



**2022 FIRST QUARTER MEDIA BRIEFING ON VARIOUS NATIONAL MATTERS  
ISSUED IN PUBLIC INTEREST BY THE ZICA PRESIDENT,  
MRS. CECILIA ZIMBA IN THE ZICA BOARDROOM ON 23<sup>rd</sup> MARCH 2022.**

**Good Morning Ladies and Gentlemen,**

Welcome to the ZICA media briefing for the first quarter of 2022 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. **Government Grants to Schools**
2. **Various Empowerment funds**
3. **Monthly review of fuel prices by the Energy Regulation Board**
4. **Auditor General's Report**
5. **Climate Change**
6. **Inflation Exchange Rate**
7. **CDF Guidelines**
8. **Gatekeepers at Provincial and District level**
9. **Conclusion**

## **1) GOVERNMENT GRANTS TO SCHOOL**

Let me begin by indicating that the Government released K324million in the First Quarter of 2022 to provide for operational support to public schools aimed at facilitating the implementation of free education.

With the new policy, learners from grade 1 to 12 in day schools no longer have to pay school fees and those in boarding schools can access sponsorship under the Constituency Development Fund (CDF). The Institute is of the view that this development is definitely a step in the right direction notwithstanding the huge debt overhang and other serious economic challenges the country faces., We are confident that with time, especially after debt restructuring, and once the economy

starts recovering, the Government can extend free education to boarding schools and expand tertiary education scholarships. As ZICA, we support this policy direction by the Government owing to the fact that not everyone was managing to pay school fees especially in the rural areas.

Further, we urge the Government to ensure that they recruit qualified Accountants registered with ZICA in all the schools including primary schools to ensure proper accountability of the funds.

Furthermore, we implore the Government to hasten the full implementation of accrual basis International Public Sector Accounting Standards (IPSAS) in Zambia to foster increased transparency and provide a better understanding of Government's financial performance, greater accountability to make informed decisions about resource utilization, and improved financial information to support governance, management of assets and decision-making. This will eventually result in reduction of recurring audit queries in the Auditor General's report.

Additionally, we urge the government to ensure that the quality of education in schools is not compromised with reports of some classes having about 200 pupils. This should be addressed quickly.

## **2) VARIOUS EMPOWERMENT FUNDS**

One of the vehicles that the Government has deployed to create jobs is the CDF, which now has a component for empowering the Youth and women. The issue of increasing CDF from K1.6 million to K25.6 million, with K15 million allocated for entrepreneurship programs or projects is a commendable undertaking. However, allocating funds to these areas alone, without accompanying strategies, is not adequate enough to address the problem of youth unemployment.

The Institute is of the view that without proper entrepreneurship and technical skills as well as capacity building activities that precede disbursements, this initiative is unlikely to produce the desired impactful results.

It is crystal clear that in order for youth or women entrepreneurship promotion to succeed, the country needs to adopt both short term and long term strategies. These should include the provision of information and knowledge to the widest population of young people and women about entrepreneurship using modern technology so as to unearth potential entrepreneurs, conversion of necessity entrepreneurs in the informal sector to the formal sector, providing business development services for out-of-school youth, supporting access to cheap finance for young entrepreneurs, and introducing entrepreneurship education in schools so as to change the youth mind-set.

There is also need for the Government to set up a revolving fund. A revolving fund is a financing measure primarily used for development and expansion of small businesses. It is a self-replenishing pool of money, utilizing interest and principal payments on old loans to issue new ones.

Establishing a revolving fund provides access to a flexible source of capital that can be used in combination with more conventional sources.

For this programme to be successful, as a country we need better governance structures, operational procedures and selection criteria than what we have observed before. The structures should include senior professionals in decision making.

### **3) MONTHLY REVIEW OF FUEL PRICES BY THE ERB**

The fuel pump price monthly review has the potential to create an unstable economic business environment due to unpredictable outcomes, which is not good for business operations.

As ZICA, we are of the view that this move will make it difficult to plan and schedule business activities accordingly, especially the running of the transport and manufacturing sector. We therefore urge the Government to revert to the old practice, which was industry friendly.

#### **4) FINANCIAL MANAGEMENT OF DONATIONS RECEIVED FOR COVID 19 AS HIGHLIGHTED IN THE AUDITOR GENERAL'S REPORT AND ADVISING DMMU**

The Auditor General in his latest report for the year ending December 2021 highlighted serious financial irregularities in the accounting of COVID -19 funds by the Disaster Management and Mitigation Unit (DMMU) and Ministry of Health with regards to not following procurement procedures, unaccounted for stores, and poor contract management. Some of the issues raised include the following;

- i. DMMU failed to provide documentation such as requests for quotations and actual quotations used in awarding contracts costing K224, 503,250 to twenty one (21) shortlisted suppliers to supply re-usable and surgical masks among others. Without such documentation, the process lacked transparency.
- ii. Although DMMU had obtained authority from ZPPA to use emergency procedures to procure items such as face masks, the continued use of such procedures was questionable as the various COVID-19 waves the country experienced were foreseeable and therefore any associated procurements could have been planned for.
- iii. DMMU engaged suppliers of re-usable face masks costing K50, 456, 850 without any competition.
- iv. As at 31st October 2021, DMMU had accumulated debt in amounts totaling K394, 686,450 from the procurement of face masks due to the failure to confirm availability of funds before contract awarding.
- v. Fifteen (15) months after the issuance of the ZPPA authority, the Ministry continued to procure COVID-19 related requirements such as face masks on an emergency basis. However, this was questionable in that the procurement of COVID-19 materials could no longer be taken as an emergency as waves of COVID-19 were foreseeable and could therefore be planned for.

