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Competence, Integrity and Virtue
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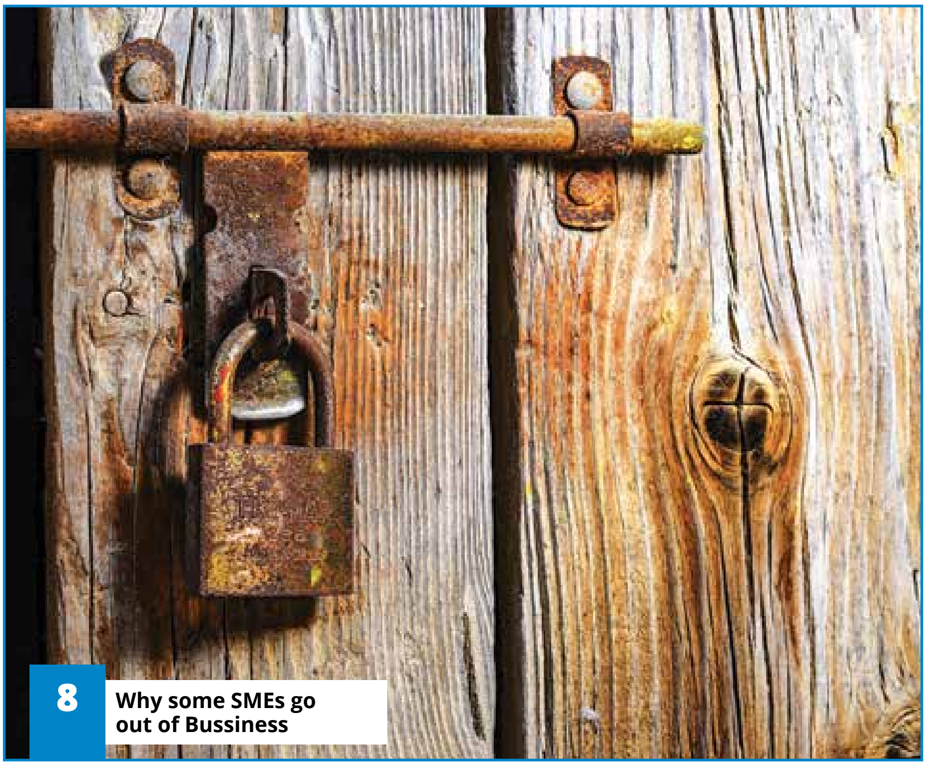

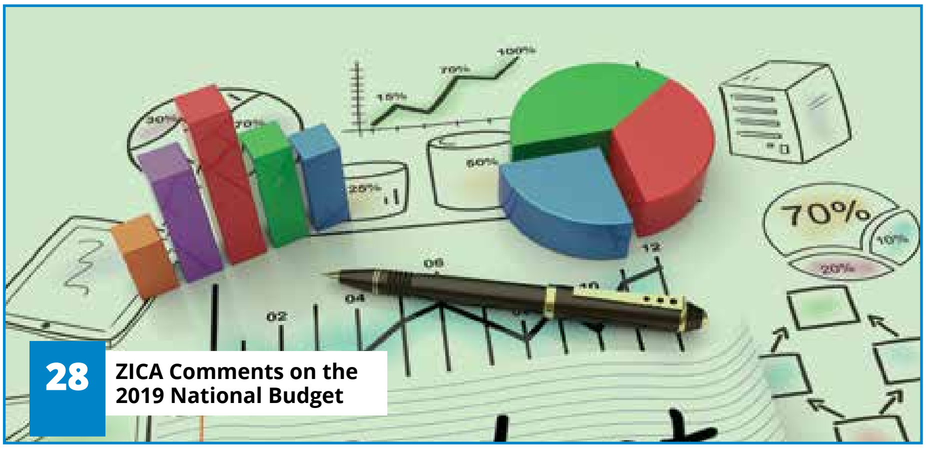

Bye bye Gallant Men HMK & CAC! Welcome BK

It is a great pleasure once again as we end the year 2018 to present this message to you fellow Accountants. To begin with, I would like to thank you all for the marvellous support you have rendered to the Institute throughout the year. Without your support, it would not have been easy for us to record success on a number of our desired goals in the year.

Dear Colleagues, at the last Annual General Meeting in Livingstone, I announced that the Chief Executive Officer, Mr. Hapenga M. Kabeta (HMK), had decided not to renew his contract with the Institute which was coming to an end on 31st December 2018. I would also like to announce that the Director of Standards and Regulation, Mr. Chansa A. Chiteba (CAC), coincidentally also decided to separate with the Institute effective 31st December 2018.

Jason S. Kazilimani Jr
PRESIDENT

We salute the two gallant men for diligently serving the Accountancy profession in the country.

Mr. Kabeta's commitment, dedication and work helped to transform the Institute into a highly respected professional accountancy body and a respected brand, both locally and internationally. In his ten (10) years of service as Secretary and Chief Executive, the Institute experienced a number of changes and improvements in its operations. He was a great driver of the Institute by making sure that public interest was protected, ethical behaviour and good corporate culture were upheld in line with the Accountants Act of 2008.

Prior to Mr. Kabeta's tenure of office at ZICA, the Institute had a small number of registered accountants or members. If I could remember accurately, we had about 1,000 registered members just before Mr. Kabeta joined the Institute, but now at the time of his departure, the number is just over 6,500 registered members and over 9,000 student members. The Institute can now boast of having more than 1,100 members attending the AGM compared to about 200 members before Mr. Kabeta joined the Institute.

Fellow accountants, Mr. Kabeta was instrumental in a number of the Institute's key initiatives and achievements in the last 10 years among them:

- ZICA becoming an Associate member of the Chartered Accountant Worldwide (CAW);
- Establishment of the ZICA Property Fund;
- Procurement of 100-hectare piece of land for the establishment of a Convention Centre in Livingstone;
- Establishment of the Accountants and Practitioners' Forums;
- Chief Finance Officers' Forum;
- Establishment of the Standards and Regulation Board;
- Establishment of the Practice Review Department;
- Launching of the CA Zambia Professional Qualification;
- Diploma in Accountancy;
- Diploma in Public Sector Financial Management Programme;
- Taxation programme
- A monthly member newsletter; and
- The ZICA President's Quarterly Briefings to advise government professionally on national matters, among others.

In the same vein, colleagues, the Institute will always treasure, in the highest esteem, Mr. Chiteba's remarkable contributions to ensuring the safeguarding of the reputation of the Institute in his 9 years of service to the professional accountancy body. He has been significant player in all what the Institute has achieved in the last 9 years. He played a key role in the establishment of the Practice Review department and the Directorate of Standards and Regulation. He was very instrumental in overseeing the establishment of the department's policies and procedures, which resulted in the transition from ACCA reviewers conducting the Institute's reviews to ZICA reviewers. In his tenure as Director of Standards and Regulation, he spearheaded the collaboration and promotion of relationships with other Professional Accountancy Organisations (PAO) in the region and facilitated the training of Practice Review Department staff in Audit Quality Methodologies.

Furthermore, Mr. Chiteba mentored staff in various skills such as leadership, report writing, presentation skills and other soft skills and gave them latitude to work independently with minimal supervision, thereby gaining confidence on the work done. Through his leadership, Mr. Chiteba has been influential in providing submissions to government on matters of national interest, including tax policy, economic development via budget submissions, comments on tax amendment bills and position papers on various national policies and other topical issues. Mr. Chiteba was not only a mentor and a manager, but he was a leader open to diverse views/opposing views, thereby making the working environment conducive and he encouraged the staff to think outside the box. He commended good work and criticised poor performance by insisting on workable solutions. At the time of his separation, he had become a committee member of the African Forum for Independent Regulators (AFFIR).

Last but not the least, let me take this opportunity to welcome the new Chief Executive Officer, Mr. Bonna Kashinga (BK), who was appointed and took up his role effective 1st November 2018. I am personally happy that Mr. Kashinga is taking over the reins of the Institute at a time of its consistent growth. I find him to be a dynamic professional who is an "out of the box" finance professional with over 17 years of work experience. He brings to the Institute value added experience earned from the Public Practice, the Banking Sector and Real Estate business having worked for Deloitte, Bank of Zambia, Stanbic Bank Zambia Limited and Quantum Home Loans Limited, a subsidiary of FQM, in senior management roles. Prior to this appointment, he was a Partner, Director and Company Secretary at Urban Africa Real Estate Group Limited.

Mr. Kashinga is a holder of a Master in Public Administration degree from Harvard University and an Edward S. Mason Fellow in Public Policy & Management from Harvard University. He also holds a Master of Science degree in Development Finance from University of Manchester, a Bachelors degree (Honours) in Accounting & Finance and a Diploma in Professional Accounting both from Athlon Institute of Technology, Ireland.

On behalf of Council, Management and Staff we thank Mr. Kabeta and Mr. Chansa for their dedication, commitment and hard work to the Institute, we wish them the very best in their future endeavours. In looking to the future, I would like to assure the new CEO that Council will provide the necessary support to make sure that he succeeds in his role. We also appeal to all ZICA members and key stakeholders to give the maximum support and cooperation to Mr. Kashinga.

Sales Tax system and the VAT System

For any human being, corporate entity or government of a country to spend its scarce financial resources prudently, it needs a strong budgetary system in place. Budgeting is cardinal as it helps prioritise where the scarce financial resources will be spent on. A proper budget helps one to focus his/her human and financial resources to the areas that are most important to his/her mission.

In this edition, we carry an article - an analysis of Zambia's 2019 national budget, which the Minister of Finance, Honourable Margaret Mwanakatwe, MP, presented to Parliament in September 2018. The Budget was presented against the backdrop of growing concerns about sustainability of the country's debt and negative sentiments about the possibility of the country falling into high risk of debt distress.

Hapenga M. Kabeta
ZICA CEO

One of the key highlights of the 2019 national budget was the proposal to abolish the Value Added Tax (VAT) system and replace it with the Sales Tax System. The measure came as a surprise to many economic players as such a huge fiscal shift required wide consultations and adequate preparation for both the taxpayer and tax administrators alike. The rationale behind this measure was to enhance domestic revenue mobilisation, improve contribution to the treasury and minimise revenue leakages. The VAT system is an indirect tax, which was introduced in Zambia on 1st July 1995 to replace sales tax. It is a consumption-based tax that is levied in the supply chain at each point where value is added to a good or service. VAT is borne by the final consumer of goods and services, which are not registered for VAT purposes. Businesses registered for VAT are allowed to claim back the VAT incurred in the course of their business and remit the VAT collected from their sales. The VAT remitted to ZRA is basically the difference between the VAT on sales and VAT incurred on purchases and other qualifying expenditure. There are three categories of Taxable Supplies under the Zambian VAT system namely the standard rates at 16%, Zero rated at 0% and the exempt supplies which do not attract any VAT at all. Further, VAT is charged on import of applicable taxable items while export of goods is charged at zero percent subject to satisfying some conditions such as goods being sold directly to a buyer abroad and having proof of exportation documentation.

Like VAT, sales tax is a consumption tax imposed by the government on the sale of goods and services levied at the point of purchase from the consumer. Unlike VAT, which is deductible by the seller of goods and services, sales tax is non-refundable. It is an example of an *ad valorem* tax, that is based on the price of the item sold.

We realise that there is a problem in the administration and collection of taxes under the VAT system that needs to be addressed. We are of the view that the fact that VAT had some administrative burden was bad. It is like throwing "the baby out with dirty water", which is avoidable. Specifically, the huge VAT refund accruing to the mines and the maladministration of the system have been the key contributing factors. Further, we know that the VAT system is fraught with low compliance levels.

However, the question is whether the proposed sales tax system is the right remedy to the perceived revenue leakage.

Currently, there is lack of information about how it will be implemented, and at what rate, thus leading to investor anxiety and uncertainty in the planning, budgeting and forecasting processes of corporates. There are fears that most businesses, especially the mines may react by scaling down their operations. There is therefore need to engage the mines and other key economic actors to work out implementation modalities of Sales Tax.

We are concerned that the Budget speech gave very limited information on the details of the proposed sales tax system. It also appears that the framework for sales tax system has not been developed as the revenue estimates of K14.86 billion in the 2019 budget are based on the VAT system. Our concerns are based on past experience where government has made major tax changes without putting systems and procedures in place. This has a tendency of putting the tax administration in disarray. A typical example is the failure in VAT withholding system.

We also note that migration to the sales tax system will be upon completion of VAT audits for all outstanding VAT refund claims and enforcement of the outstanding VAT assessments. This brings into question whether the ZRA has the required capacity and resources to carry out VAT deregistration inspections for all suppliers between now and the effective date of the Sales Tax System. We doubt the preparedness by both ZRA and taxpayers to migrate to the sales tax system in six (6) months.

In our view, abolishing the VAT system without a proper system to administer the proposed Sales Tax regime, coupled with adequate information for all stakeholders, may not be appropriate. However, the Minister should instead have addressed the causes of underperformance and review the various provisions in the VAT exemption order. The move to Sales Tax is anticlockwise given that most jurisdictions globally are on the VAT system and many others are considering migrating to it due to its various benefits. According to the Organisation for Economic Co-operation and Development (OECD), 166 countries in the World operated VAT as at 2016. Closer home, other jurisdictions have migrated to VAT system such as Tanzania (2015), Egypt (2016), and India (2017), which is not part of the 166 reported in 2016.

As Parliament approves the sales tax regime, it may be desirable to put in place a flat rate with necessary exemptions for strategic industries, and the rate must be reasonably low. As the country braces itself for the introduction of sales tax, it is important to take stock of how the system will be implemented with minimal disruption to business and the economy in general. Currently, there is lack of information and certainty leading to investor anxiety, uncertainty in corporate planning and loss of investor confidence in the financial markets. It is expected that most businesses, especially the mines, will react by doing the barest minimum and opt to put their operations on "care and maintenance". The lack of certainty in the Sales Tax system negates the fundamental principle of a good tax system. It is our considered view that in the absence of consultation and thorough research, the proposed system must not have been rushed but instead the Minister must carefully study the rates to be applied, the period of transition and the framework for the sales tax system. It is also important to ensure that there is a support structure and system in place before the system is introduced. ■

Spotlight on Ethics: Accountability for Auditors

Current levels of fraud and corruption in South Africa have resulted in calls for greater transparency and accountability by businesses. Transparency reporting is an opportunity for audit firms to demonstrate their commitment to audit quality.

By Ciara Craul Reintjes

TRANSPARENCY reports issued by audit firms to assist stakeholders in understanding how the systems of the firm are functioning can be likened to medical reports.

THE HISTORY OF TRANSPARENCY REPORTING

The production of a transparency report is mandatory for certain audit firms in the European Union (since 2006), Australia and New Zealand (since 2013), the United Kingdom (since 2008) and Japan (since 2008), among others. The requirement typically applies to those firms that audit public interest entities (PIEs).

Transparency reports are also issued, on a voluntary basis, in some other regions, including here in South Africa.

THE PURPOSE OF TRANSPARENCY REPORTS

The world is awash with an interest in transparency and accountability. This, some say, is triggered by the ailing political and business environments in some countries. With the pervasive disease of fraud and corruption in South Africa, there is a corresponding move toward greater transparency and accountability by businesses. Businesses, including audit firms, are keener than ever to show a healthy scorecard, that they are free of illness, and have healed any injuries.

Transparency reporting is an opportunity for audit firms to reflect on their audit quality (their fitness level) and report on the processes to achieve audit quality (health). With current exceptionally high levels of public scrutiny of audit firms in South Africa, voluntarily preparing transparency reports can indicate to the public the introspection and diagnosis that the firm has undergone in order to improve on its wellness.

Additionally, with mandatory audit firm rotation and audit tenure disclosure requirements now in place, an increase in audit tendering is expected. Audit committees will now be faced with making a selection of an audit firm on a more regular basis. There is a danger that in procurement processes, audit committees focus on price to the exclusion of quality. Transparency reports can play an important role in preventing the commoditization of the audit by encouraging audit committees to look at and compare more than just prices of the tendering firms. With transparency reports in place, the audit committee will be able to compare practices of competing firms, assessing the state of the various organs within the firm's systems, and thereby determining the fitness of the firm to perform a high quality audit engagement.

KEY ELEMENTS OF TRANSPARENCY REPORTS

Transparency reports contain information on the systems of the firm, such as the firm's:

- Legal and governance structure
- Shareholding
- Measures to foster audit quality, and quality monitoring and remedial systems
- Network structures
- Financial information, for example revenue from assurance and nonassurance services
- Continuing professional education policy
- Basis for remuneration of the firm's partners or the company's directors
- Policy concerning the rotation of key audit partners and staff
- Independence practices
- External review results
- The PIEs for which the firm has carried out statutory audits during the preceding financial year, and
- The firm's internal indicators of audit quality

The IRBA is currently undertaking a separate project on the firm's internal audit quality indicators (AQIs). AQIs are qualitative or quantitative thermometers, or measures, of audit quality (for example measures such as the extent of training undertaken per person in the assurance practice, and internal or external investigation results) which allow a stakeholder to assess and compare these indicators year-on-year and across firms. In the United Kingdom, six of the largest audit firms voluntarily disclose AQIs.

REQUIREMENTS FOR SOUTH AFRICA

Transparency reporting is currently voluntary in South Africa. Where transparency reports are prepared, it is usually by firms that audit European Union PIEs. Where reports have not been prepared, this may be as the relevant information is incorporated into the global firm's report.

ISQC 1 BEING REVISED

The International Auditing and Assurance Standards Board's (IAASB) International Standard on Quality Control (ISQC) 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, issued in 2009, is undergoing revision. It is anticipated that the revised ISQC 1 will refer to the communicating of information about the firm's system of quality management to parties external to the firm, as appropriate, taking into consideration factors such as the communication requirements set out in law, regulation or professional standards. This may provide the framework for the IRBA to make the publication of transparency reports mandatory. Reports could be required for the public, audit committees, or only for the regulator. The proposed ISQC 1 (Revised) is expected to be issued on exposure during 2018.

SPECIALISTS' OBSERVATIONS

The following high-level observations were made on performing a check-up of the most recent local and international audit transparency reports:

- There appears to be an increased focus on transparency of client acceptance and retention processes.
- Transformation (in the South African context), diversity and inclusiveness are emphasised.
- Tone at the top, values, firm culture and independence practices are accentuated more by some firms than by others.
- A thread of commitment to audit quality, together with the tools and processes to make this sustainable, is found in all the reports.
- One international firm included a list of risks that the firm faces, with activities to manage and monitor the risks. As proposed ISQC 1 (Revised) is to be structured in the format

of quality objectives, quality risks and responses to quality risks identified for each component of the system of quality management, this may be a model upon which to base the format of the transparency report.

- An extended commentary was provided by the CEO and assurance leader of a local firm, expanding on the firm's response to the South African environment. Of interest here is that the firm explicitly disclosed its process to identify high risk entities that have been affected by the South African state and business capture situation, and its response about doing business with any of these entities.

The specialist suggests that there could be more on:

- Root cause analysis on internal and external review findings
- AQIs – these are disclosed in the UK (LLP) transparency reports, but not in the South African ones
- Technology and its impact on audit
- Non-audit services
- Reporting on performance against key performance indicators for assessing the effectiveness of quality control processes
- Incentives and remuneration in relation to KPIs

CONCLUSION

While transparency reporting is still voluntary in South Africa, in other jurisdictions it is mandatory for certain audit firms. As such, voluntarily preparing transparency reports could indicate to the public the introspection and diagnosis the firm has undergone to improve its systems. Until such time as transparency reporting becomes mandatory in South Africa, audit firms are strongly encouraged to prepare these reports.

AUTHOR

Ciara Craul Reintjes CA(SA), RA, Senior Professional Manager: Standards, Independent Regulatory Board for Auditors (IRBA)

SOURCES

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- International Organization of Securities Commissions (IOSCO), Transparency of Firms that Audit Public Companies Final Report, 2015.

ASA Magazine, August 2018

IFAC names new President, Dr. In-Ki Joo of The Republic of Korea

New Deputy President, Board Members and Member Organization also confirmed

IFAC (the International Federation of Accountants), the voice of the global accountancy profession, announced the election of Dr. In-Ki Joo of the Republic of Korea as its President. Dr. Joo will serve a two-year term through November 2020, serving previously as IFAC Deputy President since November 2016.

A leading academic voice in accountancy, Dr. Joo is a Professor, Emeritus, of Accounting at the Yonsei University School of Business. He previously served as the Dean of the University College and the Dean of Academic Affairs at Yonsei University.

Dr. Joo's commitment to serving and representing the profession is evident in his varied and deep leadership roles, including on the Board of LG Electronics and for the Korean Institute of Certified Public Accountants. Throughout his career, Dr. Joo has additionally served in top leadership positions at the Confederation of Asian and Pacific Accountants, the Korean Accounting Association, the Korean Academic Society of Business Administration, and the Korean Academy of Business Ethics.

"I believe strongly in the potential of the profession to support the growth and stability of organizations, financial markets, and global economic progress," said Dr. Joo. "I am honored and energized to lead IFAC during this time of great change and opportunity for our profession. In particular, I look forward to focusing on a future ready profession which harnesses the strength of its education platforms and commitment to ethics."

