



ZAMBIA INSTITUTE OF CHARTERED ACCOUNTANTS

**2023 SECOND QUARTER MEDIA BRIEFING ON VARIOUS NATIONAL MATTERS
ISSUED IN PUBLIC INTEREST BY THE ZICA PRESIDENT, MRS. CECILIA ZIMBA
IN THE ZICA BOARDROOM ON 3rd August 2023.**

Good Morning Ladies and Gentlemen,

Welcome to the ZICA media briefing for the Second 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. Debt Restructuring - Sinking fund and Sovereign wealth funds**
 - 2. Policy advice on Declaration of critical minerals legislation and mining reforms regulatory oversight**
 - 3. The launch of the National Decentralization Policy and the commissioning of the Zambia Devolution Support Program**
 - 4. Utilization of CDF Funds**
 - 5. Government of the republic of Zambia Financial Report for the year ended 31st December 2022**
 - 6. Comment on global financial developments i.e. - AI, Crypto currency investments and Central Bank Digital Currency vs Zambia's preparedness**
 - 7. Investigations and arrest of ZICA members at ministry of finance and national planning and office of the auditor general**
 - 8. Training of Accountants**
 - 9. Conclusion**
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1. DEBT RESTRUCTURING LOOKING AHEAD - SINKING FUND AND SOVEREIGN WEALTH FUNDS

ZICA would like to join the rest of the world in congratulating the Zambian Government for achieving a successful debt restructuring with the official creditors in June. We understand that more work still needs to be done to ensure that the MoU is signed and thereafter negotiations with individual creditors as well as finalising negotiations with private creditors. ZICA would like to take a forward-looking view beyond the debt restructuring. The Debt Sustainability Analysis (DSA) that was conducted indicated that Zambia's debt was unsustainable and the country faced debt distress. Looking forward into the future, the country needs to ensure that we do not fall into such a situation ever again. The debt restructuring has, in effect shifted the burden of debt repayments from the current leadership or generation to the future leadership and generations.

If the economy or country resources are not managed prudently, the future may prove to be a very difficult one for the next generation as a result of the debt burden from the extended maturity of the current debt, 2043 looks too far but not far enough for those in primary or secondary school currently. While taking note of the rescheduled principal repayments, which are starting in 2026, ZICA would like to make two policy proposals regarding the strategy to consider adopting, as a buffer to cater for future loan repayments without putting undue pressure on the future GRZ treasury:

- i. Enacting legislation to operationalise the sinking fund:** – an appropriate arm of government should establish a sinking fund henceforth by setting aside revenue over a period of time to fund future capital expenditure, or repayment of a long-term debt. The primary purpose of this fund would be to retire

redeemable public debt of the country instead of resorting to default or generosity of the G20 countries and other lenders or indeed increasing taxes. Government should give this proposal a priority as part of Government strategy in sustainable debt management. The proposed legislation would spell out measures that would protect the fund from the likelihood of being abused by the leadership when they need funds quickly in times of crises. The proposed legislation should guide as to when the fund is to be appropriated, and invariably applied, under “proper direction”.

Furthermore, ZICA proposes that government should consider an increase in taxes gradually and systematically for the sole purpose of utilising the additional tax revenue to ensure to reduce the national debt by a certain predetermined amount. The money could go into the proposed sinking fund. Further legislation could also place the administration of the sinking fund in the hands of an appropriate commission or authority.

- ii. Enact laws that establish guidelines and operationalising of Zambia’s sovereign wealth funds:** - It is an open secret that Zambia is a rich country in many respects and it is specially endowed with an abundance of natural resources. However, history has shown that the country’s resource management has not benefited all Zambians and is still at risk of depriving the future generations if prudent steps are not taken now.

ZICA is therefore proposing that government should consider starting to make investments in the “Sovereign Wealth Funds”. Zambia, too, can use sovereign wealth funds to help diversify its revenue streams, considering that the country is heavily reliant on limited few sources of income and foreign

exchange, like other commodity dependent countries. There are many other reasons for investing in SWFs, which may include, for example:

- Better earnings potential on foreign exchanges
- Social and economic development
- Stabilizing the economy, if necessary
- Building up savings for future generations
- Long-term capital growth

ZICA believes that Zambia should now begin to focus on generational wealth, by establishing SWF, which can boost the country's economy and the well-being of its citizens.

However, the recommendations of the Sovereign Wealth Funds requires government to endeavor to plan and aim for sustainable budget surplus as this is the prerequisite of Sovereign wealth funds. A sustainable budget deficit is just an indicator of long-term poverty, which is not in line with government or people's aspirations of transforming to become a prosperous nation.