As ZICA We urge the Government to implement the Public Financial Management Act of 2018 fully to ensure that all revenues, expenditures, assets and liabilities of the government are managed efficiently and effectively;

Once the Public Financial Management Act of 2018 is fully implemented, the Act will help facilitate easy enforcement of regulations; offer clear guidance on management of financial resources and it further stipulates offences and penalties related to public resources in both local and Central Government. We also call upon the Government to implement a Risk Management Framework to ensure that, going forward, the Government achieves a significant reduction and ultimately elimination of infringements related to the handling; storage; care; and, utilisation of public resources.

#### **5) CLIMATE CHANGE VIS A VIS ZAMBIA READINESS TO COMBAT DISASTERS THAT COMES WITH IT**

In Zambia, any change in climate can spell disaster. With a majority of Zambians depending on agriculture, even a slight change in temperature can affect crops like maize with catastrophic consequences for livelihoods.

Most parts of Zambia started receiving heavy rains on 11<sup>th</sup> January 2022. On the 16<sup>th</sup> January 2022, Kalomo, Namwala and Choma Districts of the Southern Province started experiencing flash floods. According to the needs assessment report issued by the Zambian Government through the Disaster Management and Mitigation Unit (DMMU) (17<sup>th</sup> January 2022), Namwala District has recorded the highest number of households affected with 3,219. The report also indicated that 8,000 Ha of field crops were submerged in water, including houses and sanitation facilities. In addition, livestock such as chickens and goats were also swept away. Currently, 500 households have been displaced in Namwala and being accommodated in schools and the immediate needs includes safe and clean water, hygiene and sanitation, food, Non-Food Items, shelter and protection.

With more frequent floods being experienced in different parts of the country, the Government needs to take more proactive steps and allocate resources to provide relief to the affected

families. The country is currently struggling with attainment of developmental goals and the effects of climate change is putting additional strain on the treasury.

As ZICA we urge the Government to adequately and proactively prepare the response to the challenges that the country is facing as a result of effects of climate change.

## **6) INFLATION, EXCHANGE RATE**

### **i. Inflation**

The annual inflation rate in Zambia eased for a seventh consecutive month to 14.2 percent in February of 2022 from 15.1 percent in the previous month. That was the lowest rate since March 2020, attributed to the easing in prices of some food and non-food items. In January 2022, inflation declined to 15.1 percent from 16.4 percent in December 2021 largely due to continuing base effect as well as increased supply of selected food items, mainly fruits and vegetables.

Inflation is projected to continue trending towards the 6-8 percent target range over the next eight quarter (Q1 2022–Q4 2023) mainly due to catalytic benefits of securing an IMF programme, such as, access to budget support, a reduction of external debt burden through restructuring, and unlocking of investments, as well as the positive impact of higher copper prices, mainly through the exchange rate. The dissipation of base effects will also contribute to the projected fall in inflation.

### **ii. Exchange Rate**

The Kwacha traded at K18.06/ US\$ on 31<sup>st</sup> January 2022 compared to K16.6/US\$ around December 2021, representing a depreciation of over 8 per cent.

The Kwacha, which appreciated strongly during the third quarter, came under pressure for most part of the quarter, except in December when it was supported by positive sentiments after a Staff-Level Agreement was reached with the IMF.

The rate of appreciation reduced to 7.4 percent in the fourth quarter compared to 17.5 percent in the previous quarter.

Most of the pressure emanated from higher demand for the importation of strategic products such as fuel and farming inputs while supply declined.

In January 2022, increasing demand pressures continued and the Kwacha depreciated by 2.9 percent against the US\$ to a monthly average of K17.27.

As ZICA we implore the Government to ensure that economic fundamentals such as inflation and exchange rates are closely watched and prompt mitigations are put in place once Government observes that deviation from targets are likely to occur.

## **7) CONSTITUENCY DEVELOPMENT FUNDS (CDF) GUIDELINES**

We applaud the Government for coming up with guidelines as it will help in the accountability of Public Funds. The guidelines will enhance transparency and accountability in the utilization of CDF Fund.

As ZICA we are ready to help build capacity by providing targeted trainings in financial management to all local governance structures (Ward Development Committees) in all the constituencies as most constituencies do not have the capacity to handle such a huge increase in the CDF allocation.

As ZICA we also wish to remind the Government that the late, inadequate and inconsistent release of the CDF allocation by the Central Government to Constituencies has in the past negatively affected the implementation of new projects let alone the completion of already existing projects. We urge the Government to ensure timely and non-discriminative (all constituencies) disbursement of the CDF allocation.

As ZICA we foresee non adherence to the guidelines in the early stages of implementation will be high. Therefore, to mitigate this risk a robust Internal Audit Programme should be implemented.

## **8) ENGAGING GATEKEEPERS AT PROVINCIAL AND DISTRICT LEVEL**

In an effort to eliminate revenue leakages and harness Government resources, we request Government to employ gatekeepers at provincial and district levels who are schooled in the



theory and practice of Accountancy. The Institute has enough registered members ready to serve as gatekeepers for Government.

## **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. As I always say, we are Accountants, and we are a Profession that counts, so lets make it count for our Nation. 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 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**