chinese) nationality; holding		

						made on 5 May 2017	60% and 40% of the company's shares		
Etone Zambia Limited 1201800 00982	DMMU	51,000,000.00	Nasopharyngeal swabs with viral transportation medium	Construction of buildings, non-specialised wholesale trade, architectural and engineering & related technical consultancy	2 February 2018	Entity physical address located in Lusaka Zambia	Active Compliant with filing annual return made on 23 May 2022	Local company limited by shares The company has two shareholders; one individual shareholder of foreign (Chinese) nationality holding 10% of shares and one business entity which holds majority shares (89%) which is potentially a foreign (Chinese) company.	No No substantive links as/to PEPs identified.
Rahmid Engineeri	DMMU	16,700,000.00 ⁸	Supply of 3 ply	Construction of	22 May 2008		Active	Local company	Yes No substantive links as/to PEPs identified

⁸ Two contracts awarded worth ZMW8,700,000.00 and ZMW8,000,000.00 with DMMU respectively.

ng Limited			surgical masks and KN95 face masks	other civil engineering projects	Physical address located in Kitwe Zambia	Company was not compliant with filing annual return ⁹ , last annual return was made on 13 August 2018	limited by shares			The company has two individual shareholders of Zambian nationality, who are also disclosed to be the beneficial owners. Shareholding is split as 66% and 33%.
120080072781										
Suwilo General Dealers	DMMU	20,250,000.00	Supply of KN95 face masks	Non-specialised wholesale trade	22 August 2019	Active Company was not compliant with filing annual return ⁹ , last annual return	Local company limited by shares	Compliant Yes	No substantive links to/as PEPs identified,	
120190006576					Physical address located in Ndola, Zambia					The company has two individual Zambian shareholders each holding 50% of

⁹ PACRA notes that an annual return is a yearly statement that provides essential information about a company's status. It also gives a record of the nature of the company's business, the location of its premises, directors, secretary, and members etc.

						s were made on 24 February 2021	shares who are also disclosed to be the beneficial owners.		
King Long Motors Zambia Limited	Ministry of Health (MoH)	162,500,000.00 ¹⁰	Coverall suits, 3 ply disposable surgical face masks, N95 face masks	Freight transport by road; construction of buildings & Other retail sale	30 December 2008	Active Company was not compliant with filing annual returns, last annual returns were made on 9 September 2021	Local company limited by shares The company has three individual shareholders; one individual shareholder is of foreign origin and obtained Zambian citizenship holding majority shares of 86.6% and the other two are foreign (Chinese) nationals	No	No substantive links to PEPs identified. However, the majority shareholder has seemingly considerable political influence. https://www.facebook.com/story.php?story_fbid=2272627479533891&id=520665064730150&__entstream_source=permalink Also notably, all the shareholders (majority and minority) are also the shareholders for Higer Bus Zambia, with similar share apportionment in terms of percentage, which also received a COVID contract with MoH.
120080076565	Ministry of Youth and Sport (MoY&S)	180,233,603.00 ¹¹	Mechanical horses and Fuel tankers						

¹⁰ Two contracts awarded worth ZMW97,500,000.00 and ZMW65,000,00.00 respectively

¹¹ Three contracts worth ZMW84,227,203.00, ZMW40,000,000.00 and ZMW56,006,400.00 respectively

							holding 6.6% of shares respectively		
Higer Bus Zambia	MoH	126,000,000.00	KN-95 Face masks and 3 ply disposable face masks	Freight transport by road & other retail sale	23 March 2012	Active Company was not compliant with filing annual returns, last annual returns were made on 9 September 2021	Local company limited by shares The company has three individual shareholders; one individual shareholder is of foreign origin who obtained Zambian citizenship holding majority shares of 90% and the other two are foreign (Chinese) nationals holding 5% of shares each.	No	No substantive links to PEPs identified. However, the majority shareholder is a politically influential person. http://www.xinhuanet.com/english/2021-01/17/c_139674813.htm https://www.facebook.com/story.php?story_fbid=2272627479533891&id=520665064730150&__entstream_source=permalink Also notably, all the shareholders (majority and minority) are also the shareholders for King long Motors Zambia, with similar share apportionment in terms of percentage; which also received a MoH COVID contract.
120120100622									

