



Powering The Nation

Press Statement – For Immediate Publication

ZESCO WINS USD4.9 MILLION CASE AND PROTECTS K3 MILLION IN EMPLOYEE CLAIMS

Lusaka, 17 December 2024 – ZESCO Limited announces two significant legal victories that demonstrate the Corporation’s commitment to protecting public resources and ensuring accountability in all our operations. These judgments highlight the strength of ZESCO’s legal processes and the corporation’s focus on fair and transparent practices.

USD4.9 Million Recovered in Contract Dispute

ZESCO has been awarded over USD4.9 million, plus interest and legal costs, by the Court of Appeal in a case involving a contractor (Liaoning EFACEC Electrical Equipment Co JV China National Electrical Design and Research Institute) and their guarantor (Golden Lotus Insurance Company Limited). The dispute arose from a 2018 project for the construction of the Avondale 132/33/11kV substation and switching stations, funded by the World Bank.

When the contractor failed to meet its obligations under the contract, ZESCO demanded payment under a performance bond issued by the guarantor. Both parties disputed the demand, claiming ZESCO had not followed the bond’s terms and that the contractor could not deliver because of delays caused by ZESCO.

The Court of Appeal dismissed these claims, confirming that ZESCO had followed the required process and acted within the terms of the performance bond. As a result, ZESCO was awarded USD4.9 million, which will be used to support the corporation’s operations and reduce the financial impact of the contractor’s breach.

This case serves as a reminder of the importance of performance bonds in holding contractors accountable and protecting projects from financial losses.

K3 Million Saved in Redundancy Case

In another court case, ZESCO successfully defended itself against claims from five former employees who had voluntarily left the company in 2013. The employees had already received redundancy packages but later demanded additional payments, including three months’ notice pay and continued salaries until their benefits were fully paid.

The Court of Appeal ruled that the employees were entitled to three months’ notice pay because the redundancy conditions used at the time were not applicable to their cases. However, the court rejected their claim for continued salaries, clarifying that payroll retention only applies if an employer cannot pay benefits at the time of redundancy—not for disputes that arise later.

This judgment saved ZESCO over K3 million in salaries and costs that could have been paid unnecessarily since 2013 to date. It also highlighted the importance of clear and fair redundancy processes and provided guidelines for handling such cases in the future.

Protecting Public Resources

These court victories reflect ZESCO's dedication to prudent management of resources and our resolve to uphold transparency and fairness in all operations. We remain committed to ensuring that public funds are protected, contracts are enforced, and employees' rights are respected within the framework of the law.

We commend our Legal Department for their hard work and professionalism in securing these outcomes, which strengthen ZESCO's ability to deliver reliable energy services to the nation.

Issued By
ZESCO Limited



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NOTE TO EDITOR:

A **performance bond** is a type of financial guarantee issued by a bank or insurance company on behalf of a contractor to ensure that the contractor fulfills their obligations under a contract. If the contractor fails to complete the project or meet the terms of the agreement, the client (in this case, ZESCO) can claim the bond to recover financial losses or costs incurred.

Performance bonds are commonly used in construction and infrastructure projects to provide the client with financial protection and assurance that the contractor will deliver the project as agreed. If the contractor defaults, the guarantor (the entity issuing the bond) is required to compensate the client up to the bond's specified amount.

The bond serves as:

1. **A security measure** to protect against poor performance or non-completion of a project.
2. **A risk management tool** ensuring that contractors are held accountable for their commitments.

It's essentially a safeguard for the client, ensuring that funds are available to address any breaches or failures by the contractor.