



## **ZAMBIA INSTITUTE OF CHARTERED ACCOUNTANTS**

**2024 FIRST QUARTER MEDIA BRIEFING ON VARIOUS NATIONAL  
MATTERS ISSUED IN PUBLIC INTEREST BY THE ZICA PRESIDENT,  
MRS. YANDE SIAME MWENYE  
9 APRIL 2024**

**Good Morning Ladies and Gentlemen,**

Welcome to the Zambia Institute of Chartered Accountants (ZICA) media briefing for the first quarter of 2024 on matters that affect the Accountancy profession and the nation. 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 the Republic of Zambia on matters relating to the economic affairs of the Country. In this regard, the media briefing will reflect on developments related to the following key matters:

- 1. COMMENTS ON THE DEBT RESTRUCTURING**
- 2. ILLICIT FINANCIAL FLOWS**
- 3. THE FIGHT AGAINST CORRUPTION**
- 4. ZAMBIA EXCHANGE RATE PERFORMANCE**
- 5. ZAMBIA PARTICIPATION AT THE 2024 MINING INDABA**
- 6. THE REPUBLICAN PRESIDENT'S DECLARATION OF THE DROUGHT AS A NATIONAL DISASTER**
- 7. THE CONSTITUENCY DEVELOPMENT FUND**
- 8. UPDATES FROM THE INSTITUTE**
- 9. CONCLUSION**

## **1. THE DEBT RESTRUCTURING**

We take this opportunity to congratulate the President of the Republic of Zambia, Mr. Hakainde Hichilema, the Minister of Finance and National Planning, the Secretary to the Treasury and the Zambian People on this important occasion in reaching agreement with the Bondholders. This historic agreement with its creditors to restructure the \$3.5 billion Eurobonds is a huge sigh of relief to our country after the protracted debt restructuring negotiations. We note that after reaching agreements with the Official Credit Committee (OCC) and other Bondholders, 75% of the debt has been restructured leaving only 25% owed to other commercial creditors in the various stages of the debt restructuring process. We are confident that a positive conclusion will equally be reached with the remaining 25%. ZICA acknowledges the Minister's statement that having achieved this milestone, there is still a lot of work to be done in order to realize the benefits of this debt restructuring.

This debt restructuring agreement will also improve investor confidence in Zambia, potentially materialising through an increase in foreign investments as well as strengthening of the local currency.

As ZICA, we commend Government's efforts in encouraging accountability, transparency and inclusiveness as they continue to provide forums for collaboration with other stakeholders. We reiterate our commitment to ensuring that we provide checks and balances in line with our mandate to protect public interest as an institute. The Public Debt Management Act No.15 of 2022 provides that no new debt or loan can be contracted without the approval of parliament except where there are matters of a national emergency, this provides a level of assurance. Going forward;

- i) It is ZICA's hope and wish to see that this reduced burden on debt servicing obligations, will begin to translate into noticeable and tangible benefits for every citizen of our country. We trust that some of the tangible benefits will be through programs or policies that will lead to the allocation of more resources in social sectors such as education, healthcare and social welfare to name a few. We are confident that the people of Zambia will be able to visibly measure the aforementioned through improved living standards and quality of life. We commend Government efforts in using the media for the dissemination of information, as this relationship can be harnessed to sensitize the Zambian people about what this debt restructure

means to the ordinary Zambia. This will help significantly in managing the huge expectations that currently exist such as immediate reduction in the cost of living considering that the food basket now stands at just over K10,000 as reported by the Jesuit Centre for Theological Reflection (JCTR) in their report of February, 2024.

- ii) ZICA implores government to align the country's budget with the loan obligations that are now over a longer term. As we note, bond repayments will commence after 10 and 30 years respectively. The rescheduled or extended loan repayment periods is hoped will be matched with the country's long term revenue projections, so as not to lose sight of the future loan obligations resulting from today's debt restructuring decisions. We are cognizant of the huge efforts that the Government has made in achieving this important milestone and trust that our economy will now be steered into a positive direction of growth and stability. Undoubtedly, the government's objectives should be to never allow Zambia to fall into such debt distress that negatively affects the economy.

iii) As ZICA we recognize the immense pressure that has been on the reserves of our country following the Cholera epidemic and Anthrax disease in the recent past. That notwithstanding, we strongly recommend that the Government considers the creation of a Sinking Fund by the Government as this will entail the setting aside of funds to cater for future debt repayments as soon as the grace period ends. However, we urge Government to adequately research on how these funds can best be protected from the effects of inflation considering that the repayment period only kicks in, in 10 and 30 years' time respectively. This would be a prudent approach and it is believed will help alleviate the pressure on the country's reserves.

iv) As the saying goes "experience is a great teacher", there are now significant lessons learnt from the debt restructure process, and it is hoped that the policymakers will now put into practice and place mechanisms that will prevent future leaders, technocrats and other stakeholders from falling into a similar predicament.

