



ZAMBIA INSTITUTE OF CHARTERED ACCOUNTANTS

**2023 FIRST QUARTER MEDIA BRIEFING ON
VARIOUS NATIONAL MATTERS ISSUED IN
PUBLIC INTEREST BY THE ZICA PRESIDENT,
MRS. CECILIA ZIMBA IN THE ZICA
BOARDROOM ON 10th MAY 2023.**

Good Morning Ladies and Gentlemen,

Welcome to the ZICA media briefing for the first quarter of 2023 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. Energy Regulation Board (ERB) approval of ZESCO's application to increase electricity tariffs**
- 2. Debt restructuring and economic recovery**
- 3. Financial stability versus price stability**
- 4. Unemployment in the country**
- 5. Governance and corruption**
- 6. Reaction to 1st Quarter of 2023 Budget and Economic Performance presented by Minister of Finance and National Planning**
- 7. Utilisation of CDF Funds**
- 8. Government engagements with Professional Bodies**
- 9. Training of Accountants and employing accountants not registered with ZICA**
- 10. Conclusion**

1. ENERGY REGULATION BOARD (ERB) APPROVAL OF ZESCO'S APPLICATION TO INCREASE ELECTRICITY TARIFFS

ZICA would like to comment on adjustments of electricity tariffs over the next five years. We take note of the various arguments put forward to justify the increments such as;

- increased tariffs will lead to improved service delivery and that this tariff adjustment has been motivated by the immediate need to finance power imports aimed at reducing the long hours of load shedding the country experienced in the recent past;
- the provision of reliable electricity supply for economic growth;
- recognition of the critical role a cost reflective tariff would play in attracting investments and diversifying Zambia's energy mix;

- the resultant increase in ZESCO's liquidity, to enable them to dismantle the arrears owed to the Independent Power Producers (IPP)

In spite of the above positives, ZICA would like to point out the downside of increased electricity tariffs as well as other sticky issues in the electricity sector which cannot be ignored with the approval by ERB;

- i. the resultant increase in the production costs of various industries, particularly small and medium enterprises (SMEs). This will make them less competitive;
- ii. inadvertently, a higher tariff is likely to be passed on to the consumers by producers of goods and services thus increasing inflationary pressures and thereby negatively affecting welfare of the citizens. Controlling inflation, which is the core focus of the Bank of Zambia will become a difficult task and may

lead to further tightening of the monetary policy which will eventually negatively impact businesses.

- iii. additionally, for households, a cost reflective tariff may present new challenges of increased deforestation through increased consumption of charcoal and firewood. This would exacerbate the effects of climate change and erode progress in attaining access to clean energy.
- i. furthermore, the two-tier electricity tariff system where electricity tariffs are in general regulated and approved by the ERB on one hand and the mining tariffs on the other hand being implemented under the so called “Power Service Agreements” between the mines and government. As a result, mining tariffs have been low and below cost of supply. Due to these historical contracts, ERB does not interfere in these Power Service Agreements, except for arbitration. Thus, it is difficult to implement tariff increases for

the mines, besides to account for inflation at an annual rate.

We therefore implore upon the government to review this arrangement that continues to be a source of grief for non-mining consumers who feel the tariff regime is unfair. Greater transparency in mining tariffs relative to the cost of supply could therefore assist in improving the public understanding. Finally, we commend ERB for taking into account submissions from key stakeholders when approving the adjusted tariffs.

2. DEBT RESTRUCTURING AND ECONOMIC RECOVERY

ZICA takes keen interest in the ongoing discussions and developments on the country's debt restructuring process.

We join all the concerned parties and partners who have expressed deep concern about the debt restructuring stalemate and take note of the ongoing efforts of Zambia's

negotiating team, the World Bank, which is working with India and the International Monetary Fund on the G20 debt restructuring process. As devoted citizens, we would like the country to come out of the negative tag attributed to its default status since 2020, so that the Government can properly execute its economic recovery plan.

We, therefore, urge the Minister of Finance to keep pushing and start considering having a **PLAN B** in case the debt restructuring process takes longer than planned. We believe that the Economic Recovery Plan has many other facets and key areas apart from debt restructuring and debt sustainability. It would be good to heighten efforts and focus on other areas of the plan that would give us quick wins so that the economic recovery is not derailed.

Another option to consider is for the Zambian authorities to arrange a one- on-one meeting with the Chinese authorities since China has been singled as delaying the process. Zambia already enjoys a cordial relationship with

China and a visit would be worthwhile to strengthen our relationships and speed up the debt restructuring process.