Wonderful Industry Zambia Company Limited	MoH	52,500,000.00 ¹²	3 ply disposable surgical face masks	(Other) manufacturing and other retail sales	14 October 2012	Active	Local company limited by shares	Yes	The shareholders who are also listed as beneficial owners have links to PEPs and have been embroiled in scandals pertaining to a company that both the major individual shareholders also own, that is, Marcopolo Tiles Company Limited.
120120096318					Physical address located in Lusaka Zambia	Compliant with filing annual return made on 12 January 2022	The company has three individual shareholders of foreign nationality holding shares of 31%, 21% and 0.2%. The other two shareholders disclosed are business entities, namely National Pension Scheme Authority (35%) and Workers Compensation Fund Control (13%)		https://web.facebook.com/Diggers.News/posts/idc-napsa-workers-compensation-fund-pay-chinese-investors-448m-to-buy-49-shares-/1332927017083819/?rdc=1&rdcr https://diggers.news/local/2021/08/09/revealed-how-chinese-investors-paid-kickbacks-in-the-share-purchase-transaction-for-marcopolo-tiles/ https://zambiadispatch.com/news/how-thieves-are-rebranding-and-doing-business-with-upnd/

¹² Two contracts worth ZMW12,500,000.00 and ZMW40,000,000.00 respectively.

							Two of the individual shareholders are disclosed as the beneficial owners.		
Falcon Industries Limited 120170003884	MoH	55,000,000.00	3 ply disposable surgical masks and KN 95 face masks	Manufacture of furniture and other retail sales	18 May 2017 Physical address located in Lusaka Zambia	Active Compliant with filing annual return; made on 13 August 2022	Local company limited by shares The company has two individual shareholders of foreign (Tanzanian) nationality each holding 50% of shares.	No	No substantive links to/as PEPs identified
Emerald International Limited 120180006363	MoH	US\$250,000.00 US\$2,155,200.00	N 95 respiratory face masks and PCR test kits and humidifiers	Non-specialised wholesale trade	1 August 2018 Physical address located in Lusaka Zambia	Active Company was not compliant with filing annual return	Local Company limited by shares The company has two individual shareholders; the	No	No substantive links to/as PEPs identified

							s; last annual return s were made up to 31 August 2019	majority shareholder is of foreign nationality (British Indian) holding 99% of shares and the other is Zambian holding 1% of shares	
Ambrose Contractors	MoH	Surgical gowns	1,517,200.00	Construction of buildings, freight transport and other retail sales	27 July 2012	Active	Local Company limited by shares	No	No substantive links to/as PEPs identified
120120103961	Ministry of Youth and Sport (MoY&S)	Allocated one mechanical horses and fuel tankers (as a beneficiary albeit not on initial beneficiary list)					Physical address located in Kitwe with a registered office in Zambia		
Kapesika Energy & Petroleum	MoY&S		Signed an MoU for the	Manufacture of gas;	5 January 2018	Active	Local Company limited by	No	The majority shareholder is associated to PEP. The respective majority shareholder is the nephew of a former prominent Member of Parliament and former Presidential Aide. The PEP held these positions when the contract was awarded.

m Limited		Management of fuel trucks under COVID empowerment funds programme	Distribution of gaseous fuels	Physical address located in Lusaka Zambia	Annual return filing made on 24 May 2022	Local Company limited shares The company has two individual shareholders; an individual shareholder who is a Zambian with 99% of shares and 1% of shares being held by the company		https://zambiatelegraph.com/news/freedom-sikazwe-cries-foul-vehemently-denies-links-to-petroleum-firm/
120180000126								
Mount Meru Petroleum Zambia Limited	MoY&S	Management of fuel trucks under the COVID empowerment funds programme	Freight transport by road	12 April 2007 Physical address located in Lusaka Zambia	Active Compliance with annual return filing made on 26 May 2022	Local Company limited shares The company has two individual shareholders of foreign nationality; Indian and Tanzanian both holding 10% shares respectively. The majority	No	No substantive links to/as PEPs identified/found
120070066258								

shareholde
r is a
foreign
business
entity
holding
80% of
shares.

