



**2021 MEDIA BRIEFING ON VARIOUS NATIONAL
MATTERS ISSUED IN PUBLIC INTEREST BY THE ZICA
PRESIDENT,
MRS. CECILIA ZIMBA IN THE ZICA BOARDROOM
2nd DECEMBER 2021.**

Good Morning

Ladies and Gentlemen,

Welcome to the ZICA media briefing for the last quarter of 2021 on matters that affect the accountancy profession and the nation at large. In line with the Accountants Act of 2008, apart from our mandate of regulating the education and practice of the accountancy profession in Zambia, we have a statutory mandate to advise the Government of Zambia on matters relating to the economic development of the Country. In this regard the media briefing will reflect on developments related to the following key matters:

1. Comments on the 2022 Budget

- a) **Commentary on Selected Specific Economic Sector Proposals**
- b) **Comments On The Tax Measures**
- c) **Measures to Revamp Multi Facility Economic Zones**
- 2. African Continental Free Trade Area**
- 3. Inflation, Exchange Rates and debt**
- 4. Training of Professional Accountants - Graduation Ceremony**
- 5. Conclusion**

1. COMMENTS ON THE 2022 BUDGET

I would first and foremost like to once again congratulate the Minister of Finance and National Planning Hon. Dr Situmbeko Musokotwane on announcing a well balanced budget taking into account the challenges we are facing as a Country and taking stakeholder engagements on board in coming up with economic policies. You will remember that the Institute sponsored the airing of the National Budget Presentation on ZNBC TV to allow members of the public have an opportunity to follow the pronouncements in real time. For us as an Institute, this is important as it provides timely updates on

matters of national interest. We note all the pronouncements that were made which I will be commenting on below.

A. COMMENTARY ON SELECTED SPECIFIC ECONOMIC SECTOR PROPOSALS

AGRICULTURE, FISHERIES AND LIVESTOCK

Ladies and gentlemen, the Government will implement a new comprehensive agriculture support programme commencing in the 2022/2023 season which will be cost effective, better targeted and equitable across beneficiaries compared to the current Farmer Input Support Programme (FISP). We commend the Minister for this proposal as the consolidation and validation of beneficiaries under FISP has been a challenge.

MANUFACTURING AND INDUSTRIALISATION

Ladies and gentlemen in order to attract investment and help to enhance value addition, the Minister has proposed the reinvigoration of the programme of Multi – Facility Economic

Zones and Industrial Parks through the provision of tax incentives that will attract private sector investment into these zones. The Institute recognises and commends the Government for these proposals. We are looking forward to a spurred interest in MFEZ zones and eventual investments to help the much need job creation for the youth.

TOURISM

From the engagement we had earlier, we support the measures and the Minister's stated objective to diversify tourism away from Livingstone to a cross-section of other destinations. The proposed reforms must also include an overhaul of the tourism and hotel grading system that has effectively collapsed over the years and has negatively impacted tourism into other parts of the country. We note that global travel operators largely recommend and book travel based on grading. Further, we urge the Minister to help grow local tourism offerings which are often priced beyond the reach of an average Zambia. It is time capacity was grown in all tourism sites. Uptake would be

derived on the basis of economies of scale by pricing at the level of incomes in Zambia. We also urge tour operators to be innovative and ensure tourism continues locally amidst the COVID 19 pandemic as opposed to a dependence on tourists from abroad.

MINING

Ladies and gentlemen, the Minister announced plans to boost copper production to over 3 million metric tons in a decade. Measures proposed include reintroducing deductibility of Mineral Royalty Tax and to promote the growth of small-scale mining, The Institute commends these measures and further urges Government to resolve other challenges besetting the sector that include delayed VAT refunds, double taxation on the transfer of mining rights through shares sales (Property Transfer Tax on shares as well as interests in mining rights). The double taxation is a significant impediment for specialised exploration companies to exit their projects.

The Institute would also urge Government to consider making the mining licenses affordable to local investors.

ENERGY

In order to ensure an effective energy sector, reforms will be undertaken in the electricity and petroleum sub – sector. In the electricity sub – sector, Government will implement a Renewable Energy Investment Plan that will improve the energy mix and review the operations and efficiency of ZESCO. Power – Purchase Agreements are being re-negotiated as part of the strategy to sustain the Company. Government has stated that it will implement cost – reflective tariffs in the electricity sub – sector and scale up the programme of rural electrification through the extension of the grid network as well as deployment of the off – grid electrification solutions.