IFAC also announced the election of Alan Johnson as Deputy President. Mr. Johnson's more than three decades in the public and private sector of the profession includes a recent appointment as Non-executive Director and Chair of the Audit and Risk Committee at the Department for International Development (DFID) in the UK.

Previously, Mr. Johnson was CFO of Unilever's global foods business, responsible for leading the finance functions in over 80 countries. He has also led Unilever's global internal audit function and has worked in seven countries across Europe, Africa, and Latin America.

Mr. Johnson is a former Director of Jerónimo Martins SGPS, S.A., an $18 billion food retailer with operations in Portugal, Poland, and Colombia.

New Board Members Elected

The IFAC Council elected six new members to the IFAC Board, spanning four continents:

- Sheila Fraser of Canada, nominated by Chartered Professional Accountants of Canada (CPA Canada)
- Margrét Pétursdóttir of Iceland, nominated by Nordic Federation of Public Accountants (NRF)
- Christine Ramon of South Africa, nominated by South African Institute of Chartered Accountants (SAICA)
- Jianhua Tang of China, nominated by Chinese Institute of Certified Public Accountants (CICPA)
- Ayse Ariak Tunaboylu of Turkey, nominated by Expert Accountants' Association of Turkey (EAAT)/ Union of Chambers of Certified Public Accountants of Turkey (TURMOB)
- Lisa Padmore of Barbados, nominated by Institute of Chartered Accountants of Barbados (ICAB)

IFAC Admits New Member Organization

IFAC is pleased to admit the Association of Accountants of the Republic of Latvia (AARL) as a new member organization, sponsored by the Latvian Association of Certified Auditors.

Established in 1994 with the objective to certify and improve the professional skills of accountants, the AARL has shown great progress since admission as an IFAC Associate in 2013, particularly in the area of international standards adoption.

About IFAC

IFAC is the global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. IFAC is comprised of more than 175 members and associates in more than 130 countries and jurisdictions, representing almost 3 million accountants in public practice, education, government service, industry, and commerce.

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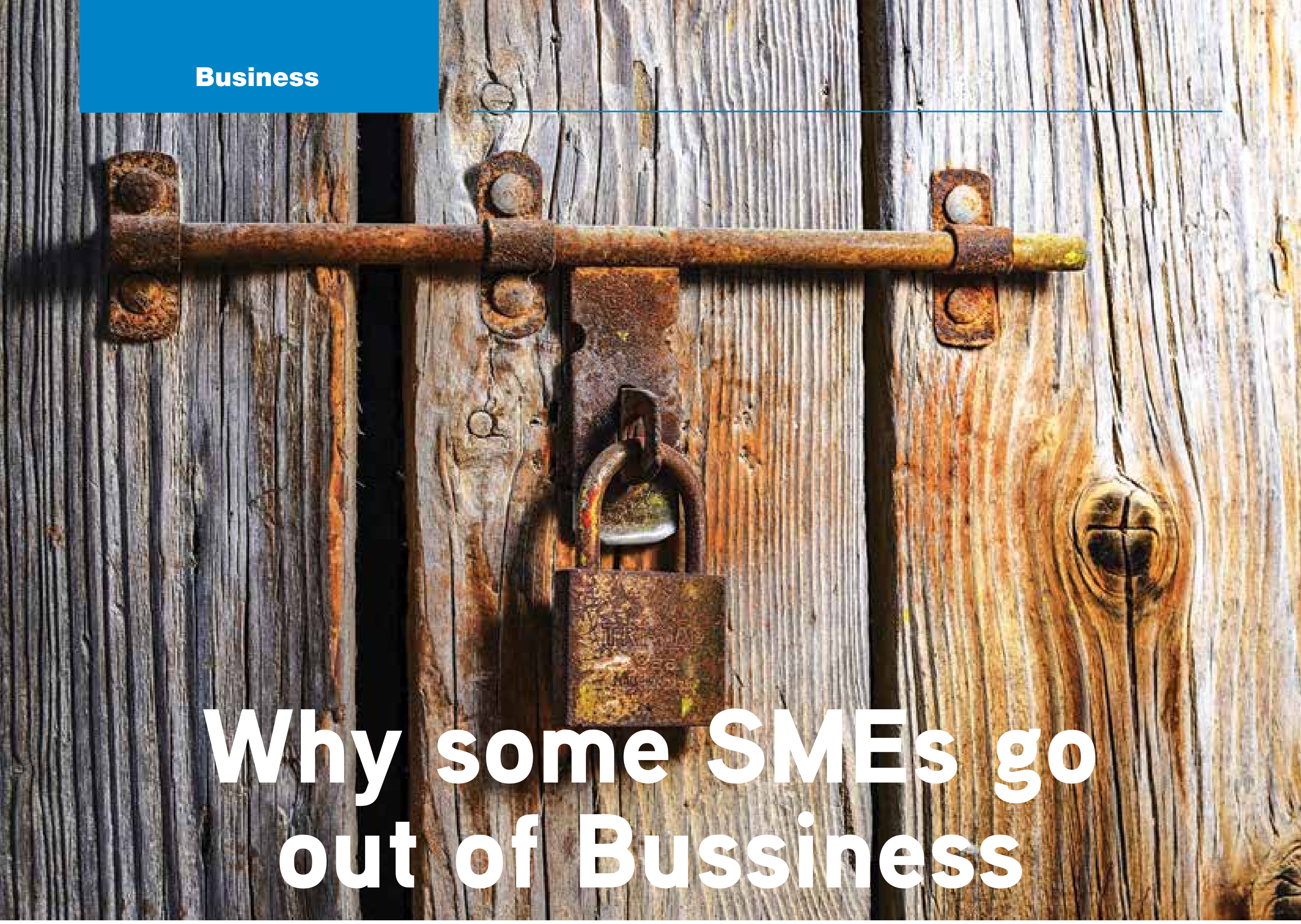

Why some SMEs go out of Bussiness

By Comfort Lucheta, ZICA Lic

THE word business may mean different things to many people, ranging from the act of transacting, that is buying and selling of goods and services, to managing an establishment such as a company.

However, in Zambia today, thousands of people are engaged in all sorts of activities to earn income to sustain their livelihoods.

On the other hand, companies, both local and foreign, have come and gone. Has anyone ever wondered why a company, especially the so-called small and medium enterprises, would close shop?

In this article, we will look at management of a business establishment such as a company or a Small and Medium Enterprise and consider some of the factors responsible for their closure.

Non-preparation of budgets

Most small firms tend not to appreciate the need of budgeting. A budget is simply a plan expressed in monetary terms.

A budget spells out future desired intent and the future is characterised with uncertainty. However, what the budget does is to give some scope and direction into the future.

When actual outcomes are compared with the budgets (desires), the resultant discrepancies give insight into why the desired goals were not achieved and there will be need to take some actions to return to the desired path towards achievement of the desired outcome as they say "you can't correct what you can't measure".

For companies to do this, internally generated information from management, accountants has to be prepared on a timely basis, say monthly or quarterly to show the actuals for comparison with the budgets. One point of emphasis is that these management accounts must not be historical, say management accounts for January 2017 being prepared in June 2017 as this will be meaningless because a lot would have occurred along the way.

Non-Compliance with Laws and Regulations

From observation, both small and large companies, at one point or another, may have violated some laws or regulations that govern their business environment. This is rampant especially with small firms because most of them see no need of hiring employees with the right skills and knowledge, hence a higher probability of the company always finding itself on the other side of the law. The other reason is that small firms will find it costly to invest in their human resource in terms of education, training and development, especially under a stressed business and economic environment.

However, the short and long-term effect of not investing and hiring the right personnel may have an effect on the going concern of the business, which may result from paying penalties and fines for non-compliance. This will definitely affect the cash flow position of the business as funds used to pay fines and penalties could have been used to invest in stocks or acquiring of assets to enhance operation of the company.

It is for this reason that companies that cannot afford to hire specialists on full-time, hire on part-time basis.

Some of the laws that may regulate businesses include:

- Labour laws – these govern employment practices, including management of the human resource.
- Environmental laws – these look at protection and preservation of the environment, nature from business activities or practices. The business community worldwide is promoting a green economy.
- Taxation laws – these have to do with businesses contributing fairs share of their revenues to the State in form of tax.

Taxation

It is important that firms engage qualified accountants with the right skills and knowledge. This is critical when it comes to tax matters. Your business will need to comply with all tax statutes and this is only assured when people who are highly knowledgeable on Zambian tax laws handle tax matters. Recently, the Zambia Revenue Authority gave tax amnesty to taxpayers, both individuals and companies, to settle their pending tax liabilities as well as apply for interest and penalty waivers; kudos to ZRA as this gave some relief to taxpayers in terms of cash flow, which could have been devastating to the business if ZRA had gone ahead to pursue companies to settle their defaults.

We have heard of companies in the past being summoned by ZRA on a number of tax related cases and this in itself is bad for reputation of a business and might lead to a company closing shop because other stakeholders would lose faith and stop dealing with the company.

This is why ZICA emphases that its members uphold Continuous Professional Development (CPD) requirements so that accountants keep abreast with any changes and happenings in the accountancy world.

The following are the different taxes a business is expected to pay, depending on the business form:

- Company tax
- NAPSA
- Workman's Compensation Fund
- Skills Training Levy

The Zambia Revenue Authority has simplified the taxation system. One can submit returns and make payments on the ZRA tax online portal from the comfort zones anytime and anywhere through available and easy devices such as cell phones and computers as long as they have Internet access.

Insurance against loss

Insurance is one form of hedging risk by mitigating any potential loss that the business might suffer from unforeseen events. One good example of loss is goods or assets of the business being destroyed by fire.

One good example is Lusaka City Market, which was gutted; thousands of traders lost goods worth millions of kwacha. Those who had some form of insurance for their goods were able to mitigate the loss by simply claiming from their insurance companies.

In an event that such happens, the going concern of the business would not be affected because the company will claim insurance and be restored to its normal status by replacing the damaged goods and assets. However, unforeseen calamities could be fatal to a business that has not taken out insurance cover and this may lead to a company closing down because it may not have the working capital to revamp operations.

Things that can be insured range from inventory, goods in transit, movable and fixed assets.

Lack of Market Research

Most small medium enterprises do not take time to invest in market research programmes to collect, analyse and interpret data affecting the industry within which they operate when it comes to the buying patterns of customers.

It is very cardinal that a business gets to know the buying patterns of consumers as well as to know who its competitors are and most importantly factors affecting the economy of the country.

Market research will help business to avoid things like buying stocks that people do not want hence tying up capital in goods. It does not mean that if one or two customers buy a particular item from you then you should go ahead and buy hundreds of those items for resale. You must be certain of the goods that customers would buy and ensure that you yourselves will make a profit. This can be achieved by undertaking a market research by simply applying the four principles of market research such as price, promotion, place and product.

Lack on Internal Controls to safeguard assets

Fraud is inherent in most companies and if left unchecked can negatively impact the business. Misappropriation and misuse of company resources and assets by employees for personal benefits rather than for investment purposes of the business can negatively affect a company's operations leading to closure.

Cash is one of the assets prone to fraud. Mainly fraud will be at high levels in companies that do not have proper and strong internal controls in place.

Indicators that show lack of internal controls include:

• Absence of segregation of duties

Where roles, procedures and responsibilities are entrusted to one individual, there would be higher probability of fraud activities. Personally, I have witnessed a case where one employee put in-charge of procurement of fuel for company vehicles, from raising requisitions to payments, had no one to countercheck transparency of his work. This led to that individual abusing the responsibility by putting fuel in his own personal vehicles when that person was not entitled.

• Lack of physical control when accessing assets

Physical control in terms of who should have access to company assets is important as this will protect those assets such as inventory from pilferage by employees. In a situation where pilfering is high, this will have an impact on the going concern of the business as it is likely to lose huge amounts of money.

Poor Management of Debtors

A business that does not manage its debtors well is likely to go out of business due to debt ending up into bad debt. In addition, it will also put pressure on the cash-flow position of the business which will result into the business failing to meet its obligations when they fall due i.e. salaries for workers, tax payments and other contributions to statutory bodies like NAPSA and Workers Compensation Fund.

A business that properly manages its debts will avoid restructuring its capital structure by not rushing to the bank to take out a loan to finance investments as this will increase the financial risk of the business. It can simply finance its investment activities by simply collecting its debts from customers owing.

Selling Substandard Products

It does not pay as a business to sell sub-standard or counterfeit goods to your customers.

The Zambia Bureau of Standards has recently noted with concern lack of adherence to standards by SMEs that may likely lose their market share or fail to penetrate some markets.

It is common sense that a business that fails to grow its market share will not increase its revenue therefore suffer stagnation and eventually go out of business.

So far we have only looked at the financial aspect of managing a business. Let us now look at the non-financial side of things.

High labour turnover

Some management practices result in high labour turnover and this is bad for business as the company might not be able to retain employees with the right skills and knowledge strategic to the business' success. From experience, this is rife especially between the older and younger employees in companies. Older employees (who mostly occupy management positions) might feel insecure about their immediate subordinates. As a result, the younger employees with the potential to grow and become future managers might feel frustrated and leave for other companies that might be their competitors. This may put the business at a disadvantage, for example, an employee in the sales department who had a good relationship with major customers leaving and joining your competitor may mean that he/she will lure customers to your competitor and this may be damaging in terms of lost sales.

Motivation

As a business, it is important that there are proper and clear policies to motivate employees for performance. It is said that a company with highly motivated staff is likely to excel and achieve its objectives and meet the expectations of the stakeholders. Policies to do with performance based rewards must be clear and well communicated to the employees so that they know what is at stake for them and must not be at management's discretions as this may be a breeding ground for nepotism, corruption and in worst cases sexual favours.

Bad Culture

Culture is defined as the way things are done in an organisation. Culture that is adopted within a business has got an impact on the business. One of the bad culture stance that is common in most business is power culture, where some individuals, especially the long serving ones, feel and think they know it all and may not take any advice from new members of staff, especially if the new staff are young and fresh graduates as they may be considered to be inexperienced and not mature enough to make decisions. This culture stance can be detrimental to the business and will not encourage innovation for the business to move with new trends in the business environment. Therefore, the company will always lag behind others. ■

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Africa: Is Economic Integration Passé?

By Henry Kyambalesa

1. INTRODUCTION

Integration of the economies of sovereign states has been one of the leading aspirations of socioeconomic policy since the end of World War II in 1945, such that the period between then and the first 18 years of the 21st century can be appropriately described as having been an era of economic integration. Feld and Jordan (1988) have portrayed this unprecedented proliferation of the integration of national economies in the following words: "The number of IGOs [inter-governmental organisations]...has grown tremendously since World War II."

In the industrialised world, for example, the desire for economic integration is reflected in the formation of such inter-governmental organisations (IGOs) as the European Free Trade Association (EFTA), the North American Free Trade Agreement (NAFTA) bloc of countries, and the European Union (EU), among many others.

In the developing world, an interest in economic integration has been even more widespread; in Latin America, for example, it has given rise to such IGOs as the Andean Common Market (or the Andean Community), the Southern Common Market (or Mercosur), the Organisation of American States, and the South American Community of Nations.

And in Asia, the desire for economic integration has resulted in the creation of the Arab Common Market and the Association of Southeast Asian Nations (ASEAN), while in Africa it is expressed in the formation of economic groupings like the Economic Community of West African States (ECOWAS), the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA), and the nascent African Continental Free Trade Area (AfCFTA).

This article is, thus, devoted to a discussion of the following themes:

a) Conceptual underpinnings relating economic integration among sovereign states;
b) Motivations for seeking membership in (or working hand in hand with other countries in creating) economically integrated blocs;
c) The necessity of economic integration;
d) A comment on Brexit; and

e) A brief assessment of the longevity and enduring necessity of economic integration beyond the current and unprecedented smear on its relevance to any given country's quest for sustained socioeconomic development conjured by the United Kingdom and the United States of America.

2. CONCEPTUAL UNDERPINNINGS

In this section, let us briefly consider the important concepts upon which the integration of national economies worldwide is predicated. Specifically, the following themes are discussed in the section:

a) The various forms and stages of economic integration;
b) The potential effects associated with the integration of national economies;
c) Pre-conditions for viable and beneficial integration of national economies; and
d) The "Theory of the Second Best."

2.1 Forms of Integration

Essentially, the term "economic integration" is used in this article to refer to the formation of an inter-governmental organisation (IGO) by three or more countries to create a larger and more open economy expected to benefit member-countries. Theoretically, the process of economic integration may take any of the following forms, each of which may represent a different stage of integration if member-countries have a desire to pursue the integration of their national economies to its logical conclusion:

1. **Preferential trade arrangements**, which represent the form of loose economic integration whereby participating sovereign states scale down trade barriers to the movement of goods in their trade with each other;
2. A **free trade area**, which basically entails the complete removal of trade barriers among member-countries, while each member-country maintains separate trade policies with nonmembers;
3. A **customs union**, whereby member-countries venture beyond the removal of trade barriers among them and adopt a common external trade policy with all nonmembers;
4. A **common market**, whose nature involves the removal of all barriers to the movement of factors of production (particularly labor and capital) among member-countries in addition to the requirements of a customs union cited above;
5. An **economic union**, which essentially requires member-countries to go beyond the requirements of a common market by unifying the economic institutions of the member-countries, and the coordination of their economic policies;
6. A **monetary union**, whereby the member-countries, in addition to satisfying the requirements of an economic union, adopt a common currency, as well as create and use a common, supranational central bank; and
7. A **political union**, whereby cooperating countries in a monetary union eventually create a regional bloc that is akin to a nation-state or federal government by creating centralized political institutions, including a regional parliament.

The first four stages or forms of integration represent what Gerber (1999:210-211&223-231) has referred to as "**shallow integration**," while the last three represent what he has designated as "**deep integration.**" Essentially, the term "shallow integration" refers to any form or stage of economic integration whose scope is limited to border-related issues—that is, tariffs and non-tariff trade barriers (NTBs).

"Deep integration," on the other hand, goes beyond border-related issues; among other things, it entails harmonization of member-countries' important economic institutions, as well as legal, product-safety, labeling, environmental, and technical standards.

2.2 Effects of Integration

There are generally four potential effects associated with economic integration; they are as follows: (a) static effects; (b) dynamic effects (c) trade deflection; and (d) counterfeit labeling. A brief survey of these four effects constitutes the subject matter of the remainder of this sub-section, the primary sources of which include Appleyard and Field (1995:324-332), Salvatore (1990:288-296) and Gerber (1999:221-222).

1) The Static Effects. Essentially, the "static effects" associated with the process of economic integration emanate from shifts (induced by the integration of any three or more national economies) in the production of certain export products from one member-country to another member-country, or from a nonmember-country to one of the member-countries.

More specifically, static effects can result either in a shift in product origin from a high-cost member-country producer to a low-cost member-country producer, referred to as trade creation, or in a shift in product origin from a low-cost nonmember-country producer to a high-cost member-country producer, referred to as trade diversion.

While the first form of static effects—that is, trade creation—can improve member-countries' welfare (since such a shift would represent a movement in the direction of the free-trade allocation of a country's resources), trade diversion—the second effect—can, according to Appleyard and Field (1995:324), reduce member-countries' welfare because it represents a movement away from the free-trade allocation of resources.

Accordingly, economic integration, as Sunny and others (2001:2) have espoused, can enhance the socioeconomic welfare of people in an integrated region "provided that trade creation exceeds trade diversion." However, countries in an economically integrated region, according to Sunny and others (2001), "must not expect benefits to begin to accrue almost overnight...[because welfare gains] from such experiments are long-term in nature." Note: For graphical and theoretical illustrations of both trade creation and trade diversion, see Kyambalesa and Houngnikpo (2016:3-6).

In addition to the positive welfare effects of trade creation, there are other beneficial static effects of economic integration; they include the following:

(a) Administrative savings, which member-countries may realize from doing away with some of the functions of the customs departments of their national governments.

However, member-countries cannot completely eliminate their customs departments when they become members of an economic bloc as such departments would still be needed to perform the following functions, among others: (i) assessment of customs duties on goods imported from nonmember-countries; (ii) verification of adherence of imported goods to the economic bloc's rules of origin; (iii) keeping track of import and export volumes; and/or for countries which have a value-added system of taxation, (iv) assessment of value-added tax on imports.

(b) An improvement in member-countries' collective terms of trade (TOT), which may occur when member-countries' demand for imports from nonmember-countries plummets in the case of trade-diverting integration due to a reduction in their aggregate welfare. (Note: In the case of trade-creating integration, the improved welfare associated with it can induce greater demand for imports from nonmember-countries and, ceteris paribus, lead to a deterioration of the collective TOT of member-countries.) And

(c) Greater bargaining power, which countries collectively gain by being constituents of a viable economic bloc.

2) The Dynamic Effects. Basically, the "dynamic effects" of economic integration come about as a result of changes in member-countries' economic performance and/or structures occasioned by a country's membership in an inter-governmental organisation (IGO). There several dynamic effects associated with economic integration that are worthwhile for member-countries, one of which pertains to economies of scale and economies of scope.