Highlights of Integrity Assessment

The assessment reveals a number issues and concerns:

1. Ministries seemingly did not conduct due diligence of suppliers with regards to annual returns compliance. The above assessment shows that of the 14 companies, nine (63%) were not compliant at the time the assessment was conducted; out of which four (29%) were not compliant with annual returns prior to them being contracted during the pandemic, as the last annual returns based on the information extracted from PACRA pre-dated 2020 when the COVID pandemic hit. Ideally, the four companies that were non-compliant during the period of the COVID-19 procurement should not have qualified for public procurement if Ministries had conducted a preliminary screening and due diligence.
2. There are cases where there were incongruities between what the business supplied and the nature of business registered by the supplier. This similarly was highlighted in the OAG COVID report 2021. The Ministries do state that this discrepancy was necessitated due the unprecedented increase in demand for materials and products such as facemasks, which implied that the typical suppliers of such products ran out of their usual stock and or could not readily procure the urgently required products. Notwithstanding, this explanation from the Ministries does not justify failure to conduct basic due diligence before award of the contracts.
3. Of the 14 assessed suppliers, 11 (79%) had not disclosed beneficial ownership information despite the amendments to the Companies Act in 2017 and 2020 that require disclosure of beneficial owners to PACRA. It is however worth noting that, PACRA has in place a grace period for all registered businesses in the country to submit information on the beneficial owners.
4. Of the 14 assessed businesses, 6 (43%) business' shareholders had identifiable links to or close association with PEPs, as identified through a web search of the shareholders. For instance, these links include a business shareholder being a relation to the former Presidential Affairs Minister and former Member of Parliament. While another business shareholder's spouse was identified as a close colleague (friend) of the former President. Also markedly, two separate registered businesses were awarded tenders of ZMW162.5 million and ZMW126 million respectively; these businesses had the same legal owners (shareholders). Further, two (2) of the business' shareholders also had ownership links to and association with other companies notable for alleged business impropriety. For examples, shareholders of a company that were awarded a public contract worth ZMW52.5 million, allegedly paid kickbacks to public officials in the purchase of minority shares in another company. This raises concerns and red flags on the integrity and objectivity of the procurement and tendering processes during the pandemic as it is unclear whether political influence was at play and conflicts of interest declared.
5. Of the 14 screened companies, over half of the (8) have majority shareholding by foreign nationals or companies. Whilst not necessarily a red flag, the finding is useful in indicating the beneficiaries of public funds through public procurement.

Recommendations

1. Government Ministries and Agencies should enhance due diligence screening and processes during procurement tendering and awarding. Given that companies that successfully bid for public contracts benefit from public funds, these companies should at a minimum be compliant with annual returns. Ministries and Agencies should cross check suppliers against the information businesses report to PACRA and is available, including nature of business and annual returns to ensure suitability and compliance of the supplier.
2. Further, government should integrate company registration information on the PACRA portal with the electronic procurement system, the e-Government Procurement (e-GP) system to further facilitate screening and due diligence of suppliers' vis a vis compliance and ownership information.
3. Related to the above, public procuring entities should also incorporate supplier integrity screening of beneficial ownership information and shareholder information to links with PEPs, PIPs as well as owners linked to business impropriety, illegal or criminal activity. This would help to mitigate and manage conflict of interest and political influence in public procurement.
4. Further, all businesses that endeavour to participate in public procurement should be required to disclose up-to-date beneficial ownership data for the purposes of integrity screening by public procuring entities. This would help in identifying persons ultimately benefits from public funds as well as curb tax evasion, illicit financial flows and shady deals through public procurement. Further, since unidentifiable owners raise suspicion; enhanced transparency of public procurement including of contracts, suppliers and ultimate beneficiaries of those public contracts can deter profiteering especially during pandemics and or emergencies.
5. Timely and fastidious third-party monitoring by civil society can help in enhancing transparency and integrity of both public and private entities in adhering to public procurement tenets and ethics particularly in emergencies and or pandemics such as COVID 19.



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