Ladies and gentlemen, we commend these measures given the significant amount of debt that the power utility has contributed to the country's overall debt burden. We also note

that consistent energy supply is key to economic growth given the negative impact that prolonged load management has on both large and small businesses. In the petroleum sub sector, we congratulate one of our Senior Members Mr Vickson Ncube for having been appointed Chairperson of ZESCO. We have no doubt that he will make positive contribution to the utility company and urge Government to allow ZESCO operations to flow without political interference. We are happy with the Government pronouncement to restructure the fuel supply chain and achieve least cost pricing while ensuring stable supply of petroleum products. We expect pricing of petroleum products to be a significant challenge that the Minister need to address in detail. Currently, petroleum products are being subsidised through actual cash subsidies and tax concessions (zero rating for VAT purposes and customs duty exemption). This is not sustainable in the long run and calls for a comprehensive overhaul of the fuel procurement system.

TRANSPORT SECTOR

Members of the press, priority will be placed on maintenance, rehabilitation and upgrading of feeder roads. Government has also commenced the improved rural connectivity project to maintain and rehabilitate a total of 4,300 kilometers of rural feeder roads. We commend government for these measures. We also urge continued investment in the railway network and enforcement of the existing on road-rail freight management. The current volume of freight on the national roads is unsustainable and significantly shortens the lifespan of the road network. Focus must also be placed on rehabilitating the rail network to improve average speeds. The current state of the network leads to significant delays and may disincentivise the use of the rail network.

SOCIAL PROTECTION PROGRAMMES

Ladies and gentlemen in 2022, the Government plans to dismantle all the outstanding pension benefit arrears for retired

public service workers which currently stands at K1.9 billion. We support the Minister's proposals as they enhance the social protection of the most vulnerable in our society. We also support the quick resolution of pension arrears as they have contributed to increase household vulnerability. We applaud the Minister's stated intention to clear the arrears in full. We look forward to logical conclusion of this matter to avoid destitution of men and women who served the country with diligence and certainly deserve better treatment and care.

GREEN ECONOMY AND CLIMATE CHANGE

The Institute commends the setting up of the Ministry of Green Economy and Environment. We are looking forward and call for urgent policies and laws that will make citizens more aware of effects of climate change and support initiatives aimed at persevering and promoting a green economy. It is the small changes that we make in our life styles that will make a huge difference. For instance innovative waste management has a potential to create wealth and employment opportunities.

Government must drive a nationwide campaign for a green economy and join the rest of the world in ensuring effects of climate change are countered. As an Institute we are advocating for ESG (Environmental, Social and Governance) Reporting as these non-financial factors are critical in identifying material risk and growth opportunities for investors.

SCIENCE AND TECHNOLOGY

The Institute is happy with the priority government has given to science and technology with an envisaged focus on innovation. Among other things, with the knowledge that the 4th Industrial Revolution is here, an efficient service delivery is cardinal for economic development. The integration of Smart Zambia and Government Service Bus will ensure efficient and effective service delivery. There is need for the country to redefine its inclination to artificial intelligence to better understand how service delivery can be enhanced to the citizenry.

EDUCATION AND SKILLS DEVELOPMENT

Education is the key to a nation's prosperity and to reduce the backlog of unemployed teachers and improve the quality of education by reducing the Pupil – Teacher ratio, the Government will recruit 30,000 teachers in 2022. To improve the quality of education through the provision of teaching and learning materials, grants to primary schools will be increased three-fold in 2022. We urge Government to ensure timely disbursement. Government will construct additional 120 secondary schools. To further increase access to education, of schools to avoid disruption of grants to the learning process, tuition, Parent Teachers Association, and examination fees that learners pay in public schools will be abolished. We commend Government for free education and also urge the schools to ensure adequate financial management systems are put in place. The Minister has also proposed a bursary scheme to cover boarding fees for the vulnerable learners. Government also intends to expand the support to the girl child through the

keeping girls in school programme from the current 28,964 in 2021 to 43,520 girls in 2022.