Economic integration is, among other things, a means of doing away with the disadvantages of small size, and of making possible the attainment of member-countries' desired levels of socio-economic development; it can enable member-countries to exploit both economies of scale and economies of scope, and to capitalize on differences in comparative advantage among member-countries in the production of commodities.

Also, there are important gains from economic integration that are associated with the opportunities for specialisation made possible by the integration of markets; for example, economies of scale may be realized not only from the manufacturing industry, but also from the potential large-scale dispensation of public services and utilities like water and electricity.

For certain public services, there may also be economies to be derived from operation over a wider geographical area. In the case of air and rail transport, for instance, there is a very strong case for operating on a large enough scale to make full use of both specialised abilities and any available machines of large capacity.

Another of the dynamic effects of integration relates to the emergence of competition. The reduction or removal of trade barriers brings about a more competitive market environment and eventually reduces the degree of monopoly power that might have been present prior to the integration of national economies.

The third effect concerns foreign investment. The larger consumer and industrial markets created through the integration of national economies can make it possible for member-countries to attract the foreign investment capital they need for boosting business activity and, among other things, increasing the level of employment.

Other equally important dynamic effects include those that may culminate from the eventual creation of a monetary union and/or an optimum currency area. As some pundits, including Grauwe (1992:67), have observed, a monetary union can facilitate the creation of a larger, more stable financial market since it can, among a host of other things, eliminate exchange-rate variability in an economically integrated region.

Also, the attainment of greater exchange-rate stability and certainty facilitated by a common currency can result in more stable and soundly based economic growth for an integrated region as a whole.

Moreover, it can be reasoned that elimination of currency fluctuations within an economically integrated region can increase trade among member-countries, since such fluctuations inhibit business enterprises from expanding their operations in other member-countries. This seems all too obvious considering the fact that fluctuations in exchange rates can more than wipe out the normal profits from any given business organisation's sales.

Further, it may be assumed that a monetary union can eliminate the need for member-countries that may experience a decline in the aggregate demand for their export products to consider currency devaluations—which are now proved to be both ineffective in correcting a country's economic shocks and more likely to generate high levels of inflation—as a means of making their products competitive in other member-countries.

Besides, economic integration can lead to intra-industry specialisation such that all member-countries produce and sell similar products, making them more alike and eventually reducing the chances of any one member-country becoming a victim of an economic shock.

With respect to the creation of a monetary union—such as the "Euroland," or any other single-currency zone or region as a matter of fact—there are enormous benefits that can accrue to cross-border travelers, buyers and business operators in such an economic bloc.

Apart from creating a larger and readily accessible market for goods and services, the Euroland, for example, is advantageous to cross-border business operators in the region in the following ways, among others:

a) It has greatly facilitated and expedited cross-border transactions in financial assets—such as bonds, shares of stock and treasury bills—within the European Union;
b) It has increased competition in the banking industry, and has generally resulted in lower interest rates—thereby making it less costly for business entities in the region to finance their operations through borrowed funds;
c) The use of a single currency in the region has eliminated the exchange-rate risk to which cross-border business operators and consumers were hitherto subjected;
d) The absence of barriers to the movement of people across the region has made cross-border traveling by consumers and business operators easier;
e) Time and money which would otherwise be spent on currency exchanges across national borders are no longer a source of concern for cross-border travelers, buyers and business operators; and
f) Monetary union has made it much easier for consumers and business operators to compare costs and prices of goods and services across the region, since the costs and prices are now quoted in the same currency—the euro.

(Note: Currently, the "Euroland" includes the following EU countries: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands (Holland), Portugal, and Spain. Three EU members—that is, Denmark, and Sweden—are still considering the prospect of adopting the euro. Adoption of the single currency, the euro, was formalized on January 1, 1999. Euro notes and coins were introduced in the Euroland on January 1, 2002; by March of the same year, members of the monetary union ceased to recognize their national currencies as legal tender.)

3) Trade Deflection. The third potential effect of the process of economic integration is "trade deflection"—that is, the entry of imports from the rest of the world into a low-tariff member-country of a free trade area in a deliberate effort by either importers or exporters to avoid higher tariffs that may be levied by other member-countries.

In a free trade area, therefore, high-tariff member-countries can lose much of their potential revenue from import duties to low-tariff member-countries through trade deflection. The only rational way in which this problem can be circumvented is for member-countries to consider the prospect of creating a customs union, or any of the other higher forms of economic integration cited earlier in this article.

4) Counterfeit Labeling. Traders involved in trade deflection may attempt to dupe authorities in a low-tariff member-country of any given economic bloc by designating the imports involved as local manufactures in order to obtain the bloc's certificates of origin, which they can use to freely export the foreign goods from the low-tariff member-country to other member-countries. For lack of an orthodox concept designed to function as a designation of this phenomenon, let us refer to it as "counterfeit labeling."

2.3 Conditions for Success

As Viner (1950:51-52), Leistner (1997:122), Lipsey (1970:56), Rooyen (1998:130), and Salvatore (1990:293-294), among numerous other notable economists, have maintained, several conditions need to be met in order for any form of integration among the national economies of cooperating countries to be viable. Such conditions include the following:

1) Peace and Stability: Sustained peace and stability in all cooperating countries, and transparency and popular participation in the generation of important IGO-related decisions, protocols and treaties in each of the cooperating countries.

2) Sustained Political Will: A genuine desire among leaders of each and every cooperating country to create a successful economic bloc, and willingness to compromise on sensitive issues and matters relating to national sovereignty. In this regard, as Mistry (2000:565) has observed, leaders of cooperating countries need to "close the gap between political rhetoric in making treaty commitments" and efforts aimed at fulfilling such commitments.

3) Competitive Economies: The economies of cooperating countries need to be initially competitive rather than complementary in order to provide for a competitive business environment in the regional economy which may eventually be created. In other words, each member-country's economy should initially

have the capacity to compete in cross-border trade by itself with little or no dependence on other countries' economies to complement its competitive position.

4) Similar Stage of Development: The national economies of cooperating countries also need to be generally at similar stages of industrial development in order to circumvent problems emanating from the following: (a) mass-emigration of people from low-income to high-income member-countries; (b) dominance by one or a few member-countries in the supply of manufactured goods or industrial inputs; and/or (c) differences in labor, environmental and product safety standards.

5) Geographical Proximity: There is a need for geographical proximity among cooperating countries to make it possible for them to create a well-developed and efficient transportation system for distributing industrial inputs and finished products within the regional economy that is to be created.

6.) Pre-Integration Trade Ties: Strong pre-integration trade ties (which would reflect the existence of specialisation by cooperating countries in the production of divergent commodities), harmonious and protracted political relations, and similarity of economic systems between and among cooperating countries.

7) High Pre-Integration Trade Barriers: High pre-integration tariffs and arduous non-tariff trade barriers between and among co-operating countries, so that the eventual scaling down or complete removal of trade barriers can result in very low prices of tradable products in the regional economy that is to be created and ultimately lead to "trade creation."

8) Low Post-Integration Trade Barriers: Low tariffs and less formidable non-tariff trade barriers on the integrated region's imports from nonmember-countries so that trade with such countries is sustained in order to promote the generation of tariff revenues by member-countries.

9) Large Number of Countries: Involvement of a large number of countries in the creation of an IGO in order to broaden the potential for inclusion of many countries which have low-cost industries in the IGO, and to create a larger economic region in terms of both market size and investment opportunities.

10) Preferential Treatment: An inclination by each and every member-country to import relatively more commodities from cooperating countries than from nonmembers.

11) Sharing of Gains and Losses: Presence of an acceptable mechanism for assessing both qualitative and quantitative costs associated with cooperating countries' membership in an IGO, and ensuring that the benefits of integration—including revenues generated from tariffs levied on imports from nonmember-countries—are distributed both fairly and efficiently among member-countries. And

12) Fair Distribution of IGO Institutions: Evenly and fairly dispersed commercial, industrial, administrative, educational, training, healthcare, and other essential and communal facilities and institutions in the economic bloc's member-countries.

The unceremonious disintegration of the East African Community (EAC) in June 1977 (barely a decade after its inception by Kenya, Tanzania and Uganda in December 1967), for example, could be directly attributed to the non-fulfillment of some of these conditions. The following are, by and large, the specific conditions which were not met:

(a) Peace and Stability: The late Idi Amin's ousting of the late Prime Minister Milton Obote from power in January 1971 triggered off a chain of destabilizing events in the EAC. Among other things, it caused a great deal of turmoil and political instability within Uganda, and strained the country's political and economic relations with the other two member-countries—particularly with Tanzania, whose president, the late Julius Nyerere, was not willing to work with General Idi Amin.

Mr. Nyerere's decision to grant political asylum to Mr. Obote also contributed to the severing of the hitherto sound relations between Uganda and Tanzania.

(b) Industrial Development: Comparatively, Kenya was more industrialized than Uganda and Tanzania. This difference in the level of industrialization caused Tanzania and Uganda to incur large trade deficits with Kenya due to their huge import bills mainly resulting from importation of industrial inputs and manufactures from the country. The relatively more developed industrial sector in Kenya also made the country more preferable as a location for new business enterprises.

(c) Pre-Integration Trade: Prior to the creation of the EAC, both Uganda and Tanzania were highly dependent on trade with industrialized countries or, according to Karoi (2001), "the club of leisure-intensive nations"—which involved the exportation of primary commodities to such countries and importation of manufactured goods from them.

This apparent lack of pre-integration trade ties, which generally emanated from the similarity of the two countries' export products—that is, primary (or semi-processed) commodities—rather than from high trade barriers, could not be overcome easily during the post-integration era. Eventual membership in the EAC by Uganda and Tanzania, therefore, could not create meaningful trade between the two countries.

(d) Economic Systems: Using the "Uhuru na Ujamaa" (that is, "Freedom and Independence") philosophy, Tanzania's Julius Nyerere was in the process of creating a socialist state. Thus, Tanzania despised Kenya's free-enterprise orientation. Besides, Kenya's free-enterprise orientation made the country a more preferred destination for foreign direct investment (FDI)—which contributed greatly to the country's relatively more developed industrial sector.

Ideological differences and the divergent socioeconomic systems which such differences occasioned, therefore, did not augur well for the long-term success and survival of the EAC, as Ching'ambo (1992:25) has noted in the following words: "The impact of ideological differences greatly affected trade relations and the general programs on investment and industrial policies ... [and] their individual foreign policies towards other countries, ultimately affecting their relations with each other."

(e) Number of Countries: Since it was constituted by only three countries (that is, Kenya, Tanzania and Uganda), the EAC could not benefit fully from the greater potential for trade creation associated with inclusion of as many countries with low-cost industries in an IGO as possible.

(f) Costs and Gains: There were perceptions of uneven distribution of the costs and benefits emanating from membership in the EAC. Such perceptions culminated from the following, among a host of other things: (i) huge trade deficits incurred by Uganda and Tanzania in their trade with Kenya; (ii) a greater number of foreign investors and new private companies were located in Kenya; (iii) the Kenyan economy grew more rapidly than the Ugandan and Tanzanian economies; and (iv) there was disproportionate distribution of funds by the East African Development Bank in favor of Kenya.

Prospects for the long-term viability of a revived East African Common Market by the three neighboring countries may be determined in a similar manner, according to The Post (1999). Although the three countries' economic systems are more alike today than they were during the life span of the defunct EAC, and given the remoteness of political instability in any of the three countries, some of the other conditions are likely to be inimical to the long-term success and survival of a new EAC if they are not fulfilled. Examples of such conditions include the need for:

(a) The economies of cooperating countries to be initially competitive rather than complementary;

(b) High pre-integration tariffs and non-tariff trade barriers between and among cooperating countries; and

(c) A large number of cooperating sovereign states in order to broaden the potential for inclusion of as many countries which have low-cost industries as possible in the integrated region, as well as create a larger economic bloc or region in terms of both market size and investment opportunities.

(Note: The East African Community was founded in 1967 by Kenya, Tanzania and Uganda through the Treaty for East African Cooperation, which created the East African

Common Market. Among other things, the Treaty provided for coordination of development planning, a common tariff with nonmembers, free trade among the three member-countries, harmonization of monetary and fiscal policies, and fixed exchange rates.)

2.4 Theory of the Second Best

According to international trade theory, free trade among all nations of the world would optimize the allocation of the world's resources and ultimately maximize global output, as well as improve welfare worldwide. Creation of regional trading blocs would, therefore, not lead to such a scenario, since it would not precipitate into complete liberalization of global trade.

In other words, a global economy that is composed of regional trading blocs would still have tariffs and non-tariff trade barriers and would, therefore, not generate maximum welfare gains.

The complete removal of trade barriers among cooperating countries would, of course, represent a movement toward freer trade and would, therefore, make a positive contribution to the maximization of socioeconomic welfare worldwide—particularly if cooperating countries maintain low trade barriers against non-member countries.

With respect to member-countries, their collective and general welfare would be enhanced in the case of trade-creating integration regardless of whether they impose low or high trade barriers on imports from nonmember-countries. In Meade's (1980:115) words, "any move towards economic union covering a large number of countries would undoubtedly serve to raise standards of living."

However, not even an unprecedented proliferation of regional trading blocs can, according to the "theory of the second best," yield welfare gains that are "second best" in comparison to those which would accrue from free trade among all nations of the world.

Salvatore (1990:293) has paraphrased the general Theory of the Second Best, of which the theory pertaining to economic integration is a special case, as follows:

"If all the conditions required to maximize welfare ... cannot be satisfied, trying to satisfy as many of these conditions as possible does not necessarily or usually lead to the second-best position."

The term "Theory of the Second Best," therefore, refers to the notion or concept of international trade theory that is based on the assumption that only free trade among all nations of the world can optimize the allocation of the world's resources and ultimately maximize global output, as well as improve welfare worldwide, and that any efforts aimed at trying to satisfy as many conditions required to maximize welfare among trading nation-states—through any form or stage of economic integration—cannot lead to the second-best position.

3. MOTIVATIONS FOR INTEGRATION

The primary rationale for economic integration derives not only from economic considerations; rather, it emanates from social, security, technological, and political factors as well. At the political level, for example, the basic motivation for integration, or at least economic cooperation, springs from the assumption that the process of socioeconomic development requires some form of international cooperation or interdependence.

At the technological level, a country may, as insinuated in the SAPEM (1992:29) journal, decide to integrate with others in order to gain unrestrained and protracted access to a larger market for any forms of advanced technology which may be conceived and/or developed in the country, as well as to benefit from joint scientific and technological development efforts and programs.

In the 21st century, African governments particularly should not expect to make any headway in their quest for enhanced socioeconomic development if they cannot briskly integrate their countries' national economies. The enormity of development hurdles facing much of the continent—including limited domestic markets, inaccessible foreign markets, lack of investment capital, and unfavorable terms of trade with industrialized nations—certainly call for what may be referred to as "south-south economic cooperation" if they are to rid their countries of what Clinton (2000) characterized as the "astonishing poverty" currently facing the continent before the end of his two-term tenure as U.S. president in 2001.

In short, meaningful socioeconomic development in Africa is, as African heads of state and government have unanimously concluded (OAU, 2000), "contingent upon the integration of [the continent's national] ... economies."

Let us now turn to savant Mistry (2000:570&571) for an observation that provides a general rationale for African countries particularly to relentlessly seek stronger and permanent membership in regional economic blocs, and simultaneously work towards consolidating the operations of the "African Union"—proclaimed in Libya in March 2001, assented to by member-countries in Ethiopia in May 2001, created in Zambia in July 2001, and formally launched in South Africa in July 2002—to replace the Organisation of African Unity (OAU):

"African countries no longer have the luxury of avoiding the imperatives [associated with] … integration, which is inescapable for most of them if they are to … [succeed in their socio-economic pursuits and endeavors]. On their own, they will not be able to arrest and reverse the slide toward marginalisation in the global economy ... and to realize their potential to become more efficient and competitive economies."

4. NECESSITY OF INTEGRATION

In this section, let us consider the reasons why economic integration is an indispensable element in African countries' quest for pro-nounced and sustained socioeconomic development in the 21st century - that is, the need to gain a competitive edge, circumvent the disadvantages associated with small size, and, among other rationales, improve their collective terms of trade (TOT). A bird's-eye view of the debt burden and north-south (N-S) relations will serve as a backdrop to the themes explored in the section.

4.1 Debt and N-S Relations

African leaders need to realize that their countries' real future does not hinge on seeking the compassion of, or excessive and protracted reliance on, industrialized nations in matters of socioeconomic development, such as by calling for a new international economic order (NIEO), or by overly relying on efforts to "spread the wealth" worldwide spawned at the summit of G-7 leaders and Mr. Boris Yeltsin, former Russian president, held in Denver in June 1997; they need to take full responsibility for finding viable solutions to their countries' socioeconomic ills.

The NIEO was called for in June 1974 by the United Nations (UN) General Assembly as a means of redressing the persistent poverty in less-developing countries (LDCs), the current unfavorable terms of trade (TOT), and what is generally perceived as the unfair working of the global economy.

Essentially, the NIEO is a set of several demands on industrialized nations by LDCs, most of which had been made prior to 1974 through various UNCTAD—that is, United Nations Conference on Trade and Development—meetings. These demands include the following:

a) (Greater access to markets for manufactured goods in industrialized nations;
b) Expediting the transfer of advanced forms of technology to the developing world;
c) Scaling down trade barriers on agricultural products from LDCs;
d) Greater relief on outstanding bilateral debt and interest payments;
e) Negotiation of commodity agreements aimed at improving and stabilizing the prices of LDCs' exports;
f) Greater and sustained flows of foreign aid to the developing world; and
g) Greater role by LDCs in decision-making concerning global issues.

According to Amin (1994/95:34), most of these demands have, however, not been readily embraced and/or seriously addressed by industrialized countries, due to several apparent reasons. Firstly, developing countries' manufactures do not generally meet industrialized nations' quality and safety standards.

Secondly, industrialized countries'

governments are generally reluctant to encourage the transfer of new and advanced forms of technology to LDCs in order to enable their own local inventors and innovators to recover the costs initially incurred in generating forms of technology which eventually become obsolete by selling the obsolete technologies to the LDCs and, in the process, foster innovation and creativity locally.

Thirdly, the issue concerning agricultural products has been a contentious one for a number of reasons, including serious concerns regarding such products' potential to transmit diseases from one country to another (Kyambalesa, 2000:59-60), and overwhelming agricultural interests in industrialized countries.

Moreover, industrialised countries' interference in the determination of commodity prices through international commodity agreements is unpopular because of its potential to suppress the market forces of supply and demand can culminate in gross inefficiency in cross-border trade in primary commodities.

It is, however, important to acknowledge the evolving and seemingly favorable developments pertaining to LDCs' external debt problems and the nature of bilateral relations between industrialized and developing countries. A brief discourse on these developments follows.

1) External Debt Relief. During the second half of the 1990s, huge amounts of the debts owed to creditor banks were reduced through such traditional debt relief approaches as debt buybacks, debt-equity swaps, and debt-for-development swaps. Besides, debt rescheduling agreements designed to convert short-term debts to long-term debts at interest rates ranging from 2 to 4 percent provided some degree of relief to many financially distressed debtor nations.

In late 1995, the World Bank and the International Monetary Fund (IMF) conceded that the excessive debts owed to them by some poor countries needed to be written off in order to save the economies of such countries from further decay and backwardness. The following year, they initiated what is referred to as the HIPC (Heavily or Highly Indebted Poor Countries) Debt Initiative. Essentially, the HIPC Debt Initiative is designed to provide a frame-work for international support to adjustment and reform efforts in the world's poorest and most indebted countries to ensure that their debt is reduced to sustainable levels.

All multilateral creditors are expected to participate in the HIPC Debt Initiative. The IMF, for example, is expected to participate through its ESAF (Enhanced Structural Adjustment Facility) operations. The World Bank has, in this endeavor, already established an HIPC Trust Fund and allocated an initial contribution of US$500 million for the purpose. Creditor nations, which constitute the Paris Club of official creditors, have also agreed to participate fully in the initiative.

They have pledged to exceed debt relief levels provided for in Naples Terms by offering debt reductions of up to 80 percent. (Note: The term "Naples Terms" refers to the type of debt relief designed for HIPCs that was introduced by the Paris Club in 1995, and which provides for the present value of payments to be made by debtor-countries to be reduced by up to two-thirds.)