2. POLICY ADVICE ON DECLARATION OF CRITICAL MINERALS LEGISLATION AND MINING REFORMS REGULATORY OVERSIGHT

Zambia is, undoubtedly endowed with enormous wealth resource spread across the country, including rural, remote, and Indigenous communities. For example, it is reportedly a well-known fact that Copperbelt and Luapula provinces have an abundance of cobalt, manganese, lithium, and nickel — essential to creating the batteries and electric vehicles for the future. We have observed that most advanced nations have moved to enact legislation to protect mineral and other resources within

their nations. They have further legislated and categorised these resources as “critical minerals”. Critical minerals are the building blocks for the green and digital economy and we have noted that these are used in a wide range of essential products, from mobile phones to solar panels, electric vehicle batteries to medical and healthcare devices, to military and national defence applications. Without critical minerals, there can be no green energy transition for the world.

ZICA recognises that the growth in green and digital applications is expected to boost the global demand for many critical minerals. Therefore, ZICA would like to urge and recommend to Government to seriously consider coming up with legislation that will identify and categorise what should be regarded as “Critical minerals” for the Zambian economy. The identification of such Critical minerals should then on be regarded as strategic, and of national security importance. This should guide and legislate their exploitation, ownership, use and export. The categorised Critical minerals should be a defining chapter on how Zambia is to manage its natural resources essential for the country’s economic development and national security.

ZICA further recommends that an expert team constituted by the Ministry of Mines including other experts in natural resources should undertake the identification of these minerals and this list should be revisited periodically. As mining has defined Zambia time immemorial, ZICA believes that several Zambian regions need to be identified with high potential for mineral exploration and development in the near term. Recognizing that these regions are at different stages of development, ongoing analysis and engagement with provinces, Indigenous peoples and industry experts will be needed to further evaluate their potential and suitability for mineral development, as well as their connection to value chain and consideration of environmental aspects and Indigenous perspectives.

3. THE LAUNCH OF THE NATIONAL DECENTRALIZATION POLICY AND THE COMMISSIONING OF THE ZAMBIA DEVOLUTION SUPPORT PROGRAM

On 30th May 2023, his Excellency President Hakainde Hichilema launched the National decentralization policy and commissioned the Zambia devolution support program. This is aimed at improving service delivery bringing government services closer to the people and promoting accountability and transparency among local authorities. We commend Government on the bold step and significant steps towards empowering local authorities, enhancing service delivery, and promoting transparency and accountability within Zambia's governance framework. As ZICA we reiterate our offer to partner with Government in building capacity in the Local Government that will enable effective implementation of the policy change which could trigger robust economic development and improve the lives of our citizens

4. UTILISATION OF CONSTITUENCY DEVELOPMENT FUNDS (CDF)

We would like to commend the government for the improvement we have seen in the utilisation of CDF Funds. The improvement in utilisation was because 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 decentralized decision-making processes as approvals are now done at provincial and constituent 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.

5. GOVERNMENT OF THE REPUBLIC OF ZAMBIA AUDITED FINANCIAL REPORT FOR THE YEAR ENDED 31ST DECEMBER 2022

The Government released its Audited Financial Report for the year ended 31st December 2022 last month. ZICA commends Government on this momentous occasion of the release of Zambia's financial report! This remarkable milestone is a testament to the dedication, hard work, and commitment of members of Finance and Accounting professionals, members of ZICA, serving in Public Service. We also extend our warmest congratulations to the Honorable Minister of Finance and National Planning, Hon. Dr Situmbeko Musokotwane MP, on being awarded outstanding Minister of the Year by the Foreign Investment Network (FIN)

The government's decision to release the financial report is a significant step towards promoting transparency, accountability, and good governance. Providing detailed insights into the financial affairs of the nation, fosters trust and confidence among the citizens of Zambia and the international community alike.

The release of this inaugural financial report of the new dawn Government marks the beginning of a new era in Zambia's governance, one that embraces openness, accountability, and inclusivity.

ZICA observes that the financial statements released have been prepared using central government accounting policies (CGAP) which are anchored on the cash

basis International Public Sector Accounting Standards (IPSAS). While we acknowledge the efforts by Government to adopt the full IPSAS, we urge that the process for adoption is fast tracked. IPSAS which are developed by the International Public Sector Accounting Standards Board (IPSASB) are specifically designed for the public sector and aim to enhance the quality, consistency, and transparency of the financial reporting by public sector entities worldwide.

By adopting IPSAS the Government of Zambia can align its financial reporting practices with International standards, Facilitating greater consistency and comparability of financial information. This would enable stakeholders, including investors, donors and citizens to better understand and analyze the Governments financial performance and position. Adopting the standards would also improve financial management practices including budgeting, expenditure control and performance measurement which in turn can lead to improved governance, efficient resource allocation, and better delivery of public services.

6. COMMENT ON GLOBAL FINANCIAL DEVELOPMENTS I.E. – ARTIFICIAL INTELLIGENCE, CRYPTO CURRENCY INVESTMENTS AND CENTRAL BANK DIGITAL CURRENCY VS ZAMBIA'S PREPAREDNESS

ZICA would like to comment on some of the global developments that our Members and Practitioners have been confronted with. As our Members interact with the public and their clients, they are called upon to provide guidance and advice on the issues related to Artificial Intelligence, Crypto Currency Investments and recently Central Bank Digital Currency and how these affects their practice and their clients.