This is indeed a welcome move that needs to be commended, as this will lead to significantly improved education outcomes in the long term. Education is key to income mobility and the proposals will help reduce income inequality in the long term. Equitable treatment of learners before an education system is commended.

HEALTH

Ladies and gentlemen, in 2022 the Government will recruit and equitably deploy 11,200 Health personnel to strengthen the health care system. The procurement of medicines and medical supplies will be undertaken by the Zambia Medicines and Medical Suppliers Agency in accordance with the Zambia Medicines and Medical Supply Agency Act No. 9 of 2019. To ensure that healthcare is affordable, Government will reform the National Health Insurance Scheme to benefit all.

The Institute commends Government for these proposals as the health sector is critical to the wellbeing of the nation and economic growth. We urge Government to ensure that the additional health care workers include public health care specialists as well as environmental health workers to help manage pandemics. We also urge Government to accelerate the rollout of technology solutions to manage the medicine supply chain as the disconnect between the supply of drugs and their availability to patients in health centers remains a big challenge.

On the recruitment of Teachers and Health personnel, we would like more clarity on how this will be done. We are cognizant of the fact that in most parts of the country where these personnel are needed do not have adequate infrastructure such as houses to accommodate them. Has consideration been made in this year's budget to enhance infrastructure that will support service delivery in the Education and Health sector? Other considerations mainly in the Education sector is investment in Information Technology that

will enable delivery of lessons through digital channels in the event that Schools are closed as was the case in 2020 due to the Covid pandemic. The number of new recruits is quite high and we urge Government to put in place enhanced controls to avoid the risk of having Ghost workers on payroll.

GOVERNANCE

We urge government to uphold tenets of Good Corporate Governance. This will ensure the Zero tolerance to Corruption and promote accountability and transparency. It is good practice for example for all SOEs (State Owned Enterprises) to always have Board of Directors with a diversity of skills derived from various relevant professional bodies. The appointing authority must ensure that Boards are at any given time fully capacitated as this will ensure timely delivery of Government workplan to ensure the much needed economic development. Further, we urge the government to ensure that all boards have functional audit committees with Accountants and other

relevant professionals to provide the necessary oversight on issues of financial and operations management among others.

B. INCREASE IN CDF ALLOCATION

The CDF has been increased from K1.6 million to K25.7 million per constituency. The resources allocated to CDF will include funds for development interventions for underserved communities, secondary school, and skills development bursaries to be administered at Constituency level. The proposed spending measures are expansionary and whilst SDR funding may be available in the immediate term, it will be important to ensure that the proposed spending on infrastructure and capacity yield sustainable returns and spur economic growth. The long-term sustainability of the expansionary measures depend on significant economic growth failing which Government will have to rely on increased borrowing. It is also clear that if the funding gap in the budget remains substantial, it poses a challenge to fiscal consolidation.

However, government needs to urgently consider partnering with the Institute to ensure capacity is built in local authorities to manage CDF funds. This will ensure the much needed accountability and transparency towards the management of CDF. We are ready as an Institute to work with the Government to ensure financial literacy and management is imparted to CDF handlers and decision makers.

C. COMMENTS ON THE TAX MEASURES

Ladies and gentlemen, the Institute commends the Government for implementing various tax measures that will help revamp the economy and help put more money in people's pockets. Some of the tax measures we are happy with include the following;

i. Pay as You Earn

The increase in the tax free amount to K4500 is well noted. We however submit to Government to consider

further adjustment to the tax bands to give relief to tax payers on account of the high inflation.

Monthly		
Current PAYE Bands-2021	Proposed PAYE Bands-2022	Tax Rates
0- 4,000	0- 4,500	0%
4,001-4,800	4,501-4,800	25%
4,801-6,900	4,801-6,900	30%
Above 6,900	Above 6,900	37.5%

- ii. Make mineral royalty deductible for Corporate Income Tax assessment purposes
- iii. Reduce the standard Corporate Income Tax rate to 30 percent from 35 percent
- iv. Extend the 15 percent Corporate Income Tax rate on income earned by hotels and lodges on accommodation and food services to 31st December, 2022 from 31st December, 2021.