2) North-South Relations. In the 1990s, a host of national and local governments in industrialized nations tended to be more responsive to the needs of the South. The following summits convened by local and national governments in industrialized countries reflect the North's greater enthusiasm to participate more actively in redressing the socioeconomic ills facing much of contemporary Africa:

a) The first Tokyo International Conference on African Development, or TICAD I, held in October 1993 and its runner-up (TICAD II) held in October 1998. (See Nwagboko, 1998:842-848.)
b) The summit of leaders of G-7 countries and Russia's Boris Yeltsin held in Denver in June 1997 to discuss the prospect of "spreading the wealth" worldwide, among other things.
c) The G-8 countries' annual summit (including Russia) held in Cologne, Germany, in June 1999 to initiate a plan for providing greater and swifter debt relief to poor countries, among a host of other things.
d) Summits convened in several cities in the United States of America during 1999 by the U.S. National Summit on Africa organisation to generate strategies for working with African governments in their quest to improve the quality of life on the economically beleaguered continent. (Note: Many different themes were explored at these summits. The Mountain / Southwest Regional Summit on Africa held in Denver, for example, included the following themes: (i) economic development, trade, investment, and job creation; (ii) democracy and human rights; (iii) sustainable development, the quality of life and the environment; (iv) peace and security; and (v) education and culture.)
e) The United Nations Millennium Summit (which was attended by leaders of over 150 countries) held in September 2000 in New York to discuss ways and means of reducing poverty, facilitating democratic governance, and forestalling conflicts worldwide. With respect to poverty, the leaders in attendance pledged to "spare no effort" in freeing humanity "from the abject and dehumanizing conditions of extreme poverty."
f) The British-sponsored "Commission for Africa," whose first meeting (chaired by Prime Minister Tony Blair) outside the United Kingdom was held in October 2004 in Addis Ababa, Ethiopia. The Commission was set up to reverse the chronic misfortunes of a continent that "has grown poorer in the last 40 years," according to the UN Office for the Coordination of Humanitarian Affairs (2005).

There are a few other positive developments in N-S relations which are worth mentioning at this juncture; first, a UNIDO (United Nations Industrial Development Organisation) conference—organised in collaboration with the Alliance for Africa's Industrialization, the African Development Bank, the Economic Commission for Africa, and the former Organisation of African Unity (OAU), held in Dakar, Senegal, in October 1999 to deliberate on such issues as EU-Africa cooperation, private sector capacity-building, and promotion of entrepreneurship, is certainly one of the important harbingers of mutually beneficial N-S relations in the 21st century.

Second, the African Growth and Opportunity Act (AGOA)—an initiative recently mandated by the United States government, whose purpose is to foster mutually beneficial trade between the United States and countries in sub-Saharan Africa, among other things—augurs well for favorable N-S relations.

And, between March 23 and April 2, 1998, Mr. Bill Clinton went on record as having been the first incumbent American president to have visited Africa on a noble mission in two decades. Although he visited only six of Africa's fifty-four countries—that is, Ghana, Uganda, Rwanda, Republic of South Africa, Botswana, and Senegal—his message, as quoted by Ankomah (1998:8), cast a gleam of hope over the entire continent:

"My dream for this trip is that together we might [accomplish great] ... things so that a hundred years from now, your grandchildren and mine will look back and say this was the beginning of a new African renaissance."

Clearly, African leaders and governments will do well to take advantage of the current altruism among industrialized nations and foster mutually beneficial North-South (N-S) relations in the 21st century. Let us now turn to a survey of rationales for African countries to create, or seek strong and permanent membership in, regional economic groupings—that is, the need to enhance their national economies' competitive edge, gain greater access to cooperating countries' markets, and, among other rationales, improve their collective terms of trade (TOT). ■

Continues in next edition

First CA Zambia Graduates Receive Counsel: Leadership not all about being the Head

There first crop of Chartered Accountant (CA Zambia) graduates graduated from the Zambia Institute of Chartered Accountants (ZICA) on October 11 at the Government complex in Lusaka.

The graduation was held under the theme "Celebrating 1st Anniversary of developing Finance and Business Leaders", coming a year following the launch of the CA Zambia and Diploma in Accountancy qualifications last year in August.

ZICA president Jason Kazilimani expressed delight to witness the first graduates for the CA Zambia and Diploma in Accountancy qualifications.

"In addition, we shall also witness the first graduates from the Diploma in Public Sector Financial Management qualifications. Indeed this is another major milestone in the institutional development of the Institute," Mr Kazilimani stated.

He told the graduands that they had accomplished a lot on their successful completion of the various programmes they had been pursuing.

He encouraged them to be proud of what they have achieved as the road leading to the graduation was not an easy one.

"Today, your parents, guardians, sponsors and friends are here to witness your success. This success will be of no value if we fail to demonstrate our finance and leadership skills in our lives and work environments," he stated. "In line with the theme of the graduation ceremony, which is 'Cerebrating 1st Anniversary of developing Finance and Business Leaders', long gone are the days when accountants were viewed as being number crunchers only. Today the profession develops not only accountants, but business leaders. We are convinced as an Institute that the knowledge and skills that you have acquired through the various ZICA programmes would enable you be good leaders at your respective levels."

Mr Kazilimani told the graduands that leadership does not mean being the head of an organisation only.

"At any level you are, one is able to demonstrate good leadership. You may be asked to lead a team on a particular assignment, be it at work, at church, or a family occasion. It is our conviction that the skills you have acquired through your studies shall enable you to lead the various assignments professionally," MR Kazilimani said.

He told them that there are so many accountancy graduates on the market and for one to stand out from the crowd, they need to demonstrate a difference not only in their conduct but also in their performance.

"As an Institute, we have laid down the foundation for you to perform professionally both in industry and in self-employment. The onus is now on you to go out there and prove yourself as being worth the holder of the certificate you shall receive today," he stated.

Mr Kazilimani stated that the CA Zambia and Diploma in Accountancy qualifications clocked a year on the market in August 2018.

He stated that the qualifications have been well received in the market.

"Since the launch of the qualifications, we have held two examination sessions, in December 2017 and June 2018. We have noted with delight an upward trajectory in the pass rates in these examinations. This is commendable in order to thrash out the saying that 'ZICA te munobe', which was associated with the ZICA Accountancy programme," Mr Kazilimani stated.

"While we are delighted with the upward trajectory of the pass rates, we are not impressed with the rate at which employers are signing up to be approved employers for the CA Zambia practical training. The cornerstone of the CA Zambia qualification is the development of work ready graduates. All the employers interviewed during the review of the ZICA Accountancy programme leading to the development of CA Zambia indicated that the work performance of newly recruited graduates was of low quality. This was attributed to lack of exposure to the real world issues and hence the need to strengthen practical training for professional accountants. The Institute has since adopted a robust practical training framework requiring CA Zambia trainees to undergo three years of supervised practical training under the guidance of mentor who should be a professionally qualified accountant."

In order to achieve "this unique selling proposition of CA Zambia", Mr Kazilimani stated the Institute requires partnership with industry in the provision of practical training.

He disclosed that almost all the major auditing firms have since signed up as partners with the Institute and that discussions with other auditing firms that have not done so and with major employers such as Zesco, Lafarge Plc, Office of the Auditor General and some mining companies have reach advanced stages and are in the process of being concluded.

He appealed to all the employers, be it private or public, to come on board and embrace the practical training in order to produce work ready graduates and enhance public accountability and financial management.

Mr Kazilimani informed the general public and employers that ZICA has a portfolio of qualifications that develops accounting and finance staff for the entire financial reporting value chain.

"The CA Zambia is a premier qualification with a global recognition aimed at developing chartered accountants and business leaders whereas the Diploma in Accountancy qualification aims to support the development of accounting personnel at the downstream and intermediate level of the accountancy profession capable of capturing, processing and preparing basic accounting reports that business, government and regulatory authorities require. The Diploma in Taxation qualification aims at developing tax experts with thorough understanding of the tax system and practice of taxation in Zambia. The Diploma in Public Sector Financial Management aims at developing Public Sector Financial Management experts who would enhance financial management and accountability in the public sector," he explained.

"The employers, especially SMES, are called upon to take advantage of this portfolio of qualifications to employ these various experts and business leaders in order to support their growth through improved accountability and financial management."

Mr Kazilimani also touched on the need to fill the vacant position of the Office of the Auditor General. The Office of the Auditor General plays a critical role on matters of financial transparency and accountability in the country.

"It is therefore a matter of concern to us as an Institute that the Office still remains unoccupied. As a professional accountancy organisation, we are concerned because the Auditor General's office is a very important governance institution which should not be left unoccupied for a long time. The Public Audit Act No. 29 of 2016 though not operationalised, stipulates that the qualifications of the person appointed as 'Auditor General' shall include, a qualified Accountant, a member of the Zambia Institute of Chartered Accountants, served as an auditor for at least ten years, of which at least five years should have been at senior management level," he stated. "There are many Zambians, who are members of the Institute and suitably qualified for appointment and can professionally execute the functions of this office in the best interest of the public as espoused in the Republican Constitution. We, therefore wish to reiterate our appeal to Government to address this matter as a priority as it is an important tool in the fight against corruption. The Institute stands ready to help Government in searching for a suitably qualified member of the Institute to take up the appointment as next Auditor General."

Mr Kazilimani also paid tribute to Mr Hapenga M. Kabeta, who retired last month after ten years tour of duty with the Institute.

"As an Institute, we are proud of his achievements during his period in office. For those of you who have followed the institutional development of the Institute, you will agree with me that he performed tremendously well. The voice of the Institute is more than ever heard now due to his stance of speaking out on national matters," Mr Kazilimani stated and proposed a standing ovation for in honour of Mr Kabeta.

He also encouraged the graduands to take advantage of their acquired qualifications and use them well in leading the country to higher heights.

"As an Institute, we are confident that we have imparted you with the appropriate technical and professional skills to enable you be good business leaders in the corporate world," stated Mr Kazilimani.

On his part, Mr Kabeta commented on matters of leadership and the professional accountant, whom he stated had a history of hiding from the limelight to a point where pupils in secondary schools do not know what his or her role is.

"An accountant has special skills gained from training that make him/her a step above most other professionals in a working environment. Leadership is about influencing key stakeholders to understand and prefer your viewpoint. An accountant is the mirror of the organisation as he/she presents the health status of the organisation at any point," he explained. "As an organisational health expert, you see things that others do not immediately see. That is the source of power of a professional accountant."

Mr Kabeta stated that if there is any change to be adopted, the finance people should provide leadership.

He gave six identifying attributes of a leader as: A leader practices what they preach; they walk the talk; their actions are consistent with their words; they put the money where their mouth is; they follow through on their promises; and they do what they say they will do.

He reminded the graduates about some vital leadership qualities that should separate them as good leaders.

A leader, Mr Kabeta said, needs to know where he is leading the team - the vision.

"A good leader should have a futuristic vision and know how to turn his ideas into real-world success. The American author, speaker, and pastor, John C. Maxwell, who has written many books, primarily focusing on leadership defines a leader as 'one who knows the way, goes the way, and shows the way.' A leader therefore proves to be the difference between success and failure," Mr Kabeta said.

He told the graduands that apart from having a futuristic vision, a leader should have the ability to take the right decision at the right time.

He argued that decisions taken by leaders have a profound impact on the followers. A leader should think long and hard before taking a decision, but once the decision is made, stand by it.

"Although, most leaders take decisions on their own, it is highly recommended that you consult others before taking a decision. After all, they are the ones who will benefit or suffer from your decisions," he stated.

"Until you clearly communicate your vision to your team and tell them the strategy to achieve the goal, it will be very difficult for you to get the results you want. Therefore, a good leader is one who is able to communicate his message effectively to the team or constituency. Words have the power to motivate people and make them do the unthinkable. Effective communication leads to achievement of better results."

Mr Kabeta emphasized that the need for integrity in leadership cannot be over emphasized.

He highlighted integrity as one of the five fundamental principles of the Code of Ethics for Professional Accountants, which entails being straightforward and honest in all professional and business relationships. "Integrity is an important quality which makes one a good leader. How can you expect your followers to be honest when you lack integrity yourself? The 34th President of the United States, Dwight D. Eisenhower once said, and I quote 'The supreme quality of leadership is unquestionable integrity. Without it, no real success is possible no matter whether it is on a section gang, a football field, in an army, or in an office'. Leaders therefore succeed when they remain straightforward and honest in all professional and business relationships," he said.

Commitment and passion is another quality of leadership Mr Kabeta said one should have in everything they do. He said work teams look up to the leader and if the leader wants them to give their best, they will have to show commitment and passion in their own work.

"When your teammates see you getting your hands dirty, they will also give their best shot. Commitment and passion will also help you to gain the respect of your subordinates and infuse new energy in your team members, which helps them to perform better. If your subordinates feel that you are not fully committed or lack passion, then it would be an uphill task for you as a leader to motivate your followers to achieve the goals," Mr Kabeta said. "The last leadership quality that you need to possess as a leader is that of creativity and innovation. Innovation and creativity play a vital role in the success and failure of a leader. When you stop being innovative and creative, you lose your mantle as a leader. The late American entrepreneur and business magnate, who was Chairman, Chief Executive Officer, and a Co-founder of Apple Inc., Steve Jobs once said: 'Innovation distinguishes between a leader and a follower'. In order to get ahead in today's fast-paced world, a leader must be creative and innovative at the same time," Mr Kabeta said. "Creative thinking and constant innovation is what makes you and your team stand out from the crowd. Thinking outside the box and coming up with unique ideas and turning those ideas and goals into reality, should be the everyday call for every finance leader, hence our focus on developing finance and business leaders."

Mr Kabeta said the domain of leaders is the future, where the graduates should be.

Your legacy is the creation of valued institutions, which survive over time. The challenge of every leader, which is very important above all others, is credibility as the foundation of leadership. What people look for and admire in leaders has been constant over the years. People believe that a leader should be credible and the tenets of credibility are:

- Honest
- Forward looking,
- Inspiring
- And above all competent

This is the calling of the finance and business leaders. As CA Zambia graduates, you must meet these attributes," said Mr Kabeta. ■

Fourth Quarter Media brief on National Matters by Mr Jason Kazilimani

On 18TH December 2018, Zambia Institute of Chartered Accountants (ZICA) President Mr Jason S. Kazilimani gave the quarterly briefing on various matters of national importance.

PARTICULARLY, Mr Kazilimani highlighted issues of the Auditor General's Office, developments in the taxation systems, debt management and current debt stock, government's social protection programmes, corporate governance, Public Financial Management, and Individuals not in good standing with the Accountants Act 2008. He did this backed by the Institute's statutory mandate to advise the Government of Zambia on matters relating to the economic development of the country.

The Status of the Auditor General's Office

Highlight on this score was focused on the appointment of the Auditor General, the operationalisation of the Public Audit Act, 2016 and the State Audit Commission Act, 2016, matters, Mr Kazilimani, said remained unattended to.

"As a professional accountancy body, we are concerned with the situation because the Auditor General's office is a very important governance institution, which should not be left unoccupied for such a long time," he said.

"The qualifications of the incumbent Auditor General should be as appropriately stipulated in the Public Audit Act of 2016. We are aware that the Public Audit Act has not been operationalised and therefore a substantive Auditor General has not yet been appointed."

Mr Kazilimani noted, through the public media, that appointment or confirmation of the acting Auditor General would have to wait until the current Republican Constitution is amended.

"We, however, note a precedent for a similar situation. When the office of the Clerk of the National Assembly fell vacant, the Clerk was appointed, whilst the Parliamentary Service Commission had not yet been operationalised. Because of the importance associated with the Office of Auditor General, we believe that the same can, and should be done. We appeal to the authorities to proceed and appoint a substantive Auditor General as a matter of urgency," he advised.

The VAT System

In the 2019 budget speech to Parliament, the Minister of Finance announced a proposed overhaul of the Value Added Tax system and its replacement with the Sales Tax System, a measure that Mr Kazilimani said came as a surprise to many economic players as such a huge fiscal shift requires wide consultation and adequate preparation for both the taxpayer and administrators alike.

According to the Minister, the measure was aimed at enhancing domestic revenue mobilisation, improving revenue contribution to the Treasury and minimising revenue leakages.

Giving a perspective, Mr Kazilimani said on 1st July 1995, Zambia introduced Value Added Tax to replace Sales Tax.

He stated that like VAT, Sales Tax is a consumption tax imposed on the sale of goods and services levied at the point of purchase from the consumer.

"Unlike VAT, which is deductible by the seller of goods and services, Sales Tax is non-refundable. It is an example of an *ad valorem tax* and is based on the price of the item sold," he said.

"ZICA recognizes that there are challenges in the administration and collection of VAT that need to be addressed. With concerted effort, we believe these are surmountable challenges, which should have given pose to the decision to abolish the VAT system. Specifically, the huge VAT refunds accruing to the mines is contributing to the liquidity challenges of the mining companies as they partly rely on the money being withheld by the Government for their operations."

Mr Kazilimani said the question to be asked was whether the proposed sales tax system is the right remedy to the perceived revenue leakage.

"As we consider the introduction of sales tax, it is important to take stock of how the system will be implemented with minimal interruption to business and the economy," he advised. "Currently, there is lack of information about how it will be implemented, and at what rate, thus leading to investor anxiety and uncertainty in corporate planning, budgeting and forecasting. There are fears that most businesses, especially the mines may react by scaling down their operations."

Mr Kazilimani stated that lack of certainty in the Sales Tax system negates the fundamental principle of a good tax system.

In the absence of further consultation and thorough research, Mr Kazilimani stated, the proposed system should not be rushed but instead the Minister must carefully study the rates to be applied, the period of transition and the framework for the Sales Tax system. "It is also important to ensure that there is a support structure and well-planned administrative system in place before the Sales Tax system is introduced. It is thus our considered view that abolishing the VAT system without a proper system to administer the proposed Sales Tax regime, coupled with adequate information for all stakeholders, may not be appropriate."

Mr Kazilimani said the Minister should instead have addressed the causes of under-performance and review the various provisions in the VAT exemption order. "The move to Sales Tax may not be wholly appropriate given that most jurisdictions globally are on the VAT system and many others are considering migrating to it, due to its various benefits. According to the Organisation for Economic Co-operation and Development (OECD), 166 countries in the World operated VAT as at 2016. More recently, other jurisdictions have migrated to VAT system including Tanzania (2015), Egypt (2016), and India (2017). Further, more countries from the member states of the Middle East Gulf Cooperation Council are at different stages of introducing VAT," he stated.

"However, in the event that Parliament approved this measure, it will be desirous to have a reasonably low rate and appropriate exemptions for strategic industries."

Debt Management and Current Debt Stock

During the 2019 budget address to Parliament, the Minister of Finance also announced that Government's external debt stock, as at end-June 2018 was US$9.4 billion, representing 34.7 percent of GDP from US$8.7 billion as at December 2017. Further, it was reported that the stock of domestic debt in the form of Government securities amounted to K51.9 billion, as at end of June 2018 representing 19.2 percent of GDP, compared to K48.4 billion as at end-December 2017. Domestic arrears amounted to K13.9 billion by end of March 2018 from K12.7 billion as at end of December 2017.

"While we appreciate that debt is an important source of finance for development and is key for poverty eradication as well as improvement in infrastructure, it needs to be prudently managed," Mr Kazilimani stated. "In the last eight years, we have seen the rapid accumulation of debt, which has put the country in the spotlight resulting in Zambia being classified as '*at high risk of debt distress*' by the World Bank and IMF. If not properly managed the debt burden will constrain economic progress."

Mr Kazilimani stressed that as the country builds-up debt, there should also be equivalent increase in the productive assets of the economy to assist in repayment of interest obligations and welcomed the Minister's announcement that Government is in the process of instituting Public Investment Management Reforms to establish a comprehensive system for appraisal of projects in order to ensure value for money.

"We hope that the new approach will closely link investment and responsible borrowing. We want to see growth in the carrying value of the Sinking Fund, which was established to facilitate repayment of the Eurobonds," he stated.

Government Social Protection Programmes

Mr Kazilimani noted that social protection was a key component of the social and economic landscape of any given country, especially in the third world economies, as this involves the protection of the poor and other vulnerable members of society.

He noted that the Government has over the years scaled up the social protection and in particular the social cash transfer funds from five districts in 2003 to almost every district in the country to date.

"To demonstrate its commitment to the said members of our society who are socially and economically weak, the Government has increased its allocation from K736, 994,165.00 in the 2017 budget to K980, 872,185.00 in the 2018 budget. However, we are concerned with the continued poor delivery of the programme as indicated in the recent Auditor General's report," Mr Kazilimani stated. "We would like to advise the Government that the social cash transfer programme would only attain the social and economic objectives of alleviating poverty especially in the rural areas if the mechanisms employed to redistribute the income were those that encouraged efficiency, effectiveness, transparency, integrity and accountability."

He further urged the Government to engage all the key stakeholders in order to devise social cash transfer distribution methods that would ensure that the resources reach the intended beneficiaries without any financial leakages in the process.

"Government will do well on this score to introduce a standard delivery or implementation manual of all similar social protection programmes. In addition, it must devise methods of measuring the performance of the programme in meeting the intended objectives," he stated.

Corporate Governance in State Owned Enterprises

The Institute noted with concern lapses or failure of Corporate Governance in some State Owned Enterprises which tended to create serious agency problems where managers as agents have pursued short-term interests at the expense of the Public long-term best interest.

Mr Kazilimani noted that in many instances some public entities have operated without Boards in place for many years, which has led to serious Governance failures and breakdown in risk management and control environment in these public entities.

"The Board of Directors of the water utilities companies were only appointed in November 2018 after a long time of operating without corporate boards," he noted. "In the eyes of the law, there shall always be a functional Board of Directors at all state owned enterprises every time. Whenever government dissolves a board of directors, another board should be appointed to replace it. We have noted, for instance, that at least 11 Water Utility Companies operated without Boards for a long time. Some statutory boards are operating without boards of directors. This raises the question of who supervises management and protects the public interest in such institutions. Good corporate governance protects public interest and promotes responsibility, transparency, accountability and good financial stewardship. We therefore call upon the appointing authorities to ensure that all public companies operate with fully constituted and competent independent Boards of Directors."

