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Zambian terminates \$210 million ZTE contract over corruption allegations

o Michael Malakata
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The Zambian government has terminated a US\$210 million closed circuit television camera contract with China's ZTE in the wake of allegations of corruption, underscoring the growing controversy surrounding the awarding of ICT contracts to Chinese firms in Africa.

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The Zambian government has terminated a US\$210 million closed circuit television camera contract with China's ZTE in the wake of allegations of corruption, underscoring the growing controversy surrounding the awarding of ICT contracts to Chinese firms in Africa.

The contract was awarded earlier this year by senior Zambian government officials under a direct agreement, without an open tender procedure, raising suspicions of corruption. Critics of the project say costs may have been inflated.

The CCTV camera project was initiated by the Ministry of Home Affairs. It was supposed to assist with crime prevention, traffic management and general monitoring on the streets of the capital, Lusaka.

Minister of Home Affairs Edgar Lungu said the contract termination follows mounting allegations of non-compliance to standard regulations in the manner in which it was awarded. The minister said he has also reported the matter to the country's Anti-Corruption Commission, the auditor general and the Ministry of Justice for further investigations.

According to a government source, if the tender had not been cancelled, Zambia could have lost \$100 million because the cost of the project was exaggerated.

"Following failure to comply with the procurement regulations, requirements and processes, government has decided to terminate the contract. The manner in which the contract was awarded to ZTE be referred to the Anti-Corruption Commission for investigations," Lungu said.

The Zambian chapter of a network of African lawmakers opposed to corruption, the African Parliamentarian Network Against Corruption (APNAC), has called on the Zambian government to take action.

APNAC Chairman Cornelius Mweetwa said, "the amount of money involved in the project smelled of corruption and cannot go unnoticed."

The termination of the contract once again puts pressure on ZTE and other Chinese telecom companies to show they can participate in telecom and networking bids in the region without resorting to bribes, industry insiders say.

The Chinese government has been funding several telecom projects in Africa through loans whose conditions are that supply and installation contracts are given to Chinese companies. However, there have been several complaints of corruption practices by Chinese telecom companies in Africa.

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The Chinese companies have denied the allegations. But in June last year, ZTE and Huawei Technologies were convicted on corruption charges and a two-year ban imposed on the two companies in Algeria on charges related to tenders for state telecom contracts, specifically for bribing executives at a state-owned telecom network, Algérie Télécom, between 2003 and 2006. In addition to a two-year ban on participating in telecom bidding in the country, the two companies were fined \$30,000 each.

In 2011, ZTE was investigated in Nigeria by a joint committee of the police, public procurement, debt management and IT officials over a \$470 million contract for the National Communication Security System. The investigations centered on whether the ZTE contract conformed to guidelines to government contracts. The outcome of the investigation was never made public.

The Ugandan government also blocked a \$74 million loan in 2011 from the Import and Export Bank of China (EXIM) that was meant for a digital migration project. The government made the move in order to check on alleged procurement flaws and overpricing by Huawei. Separately, controversy arose in the country over a tender to lay fiber-optic cable for a national transmission backbone infrastructure project. The national backbone and e-governance infrastructure was a \$106 million project, funded by a loan from EXIM Bank of China. The project was halted over controversy involving allegations of inflated cost and the use of incorrect cabling.

In Kenya, opposition lawmakers accused the government in 2011 of flouting tender procedures when it awarded Pan African Network Group of China a tender for the country's digital TV signal distribution.

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