## **DEBT RESTRUCTURING WAY FORWARD**

ZICA notes that by bringing finality to this part of the debt negotiation process, Zambia's credibility among the International Community and various lending Institutions will be restored and raised significantly, and that from here we can now concentrate on the growth of our economy. We are positive about the country achieving the anticipated economic growth after the debt restructuring, and therefore make recommendations in the following areas,

**a) Re-orienting Economic Expansion:** Zambia needs to redirect its economic growth trajectory away from debt-fueled consumption and towards investments in profitable sectors such as manufacturing, tourism and agriculture. These measures will result in increased employment and exports thus increasing the amount of financial resources available that are critical to paying off the country's debt.

**b) Attracting outside Capital:** To support economic growth and create jobs, Zambia will need to continue to attract foreign direct investment across different sectors of our economy. In order to accomplish this, the Government is urged to improve the

business climate, provide incentives to investors, both local and foreign and make sure that laws and regulations are transparent and predictable to achieve this policy measure.

**c) Reforming the Mining Industry:** Zambia's mining industry is a significant contributor to debt reduction and an important driver of domestic resource mobilization. The Government must continue to improve mechanisms that will aid in ramping up of production in copper and other mineral value chains whilst, preventing environmental degradation. As we know the effects of climate change are very visible to us and this cannot be over emphasized as none of us are immune.

**d) Improving the Economic Governance:** The Zambian Government needs to enhance its public finance management systems and increase openness and accountability to improve economic governance. This will allow for the effective and efficient utilization of the national resources.

We believe that the completion of negotiations with other commercial creditors will bring a final resolution to Zambia's debt crisis. This will help Zambia attract new investments, accelerate growth, generate jobs, and respond to urgent priorities, such as the ongoing drought.



## **2. ILLICIT FINANCIAL FLOWS**

As ZICA, we have observed the colossal sums of money that have been lost as a country through illicit financial flows as reported by the Financial Intelligence Centre. The said losses have been from tax evasion, smuggling of natural resources, corruption and money laundering activities.

We however, acknowledge the mechanisms the government has put in place to curb the vice such as the enactment of the Anti-Corruption Act No. 3 of 2012, Prevention of Money Laundering Act No. 14 of 2001 and the establishment of the Financial Crimes Court.

As can be appreciated one of the challenges that we currently face as a country is that we have too many economic activities outside regulated financial entities and this is as a result of;

- Lack of a full scope of the economic activities in the country due to lack of resources and data to capture this information.
- Financial inclusion remains a key ingredient in the tracking system of economic activities

There is need for a greater commitment to this fight not just by the Government but by the private sector as well, including every well meaning Zambians.

The Country needs to invest in skills and technology to handle the sophisticated machinations employed by companies and individuals involved in these illicit transactions.

### **3. THE FIGHT AGAINST CORRUPTION**

ZICA takes keen interest in the ongoing discussions and developments on the country's efforts in the fight against corruption. It is gratifying to note that the 2023 Corruption Perception Index (CPI) released by Transparency International, revealed that Zambia significantly has improved its CPI score in the last 10 years.

The CPI for Zambia has improved from 32% in 2011 to 37% in 2012, which was a significant increase and increased again to 33% within 1 year where it remained until 2016. There was then a downward trajectory dropping to 33% until recently when it rose again to 37% in 2023. This has consequently improved the country's ranking by 18 places, from number 116 out of 180 Countries in 2022 to number 98 out of 180

Countries in 2023. As the report noted, while it is important to note the 4-point improvement in the CPI for Zambia, though unprecedented, it does not mean that the prevalence of corruption has reduced to zero. Corruption continues to be endemic in Zambia, as the country remains an under performer in the sub-region. Countries such as Tanzania (40), South Africa (41), Namibia (49), Rwanda (53) and Botswana (59) have all performed better than Zambia in 2023.

As an institute we believe that there needs to be continuous improvement in accountability, transparency and adherence to laid down procedures and internal controls across all sectors.