Public Sector Financial Management

During the last quarter of the year, the Government of the Republic of Zambia through the Civil Service Commission dismissed 12 accounting and one operations staff who were involved in misappropriation of public funds.

Mr Kazilimani said ZICA noted an increase in misuse and misapplication of public funds by individuals.

He noted that the public sector has the largest concentration of accountants in the country.

"It is important to appreciate the strategic role accountants play in the financial stewardship of the country and therefore require the support of the public. While we appreciate the difficult task the public sector accountants play under difficult circumstances, as a professional body, we expect the public sector accountants to work in accordance with the international code of ethics for professional accountants. It is therefore important to isolate and condemn the rogue accountants and not the entire profession," Mr Kazilimani said.

"While we welcome the dismissal of the accountants emanating from these scandals, we think that more needs to be done including recovery of the stolen funds as provided for in the Public Finance Management Act of 2018."

He urged controlling officers to create a control environment that should send an early warning signal to detect any variation from expected behaviour.

"Further, unless there are serious questions of competence, we do not believe that these accountants misappropriated the funds without the knowledge of their superiors," he stated.

Employment of Accounting Personnel contrary to the Accountants Act 2008

Mr Kazilimani stated that the institute had observed a rising trend in which some employers are employing unregistered Accountants thereby abrogating the law. He stated that the law is clear that no one who is not in good standing with the provisions of Section 2 of the Accountants Act of 2008 is allowed to practice or be employed as an Accountant.

"Under the Accountants Act, it is unlawful for any private sector or public sector organisation including donor agencies, multilateral development organisations, NGOs or Government departments to employ accountants not in good standing with the Act. We therefore urge all employers to comply with the Accountants Act and employ only Accountants in good standing," stated Mr Kazilimani.

On behalf of the ZICA Council, Management and Staff, Mr Kazilimani wished stakeholders a Merry Christmas and a Prosperous 2019. ■

Left to right CIMA –Zambia Country Director Mr. Gordian Bowa, ZICA CEO Mr. Hapenga M. Kabeta, MOF- PS Budgeting Dr. Emmanuel M. Pamu and far right ZICA President Mr. Jason Kazilimani arriving at the 2018 Annual Business Conference in Livingstone

Delegates following proceedings of the 2018 Annual Business Conference

Delegates following proceedings of the 2018 Annual Business Conference

The 2018 Annual Business Conference

Panellists at the 2018 Local Authorities Financial Management Conference in Lusaka

Delegates following proceedings of the 2018 Local Authorities Financial Management Conference in Lusaka

ZICA Director of Standards and Regulation Mr. Chansa Chiteba (left), shares a light moment with Ministry of Local Government PS Mr. Amos Malupenga during the Local Authorities Conference

A Delegate asking a question during the 2018 Local Authorities Financial Management Conference in Lusaka

Delegates following proceedings of the 2018 Local Authorities Financial Management Conference in Lusaka

The 2019 National Budget Analysis Dinner organised by ZICA/EAZ at the Intercontinental Hotel


RAIN
+
CLOTHES
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SOAKED
PEGS

Leadership and Fighting Corruption in Africa: Rising to the Challenge of Personal Example

By the Accountant

MR AKASHAMBATWA Mbikusita Lewanika is Pan a Africanist. A former minister in the MMD government of Frederick Chiluba, who left that administration for reasons widely believed to be corruption, Mr Mbikusita Lewanika, to-date, still holds strong views against the vice. He is a veteran politician steeped in academics. He has a number of degrees to his name.

Mr Mbikusita-Lewanika says with corruption, the independence of Africa is meaningless and strongly believes that the fight against the vice is an essential part of the African independence struggle.

"This is too serious a war to be left only to people in political leadership or any one sector of national leaders. It is a war conducted in all political, economic fields. It is not only in political governance but also all economic and social fields, including organisation you serve," he told accountants during a joint Annual Business Conference organised by Zambia Institute of Chartered Accountants in conjunction with The Association of Chartered Certified Accountants and the Chartered Institute Of Management Accountants, held under the theme: "Future Proofing Business Leaders Beyond the 21ST Century" that run from 14 -18 August 2018 in Livingstone.

"Leaders in the professions and business, including accounts and finance managers are engaged in this war. The only questions are: one, whether they are engaged knowledgeably or ignorantly and, two whether they are engaged positively or negatively."

Mr Mbikusita-Lewanika's presentation was titled "Leadership and Fighting Corruption in Africa: Rising to the Challenge of Personal Example" and it is here presented.

Let me start with the discourtesy of picking a partial conceptual exception to the wording of the theme of the Conference. It should be unnecessary to future-proof leaders. The future is not something leaders fear like a fire. It is not something leaders need to vaccinate themselves against like smallpox. It is something leaders fashion and prepare themselves for. The future is the eagerly awaited witness of mission fulfilled.

Leaders have to be identified, prepared and deployed to create with the people a future that fulfils problem-resolution needs and aspirations. The future is something leaders should be infectiously clear about, ready for and enthusiastic to establish. Leadership is about pre-determining, building and enlightening people to be aware of and to welcome aspired for future.

I am a Pan-Africanist and freedom advocate for such a future. The aspiration I stand up to share with you is of an African future. A future characterised by a problem-solving revolution.

This is a vision of Africa populated and governed by African people who have recovered the full worth of their humanity and fully liberated mindsets. Future Africans must achieve full mastery over their land, natural resources and fruits of their labour, without being actually and psychologically subject to no other people. This future Africa must have succeeded in self-physical and mental liberation from all manner of poor governance. The future Africa must be free from political oppression, social domination and economic underdevelopment as well as not being bedeviled by endemic corruption.

With corruption, the independence of Africa is meaningless. It is meaningless in terms of freedom from political oppression, social domination and economic underdevelopment. Thus, the fight against corruption is an essential part of the African independence struggle.

This is too serious a war to be left only to people in political leadership or any one sector of national leaders. It is a war conducted in all political economic fields. It is not only in political governance but also all economic and social fields, including organisation you serve.

Leaders in the professions and business, including accounts and finance managers are engaged in this war. The only questions are; one, whether they are engaged knowledgeably or ignorantly and two whether they are engaged positively or negatively.

My address has a threefold aim. The first is to deny you any excuse for ignorantly and negatively engaging in the fight against corruption. The second is to urge you to be knowledgeably and positively committed to the fight against corruption. The third is to hear how you have, are and shall be engaged in the fight against corruption. This is because, as Chinua Achebe recognised, "the problem is the unwillingness or inability of…leaders to rise to the responsibility, to the challenge of personal example which are the hallmarks of true leadership."[1]

I have taken the liberty of altering the topic I am honoured and pleased to have been invited to address. The adjusted topic is: "Leadership and Fighting Corruption in Africa: Rising to the Challenge of Personal Example"

The aspiration of the Pan-African freedom movement has been, and continues to be, blocked by a multiplicity of factors. One of the most pervasive of these impediments is the longstanding and stubborn reign of corruption. Corruption causes and perpetuated the disempowerment of African people. Corruption causes and feasts on the continuing human dignity-deprivation of Africans. Corruption fuels and worsens the impoverishing external and privatised expropriation of African land, natural resources and labour.

An assessment and understanding of present problem of Africa is better grounded in knowledge and understanding the evolution of African political economy and society as well as the governance and utilisation of land and natural resources in the past. A visualisation of the future African leadership is better anchored on an accurate depiction and appreciation of the present state of Africa; the state of African political governance, socio-economic development and natural resources control and usage. Determination of a future African leadership presumes a vision of the aspired for African polity, economy, society and natural environment. African governance and political economy has evolved in a particular pattern over the last eighty years.

In the pre-independence period, since the end of the great depression after 1929, this pattern has been characterised by European colonial administrations. These administrations were either African protectorates or European settler colonies. These administrations were appended to territorial and extra-territorial colonial capitalism. This was a capitalism of external dependence, unequal exchange and internal disarticulation. It was a capitalism whose inevitable consequence was underdevelopment of what it left of indigenous African economies.

Under this regime, indigenous Africans were too alienated and powerless to significantly engage in or be responsible for corruption, which could only be retained as the preserve of European administrators, politicians, business persons, farmers and other European settlers.

After the Second World War, European colonial rule was craftily substituted by non-indigenous nation states. These fabricated countries were curved out of Africa along the lines established since the post -1884 European Scramble for pieces of Africa. Initially, these countries granted independence by parting colonial masters inherited and carried on with colonial economic systems. This continued together with their inherent nature of expropriation of African lands, natural resources and labour as well as an even more accelerated process and impacts of internal national underdevelopment.

Many of these countries from the later 1960s moved to nationalise key sectors of their inherited economies and introduced some import substitution projects. These reforms did not liberate Africa from being under the same nature of local and global economic relations of dependence, unequal exchange, disarticulation and underdevelopment.

Under this nominal African independent rule and artificially reformed economic regime, a minority of Africans integrated and allocated enough political and administrative power to engage in the previous preserve of European opportunities for corruption. Initially, the majority of Africans continued to be too alienated and powerless to realistically engage in corruption. However, it was not long before more ordinary African citizens were induced into the expanding circle of corruption. Usually, the African masses were victims induced into having to pay bribes for public service, employment, business opportunities and scarce essential items and services.

For most African countries, the period immediate following independence was characterised by promising economic performance or, at least, survivable budget situations. This was on the basis of advantageous raw material export prices or seemingly generous bilateral and multilateral financial, material and expert personal provisions. Leaders who nationalised key economic sectors and undertook some import substitution development programmes were hailed. It was mistakenly presumed that they were paving the way towards economic independence and even more promising economic future.

However, this period that was declared by the United Nations as the decade of development was soon rudely disrupted. For countries like Zambia, the reality of insecure dependence was underscored by early 1970s. This is when there was an eruption of heightened cost of oil imports and a dramatic slump in mineral export earnings.

This ushered in a quarter of a century of economic recession that was accompanied by debt burdens that wildly outstripped manageable levels and socially devastating externally imposed unsuccessful structural adjustment programmes. Many African countries regressed into a pit of insolvent highly indebted countries. This situation has not, in the long run, been redeemed by the so-called debt cancellation of the early twenty-first century.

Under these circumstances, African modern elites seemed to take over or more equitably share with the foreign bourgeoisies and foreign officials the driving wheels of corruption. Despite continuing alienation and weakness in the system, the majority of Africans have ultimately been brought into the cancerous corruption as a way of life and for survival for almost everybody.

The much acclaimed debt relief, which has proved to have no lasting value, was accompanied by sweeping industrial privatisation and economic liberalisation. The ascending private sector was taken over mostly by foreign capital with a minority of advantageously politically connected African elites. This development was more often than not through some corrupt means. This heralded privatisation and liberalisation has not reversed the long-standing economic malaise and broad incidents of poverty and poor social service delivery. This has introduced more corruption.

This has been the pattern of the African political economy and society since from 80 years ago. This has been since the recovery period from the depression and the buildup period towards re-armaments for the 1939 -1945 War to date.

It was during this period that European colonial powers granted independence to their own fabricated African countries. This was inbuilt with well-established and resilient control strings of neo-colonialism. It has been within the framework that Africans have been continuing the struggle for genuine independence and freedom from underdevelopment and oppression and poor governance, which demands ever deepening and broadening fight against corruption.

Since the 1980s, anti-corruption laws have been enacted, specialised anti-corruption institutions have been established and anti-corruption declarations have been grafted into campaign for democracy and development. This was the case with the 1990 launching of the campaign for the re-introduction of multi-party democracy in Zambia. However, in the actual field of struggle, we have tended to have devoted our energies to confronting isolated individual cases, on what may seem to have been petty or personal, partisan and selective symptomatic factors.

What has been lacking is a deeper, broader and more sweeping fight against corruption involving state, community and economic sectors, on a more consistent and insistent basis. The African elites, of whom you and I are a part, have lamentably failed to effectively and honestly fight this war. We have proved to be morally unfit because we are the key drivers of corruption. We have proved to be practically incapable because we lack both the bravery and ingenuity demanded in the fight against corruption. We have become an integral part of the racket and worldwide network of corruption.

1 Chinua Achebe, The trouble with Nigeria, Fourth Dimension Publishers, Enugu, Nigeria, 1983, p 1

According to the Global Financial Integrity 2010, US$1 trillion is paid in bribes per year and there were US$1.8 trillion in illicit financial flows from Africa between 1970 and 2008. The amounts African leaders, business persons and broad masses partake of corruption is linked and propelled by this grand global corruption network, which has been operating in various forms and to various degrees for over five centuries. This corruption is not incidental or abnormal but an integral part of the world capitalist system in its various guises and stages of imperialism. This means that the anti-corruption struggle in Africa in general is unreal and futile if it is conducted outside context of overall struggle for Pan African liberation aspirations.

Corruption undermines African socio-economic aspirations. It undermines economic development, public administration and public service delivery. It diverts public resources away from the provision of essential services. It perpetuated and aggravates the long-standing malaise of impoverishment and disempowerment of the majority of people and vast areas of land. It legalises its own immoral and fundamentally criminal practices and confuses and ignored the rule of law, in all aspects except sloganeering. In so doing, it teaches people to distrust government institutions and leaders. (This may unintentionally be of value in the genuine future anti-corruption struggle!)

Corruption is stock boring and compromising state governance systems and leadership. This is done with impunity and made the norm. Thus, any honest and enlightened fight against corruption has to take on the ruling establishment. This means fighting against the most powerful and popular leaders and officials in the state, business and community organisations. Otherwise, it is futile to undertake measures purportedly aimed at strengthening anti-corruption institutions and systems and mitigating corruption risks.

What is called for is nothing short of total commitment, starting with each one of us individually, and undertaking a mobilisation of a people's militia. This is for collective actions of community, public and business leadership and citizens in fighting corruption. This demands repudiating the alienated status quo- supporting style of leaders and culture of business.

Ideally, society - citizen by citizen, organisation by organisation, community by community - must collectively and consistently act to reduce corruption and mitigate its effects, in a multi-pronged strategy. This must encourage, commend and award behaviour and people who are honest and corruption-free, an appreciable way. It must discourage, condemn and punish behaviour and people who have no integrity and who are corrupt, in no uncertain ways.

Some have suggested that ant-corruption measure should include better salary and wages for public servants and other employees, greater transparency and accountability institutional and corporate revenues and expenditure, streaming administrative procedure to reduce red tape, domestication and taking advantage of international anti-corruption conventions and adopting select smart technology. Some of these may enhance the anti-corruption struggle to some extent but not in all cases and not conclusively. However, there are no full proof strategies against corruption. This is because of complex nature of human personalities and psychology.

It is easy to assume that the adequacy and inadequacy of pay may drive motivation and incentives for or against indulgency in corruption. Indeed, it is not an unheard of excuse that workers may be pressurised to abandon their integrity and engage in corruption on account of low earnings. There is no shortage of research studies that conclude that there is an inverse relationship between the level wages and the incidence of corruption.

It is obvious that opportunities for engaging in corruption are open where state, institutional and corporate revenue earnings and spending is conducted under private and secretly discretion. There no disputing that publicly transparent and accountable budget or fund management provide for less chances for corruption.

It is commonly observed that legally necessary or simply deliverable enacted delays and difficulties in accessing public services and even concluding commercial transactions invite and encourage bribery and corruption.

Because in a globalised economy corruption increasingly has a cross-border dimension, the international legal framework for corruption control is a key element among the options open to governments. This creates a global framework involving developed and developing nations and covers a broad range of subjects, including domestic and foreign corruption, extortion, preventive measures, anti-money laundering provisions, conflict of interest laws, means to recover illicit funds deposited by officials in offshore banks. However, the dominant global economic system has self-interestedly left loopholes for off shore illicit banking and finance.

It is noticed that some government institutions and even private business corporations are adopting smart technology for their customers to pay fees and other required payment for services. This ostensibly reduces opportunity for theft by officers of these organisations, but they do not rule out corruption. For example, earlier this month, I found that the arrangement is for fees for Mongu land plots to be deposited in a designated Mongu Municipal Council bank account directly by the applicants. Clearly, this provides for accounting for the revenues collected for council, but it does not protect applicants from being denied or awarded plots on the basis of under the table acts of corruption, outside the smart technology arrangements.

This is because, for example, the application is subject to an interview process of uncontrolled subjectivity and discretion. This is in addition to the resolution by the council that provides for council employees and councillors to pay only a fraction of the application fee required of other applicants. The process further turns a blind eye to the longstanding practice whereby councillors and council employees, many of whom are normal local residents, are legalised to abuse their offices and indulge in unrestrained profiteering in land speculation, to the disadvantage of the general public and local population. Thus, despite adaptation of smart technology, old but adaptive corrupt practices can remain alive and well fed.

Leadership for fighting corruption has to be fashioned and focused with an understanding that the war against corruption is to be contextualised nationally and globally. However, nationwide and worldwide campaigns against corruption need to be grounded upon what is done to individual, organisations and communities.

In this regard, you are challenged to identify, determine and apply anti-corruption strategies in your person, organisation you work for and in the community of your residence. There is no limit to ways you may be engaged in the anti-corruption struggle by yourself, in your organisation and in your community. This should start with self-inspection and own personal commitment. This can be initiated by self-lifestyle check for preparing self by ensuring personally being corruption-free.

Then, you may choose to monitor financial activities of your company. This should easily lend itself to your professional qualification and organisational deployment. Your organisation earns and receives revenues to spend, which may be prone to corruption by yourself or fellow employees. Take responsibility for being a preventer, investigator and whistle blower in the fight against corruption. Your organisation procures supplies and services. Take an interest on how they are procured, stored, utilised and accounted for. Seize opportunity to monitor and spotlight how your organisation's revenue is earned and spent. Expose any abuses.

Furthermore, you may recruit subordinates and colleagues to report observations. If you are a chief executive, it should not be difficult to encourage your fellow employees to be handing in regular report cards to you. If you are a section head or head of department, it should also be possible for you to involve the employees in your section or department to also do likewise. The bottom line is the need to for each one of us to consistently, clearly and loudly signal that you, yourself, is committed to being corruption-free and want them to join in a collective anti-corruption effort.

It will not make you popular. But, you have no alternative, if you are ready, able and committed to rise to the challenge of personal example as a true leader.

Establishing a new Business

By Kaumba Sakungo

A BUSINES, also known as an enterprise can be described as an independent institution, which is established by an entrepreneur to make a profit by producing goods and providing services that satisfy customers' needs. The entrepreneur identifies a customer need and creates a business to produce goods and provide services to satisfy that need. The motive for the entrepreneur's action is to make a profit.

In this article, I will focus on the many practical things to consider when setting up a new business as well as the type of business organisation and the legal processes to follow when establishing a new business.

When starting a new business, it can be both exciting and frightening. It is exciting because you know that you will be your own boss and you will make money. On the other hand, it is frightening because you are not sure whether the business will succeed or it will fail. Therefore, establishing a successful business requires that one be especially diligent in the process of discovering, reviewing and analysing all possible information related to the business venture. You need to know beforehand that whatever business you choose to establish will have competition. Before even starting a new business, you must know whether or not there is an opportunity in the marketplace for you. If you start a new business in an area where there are several similar businesses and you happen to set up the same in the same area, look out for financial disaster to come your way. As a business owner, you need to know your direct and indirect competitors.

It is very important to ensure that the new business will relate to the surroundings in the community in which it will operate from. For example, it would be pointless for you to open a grocery store right next to a Supermarket, as doing so will mean that you are exposing the start-up business to stiffer competition. The grocery store is going to struggle because it is not big enough and well established to be able to compete with the bigger store. This is one reason why in Zambia most SMEs are finding it difficult to compete with foreign established businesses. Therefore, picking a suitable location for the business is really important for any entrepreneur. When you decide to establish a new business, there are many important decisions to make as well as rules and procedures that must be followed.

The first step to be followed in setting up a new business is the development of an idea. The idea has to relate to what you want to sell or what type of business you desire to own. The development of an idea is required in order to get a good mental picture and it is also helpful because you do not want to own a business that will not provide you with the required profit. Having an idea may be very useful for the success of the business. Author B. Barringer in his book "The Truth about Starting a Business" contends that the first source of business ideas is changing environmental trends. The most essential trends are economic trends, social trends, technological advances and political action and regulatory changes. Changes in these areas often provide the impetus for new business ideas. Technological advances, political and legal changes provide on-going sources for new business ideas.

The second step is to come up with a good business plan. A business plan is a blueprint of every aspect of the business. It includes issues to do with marketing, sales, location and advertising. These are just some of the aspects in creating a plan. The business plan may be helpful because it can be useful in assisting to obtain a loan from a financial lending institution. According to Willson, in his book entitled "Small Business Management and Entrepreneurship", a business plan is produced to help managers, owners and lenders or investors assess the feasibility and viability of a business. It also helps them in setting objectives and budgets, calculate how much money is needed to make the plan work, clarifying ideas and finding out the unknown.