3. FINANCIAL STABILITY VERSUS PRICE STABILITY

ZICA has been keenly following the developments in the financial sector particularly, the implementation of monetary policy. The recent MPC statement reversed some of its earlier inflation projections of attaining a single digit, to a new forecast where it is projected that inflation will persist on an upward trend for the rest on 2023. This is of concern and will have the effect of eroding some of the past economic gains noted. It may dampen growth, lead to increase in unemployment and raise the cost of borrowing further which is already at high sticky rates.

We note that while the Central Bank is keen to execute its mandate to control inflation, we would like to implore them to exercise caution and ensure that they strike a balance to

ensure that there's financial stability as well as economic stability during the implementation of their monetary policy actions.

We reiterate that the recent actions by the Central Bank (raising the policy rate and increasing the Statutory Reserve Ratios) have had a negative impact on people and businesses alike. The policy measures do not seem to have achieved the desired effects so far, as things on the ground are seemingly getting worse (high prices and exchange rates). This could be a signal that some of the monetary policy issues that the Central Bank would like to address could be entirely beyond their control, and hence a different approach to policy making should be considered away from the inflation focus.

We hold a strong view that Central banks are agents of economic development, including agents of employment creation. Therefore, they must balance the developmental goals with the crucial task of macroeconomic stabilization

and price stability. Otherwise both stabilization and development will be lost.

4. UNEMPLOYMENT IN THE COUNTRY

ZICA would like to comment on a matter that has been observed over the past few years during some public recruitment processes, for example, teachers, health workers, Census enumerators and the defense forces. A picture presented in the outcome of all these recruitment processes is undoubtedly evident that Zambia is faced with a ‘time bomb’ of high unemployment. The evidence available suggests that there is no co-ordination and balance between the education sector (licensing of private colleges/universities), their enrollment practices and the jobs available in the economy. There has been a notable over-enrollment in most of the colleges/universities for most of the professions in contrast to what the industry can absorb in terms of job vacancies.

We are of the view that government still has a greater role to play when it comes to matters of job creation and therefore, government should be concerned with the rate at which unemployment is rising. If no practical policy actions are taken to tackle this problem, it will negate the good efforts of providing free education and high quality education to end up producing graduates that will find themselves on the streets and cannot start businesses due to the sticky lending rates and lack of start-up capital.

We, therefore, implore on government to seriously consider a system of tracking and reporting the jobs in the economy so that skills development is in sync with job demand. We learn from the American system where employment data is a key economic variable which is reported and tracked at the highest level of the Presidency periodically. Zambia needs to put in place measures to capture employment data on a timely basis and report periodically in the same manner inflation and policy rates are reported. Employment should be regarded as a key

economic variable with a measurable target like GDP, inflation, exchange rate etc.

If this matter is not addressed urgently, the high unemployment can result in significant economic costs, including lost output, decreased consumer spending, reduced tax revenue, and increased government spending, reduced investment, lower labor force participation, and increased poverty. This can negate everything that government intends to achieve under the economic recovery plan.

5. GOVERNANCE AND CORRUPTION

ZICA takes note of the efforts made to improve governance across the public service and the heightened fight against corruption.

We took note of the IMF's Diagnostic Governance and Corruption Report on Zambia which has highlighted the

weaknesses, inefficiencies in governance and corruption fight. We note the recommendations given by the IMF Staff team on the action needed to deal with the issues highlighted.

ZICA, as a partner to government and a key stakeholder in promoting tenets of good governance and fighting all forms of corruption will take a keen interest in following up the implementation of the IMF recommendations in the areas highlighted in the report on;

- i. The Effectiveness of Anti-Corruption and Anti-Money Laundering Frameworks
- ii. The Fiscal Governance issues
- iii. The issues raised on the Central Bank Governance and Operations
- iv. The issues raised on Financial Sector Oversight
- v. The issues raised on the Rule of Law – Protection of Property Rights and Contract Enforcement

6. REACTION TO 1ST QUARTER BUDGET AND ECONOMIC PERFORMANCE PRESENTED BY MINISTER OF FINANCE AND NATIONAL PLANNING

We would like to thank the government for inviting the Institute to the 1ST 2023 Budget and economic performance symposium. We also commend the Hon Minister of Finance for availing timely information to the Nation.

The results of the First quarter are satisfactory as most Budget lines and targets were achieved.

As ZICA we would like to urge the Government to refocus its efforts in developing systems that will facilitate the taxation of companies and individuals in the informal sector. This will help to reduce taxes on the employed and companies who are already overtaxed.