In 2022 the International Monetary Fund (IMF) mission undertook a governance and corruption diagnostic assessment and released a report with specific recommendations such as;

- Adoption of a legal framework that guarantees public access to information
- Ensure that all public entities prepare and publish activity reports in a timely manner
- Strengthen protection of whistleblowers

- Introduce and implement a legal framework on comprehensive conflict of interest and asset disclosure system in line with international best practices (G20 HL Principles on Asset Disclosure by Public Officials)

As ZICA it is hoped that these recommendations have been or will be adopted sooner rather than later as the government seeks to promote accountability, transparency and adherence to laid down procedures and internal controls.

#### **4. ZAMBIA EXCHANGE RATE PERFORMANCE**

##### **PERFORMANCE OF THE KWACHA**

At the close of 2023, the Zambian Kwacha traded at K25.71 against 1 United States dollar, representing an annual depreciation of 42.3% compared to 8.4% in 2022.

##### **Causes of Continued Depreciation**

The key drivers of the depreciation of the kwacha are;

- i. Low foreign exchange supply, particularly from the mining sector,
- ii. High demand by market players for various purposes including critical import of fuel and medicines.

- iii. Tighter global financial conditions causing an outflow of foreign currency as foreign holders of Government securities divest from the domestic market thereby reducing forex inflows. These have been typically suppliers of foreign exchange.
- iv. Negative sentiments associated with the conclusion of protracted debt restructuring negotiations

**a) Government Response to the Continued Depreciation of the Kwacha**

In an effort to stabilize the foreign exchange market, the following measures have been undertaken;

**i. BOZ Raised Statutory Reserve Ratio to 26%**

On 2<sup>nd</sup> February 2024, the Bank of Zambia increased the statutory reserve ratios for both kwacha and foreign currency by nine percentage points to 26% from 17%. The revised statutory ratio of 26% is based on the weekly return of selected assets and liabilities from 5 February 2024. This was meant to tighten liquidity on the market and relieve the persistent pressure being experienced by the local currency.

This has had a negative impact on individuals and businesses alike and the depreciation of the local currency continued. The pressure on the local currency has continued due to the fact that as a nation we have a huge reliance on imports even from a consumer basis, without an equal supporting income from our exports.

In this regard we continue to make the following recommendations;

## **ZICA RECOMMENDATIONS**

We reiterate our advice to government on how to arrest the depreciation of the Kwacha, in the long-term;

- i. Diversification of the economy – For years there has been an over reliance on the mining sector and particularly copper. There is need to invest in the manufacturing sector, tourism and agriculture as espoused in the 8National Development Plan and other policy documents. This will help reduce the pressure on imports and in turn forex.
- ii. BOZ must assess the impact of financial practices by large firms and how they influence the forex market to strengthen its interventions aimed at curbing these practices.

- iii. The expedient conclusion of the 25% debt through the debt restructure is paramount as this will reduce the interest payments and in turn the demand for forex.
- iv. In the long term, the Government must continue to prioritise fiscal adjustment through containment of capital expenditure, which persistently widens the fiscal deficit and leads to further borrowing.

## **5. 2024 MINING INDABA**

The Republican President Mr. Hakainde Hichilema addressed the delegates at the recently held Mining Indaba, that took place in Cape Town from 6<sup>th</sup> – 9<sup>th</sup> February 2024, where he made it clear that the mining sector is an important catalyst for national development; and further that the government was looking to significantly increase the production of copper and other minerals so that Zambia can reclaim its place as a leading copper producer on the continent. To support these ambitions the Government has already introduced a friendlier mining tax regime and made clear intentions to bring stability to the sector, as well as ensuring regulatory fairness and the elimination of obstacles that stand in the way of new investment.

As ZICA, we welcome the several investments pledges, that were announced at the 2024 Mining Indaba in the mining sector that included;

- i. The US\$1.3 billion by China Non-Ferrous Mining Corporation (CNMC) into various operations in Zambia.
- ii. First Quantum Minerals (FQM) investment of \$100 million in Enterprise Nickel Mine -Africa's largest nickel producer.
- iii. First Quantum Minerals investing over US\$1 billion to expand the Kansanshi mine and smelter.
- iv. Kobold Metals, which uses Pioneering Artificial Intelligence, AI technology, had made significant progress in defining the orebody at its Mingomba project, following a \$150 million investment in 2022.
- v. Barrick Gold Corporation doubled down on its commitment with a \$2 billion investment to expand its Lumwana Mine into a 'super-pit', capable of producing 240,000 tonnes of copper per year when it comes online in 2028

As ZICA, we urge the Government and all the stakeholders involved to intensify efforts and actualize pronouncements and pledges made at the 2024 Mining Indaba. These pledges if actualized will help bring about



Employment Opportunities, Economic Growth, Foreign Exchange Earnings, Technological Advancements and infrastructure development.