- v. Suspension of corporate income tax for manufacturers of ceramic products for the charge years 2022 and 2023
- vi. Increase the period to carry forward the non-deductible interest
- vii. Extend Property Transfer Tax on transfers of mineral processing and other mine related licenses at the applicable rate of 10 percent.
 - a) Amend the Zero-rating Order to provide for zero-rating of the following agricultural Equipment and accessories: Manure Spreaders, Balers, Combine Harvesters, Commercial Sprinkler Irrigation Systems, Animal Feed Grinder-Mixer, Pelleting Machines, and Sprayer, Trailers of a specific HS code and Dryers for agricultural products of a specific HS code.
- viii. Amend the Zero-rating Order to include solar street lights and solar charge control units.

- ix. Standard rate the supply of property and non-life insurance, and abolish the current Applicable insurance premium levy.
- x. Standard rate the supply of booklets and newspapers.
- xi. Reduce Customs Duty to zero percent from 15 percent and 25 percent on solar street lights and solar charge control units, respectively.
- xii. Extend the waiver of customs duty on safari game viewing vehicles, tourist buses and coaches to 31st December, 2023.
- xiii. Extend to 31st December 2022 suspension of customs duty on importation of refrigerated trucks for agro-processing, processors of milk and manufacturers of medicaments.
- xiv. Increase the exemption value of goods on which duty is not paid to US\$500 from US\$50 inclusive of freight and insurance.
- xv. Remove 5 percent Customs Duty on filler master batch.
- xvi. Remove 5 percent Customs Duty on cattle breeding stock.

- xvii. Suspend the 5 percent customs duty on grandparent and/or parent stock of day old chicks when imported by a breeding company for one- year effective 1st November, 2021.
- xviii. Remove 10 percent Export Duty on Maize effective 1st November, 2021.
- xix. Remove Selected Goods Surtax of 5 percent on bovine semen.
- xx. Increase the specific excise duty on opaque beer to 50 ngwee per liter (packaged) and to one Kwacha (unpackaged) from 15 ngwee.
- xxi. Introduce Selected Goods Surtax at the rate of 5 percent on knitted or crocheted jerseys, pullovers, cardigans, waistcoats and similar articles.

D. MEASURES TO REVAMP MULTI FACILITY ECONOMIC ZONES

Ladies and gentlemen, the government plans to introduce zero percent tax for a period of 10 years from first year of commencement of works in a Multi Facility Economic Zone or

Industrial Park, on dividends declared on profits made on exports by companies operating in these economic zones under the Zambia Development Agency Act No. 11 of 2006. For years 11 to 13 only 50 percent of profits should be taxed and 75 percent of profits for years 14 and 15; and reduce the threshold to US \$50,000 for a Zambian citizen to qualify for incentives provided under the Zambia Development Agency Act No. 11 of 2006

Having embarked more than a decade ago to drive the industrialization agenda, this will help more investment to be directed into these established economic zones as investment in these zones has remained dismal for over ten (10) years. We welcome these measures as they will help revamp and remodel the economic zones and as these incentives are more targeted, the proposed measures should enhance Zambia's export competitiveness and industrialization drive, in the face of the Africa Continental Free Trade Agreement (AfCFTA).

2. AFRICAN CONTINENTAL FREE TRADE AREA

I wish to commend the Government of the Republic of Zambia for taking a bold decision to ratify the African Continental Free Trade Area (ACFTA). The ratification of the agreement will enable the country to have access to a larger market and to harmonize trade instruments across the continent's regional economic communities. This has also the potential to generate a range of benefits through supporting trade creation, structural transformation and job creation among others which should lead to economic growth and poverty reduction. In order for Zambia to benefit from ACFTA, deliberate efforts must be taken to identify goods and services for which we have relative competitive advantages so that we can support with a view to turn them into export industries. This will require relevant policy interventions coordinated across various sectors but also the active participation of the business sector which needs to invest in innovation and quality manufacturing systems.

We must as a nation aspire to build, maintain and support strong national brands which we can export to the rest of

Africa. This calls for citizens to take deliberate decisions to supporting local brands of goods and services when faced with daily purchasing decisions. In this regard the “Buy Zambia” campaign must become a personal motto which defines how, where and on what we spend our hard earned incomes with the knowledge that every Zambian product supported by national demand creates jobs in Zambia.