We would also want to thank the Government for the initiative to allow for the partial withdraw of the pre-retirement benefits from the National Pension Scheme Authority (NAPSA). However, there was need to come up with a deliberate financial literacy programme that would help those that redeem the funds to invest the resources wisely and ZICA is ready to work with the Government in this regard.

We encourage the Government to continue to focus on implementing policies and programs that will foster economic growth and development. We further urge government to maintain its commitment to fiscal discipline, transparency, and responsible spending.

7. UTILISATION OF CONSTITUENCY DEVELOPMENT FUNDS (CDF)

The CDF was increased from K25.7 million to K28.3 million per constituency in the year 2023. Utilization of CDF funds by Constituencies improved towards the end of 2022 as more than 25 percent of the released amount were utilized as at 31st December 2023. The improvement in utilisation was as a result of Government resolve to address administrative challenges such as highly centralized approval processes required under the law (Constituency Development Fund Act) and cumbersome procurement procedures among others. Government has decentralised decision-making processes as approvals are now done at

provincial level. Further, all the guidelines relating to the management of the CDF funds have been simplified.

We call on the Government to continue promoting transparency, accountability and continued strengthening of internal controls in the utilisation of CDF funds as constituencies now have a lot of funds to manage starting this year which is a big risk.

8. GOVERNMENT ENGAGEMENTS WITH PROFESSIONAL BODIES

I wish to commend Government for giving professional Institutions like ZICA an opportunity to give professional advice on economic and national matters. ZICA remains dedicated to the advancement of the knowledge and practice of professionals through developing, supporting, regulating and promoting professional standards for technical and ethical competence. We look forward to more engagements and cooperation with both the public

and private sectors and we cannot shy away from an opportunity to contribute to matters of national importance. It is for this reason that we urge the government to strengthen its ties with professional bodies in order foster economic development through dialogue. We are of the view that constructive relationships between professional bodies and the institutions of government are not only desirable, but necessary and viable as it is likely to lead to more equitable, sustainable public decisions and improve the lives of the local communities.

9. TRAINING OF ACCOUNTANTS AND EMPLOYING ACCOUNTANTS NOT REGISTERED WITH ZICA

ZICA continues to work with approved Tuition Providers in the development of work-ready Accountants, Taxation specialists, Public Sector Financial Management specialists, Business and finance leaders. We would like to

implore the public to employ these graduates in finance roles as they are trained to uphold public interest by being gatekeepers of public and private assets. In addition, organisations should ensure that **ONLY** those candidates with a valid **ZICA membership** status are engaged. With the foregoing, adverts for the employment of Accountants must correctly denote the relevant qualifications and ZICA membership starting with the ZICA's flagship qualifications under the CA Zambia programme.

ZICA is urging universities and colleges to partner with Government to train Accountants in the Public Sector Financial Management (PSFM) programme. The programme is specifically designed to meet the professional requirements of Accountants in the public sector. We are equally encouraging all the Accountants in the Local Authorities who are managing the Constituency Development Funds (CDF) to undertake this very important qualification. The Institute has lobbied

government through the Accountant Generals Office to provide sponsorship to qualified and registered accountants in the public service who are in good standing with the Institute as per the provisions of the Accountants Act No. 13 of 2008 to undertake the PSFM programme. I therefore want to appeal to all Accountants in Government to take up this opportunity to be trained in the PSFM programme.

10. INVESTIGATIONS AND ARREST OF ZICA MEMBERS AT MINISTRY OF FINANCE AND NATIONAL PLANNING AND OFFICE OF THE AUDITOR GENERAL

As ZICA we are closely following press reports on this matter concerning our Members at the Ministry of Finance and National Planning and Office of the Auditor General. As you may be aware, this is an active matter now under law enforcement Agencies for which the Institute awaits a final verdict.

Once the outcomes of these cases are known and legally concluded, the Institute may issue a statement to that effect.

Therefore, this statement is made with the understanding that this matter is one of public interest. We wish to reiterate the call to all ZICA members to uphold and promote the highest levels of professional ethics and integrity as we continue supporting the Government on the fight against corruption and other- financial vices.

We also would like to call upon the relevant authorities investigating these matters to expedite the process as the reputation risk that the Country is exposed to is very high considering that senior Government officials tasked with the responsibility of Public Finance are affected. The integrity, independence and assurance that the affected offices provide needs to be restored sooner rather than later.

11. CONCLUSION

In conclusion, 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 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

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