### **ZICA Comments on the Unlocking of MOPANI Copper Mines**

As ZICA, we congratulate the government through the Republican President Mr. Hakainde Hichilema for unlocking the investment in Mopani Copper Mines and unveiling of the Mine's new Strategic Partner; International Resource Holdings (IRH).

The joint investment between ZCCM-IH and International Resources Holdings at Mopani holds the promise of generating significant business opportunities and employment for Zambians. It is our hope that partnership will benefit all stakeholders involved and improve the livelihood of the people on the Copperbelt.

The \$1.1 billion investment from IRH marks a significant milestone, being the first substantial investment from the UAE in Zambia, with more expected in renewable energy and other sectors.

## **6. THE REPUBLICAN PRESIDENT'S DECLARATION OF DROUGHT AS A NATIONAL DISASTER**

On 29 February 2024, the Republican President Mr. Hakainde Hichilema declared the prolonged dry spells in the country as a National Disaster and Emergency. The declaration was in accordance with the Disaster Management Act Number 13 of 2010 supported by other relevant legislations.

The President informed the nation that the country faced a severe drought, the worst of its kind, caused by the El Niño weather conditions in the 2023/2024 rain season and influenced by the climate change phenomenon.

The drought has devastating consequences on many critical sectors such as agriculture, water availability and energy supply, posing a great risk to the food security to millions of Zambians.

The destruction caused by the prolonged dry spell has severely affected 84 districts in Lusaka, Central, Copperbelt, Eastern, Northwestern, Western and Southern Provinces and the dry spell is projected to affect over 1 million of our farming households. Additionally, the drought is anticipated to adversely affect the energy sector that is expected to have a deficit of around

430 megawatts of electricity, potentially reaching more than 520 megawatts by December 2024.

As ZICA, we commend the Republican President for the timely announcement of the drought as a national disaster, and taking steps to help alleviate the negative effects this is expected to have on the Zambian people.

We note that some of the measures taken are both short and long-term such as:

- Supply of food
- Importation of electricity and rationing energy use
- mobilisation of farmers across the country to embark on planting early maturing and winter maize through various forms of irrigation
- Enhancement of water harvesting mechanisms to enable precision and other irrigation development to stimulate agricultural production.

Water harvesting mechanisms and innovation is to be encouraged as this will help reduce dependence on rain fed agriculture.

The effects of climate change cannot be ignored, as none of us are immune. In this regard we implore the Zambian Government to ensure that the Climate and Sustainability bill is enacted into law before the next COP at the end of the year. Our firm belief is that, as long as we do not have the Climate and sustainability Bill signed into law we will not fully enjoy the benefits. Further, without demanding compliance in all sectors of our economy it means that we cannot fully earn some much-needed income from trading in carbon credits for instance. We therefore urge the Ministry of Green Economy to ensure that the bill is tabled as a matter of urgency.

As advised in our 4<sup>th</sup> quarter briefing in 2023 the Zambia Institute of Chartered Accountants has adopted the two sustainability standards and the Integrated Reporting framework.

This entails that all publicly accountable entities (PAEs) or listed entities are required to adopt the sustainability standards IFRS S1 and IFRS S2. Although it is not mandatory for other organisations to do so at the moment, voluntary adoption is encouraged. 1 January 2024, marked the effective date while reporting will commence on 1 January 2025.

Further, we draw your attention to Foreign Direct Investment (FDI). To enable the participation of project developers in the Carbon Market through

the United Nations Framework Convention on Climate Change, Government signed a green growth compact worth £1 billion with the UK Government. This will facilitate foreign direct investment from the United Kingdom in renewable energy, urban planning and trade connectivity, among others.

ZICA would like to commend the Government on this investment initiative and encourage them to intensify investment promotion in the provinces through investment expos to market opportunities. FDI is a critical source of financing for Zambia, having great potential to strengthen productivity, growth and diversification of the economy. And again ZICA is ready to partner with government to offer support through our wide member network to offer expertise in areas of accountability, monitoring, audit and capacity building to name but a few.