3. INFLATION, EXCHANGE RATE DEBT POSITION

INFLATION

Zambian inflation slowed to an eight-month low in September after food-price growth decelerated from a record high and the currency’s two-month world beating streak helped curb import costs.

Consumer prices rose 22.1% from a year earlier, compared with 24.4% in August. The slowdown in inflation that has been above the 8% upper limit of the Central Bank’s target band for more than two years could ease pressure on the monetary policy committee to tighten and give it room to support the economy’s recovery, The Central Bank’s monetary policy committee (MPC), at its November 22-23, 2021 Meeting, decided to raise the Monetary Policy Rate by 50 basis points to 9.0 percent. This is intended to help steer inflation to single

digits in 2022 and to within the 6-8 percent target range by mid-2023 as stated in the 2022 Budget Address.

While we appreciate the intentions of the Monetary Authority we caution that increasing cost of borrowing as a tool to arrest inflation may not be effective.

The assumption that when the cost of borrowing is high, fewer economic players will borrow and therefore reduce purchasing power which then reduce demand and ultimately prices may hold true where credit constitutes a significant portion of the purchasing power of economic players.

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EXCHANGE RATE

The Kwacha traded at K17.3/ US\$ on 31st October 2021 compared to K22.6/US\$ around August 2021, representing an appreciation of over 20 per cent. The appreciation of the Kwacha was due to improved supply of foreign exchange and expectations of further improvements in supply. The supply was associated with the International Monetary Fund (IMF) Special Drawing Rights (SDR) allocation. Other contributing factors are the improved prospects of a formal Extended Credit Facility (ECF) programme with the IMF, which again has been

tackled very well by the new administration, as well as buoyant copper prices on the international market. Indeed, the strong recovery in copper prices to the current level of US\$9,521 per tonne from a low of US\$4,745 in March 2020 has contributed to sustained strong export earnings for our Country.

This has resulted in improved foreign exchange flows from the mining sector through tax receipts remitted directly to the Bank of Zambia (BoZ) in US dollars as opposed to previous system of converting payments into Kwacha first. So, the BoZ has been able to provide more foreign exchange liquidity into the market to reduce excess demand experienced in the first and second half of 2021. Additionally, the foreign exchange inflows from non-resident investors purchasing Government securities have significantly increased. The improvement in the reserve position increases the country's ability to respond to unexpected external events and the ability to address volatility in the exchange rate.

Ladies and gentlemen, there is need, to meticulously balance between exports and imports, even now and the ideal situation

would be to minimise the nominal value of imports while maximising the value of exports. This could, among other things, help to maintain the value of the Kwacha against the Dollar. This is because, while it can be said that it is possible to mechanically fix the level of the international foreign reserves, the foreign exchange rate is a matter for market forces - demand and supply. As you may already know, unlike the foreign exchange rates for some countries which are fixed, Zambia's is a floating one meaning it can change either way, from one day to another. Therefore, one of the tasks of the Central Bank in connection with the subject is to ensure that there is some level of stability in the value of the Kwacha vis-à-vis other currencies. This stability is important in planning and budgeting especially when it involves international trade.

a) DEBT POSITION

During the Budget presentation, the Minister announced that the stock of public external debt amounted to US \$14.71 billion as at end of September 2021. Of this amount, Government external debt was US \$12.99 billion while guaranteed and non-

guaranteed external debt for State Owned Enterprises was US \$1.56 billion and US \$164.52 million, respectively. Government external debt increased by 2.0 percent to US \$12.99 billion as at end of September 2021 from US \$12.74 billion as at end of December 2020. This was on account of disbursements from multilateral creditors and few other creditors funding priority projects, particularly in the health sector.

The Institute commends the Government for taking up various Debt Management Policies such as applying for debt restructuring under the Common Framework for debt treatment beyond the Debt Service Suspension Initiative. The restructuring of debt with creditors is expected to be realized by the first quarter of 2022. The Institute has also noted the efforts the Government is making by actively engaging the International Monetary Fund (IMF) for a funded programme and expects to reach an agreement with the IMF by the end of November 2021.