The third step is the legal proceedings. You need to select a business entity, which means a brief overview of the principal type of legal business structures available in a particular country or state. A legal representative and accountant are required before you determine what type of business entity to get.

As a business owner, there are various types of business organisations you can choose from when thinking of establishing a new business. Singla in his book entitled 'Business Organisation' wrote something concerning the types of business organisations and various legal forms possible for the business on the basis of ownership. A business can be run

by an individual, some collectively in the form of partnership and some can be run as a joint venture. A company is a legal entity and therefore, certain legal procedure for its formation has to be followed.

There are six major types of business formation and these are Sole Proprietorship, Corporation, Limited Liability company, General Partnership, Limited Partnership and Limited Liability Partnership.

To start with, let us look at a Sole Proprietorship type of business organisation. This is a kind of business, which is owned and operated by an individual. The advantages of this form of organisation include ease of formation and relative freedom from government controls and restrictions. In spite of these advantages mentioned above, it also has some disadvantages. The disadvantages are that there is less access to capital and financial resources.

The second type of business organisation is a Corporation. A corporation is a distinct legal entity and is the most complex form of organisation. A corporation may sell shares of stock, which are certificates indicating ownership to as many people as is desirable. In a corporation business setup, the shareholders are mandated to elect a board of directors, and the board of directors then elects a president and other officers who run the company on a day-to-day basis. Among the advantages of corporate formations are limited liability of the shareholder and ease of transferring ownership.

The third type of business organisation is a Limited Liability company. A Limited Liability company is the non-corporate form of doing business that provides its owners with limited liability, flow-through tax treatment and operating flexibility through participation in management of the business. The Limited Liability company is well suited for every type of business venture except banking and insurance, which are prohibited by statute. The examples of acceptable Limited Liability company businesses are farming, mining, construction, manufacturing and transportation. In addition, wholesale and retail trade are also included in this category.

The fourth type of business organisation you can choose is a General Partnership. A General Partnership is defined as two or more individuals carrying on an association as co-owners of a business for profit. Regulations under the Partnership Act of 1980 provide a framework, which applies unless partners specifically agree to the contrary. There are various types of partnerships. These include General Partnership and Limited Partnership. Before starting the company, the partners should agree on how much owner equity each partner must contribute, the extent to which each partner will work in the company, and the share of the profits or losses to be received by each of them. This agreement should be prepared by an attorney in writing to avoid any future misunderstandings. As with Sole Proprietorships, a General Partnership exposes the owners to personal liability. If the business is not successful and the partnership cannot pay all it owes, the general partners may be required to do so using their personal assets.

The fifth type of business organisation is a Limited Partnership, which is an organisation made up of a General Partner and a Limited Partner. A general partner is the one who manages a business and limited partners are the ones who invest money into the business. Limited partners have limited liability and are not involved in day-to-day management of the business and usually cannot lose more than their capital contribution. Usually limited partners receive income, capital gains, and tax benefits whereas the general partner collects fees and a percentage of capital gains and income. According to Wilson, Limited Partnerships were made possible by the 1907 Limited Partnership Act.

The sixth type of business organisation one can choose is a Limited Liability Partnership. A new hybrid form of Limited Liability Partnerships came into effect from April 2001. The taxation treatment of individual partners is the same as ordinary partnerships but partners' exposure to the liabilities of the business is limited. A limited liability partnership is taxed and has the same organisational flexibility as a partnership, but in other respects it is very similar to a company. The formalities to establish a partnership follow those of Sole Proprietorship.

In conclusion, a business is established by an entrepreneur for the sole purpose of making a profit by producing goods or providing services that satisfy customer needs. This is what makes starting up a business an exciting challenge. For the business to succeed, it is necessary for the business owner to have a good idea, a clear understanding of the market and financial knowledge and skills to support the business' development. If you understand what you are doing and know how to minimise the risks and challenges, then the independence, personal satisfaction and financial rewards you can achieve as an entrepreneur can make starting a business the best decision you will ever make.

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ZICA Comments on the 2019 National Budget

1.0 Introduction

The Zambia Institute of Chartered Accountants is a professional membership body whose function among others is to advise government on matters of economic and national development. As per tradition, the Institute wishes to submit its overall comments on the 2019 National Budget presented to the Parliament on Friday, 28th September, 2018 by the Minister of Finance, Hon. Margaret Mwanakatwe, MP, under the theme "Delivering Fiscal Consolidation for Sustainable and Inclusive Growth".

2.0 Overview of the Global and Domestic Economies

2.1 The 2019 National Budget was presented against the backdrop of growing concerns about the sustainability of country's debt and negative sentiments of the country's possibility of falling into high risk of debt distress. Notwithstanding, the country's underlying economic fundamentals have remained moderately stable. The Zambian economy is projected to grow at around 4 percent in 2018 against 3.4 percent in 2017. The projected growth is attributed to improved performance in mining, construction, manufacturing, wholesale and retail trade. The Minister also reported that a stable and reliable energy supply was supporting the anticipated growth having recovered from energy supply challenges experienced in 2015. The growth from the agriculture sector continues to be a source of concern due to prolonged dry spells given the country's overdependence on rain-fed agriculture and underdeveloped marketing system in the sector.

2.2 At a global perspective, economy is broadly projected to grow at 3.9 percent in comparison to 3.7 percent in 2017. The economic growth in advanced economies is projected at 2.4 percent, whereas emerging markets and developing economies are projected to grow by 4.9 percent compared to 4.7 percent in 2017. For Sub-Saharan Africa, economic growth is projected to rise to 3.4 percent against 2.8 percent recorded in 2017. The factors driving this growth include strong economic performance in emerging markets in Asia and the favourable commodity prices.

2.3 Factors that will influence the fiscal objectives

The mounting trade tension between the United States and China coupled with the buoyant United States dollar are increasingly contributing to the depreciation of currencies for emerging and developing economies. Compounded by the deterioration in the budget deficit and current account deficit, the Kwacha has been a subject of foreign exchange exposure. In the final analysis these factors are likely to impact negatively on the economic projections in the Budget.

2.4 The change to the Sales Tax System from the Value Added Tax is likely to have significant impact on revenue collection and hence the 2019 Budget. Further, the country's economy is still heavily reliant on the mining operations for most of its economic output and accounts for 77% of Zambia's export of goods. However, the sector is dominantly led by a few major mining players and is highly susceptible to fluctuations in commodity prices and global economic conditions. Given the circumstances, it is a risky undertaking to place so much reliance in the Budget on the sector for part of the resource envelop at such a short notice. Other challenges that are expected to have adverse impact on the 2019 Budget are:

a. Volatility in foreign exchange rates;
b. The rising cost in the petroleum sector;
c. The rising budget deficit;
d. The ballooning public expenditure;
e. The cost of borrowing remains significantly high despite several interventions; and
vi. Escalating interest payments on public debt;

3.0 Fiscal Framework

The Minister proposes to raise a total of K56.1 billion or 64.6% of the 2019 National Budget from domestic revenue measures, representing 18.7% of the GDP. This is an increase from an absolute figure of K49.1 billion in the 2018 Budget. However, we note a reduction of 3.9% of the contribution of domestic revenue from 68.5% of the total Budget in 2018 to 64.6% in 2019. This implies that other revenue sources such as External Financing which is projected at K24.6 billion from K9 billion in 2018 will bear the blunt of this reduction. The Minister targets to broaden the tax base in the 2019

fiscal year through various following tax revenue measures:

3.1 Under direct taxes the following measures have been proposed

- Reduction of the Corporate Income Tax rate from 35% to 15% for companies that add value to copper cathodes.
- Increase Withholding Tax ("WHT") rate from 15% to 20% on interest, dividends and remittance of branch profits to non-residents
- Limit interest deductions to 30% of the earnings before interest, tax, depreciation and amortisation when ascertaining the taxable income of a company
- Abolish the current Turnover Tax regime and reintroduce a flat rate of 4% on business turnover below K800, 000.

3.2 From the Mineral Royalty regime the following are the proposed measures

- Make Mineral Royalty Tax a non-deductible expense for Corporate Income Tax purposes
- Increase mineral royalty rates by 1.5 percentage points at all levels of the sliding scale.
- Introduce a fourth tier mineral royalty rate of 10% for copper that will apply when prices go beyond US$7,500 per metric tonne.
- Increase the mineral royalty rate on cobalt from 5 percent to 8 percent;

3.3 In terms of transfer pricing

- Increase in penalty for noncompliance with the transfer pricing regulations from 10,000 penalty units (K3000) to 80 million penalty units (K24,000,000)
- Extend the retention records for transfer pricing purposes and allow for assessments to be made beyond the period of six years to not exceeding 10 years.

3.4 Value Added Tax

- Abolish the Value Added Tax system and replace it with a Sales Tax system.

3.5 Casino, lottery, betting and gaming taxes

- Abolish the 20 percent casino levy and replace it with a new tax regime as follows:

i. Casino live games at 20 percent of gross takings;
ii. Casino machine games at 35 percent of gross takings;
iii. Lottery winnings at 35 percent of net proceeds;
iv. Betting at 10 percent of gross stakes; and
v. Gaming at K250 to K500 per machine per month

3.6 Customs and Excise Duty

- Introduce 5% Customs Duty on importation of Copper and Cobalt Concentrates
- Introduce 15% Export Duty on precious metals including gold, precious stones and gemstones
- Introduce Excise Duty of 30 ngwee per litre on non-alcoholic beverages
- Increase Excise Duty on plastic carrier bags to 30% from 20%
- Increase Customs Duty on used and re-treaded tyres from 25% or K3 per Kg to 40% or K5 per Kg
- Increase Customs Duty on powdered milk to 15% from 5%
- Increase in the period of absence from Zambia required for a returning resident to qualify for a rebate on Customs Duty payable on a motor vehicle per household from 2 to 4 years
- Lift suspension of Export Duty on Manganese Ores and Concentrates and reintroduce Export Duty of 15%.
- Lift the ban on the export of raw hides and skin and introduce an Export Duty of 10%.
- Suspension of Customs Duty on Light-Emitting Diode (LED) lights
- Removal of Customs Duty rebates in the construction of shopping malls

3.7 The non-tax measures include:

a. Accelerate implementation of the land titling programme in order to improve collection of revenue; and
b. Adjust upwards to cost-reflective levels various user fees that have not been revised for a long time for services provided by Government departments and further from 2020 onwards, revision of fees and fines be indexed to inflation and adjusted every two years.

3.8 Commentary

The attainment of these measures will partly depend on the overall performance of the economy. The growing Budget deficit and the appetite for Public Spending will also have serious ramifications on attaining the revenue measures. The measures will thus require adequate political will to change the implementation capacity on the part of revenue collection entities. The collection of taxes and other public revenue is wrought with serious administrative inefficiencies. This will call for enhancement of operational and financial capacity of Zambia Revenue Authority at the level of tax compliance monitoring and policing. The country also continues to record weakness and leakages in many revenue collection centres which has been a drain on the Treasury. There are also a number of areas in the retail sector that may require strengthening. It is common practice for business in this sector to bypass use Point of Sale machines for fear of creating audit trail of transactions which may be detected by the Tax Authority. Government must consider making it mandatory for all retail outlets above a certain turnover threshold to have Point of Sale machines.

4.0 Abolishment of the VAT System

4.1 The Minister announced a surprise overhaul of the Value Added Tax system and the subsequent replacement with the Sales Tax System. The measure came as surprise to many economic players as such a huge fiscal shift requires wide consultation and adequate preparation for both the taxpayer and administrators alike. The Minister contends that this measure is aimed at enhancing domestic revenue mobilisation, improve contribution to the treasury and minimise revenue leakages.

4.2 VAT is an indirect tax which was introduced in Zambia on 1st July 1995 to replace sales tax. Like VAT, sales tax is a consumption tax imposed by the government on the sale of goods and services levied at the point of purchase from the consumer. Unlike VAT which is deductible by the seller of goods and services, sales tax is non-refundable. It is an example of an ad valorem tax that is based on the price of the item sold.

4.3 ZICA recognizes that there is a problem in the administration and collection in the VAT system that needs to be addressed BUT not with throwing "the baby out with the bath water" approach. Specifically, the huge VAT refund accruing to the mines and the maladministration of the system have been the key contributing factors. However, the question is whether the proposed sales tax system is the right remedy to the perceived revenue leakage.

4.4 It is thus our considered view that abolishing the VAT system is retrogressive. However, the Minister should instead have addressed the causes of under-performance and review the various provisions in the VAT exemption order. The move to Sales Tax is backward as most jurisdictions are on the VAT system and many are considering migrating on board due to its various advantages such as:

i. VAT is largely invoice based and therefore uniform and uncomplicated, offering a sound financial management system with less collection weaknesses.
ii. As a result of increased tax compliance, brought about by the 'self-policing' nature of VAT, there is less distortion of trade.
iii. VAT gives the potential for a stronger home manufacturing industry and more competitive export prices.
iv. The input credit mechanism gives registered businesses back much of the tax they pay on purchases and expenses used for making taxable supplies.
v. v) It is a fairer tax than most General Sales Tax largely because it avoids the 'tax on tax' characteristic of most indirect taxes.
vi. A wider tax base has resulted in less distortion of trade and a greater sharing, across all sectors of the business community, of the costs of collecting indirect taxes and remitting them to the Government.

4.5 Further, we are concerned that the Budget speech has given very scant information on the details of the proposed sales tax system. It also appears that the framework for sales tax system has not been developed as the revenue estimates of K14.86 billion in the 2019 Budget are based on the VAT system. Our concerns are based on past experience where Government has made major tax changes without putting systems and procedures in place. This has a tendency of putting the tax administration in disarray. A typical example is the failure in VAT withholding system.

4.6 We also note that migration to the sales tax system will be upon completion of VAT audits for all outstanding VAT refund claims and enforcement outstanding VAT assessments. This brings into question whether the ZRA has the required capacity and resources to carry out VAT deregistration inspections for all suppliers between now and the effective date of the Sales Tax System and if indeed 6 months is adequate for both ZRA and Taxpayers to prepare for migration to the sales tax system.

4.7 However, should the unfortunate happen that Parliament decides to approve this measure, it will be desirous to have a flat rate; need for necessary exemptions for strategic industries and the rate must be reasonably low. Further, as we consider the introduction of sales tax, it is important to take stock of how the system will be implemented with minimal interruption to business and the economy. Currently, there is lack of information and certainty leading to investor anxiety, uncertainty in corporate planning and loss of confidence in the financial market. It is expected that most business especially the mines will react by doing the barest minimum and opt to put their operations on care and maintenance. The lack of certainty in the sales Tax system negates the fundamental principal of a good tax system. It is our view that in absence of consultation and thorough research the proposed system must not be rushed but instead the Minister must carefully study the rates to be applied, the period of transition and the framework for the sales tax system. It is also important to ensure that there is a support structure and system in place before the system is introduced.

4.8 We implore government that when there is need to consider a review of our tax systems we must bear in mind the following Tenets of Tax:

1. A presumption to tax neutrality
2. Openness and transparency
3. Simplification
4. Certainty
5. Accountability and regular review
6. Tax policy is a percentage of GDP
7. Efficiency
8. Tax shifting and hypothecation have a role to play
9. Tax is a matter of national sovereignty
10. Tax is subject to the rule of law
11. Respect for Human rights
12. Avoidance of double taxation

5.0 The Mining Tax regime

5.1 Hiking corporate taxes in the mining sector may seem to be good in the short term but it is likely to impact on the country's global competitiveness, and thus pose negative effect on the sector activity and in turn on employment. Mining companies carry out the various exploration and development activities prior to production over a long period of time, at high cost and in some cases with a high level of risk and uncertainty as to future commercial benefits. It is thus a unique industry that must be accorded special attention and requires stable fiscal policies.

5.2 We note the adverse tendency to legislate and introduce harsh conditions whenever there is failure to address the tax challenges in the Sector. We do not think that introducing punitive fiscal measures is the solution. Rather the panacea lies in engagement with a few errant mining houses, building administrative capacity in the tax Authority and reviewing the tax regime to meet the best practice in revenue collection from the sector. In the long run the increases in the Mining tax will make the country very uncompetitive consequently forcing Mining companies to avoid investing in the country or put the mines on care and maintenance

5.3 The Minister also proposes to introduce an import duty at the rate of 5 percent on copper and cobalt Concentrates. This measure will adversely affect the portion of the mining companies which depend on the smelter for survival and increase the cost of importation of copper concentrate and consequently shift business to other jurisdictions with favourable tax environment. We therefore recommend that the import duty be scrapped off to lessen pressure on the mining operations and curtail the impending economic disaster.

5.4 It is therefore, our considered view that the proposed measures in the Mining Tax regime are not only bold but drastic. We say so because the shift to Sales Tax will have the greatest impact on mining operations. Secondly the Minister proposes not only to increase the Mineral Royalty but make the cost thereof non-deductible for income tax purposes. The rates for Mineral Royalties have been adjusted upwards by 1.5% at all levels of the sliding scale, plus an additional tier of 10% is proposed whenever copper prices rise beyond USD7, 500 per metric tonne. Further, mineral royalty on cobalt is proposed to be revised from 5% to 8%.

5.5 These and other mining related tax measures indicate the emphasis to increase contribution of the sector to the treasury. While the motive to increase tax collection from the mining sector is welcome, we would prefer a gradual and phased approach to changes to the mining tax regime to enable the affected parties to prepare and plan. We think that the abrupt change to tax regime will affect long-term investment hence jobs creation and investor confidence in the sector.

5.6 On a positive side, the Minister is proposing a reduction in the corporate tax to encourage local value addition and employment creation in the copper sub-sector. This is a very welcome move and it is our hope that Government will create an enabling environment to create corresponding industry to support this measure.

6.0 Restructure the current turnover tax regime

The 2019 Budget is proposing to remove the current tiered system in turnover tax regime and replace it with a flat tax rate of 4%. When the current system was introduced we contended that it will actually complicate the tax mechanism for this category of taxpayers who in many cases do not possess the requisite tax and accounting expertise. We also proposed that the measure would increase the compliance cost on tax payers as they will have to hire tax experts to comply. We therefore welcome the proposed measure as it will improve compliance and remove unnecessary complexities.

7.0 Abolishment of Casino levy and replacement with a new tax regime

7.1 The Casino industry in Zambia is gaining momentum and requires adequate regulation to ensure it is not used as the conduit for money laundering and other illicit financial flows. The national risk assessment places gambling at the highest level of vulnerability and the most sophisticated avenue for money laundering.

7.2 We therefore, welcome the Minister's proposal to introduce the new tax regime. However, considering the awkward times of operations for casino business, we think that it requires a little more policing including set up of CCV camera to capture the full extent of the transactions and avoid tax evasion. We also think that the establishment of Gambling Board is inevitable and ZRA should only act as a regulator for a short interim period to avoid conflict of interest.

8.0 Deductible interest limitation

8.1 The Budget proposes to introduce a new method of computing the amount of interest to be disallowed when computing profits of a business. Under this method, interest allowable for deduction will be limited to 30 percent of the earnings before interest, tax, depreciation and amortisation.

8.2 The measure is taken from one of the outcomes of a project that was undertaken and funded by the G20 and the Organisation for Economic Cooperation and Development ("OECD") commonly referred to as the Base Erosion and Profit Shifting (BEPS). The particular outcome from which this is taken is BEPS Action Plan 4. This addresses aggressive tax planning by using interest and similar types of payment to erode the tax base of Jurisdictions which is detrimental to enhanced domestic resource mobilisation.

8.3 While the measure is well intentioned, it does not take into account the various options and measures that are open to Governments in order for such a measure to take into account the realities that tax payers face in business. The report also suggests other optional elements a country may choose to adopt including:

- Carry forward (or potentially carry back) of disallowed interest and/or unused capacity (i.e. where interest in a Zambia is below the fixed ratio, e.g. if an entity is loss making); and
- A group ratio rule which would allow an entity to deduct interest up to the level of the net interest: EBITDA ratio of its worldwide

group in circumstances where it exceeded the fixed ratio. Countries may apply an uplift of up to 10% to the group's net external interest expense.

- an exclusion for interest on loans used to fund public-benefit projects (e.g. PFI);

8.4 We take cognizant of the fact that in Zambia the capital base is very limited and many entities depend on debt for financing. So the measure will affect the ability of companies to access debt. It is cardinal that for capital intensive industries we create incentives that will allow them access to debt for business expansion. The Country can learn good lessons from Argentina where the Tax Authority is allowed create special rules to support specific industries.

9.0 Comments on other areas of the Budget

In the remainder of this section, we have provided commentary on areas which in our view requires urgent attention before Parliament approves the 2019 Budget. Our commentary in this respect is limited to areas where we want to draw the attention of the Minister of Finance and Parliament on the 2019 National Budget.

9.1 Fiscal deficit

The fiscal deficit which is the difference between government expenditure and revenue has been on the rise from 1.8 percent of the GDP in 2011 to the estimated 7.4 percent of GDP in 2018. This is the highest deficit the country has experienced in the last few years. It entails that domestic resources are insufficient to finance the expenditure. As such the deficit has been financed by both external and domestic borrowing.