It has been noted that Zambia has seemingly lagged behind in the preparedness in providing guidance, developing regulatory framework and indeed embracing or capitalizing on the opportunities presented by these rapid technological advances. While we note the few media statements issued by the Bank of Zambia, Ministry of Technology and Science and the Securities and Exchange Commission, the pace of action has been very slow and not helpful to our members and practitioners.

ZICA believes that some of these technologies, if implemented properly, are capable of transforming Zambian lives and cultures in a variety of ways including economically, socially, and politically. Our members are asking what are the challenges or barriers facing the design, development, deployment and application of these technologies in Zambia and what needs to be done to improve the development, deployment, and usage of AI technologies in Africa. We therefore implore upon the Government, through the relevant Ministries that oversee the regulatory institutions in these sectors, to hasten the review and drive the consultative processes related to these developments, as there is currently no visible stakeholder consultation.

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

As ZICA, we have continued to 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. We have learnt with regret the resignation of the Auditor General Dr. Dick Sichembe, we urge the Government to ensure the new Auditor General is appointed sooner

rather than later to allow for the smooth running of the office. We also call upon the relevant authorities investigating these matters to expedite the process as most staff are holding positions on an acting capacity and cannot make decisions, which is affecting the smooth operations of the government. The prolonged investigations are posing a reputation risk to the Country 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.

8. TRAINING OF ACCOUNTANTS

ZICA is proud to announce that it will hold its 17th Graduation Ceremony on 25th August 2023 under the theme “Shaping the future of Accountancy as guardians of financial integrity” The total number of eligible candidates to graduate is 909. We are delighted to announce that we now have 100 CA Zambia designates from the time the program was introduced. The CA Zambia continues to be our flagship and premier qualification, a globally respected and recognized brand.

9. CONCLUSION

In concluding this press brief, allow me Ladies and gentleman to take this rare opportunity to deliver my farewell message as President of the Zambia Institute of Chartered Accountants. The 3 years that I have served as President of the Institute has been an incredible journey and as I prepare to pass the torch to my successor, I would like to take a moment to reflect on our collective achievements and express my deepest gratitude to all the ZICA Stakeholders who have made this journey possible.

First and foremost, I would like to extend my heartfelt appreciation and gratitude to the members of ZICA. Your unwavering support, commitment and enthusiasm have been instrumental in driving the Institute forward. It is through your dedication and professionalism that we have been able to uphold the highest standards of the Accounting profession in Zambia. Together we have achieved significant milestones, and I am proud to have been part of such a dynamic and vibrant community.

I would like to express my gratitude to the ZICA Council for their support throughout my tenure. Your expertise, tireless efforts have been invaluable in shaping the strategic direction of our Institute. I am honoured to have worked alongside such a dedicated group of professionals and I am confident that under your continued support, ZICA will continue to soar to greater heights.

To our esteemed partners who include Regulatory bodies, Government Institutions, Educational Institutions and Professional organizations, I extend my deepest appreciation. Your collaboration and support have been instrumental in advancing the accounting profession in Zambia. Together we have fostered an environment of trust, integrity and accountability and I am grateful for the opportunity to have worked closely with each one of you.

I would also like to, thank our valued stakeholders including the business community, the media and the general public / Your engagements and feedback have been crucial in shaping our initiatives and ensuring that we remain responsive to the needs of our profession and society at large. Your trust and confidence in ZICA have been a driving force behind our endeavors and I am truly grateful for your support.

Last but certainly not least, I want to express my heartfelt appreciation to my dedicated team at ZICA. Your hard work, professionalism, and unwavering

commitment to excellence have been the backbone of our success. It is your passion and enthusiasm that have propelled us forward and I am immensely proud of your collective achievements. I have been truly fortunate to lead such an exceptional and amazing team, and I am confident that you will continue to elevate the accounting profession in Zambia to new heights.

In conclusion, as I bid farewell to my role as President of ZICA, I am filled with a sense of fulfillment and gratitude. Together we have made significant strides and I am confident that the future of the Institute is bright. The foundation we have laid will serve as a springboard for continued growth, innovation and success.

Thank you once again to all the stakeholders who have been part of this incredible journey. It has been an honour and a privilege to serve as the first female President of ZICA. I will forever cherish the memories and the relationships I have built during my tenure. I have no doubt that ZICA will continue to thrive under the leadership of my successor.

Thank you Ladies and gentlemen of the Press. May you continue to contribute to the advancement of the Accounting profession and the prosperity of Zambia. We look forward to seeing you at our 38th Annual General Meeting in Livingstone next week.

God Bless you all.

Cecilia Zimba

PRESIDENT

ZAMBIA INSTITUTE OF CHARTERED ACCOUNTANTS