The Government has indicated that it will utilize part of the Special Drawing Rights allocation which is equivalent to USD1.33 billion received from the IMF in August 2021 to support the 2022 budget. To curtail further accumulation of debt, the Government has committed to contract any external non-concessional loans except in instances of refinancing to ensure that the issuance of Government securities is primarily through auctions and that Private issuance of bonds is minimized. Furthermore, the Loans, Grants and Guarantees (Authorisation) Bill will repeal and replace the Loans and Guarantees (Authorisation) Act Cap 366 of 1969. The Bill will, among others; propose to enhance transparency in public debt management including loan contraction, and provide a framework for evaluation, issuance, and monitoring of public guarantees.

The Institute also commends the Government for coming up with Strategies on dismantling of domestic arrears through the plans to liquidate a substantial amount of domestic arrears

over a five year period. The key measures in the dismantling of arrears strategy include; increased budgetary provisions, Debt and/or cheque swaps, Debt refinancing; and Debt restructuring.

4. TRAINING OF ACCOUNTANTS AND REGULATION

4.1 GRADUATION CEREMONY - The Institute continues to make positive strides in its vision of developing finance and business professionals through the education and training of accountants in Zambia and as you may be aware the Zambia Qualifications Authority (ZAQA) registered and accredited the exit qualifications linked to the Chartered Accountant Zambia programme on 1st March 2021. This recognition answers the many requests that came from our stakeholders on the need to have exit certifications at the completion of every level. The Institute remains proud to have conferred the first cohort of graduates under this new dispensation.

I am proud to inform you that nine (9) candidates were conferred with the CA (ZM) Charter Designation at the 15th

Graduation Ceremony that was held on the 5th November 2021. With the reform in the CA Zambia Programme coupled with the improvements in the practical training framework, we are confident that the number of Chartered Accountants (CA ZMs) will continue to grow. The Institute channeled out 1,380 graduates at the 15th Graduation Ceremony as follows; 19 Certificate In Taxation, 8 Diploma In Taxation, 129 Diploma In Accountancy, 3 Diploma In Public Sector Financial Management, 46 CA Certificate in Accountancy, 20 CA Application Advanced Diploma in Accountancy, 1,146 CA Advisory Professional in Accountancy and 9 candidates were given the Chartered Accountant Zambia Charter Designation. Of these 399 are female while 981 are male translating to 29% female and 71% male. We are working on mentorship programmes to keep encouraging the girl child to take up accountancy as a profession and fill the gender divide we are witnessing.

4.2 REGULATION OF THE ACCOUNTANCY PROFESSION

Members of the press, as already alluded to, the mandate of the Institute includes regulation and education of the accountancy profession. We would like to here and now urge all employers and individuals that according to section 18 and 19 of the Accountants Act of 2008, it is an offence to employ or engage to offer finance related services a person or firm that is not duly registered by the Zambia Institute of Chartered Accountants. ZICA will be pursuing the mandate to prosecute people and firms that hold out as accountants when they are not trained in the practice and theory of accountancy. The Act provides for penalties to such and we are forging relationships for such prosecution. We wish to urge all employers and individuals to ask for proof of valid ZICA membership before engaging accountants, auditors and firms in any work. If in doubt, they must contact the Institute.

I wish to remind members that subscription fees and annual CPD returns are due on 1st January 2022. Validity of membership is by payment of relevant subscription fees as

well as compliance to continuous professional development requirements.

5. CONCLUSION

In conclusion, we wish to commend Government for giving professional Institutions like ZICA an opportunity to give professional advice on economic and national matters. We look forward to more engagements and cooperation with both the public and private sectors. I wish to thank you members of the press for your service to society of providing information related to developments happening at the Institute and the nation at large. I wish to thank all members and students of ZICA for the support you have continued to render to your Institute. We have achieved many things together in the past two years of the COVID pandemic and with your loyalty, we managed to steer on our profession to even greater performance under very difficult circumstances. As a profession, we are only as strong as we are united. Thank you once again for your profound support before, now and into the years to come. I wish all of you a merry Christmas and a

prosperous 2022. I am now happy to clarify any aspect of our statement, otherwise we look forward to seeing you at our next media briefing.

Cecilia Zimba

PRESIDENT

ZAMBIA INSTITUTE OF CHARTERED ACCOUNTANTS