9.2 Austerity Measures

In July 2018, the Minister of Finance announced a series of austerity measures to mitigate the threat on macroeconomic stability and attainment of development goals. There has been rising concern from stakeholders on the widening budget deficit and public debt coupled with increased public spending. From the budget speech we note that a number of austerity measures are skewed towards the increase in taxes and changes to the tax regime.

The Minister also announced a few other measures such as:

i. Significant reduction in expenditure on administrative parts of the public service so as to prioritise allocations to key service delivery expenditures such as drugs;
ii. Controlling the growth in the wage bill by restricting recruitment to only 3,500 frontline personnel;
iii. Scaling down domestically financed capital expenditure by phasing the completion of existing projects;
iv. Increasing domestic resource mobilisation to 18.7 percent of GDP; and
v. Curtailing domestic borrowing from 4 percent to 1.4 percent of GDP.

However we note that the Budget has not given specific details on the implementation of austerity measures. Instead the Minister has provided very limited initiatives in managing the ballooning public expenditure but instead places emphasis on introducing new but punitive tax measures. Government urgently need to address the overpricing in public procurement as well as curtail spending in acquisition of unnecessary but luxury assets and also financing perquisites for Government officials. The 21% increase in the proposed public spending from K 71.6 billion in the 2018 Budget to K86.8 billion in 2019 does not give indication of good intention on spending cuts in several sectors. The public expenditure in the 2019 Budget represents 28.9 percent of GDP in 2019 from 25.9 percent in 2018. This has been the trend in the last six years where budget deficits mainly driven by the rapid rise in recurrent expenditures. Unplanned spending has been adding pressure to the country's meagre resources and mains an issue of great concern to the Institute. The increase in the 2019 Budget has been driven the following Expenditure Allocations:

Description	2019 Budget	2018 Budget	2017 Budget	2016 Budget
General Public Service	31,277	25,898	17,970	19,172
Local Govt Equalization Fund	1,165	1,078	888	718
Domestic Debt Payment	8,626	6,972	4,969	3,549
External Debt Interest Payment	14,947	7,269	4,697	3,615
Defense	5,072	3,498	3,204	3,146
Public Order and Safety	2,866	2,145	2,343	1,841
Economic Affairs	20,651	17,258	20,133	13,247
International Airports	1,593	941	0	
Housing & Community Amenities	2,239	816	823	469
Health	8,069	6,782	5,762	4,432
Recreation & Culture	297	451	324	262
Education	13,275	11,562	10,642	9,143
Social Protection	2,187	2,301	2,693	1,274
Climate Change Resilience	213	458	348	0
Water Supply and Sanitation	3,150	801	392	284

Against this background, we expected Budget to make policy announcements aimed at spending cuts in several sectors, including the halting of new infrastructure projects and, where possible, deferring other construction contracts as well as ban on non essential foreign travel by Government officials.

9.3 Debt Position

During the Budget presentation the Minister announced that Government's external debt stock as at end-June 2018 was US$9.4 billion, representing 34.7 percent of GDP from US$8.7 billion as at end-December 2017. Further, it was reported that the stock of domestic debt in the form of Government securities amounted to K51.9 billion as at end- June 2018 representing 19.2 percent of GDP, compared to K48.4 billion as at end-December 2017. Domestic arrears amounted to K13.9 billion by end-March 2018 from K12.7 billion as at end- December 2017.

Commentary

While we appreciate that debt is an important source of finance for development and is key for poverty eradication as well as improvement in infrastructure, it needs to be prudently managed. In the last eight years we have seen the rapid accumulation of debt which has put the country in the spotlight resulting in Zambia being classified as 'high risk of debt distress' by the World Bank and IMF. If not properly managed the debt burden will constrain the economy and development progress. It is important that as the country builds-up of debt, there should also be equivalent increase in the productive assets of the economy to assist in repayment of interest obligations. In this regard we welcome the Minister's announcement that Government is in the process of instituting Public Investment Management Reforms to establish a comprehensive system for the appraisal of projects in order to ensure value for money. We hope that the new approach, will closely link investment and responsible borrowing.

9.4 Payment Arrears

The Minister announced that Domestic arrears amounted to K13.9 billion by the end of March 2018 from K12.7 billion as at end of December 2017. The stock of arrears includes delayed payments to road contractors, Government's missed pension contributions, imported fuel and electricity, payment dealers for farming inputs procured by Government, and to farmers who had sold and delivered maize to the Food Reserve Agency.

Commentary

These payment arrears are putting huge pressure on businesses as they are wait to get paid for goods and service they have delivered. It is causing business to struggle with cash flow, inability to pay their taxes and find it harder to service their debts leading to a build-up of Non-Performing Loans. Arrears will thus impact on the broader economy as firms awaiting payment are less likely to expand or create new jobs. The arrears also lead firms to put up their prices when contracting with the government, adding further fiscal pressure.

To reduce future accumulation of arrears, efforts are needed to strengthen the legal and regulatory framework, so that there are punitive measures for when goods and services are received without the available cash, or without putting the commitment into the financial management system. Political will to curb the build-up of arrears and achieve fiscal fitness is essential.

9.5 Diversification

The 2019 Budget has taken a lukewarm approach to the diversification of the economy. Unlike the 2018 Budget which had tangible policy pronouncements on how Government intended to diversify the economy, the 2019 Budget has given lip service with negligible attention to areas that will accelerate diversification. There is conspicuous absence of linkage between last year's policy pronouncements on the Sectors that will allow us to diversify. For instance we note the reduction in allocation to key sectors such as Tourism, Agriculture and Manufacturing. This is also evidenced by the weak position of the budget on the smart Zambia initiative and the proposed removal of the VAT system which is a key incentive in the diversification drive.

10.0 Conclusion

We believe that the Budget is a necessary fiscal tool to create positive contribution to economic growth and poverty eradication. However, we note that Budget has not created a conducive environment for the private sector to thrive in employment creation and contribute to the growth of our economy. There is a contradiction in the sense that the country is in dire need of foreign exchange and desperately need to address the waning current account deficit but the Budget on the other hand is bent on introducing barriers to export growth. It also brings into question on whether the Budget is well integrated into the 7th National Development plan given the emphasis on quick fix and short term measures that the Minister has adopted. The Budget has fallen short of many stakeholders' expectations and in its present form bound to worsen the already deteriorating economic situation. While we understand the fiscal pressure that Government is facing, we urge the Minister to look beyond the short term pressures.

It is also imperative that the country urgently need an economic indaba where stakeholders can make their submission on the recovery process of the economy.

Reason To Be Proud

ON December 31, 2018, Mr Hapenga Monty Kabeta, left the Zambia Institute of Chartered Accountants (ZICA) saddle after ten years as Secretary and Chief Executive Officer. For a decade, Mr Kabeta has been the Chief paddler, cheered by many, steering the Institute from one with slightly over a thousand members when he joined to one with more than 7000 members currently.

In the decade at ZICA, Mr Kabeta has had his highs and lows that characterised his play. Looking back over the years of transformation and innovation, Mr Kabeta says there is a reason to be proud.

In this farewell profile interview, Mr Kabeta maps his track.

Mr Kabeta is first born in his family of four girls and four boys. Born from the second wife of Mr Baldwin Kepson Hapenga Kabeta, Dyna Hakoola on 27th June 1959. From the first mother (first wife to his father), there were seven sisters and two brothers. Mr Kabeta went to Mpinda Primary School in 1967 in Choma's Chief Mapanza area.

But for the age test then, which he failed, young Kabeta should have started school a year earlier, in 1966.

"At the time we did not have things like birth certificates which you need now for enrollment, so the only assessment of age was having your right hand going across your head to touch the ear. My elder sister Betty and cousin Lawrence, they managed on the first attempt; they were able to touch their ears whereas for me, I tried and failed," he narrates. Never easily giving up, young Kabeta resolved to put behind the enrollment setback and his father negotiated for him to start school. After one month, it became clear that he was not ready so he stopped until 1967 when he was old enough to touch his ear and was enrolled.

Mr Kabeta counts himself among the lucky ones that he did not have to sit for examinations to transition from lower to upper primary school, as was tradition then.

"That's when government was implementing educational reforms from colonial education system to post independence demand for free education. The focus of the reforms could have been to increase access to education and increase the number of children proceeding to upper primary school. So we didn't write our lower primary school examination until we reached Grade 7 when we wrote our examinations," he explains.

Young Kabeta lost his father when he was in Grade Five and had to struggle for life with his mother.

However, Kabeta continued with his school and in 1973, he wrote his grade seven examinations, which he passed and qualified to go to St Marks Secondary School in Mapanza.

"So from Mpinda Primary School, I passed to go to St Marks Secondary School, which is about 8 kilometres from home. When I went there that was about the time it was transformed from being St Marks College to a secondary school. I think it used to be called St Mark's College to become St Marks Secondary School," he narrates.

Mr Kabeta was at St Marks Secondary School from 1974 to 1978 for his Form 1 to Form 5. He then proceeded to the Zambia National Service training in December 1978 up to August of 1979.

"We were at Mushili National Service Camp in Ndola with many colleagues from North Western, Western and Southern provinces because they were saying that all those who went to rural schools must go to an urban National Service camp and that's how we went to Mushili in Ndola," he explains. He left the National Service in 1979 after his admission to University of Zambia.

Mr Kabeta, in 1972, had a "wonderful experience" at Chilalantambo Catholic Mission where he went through Catechism classes and got baptised in August of that year as a Catholic. "I have lived my faith as a Catholic to this day," he says.

Back at St Marks Secondary School, Mr Kabeta remembers being one of the three school leavers to obtain division one school certificate. Coming out as the best pupil in Mathematics was a source of happiness. The Head Master then, Mr Shikambo, made a special mention of his success, as he knew the challenges the young Kabeta was going through while at St Marks Secondary.

Mr Kabeta only tested town life in 1975 when he visited his uncle in Mufulira, later in Ndola when he went to Zambia National Service training, and when he went University of Zambia, at Ndola Campus in Kitwe. Young Kabeta did not know what he was going to pursue when presented with an opportunity to apply to the University of Zambia.

"The career guidance was done by people who were looking at the results and they felt that I could go into the School of Humanities and Social Sciences. When we arrived at the University of Zambia, we were told that we would not enroll, [as] we were admitted to the University of Zambia at Ndola Campus in Kitwe popularly known as UNZANDO," he narrates. "So when people asked: are you from Copperbelt University? Our answer was: 'no no no; we are from UNZANDO'. Are you from University of Zambia? We still said: 'no no no, we were from UNZANDO'. So when we went to UNZANDO, we were basically the first people to be in first year in the now School of Business of Copperbelt University."

Mr Kabeta recalls people like Mr Felix Mutati Manfred Ngweza, Fred M'Membe, Bradford Malumbe, among others who were ahead of his intake at UNZANDO, who were coming from the University of Zambia after their second year of study.

"When we went there they were in third year and Fred was in second year while we were in first year. So we started the journey and I was graduating in 1983. I am happy to indicate that I was one of the very few who graduated with merit degree from UNZANDO. I think it was wonderful," he narrates.

Graduating from the University of Zambia Ndola Campus on that 5th November 1983 was a memorable occasion for young Kabeta, who was full of life with a lot of hope for the future. Upon graduation, United Bus Company of Zambia (UBZ), immediately employed Mr Kabeta and placed under its management development programme as Trainee Manager. Actually, UBZ, like most companies then, signed them on a month before they graduated. UBZ at that time did not have university graduates in its ranks.

"We were the first graduates at that time and Mr Robert Chomba, the owner of Euro Buses, was the Managing Director and he believed that we could contribute to the change in the company," he narrates. "And I was in the company up to around 1987, after having worked from the Livingstone, Kitwe, and Mufulira branches. In 1988 he joined the Zambia Consolidated Copper Mines (ZCCM) Mufulira division in the supply function.

Mr Kabeta joined ZCCM as a senior staff member.

"There is a rank called senior staff in the mining industry. So I was in charge of three units in the supply section where we were basically looking after the stores and we ensured that we were auditing the stores on a continuous basis to ensure that nothing went out of the mine because that was one of the weakest points," he recalls. "But within one year, I found myself in a bit of a problem because one of the officers that I was supervising was technically not working; he would come for work, may be once or twice in a week. But for some reason, the system allowed him to be clocking in that he was present. And because he was under my supervision, when the time for performance appraisal came, I indicated that this person deserved to retire from the company because he did not have time to work. Little did I know that this person was running a garage and almost all the senior staff were taking their vehicles to his garage and that's how he was never present but clocked in present. And because he was involved in business, he was able to buy some goodies and gave presents to these senior staff. So when performance appraisal was done, I classified him as a poor performer and my supervisor insisted that I needed to change my appraisal scores and I refused to change that, so in the process they charged me for refusing to follow lawful instructions. And I said fine, you proceed."

The human resources department, upon his presentation, dismissed the issue as something that should never have been lodged in the first place. Mr Kabeta recalls that the absentee worker continued with his "*modus of operandi*" in relation to work.

Following the establishment of the Copperbelt University, Professor Andrew Kamya, who was Dean of School of Business, asked him whether he would be interested to join the academic ranks. Mr Kabeta, facing challenges at ZCCM, did not hesitate to take the dive into the academic world. He was qualified for the new challenge having graduated with a Meritorious Degree from the University of Zambia.

"I had a chat with the head of supply, who was in charge of the division at the time that I had a problem, I think the phrase that I used at the time was that 'I would not want to be a captain of a ship that I have no control over. So under the circumstances, I had no choice but to leave'. And that's how I joined the Copperbelt University at the time. I was joining almost to become a staff development fellow. So when I joined in 1989 in April, I taught quite a few people who were doing Diploma in Marketing and some of them were doing Diploma in Accountancy in 1989 and later on in 1989 I left for studies in the UK at the University of Wales pursuing a Master degree in Business Administration (MBA) at Cardiff Business School." Upon his return from the UK, Mr Kabeta joined the faculty in the School of Business and was there up to 1998.

But prior to going to 1998, Mr Kabeta was elected Chairman of the Copperbelt University Academic Association. "Once you give me a mandate, my desire is to implement role to the fullest. And that's when I found myself in a conflicting situation with the Vice Chancellor at the time, Dr Simwinga, and he felt that I had other motives beyond my role as chairman of the Academic Association. I kept advising him that there were things that needed to be done and there was nothing beyond that. So in 1998, I felt that living in that conflicting situation was not healthy. Now I need to mention that in the School of Business, I was basically lecturer in the department of Business Administration and I was head of that department for three years," he recalls. "The Vice Chancellor terminated my headship of Business Administration as a consequence of my Chairmanship of the Academic Association." And basically during my time, we managed to introduce the MBA programme, which is currently being offered at the Copperbelt University."

Mr Kabeta's next stop, after leaving CBU, was the Zambia Competition Commission. He joined as Director, Consumer Welfare and Education. He was at this statutory body for almost four years as one of the founding directors. While at the competition commission, an opportunity arose for him to join Zambia Wildlife Authority.

"It used to be called National Parks and Wildlife Service. The government, with support of the World Bank and the European Union (EU), was compelled or made a decision to transform the Department of National Parks and Wildlife Service into the Zambia Wildlife Authority (ZAWA) and I was, I think I can call myself the first Director General for the newly transformed Wildlife Authority (ZAWA) and I had a very interesting journey there," he says. "That's where [I experienced] the first interface between politics and corporate life. I started working there on December 1, 2001 and that's the same time when there were general elections. On January 4, 2002 HE Levy Mwanawasa formed government and in cabinet, he appointed, as Minister of Tourism, Honourable Levison Mumba MP. Now Levison Mumba came in with, I don't know…I think he was a poisoned individual. Poisoned individual because in the first week of his appointment, when I was only one month old in that role, on the first day of reporting for work, he called for me, which I thought was a privilege. In our first meeting, he wanted to ensure that there was harmony at ZAWA and all those people who were on suspension or whatever circumstances they found themselves in, he wanted a general forgiveness; that those people must come back without condition. And one of the individuals he was particularly interested in was someone called Dr Lewis Sayiwana. Now that gentleman was appearing in court on matters of corruption and abuse of office and he was suspended before I went there. So he was telling me to forgive this individual and I was telling him that 'it was outside my power. If there was anybody that must make that decision, it was the board of directors, not me. This person reports into my office and I would not make decisions as an individual and if you, as minister, want me to bring back such an individual, surely you could advise me so that I could tell the board to make that decision'. I was shocked by his reaction. He raised his voice suddenly and started banging the table saying, 'It's you I am talking to, you must bring this person back!' And I was shocked what the problem was as I thought the matters were straight-forward. That was the rough ride, there are many stories from ZAWA. There was a lot of politics around there. These are for another day."

Mr Kabeta shares an experience that can serve as a lesson to the young leaders. He says within that week, when Mr Mumba was made minister, he did something he would not advise anyone to do.

"But I had to do it. He reported for work on Tuesday, I had a meeting with him on Tuesday and we started the meeting at 14:00 hours. At 17:00 he said the 'President is calling me', and he adjourned the meeting 08:00 hours the following day. I went to meet him the following day Wednesday and the subject was the same. On Thursday, the subject was the same. I brought the matter to the attention of the Chairman, but he was just laughing about it, he never did anything. Then I advised that okay, under the circumstances, the Chairman was not one who was going to give me any relief. So I decided to go outside the board to find out from other people what the challenge I was facing was all about. I was advised to write a complaint letter to the Minister, to find out from him what I had done for him to treat me that way. And as a Zambian, I came through a competitive process, I was not single sourced for appointment by anybody so for me I believed that I deserved the position. I decided to take exception with the Minister insinuating about my wrong political inclination. I found that to be very unacceptable. He spoke to the Chairperson and told him that he was doubting my political alignment. With the Chairperson, he said that he had no problem with him but it was me he was concerned about. Even insinuating, suggesting that I was senior advisor to Mr Anderson Mazoka, a person I had never met. So I never knew him but from his point of view, from his information, that's why I said earlier that he was a poisoned person. It was a journey that when people talk about corporate politics, I fully understand it."

Mr Kabeta says putting the right people on boards who were qualified and with independent minds is very important. Looking back, Mr Kabeta is amazed that he managed to serve his contract under those circumstances and the board had no reason not to renew it.

"And my contract was renewed but for whatever reason, because of the same issue of poisoning, President Mwanawasa felt I was inappropriate to continue as Director General. Even one of the Ministers who was supervising me kept telling the President that he did not see anything wrong with me, and said that I was one of the 'best performing CEOs in my ministry'," he recalls.

Mr Kabeta boasts of being the longest serving Director General to this day.

His long stay at ZAWA was not without challenges but managed to transform the wildlife agency and brought in respectability with other agencies in the region.

After leaving ZAWA, Mr Kabeta decided to go into private practice as a consultant. In 2000 he had registered a constancy firm called Strategic Visions Limited where he worked for three years before joining ZICA.

"There were certain day-to-day issues that arose because I had babies when I thought I had retired from that field who required cash every day to go to school and what-have you. And that's how when an opportunity to come to ZICA arose, I decided to apply. I joined ZICA in 2008 in December," he narrates. "So who is Kabeta? That's me."

He has been ZICA CEO and Secretary of Council for a decade this year this month.

Mr Kabeta describes his tour of duty at the helm of the accountant's Institute as a journey of transformation and Innovation.

He found ZICA in 2008 operating in Rhodespark but without "proper governance systems; no procedures for various things and we started a journey of change."

"I remember the first meeting I had with the President of ZICA, I asked him a question whether ZICA must be treated as an organisation or it was a club like Lusaka Club where there were no strict rules and regulations. When I asked that question, little did I know that the question was very difficult for the President to answer. But I had to ask it because I needed clarity. But I am happy that at the time ZICA offered me the job, which has occupied a good part of my adult life, really we have changed the face of ZICA. The brand of ZICA has really changed," he boasts. "It is a highly respected brand. We needed to make people have a reason to be associated with ZICA. I stated earlier that by the time I came, a quorum for the annual general meetings was a problem to achieve. The number of people attending the AGM was about three hundred but this time you are talking about one thousand plus accountants, meaning that there is something of value that they were getting. Even the Annual Business Conference tended to be an accountant's conference where you are basically talking about accounting standards and auditing standards and things like that."

He says although these were important, there was a realisation that "these people" needed to understand and appreciate the environment in which they operated. There was no need to continue dealing with the technical skills that they were already abreast with. The value proposition was changed and the members responded positively.

According to Mr Kabeta, the secretariat, under his leadership, transformed a number of things, including presenters at ZICA conferences, who previously were predominantly foreigners.

"I told them that I was Zambian positive and I believed that all those people coming to make presentations at our conferences had gone to the same schools as Zambians and therefore within the three years after I arrived, I insisted that Zambians must start taking up those roles. And I believe that we did not have a shortage of skilled people. Having been a lecturer at the Copperbelt University, there are a number of people who are working as accountants who were sitting in my class. I, however, advise these people that they were my classmates standing in different positions. I was at Copperbelt University close to ten years as well, so a lot of people passed through, not my hands, but through our hands. It was a collective effort."

The Joseph Mwilwa Road Rhodespark offices became too small and a need arose to shift to the current location. At the time, the current location was still work in progress and had some "procurement challenges. Mr Kabeta used his public procurement skills to overcome the challenges and in almost two years, the Accountant Park was completed in 2010.

"And I think it has been an envy for other professional bodies. The membership has moved from as low as almost one thousand plus, and right now we are talking about 7000 members. At the time I was coming in, the new qualification called ZICA was also being taken up as a qualification and I kept indicating that we have a challenge in terms of branding ZICA since the qualification was technician and members were technicians; the other qualification was licentiate and the members were called licentiates and the ZICA professional level members were lost at sea, as they could not distinguish themselves, as everyone was a professional.

> "...what was Mr Kabeta's driving force behind the achievements? The desire to grow the institute and attract talented young people to work for the Institute was the greatest force."

In 2017 an opportunity arose to review the qualifications. It became evident that in 2007, we lost an opportunity, so we needed to take advantage of that opportunity in 2017 and that's how we embarked on a journey to eventually launch CA Zambia in August 2017, which I think is a great milestone because the CA brand is one of the most respected professional accountancy designations globally," he says. "So to have Zambians moving around the world and calling themselves CAs, I think is a game changer. We had just one qualification, right now we added three more. So literally in all directions, there has been one matter of preoccupation: innovation with growth or growth with innovation."

In the last ten years he has been at the helm of ZICA, the Institute has never hired external consultants to develop the Institute's strategic plans. Mr Kabeta has been that internal consultant.

"Even thinking outside the box, I think we have done quite a bit. There is a reason to be proud," he says.

But what was Mr Kabeta's driving force behind the achievements? The desire to grow the institute and attract talented young people to work for the Institute was the greatest force.

The Institute needed to attract highly qualified individuals but was not able to pay them.

"So we needed to develop an infrastructure where we could improve our income levels so that we were able to attract highly talented individuals, young people which I think we managed to do," he explains.

The other dimension, Mr Kabeta says, is that ZICA is a self-regulated entity, which requires some elements of oversight and to assure the world of its focus on protecting public interest.

So under his eye, ZICA established a Standards and Regulations Board, which almost coincided with support from the European Union to establish a Practice Review Department, which, according to Mr Kabeta, has done a great job.

"We are an attraction basically to the region. The region looks to us in a number of ways. With my involvement, I can state that there used to be a regional body called ECSAFA (Eastern, Central and Southern African Federation of Accountants) and there was a movement that we needed to establish, a new body called PAFA (Pan African Federation of Accountants). I was part of the team that was involved in the development of the constitution," he says. "And in our interactions, that is when you know how much Zambian brains have been exposed because I and my colleague, Vickson Ncube, who is the CEO of PAFA now we were almost like the brain driving the process of developing the constitution, a constitution which is valid today, which I think is a great feat."

Mr Kabeta is not oblivious to issues of unemployment in the country and when opportunities for mutual recognition agreements came knocking, the Institute thought of opening up possible new markets for members of the profession.

"So we have membership agreements, thus an MoU with the Kenyan Institute and only recently, we, under my leadership negotiated what is called a mutual recognition agreement for member bodies in countries under the Accelerated Progression for Economic Integration (APEI)…right now we are just looking forward to signing it after the Zambian Attorney General clears it. APEI is a grouping of five countries that include Mauritius, Malawi, Zambia, Mozambique and Seychelles. Now in these areas, once that agreement is signed the members will be able to move freely from one country to the other with minimal regulatory requirements, without any discrimination," Mr Kabeta says.

"So when we were interacting, it was very clear that we had a solid accountancy programme and we had a clear entry route for people who wanted to become auditors, so basically they adopted our model that in the next three years all the APEI member bodies will move in our direction, which I think is an appreciation that we are doing something different."

Because of the CA qualification, ZICA is now an associate member of Chartered Accountants Worldwide (CAW), a grouping of all Chartered Accountant organisations around the world. "I think this is a major achievement. So, what has been driving this? Partly, I always say I like dealing with confused people who keep on thinking, what other things can we do? Thinking outside the box continuously. I always believe that the best can still be improved on. So that has been the driving force," he says.

A journey of a number of successes cannot be short of low points, challenges. And one of the challenges Mr Kabeta mentions, which is the Institute's fear, has to do with the day-to-day management of the Institute by people charged with governance, the Council.

"They were previously directly involved in day-to-day management of the Institute and one of the challenges, that's why you remember one of the question I asked was, is this a club or it's an organisation? One of the things that we needed to do was to create a clear separation between the board and management so that management is allowed to manage the Institute and the Council must provide oversight. Because of this issue of being a membership body, I have to answer some uncomfortable questions. There is a tendency of micro management and I think that is one of the sad parts," he says.

Mr Kabeta recalls one time when President Michael Sata was elected he went on a journey of trying to repossess State assets from the private sector.

"One of the key issues was repossessing of Zamtel from LapGreen Networks and with management we decided to issue a press statement and we told Council about it but what we did not know is what we were going to write about; probably that is what on hindsight may be we could have done differently. So we issued a press statement questioning the morality of such a decision, worst of all one of the people who was appointed to be managing director was part of the committee that was investigating Zamtel and beyond that we warned the government that there was a potential backlash because this company was going to take government to court and we were going to lose money as a country," he recalls. "We were proved right on this score."

Mr Kabeta explains that at the time Zamtel was going on a down hill but with the coming in of Lap Green, there was a bit of light at the end of the tunnel.

"At least you could see they were growing the numbers and things were fairly clear as to which direction they were going. So with that intervention, we thought it was not going down well. So over that press statement, there was a colleague of mine, we have known each other for a long time. He was out of the country and he called me while out of the country and said 'Kabeta, I have been requested to write an editorial about your press statement. That colleague will remain nameless. I said oh yeah, it's within your territory, please proceed. He said 'please, I thought you needed to know in advance'. So even when the editorial came out, it was hard hitting and the Council could not take that; so they called a Council meeting where they said the press statement that was given had no blessing of Council and they wanted it retracted in the newspapers. That was my lowest point and I kept saying I can see you people are so emotionally charged but I don't see what wrong we have done because from our point of view, from an accountancy point of view, this is what we needed to do. And I must mention that going down memory lane, I think we were proven right," he explains.

"Before they could withdraw the statement in the media, it was decided that they go to see the Minister of Finance, to explain the circumstances under which the statement was issued and that it had no blessing of Council and at the time the minister was Alexander Chikwanda and Honourable Chikwanda advised them that actually that was 'your role as a professional body; you can't toll government line. You need to comment on what we do because you are the people, that is one effective way in which you could advise us on things that we are doing'. And to provide that feedback was not easy. So they were saying please can we go together to see the minister and I respectfully declined to accompany the team because they were basically saying it's me, you go and meet the minister. At my age to do things like that, I refused. I come from the old school where if something was wrong, it remained wrong irrespective of how you want to massage it and the minister also advised Council and expected ZICA to also comment on ZANACO as it was in danger of going on the same line. He said "I need your support as a professional body, if you can stand up and say the same thing on ZANACO, I think you will strengthen my hand'." Now you see how things turned out? That was a low point and obviously, as I go towards the end of my journey, some times I feel the desire to micro manage the Institute may become the order of the day. This is despite clear definition of the territory for management and the territory for the supervising body. I think it's the duty of management in every situation, answering your question as to how best, it's the duty of management and particularly the CEO to protect that turf of management space and engage the board and give them appropriate advice because as CEO, you are basically the chief advisor to the board even when they refuse."

Another low point for Mr Kabeta was when his counsel to council not to respond to every press statement, some which could be negative because he believes that there was no negative publicity, was frowned upon.

"Some times you are in a Council meeting, you are told 'you are not an accountant, you can't'…. I fully appreciate these issues and of course when such things happen, messages start coming; it's time to go. Because when such things happen, people may have an opportunity to get rid of you. So when you realise that remotely or otherwise, people can still remove you whether you have done anything wrong or otherwise. It is important to leave when people are still clapping, and come out of the stage," Mr Kabeta says.

Speaking to the future of the institute, Mr Kabeta is emphantic: "the future of the profession is very bright."

"The only thing that is there is that the Zambian accountancy profession does not seem to appreciate the concept of regulation. I think the concept of self-regulation is difficult to comprehend. I think the profession may require another body that must oversee it - an oversight body that must supervise the profession. This should be in the next leg of reforms. ZICA will be a professional accountancy organisation and there will be accountants under it," he suggests. "You will require a regulator who is going to oversee the profession. You may wish to know that some time back there was a disciplinary matter and the disciplinary matter was heard by a committee that was appointed, that committee made recommendations to council. Now let us suppose the president is the one who is accused of professional misconduct, how do you handle such a matter? It becomes problematic. We have strengthened those governance structures of oversight but still we see some inbuilt weaknesses and I think it needs to be strengthened further."

Mr Kabeta says the accountancy profession in Zambia is highly respected in Africa and globally.

He emphasises that with the global CA qualification, ZICA providing the anchor for the development of the accountants, we can only see the accountancy profession moving away from being a profession of bin counters to becoming business leaders and the opportunity is there," he says. "The only issue is the fear that accountants have in taking their rightful position. In fact, in the last one year, the new President [Mr Jason S. Kazilimani] has demanded for one thing: facts. Once the facts are provided, sometimes facts may not be the truth and truth may not be the facts but once the facts are presented to him on any matter of public interest, he has never shied away form having that matter addressed. But of course with the strong Chairman presenting on various matters then the CEO would take the back seat, he will not be in the public limelight. So I think that's an area, which may require some level of balance."

At the end of this December, Mr Kabeta bids farewell to the Institute as he goes back to his roots.

"I have a village in Mapanza. I am going back to my village. I always get impressed with Katele Kalumba. He is PhD holder and he is in Chienge. Of course, he is in Lusaka most of the time but officially he is in Chienge and if there is any development for the remaining part of his life, I think the people of Chienge are getting the best part of him," he says. "As for me, I want to get back to the roots. The second one is I have a few startup businesses that are not performing well and everyday someone comes and say 'never think that you can be successful as CEO and be successful in your private business, one of them will suffer' and for the period I have been here, I think the private business suffered in a big way. Right now I cannot say they are not successful; they are literally on the ground and every time I interact with the people running those businesses, there is a continuous cry – we need you. So I want to spend a bit of time to see and push start these small startups…that's another journey of life, to see if I can contribute to their transformation."

Mr Kabeta has been associated with Kenneth Kaunda Metropolitan University and he say it has not performed according to the way he wanted it at establishment.

He also wants to concentrate on running Strategic Visions Limited.

"I think three of my elder children are independent of me, they are running their own lives and second last child is going into medical school and the last child is finishing school, I think, it's time to go, it is time up," says Mr Kabeta. I wish ZICA well in the future under new management. ZICA can only get better than yesterday. ■

Technical Updates

Auditing and Assurance

Martin Baumann Named to Lead the International Auditing and Assurance Standards Board

Mr. Martin Baumann has been appointed Chair of the International Auditing and Assurance Standards Board (IAASB) for a three-year term beginning January 1, 2019. Mr Baumann's appointment was recommended by the Interim Nominating Committee after an extensive international search. The IFAC Board endorsed the Interim Nominating Committee's recommendation, which was approved by the Public Interest Oversight Board (PIOB), which oversees the IAASB's activities. The Monitoring Group was informed of the recommendation.

"Martin Baumann is a leader who brings vision, a passion for the public interest and a depth of experience to the role of IAASB Chair," said Ryozo Himino, Interim Nominating Committee Chair. "As its next Chair, he will lead the IAASB during an important period of innovation and change as well as continuing the Board's work developing high-quality international audit, assurance, quality control and related services standards that are accepted and used around the world."

As Chair, Mr Baumann will lead the IAASB through an environment of rapid advances in current and emerging technology and changes in the breadth and complexity of information needed by investors and other stakeholders. He will be responsible for leading the finalisation and implementation of IAASB's strategic objectives; actively engaging key stakeholders around the world, including national standard setters, regulators, investors and firms of all sizes; and delivering timely high-quality standards in the public interest.

IAASB Seeks Public Comment on Exposure Draft on Agreed-Upon Procedures

The International Auditing and Assurance Standards Board (IAASB) seeks public comment by March 15, 2019 on its Exposure Draft of proposed ISRS 4400 (Revised), Agreed-Upon Procedures Engagements.

The demand for Agreed-upon procedures (AUP) engagements continues to grow across jurisdictions. Changes in regulation, such as the increase in audit exemption thresholds in many jurisdictions, have also driven increased demand for AUP engagements. This is especially relevant for smaller entities, as the increased audit exemption thresholds prompt stakeholders to look for alternative services to an audit.

To ensure that the IAASB's standard on AUP engagements remains relevant in the current business environment, the IAASB propose to enhance key concepts in the standard, including:

The role of professional judgment in an AUP engagement.

Disclosures relating to the practitioner's independence or lack thereof.

Guidance on appropriate or inappropriate terminology to describe procedures and findings in AUP reports.

The use of a practitioner's expert in an AUP engagement.

Restrictions on the distribution and use of the AUP report.

Candidates Sought to Serve on Audit and Ethics Independent Standard-Setting Boards

The Call for Nominations for 2020 volunteer opportunities to serve on the independent international audit and ethics standard-setting boards is now open. There are five volunteer openings on the International Auditing and Assurance Standards Board (IAASB) and six volunteer opportunities on the International Ethics Standards Board for Accountants (IESBA), including public member positions.

Nominations for these volunteer positions are open to all stakeholders, including institutional investors and analysts, audit committee members, corporate governance professionals, academics, regulators, policy makers, standard setters as well as individuals from governmental agencies, accountancy firms and the general public. Nominations of non-accountants for the public member vacancies are strongly encouraged. Travel support is available to public members, self-nominees and qualified candidates from developing nations.

Candidates should have strong knowledge of the subject matters considered by a particular board and be fluent in English. While selection for a board is based on objective review of qualifications and experience, the nominations process is focused on encouraging a diverse pool of candidates. Nominations of highly qualified candidates from Africa, Middle East, Latin America, Caribbean and Asia are strongly encouraged. Nominations of female candidates from all regions are particularly welcome.

Public Sector Experts Sought to Join International Public Sector

Accounting Standards Board

At a critical moment of development and adoption of international public sector accounting standards, the Nominating Committee issues its Call for Nominations to join the International Public Sector Accounting Standards Board (IPSASB) for a term beginning in January 2020.

Volunteers are central to the effective functioning of the IPSASB, through active participation in meetings, task forces and outreach activities.

Experience

The Nominating Committee is looking for candidates with the following background:

Experience as public sector national standard setters;

Preparers of accrual-based financial statements at both national and sub-national levels, including ministries of finance and treasury departments, and international organizations, especially those reporting directly or indirectly in accordance with IPSAS; and

Users of general purpose financial reports, such as parliamentarians, budget offices, and credit-rating agencies.

The Nominating Committee considers matters such as relevance of candidates' professional backgrounds, technical skills, past and present contributions to the accountancy profession, and the ability to make a significant contribution to the matters and areas of emphasis in the IPSASB Strategy and Work Plan. The promotion of IPSAS is and will continue to be a key strategic focus; nominees are expected to be strong advocates of IPSAS and should be willing to make regular presentations in their regions every year.

Time Commitment and Financial Requirements

The minimum time requirement of an IPSASB member is approximately 48 days per year, excluding travel, with many members committing up to 70 days per year. This comprises approximately 18 days for physical attendance at Board and task force meetings and 30 days for preparation, teleconferences and outreach activities. Members are also strongly encouraged to attend the biannual meetings of the Consultative Advisory Group.

Costs of attending IPSASB meetings are borne by the member or the member's nominating organization. Funding is available for public members who do not have a sponsoring organization. There is additional financial support available to self-nominees and candidates nominated by qualifying organizations from developing nations.

How to Submit Nominations

Nominations can be submitted online from the date of the issue of this Call until February 15, 2019. Instructions on how to apply are available on the Nominating Committee's webpage.

Financial Reporting

IASB Clarifies its Defination of 'Material'

The International Accounting Standards Board has issued amendments to its definition of material to make it easier for companies to make materiality judgements.

The definition of material, an important accounting concept in IFRS Standards, helps companies decide whether information should be included in their financial statements. The updated definition amends IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are a response to findings that some companies experienced difficulties using the old definition when judging whether information was material for inclusion in the financial statements.

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

The changes are effective from 1 January 2020, but companies can decide to apply them earlier.

Old definition: Omissions or misstatements of items are material if they could, individually or collectively; influence the economic decisions that users make on the basis of the financial statements (IAS 1 Presentation of Financial Statements).

New definition: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Iasb Amends Defination of Business in IFRS Standard on Business Combinations

The International Accounting Standards Board has issued narrow-scope amendments to IFRS 3 Business Combinations to improve the definition of a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets.

The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance.

Distinguishing between a business and a group of assets is important because an acquirer recognises goodwill only when acquiring a business.

The amendments arose from a post-implementation review (PIR) of IFRS 3, an assessment carried out to determine whether an IFRS Standard works as intended. Following feedback from the PIR, the Board is also working on another project linked to IFRS 3 in which it is exploring possible improvements to the accounting for goodwill.

Companies are required to apply the amended definition of a business to acquisitions that occur on or after 1 January 2020. Earlier application is permitted.

Notes to editors:

Previous definition of a business: An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.

New definition of a business: An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities.

IASB Update October 2018

Deferred tax: tax base of assets and liabilities (IAS 12 Income Taxes)—Agenda Papers 12B and 12C

The Board discussed the Committee's recommendation to propose a narrow-scope amendment to IAS 12 Income Taxes. The proposed amendment relates to the recognition of deferred tax when an entity accounts for transactions, such as leases or decommissioning obligations, by recognising both an asset and a liability.

The proposed narrow-scope amendment would narrow the initial recognition exemption in paragraphs 15 and 24 of IAS 12 so that it would not apply to transactions that give rise to both taxable and deductible temporary differences, to the extent the amounts recognised for the temporary differences are the same.

Comprehensive review of the IFRS for SMEs Standard

The Board expects to start its next comprehensive review of the IFRS for SMEs Standard in early 2019 (as reported in the October 2016 edition of IFRS for SMEs Update).

We expect the Board will begin its review with the issue of a Request for Information (RFI). The RFI will seek public feedback on possible changes to the IFRS for SMEs Standard, at a minimum, for:

the consequences of 2015 amendments from the initial comprehensive review, which became effective in 2017 reporting period;

new and revised IFRS Standards; and

any other application issues. ■

Membership Matters

THE Zambia Institute of Chartered Accountants admits members into four categories: Fellows, Associates, Licentiates and Technicians. Fellows and Associates are Chartered Accountants (CAs) while Graduates, Licentiates and Technicians are Affiliate members of the Institute. The Membership Committee has admitted the following members:

NOVEMBER 2018 ADMISSIONS

Fellow Admissions

1	Charles Kayombo Muwanei	F005083
2	Mateyo Lungu	F005468
3	Malasa Lumbala	F006238
4	Nisha Dilip Kapadia	F005393
5	Mulendema Joe	F006448
6	Namunji Kanyimba	F004416
7	Chobe Chobe Miyanda	F004628
8	Arthi Muthusamy	F004109
9	Emily Ngoza Longwe	F004313
10	Raymond Sikazwe	F004276
11	Austin Mutinta Mudenda	F004278
12	Mwanza Jaulani	F002437
13	Banji Chisumpa	F002177
14	Mukwanya Nabusanga Hamayangwe	F001390
15	Teddy Kabinda	F002502

Associate Admissions

1	Chilala Bugar D	A011393
2	Emmie Nakanyika	A011392
3	Brian Christopher Makina	A011401
4	Chilekwa Pythias Mwansa	A011400
5	Kereen Chinyama Hamajata	A011399
6	Lucy Musonda	A011418
7	Byford Mboozi Hamududu	A011406
8	Misozi Phiri	A009236
9	Mutale Mbalamweshi	A001760
10	Ng`ona Enock	A009232
11	Vincent Chileshe	A004640
12	Maureen Ngoma	A007675
13	John Bwalya	A002961
14	Kabwe Boyd Bunda	A007873

CHANGE OF ADDRESS

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Email: --

Signature: Date:

CAUTION TO THE PUBLIC

Before any person engages an accountant to perform any work, they must verify their membership with the Zambia Institute of Chartered Accountants. ZICA membership is only valid with payment of annual subscription fees. Even if a member submits a membership certificate, which is issued once at registration, it is not valid until they have paid their annual subscription fees for the year. Members of the public can verify valid membership by accessing the list of members on the ZICA website or by contacting the institute. Checking the validity of members before engaging them for any work will avert penalties that are chargeable to employers who contravene section 18 and 19 of the Accountants Act 2008.

The list of ZICA members is available on the website www.zica.co.zm, Email: membership@zica.co.zm

CALL FOR ARTICLES

We urge anyone and all members of ZICA to contribute articles of their choice but relating to issues of management, developmental, auditing, accounting, environment, money laundering, stock exchange, marketing, advertising, etc, to The Accountant. We are now receiving articles for the next edition. Email to: ksyacika@zica.co.zm

An amount of K650 will be paid for articles written with 1,000 words and above, K400 for 800 to 999 words

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