We can all see that rain-fed agriculture will not be sustainable in the advent of climate change. As Zambians, we must all rise and support the government of the day as they navigate the food security trajectory. It is always said that even a dark cloud has a silver lining. We must take advantage of this year's drought to turn our fortunes around. Farming must be all year round. We have the land, we have the people and as long as support keeps flowing towards all year round agriculture, Zambia will move

smoothly on the path of being the region's food basket. Other countries may not have the luxury of arable land but have managed to reclaim face value unusable land making them net exporters of agricultural produce. We should be embarrassed as a country to wait to receive food aid from a desert country. We support the President and his government as they navigate the difficult path of ensuring no Zambian dies from hunger but even before going that far, it should be history from this year to hear anyone of any citizen failing to have food on their tables.

If this agriculture prospect is harnessed in this manner, we shall not have young people waiting to be employed for them to start earning. Agriculture in this country has a great potential to push us to a middle-income status. When that happens, people will be able to earn, invest and be able to secure their futures. As ZICA, we stand to be able to provide the necessary financial and business knowledge to the country to enable the population to move from agriculture for household consumption to agriculture as a business just as the Republican President has always encouraged.

## **7. COMMUNITY DEVELOPMENT FUND (CDF) –**

As ZICA, we commend the report produced by the Office of the Auditor General as you would appreciate the significant increase in the national budget from K1.6million to K30.8million requires accountability and transparency of the disbursements to ensure confidence in the Zambian people, after all the funds are intended for the betterment of the community, With the increased CDF we are of the view that the decentralization policy finally be actualized.

The CDF is intended to have a positive impact on local communities across Zambia and we believe this can only be achieved by having adequate resources for administration. We note that the CDF Act No.11 of 2018 and guidelines specifically provide a percentage of the funds to be allocated to administrative costs. We reiterate the need for prudent use of these funds in all constituencies as said before, transparency and accountability in the application, approval and disbursement process of the CDF is of utmost importance! However, this can only be achieved if qualified accountants regulated by ZICA are engaged. We implore the Ministry of Local Government and Rural Development to look into this. Engaging qualified accountants registered with ZICA ensures adherence to our ethical standards and of course employment for the Zambian accountant.

## **MATTERS AFFECTING THE INSTITUTE –**

Firstly, we wish to congratulate our members Ms. Nsandi Manza and Mr. Ringo Zulu for being appointed as Accountant General and Controller of Internal Audit respectively. We wish them well and have every confidence that they will continue to execute their duties in the highest of standards, for the betterment of our profession and country.

- i) We commend the Minister of Finance and National planning, Hon Dr. Situmbeko Musokotwane MP for heeding our call on the appointment of the Zambia Centre for Accountancy Studies (ZCAS) appointment of the Board. As you may appreciate ZCAS has been the anchor education institution for the training of Accountants and the lack of the board for over a year was beginning to have a negative impact. We wish Ms Mary Ncube the Chair of the Board and all the Board members every success in the execution of their duties.
- ii) Members and students – The Institute remains focused on ensuring the regulation and education of accountants as per its mandate. With that, there is a requirement that all those qualified in the theory and practice of accountancy and those studying various accountancy qualifications must be registered with ZICA.



It is an offence in the Republic of Zambia to employ a person not registered by ZICA in a finance role. The Accountants Act number 13 of 2008 imposes penalties to both the individual and the employer. Accountancy is one of the oldest professions and to be one you must undergo specific training.

- iii) We therefore wish to inform all our members and the general public that proceedings have now commenced in the Zambia Courts of Law following the signing of the MOU with the National Prosecutions Authority (NPA), to ensure that our profession is protected from those masquerading and holding out as accountants in the practice of audit, accountancy and taxation. Further, we implore the public to reach out to the institute directly to report anyone who is in breach of the provisions of the Accountants Act of 2008..
- iv) Members of the public are urged to comply with the requirements of this act to avoid being inconvenienced. Let us remember that subscription payments must be made every year for membership to remain valid. Employers must ensure their employees pay subscription fees for their employment to be valid. To our members and students, our profession will only remain relevant

if we exhibit the highest ethical conduct and professionalism. Therefore, let us keep learning and sharpening our skills for us to better serve humanity. Let us communicate with the Institute effectively through the various platforms including the contact which you can reach on the short code 1982.

## **1. CONCLUSION**

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

Yande Siame Mwenye

**PRESIDENT**

**ZAMBIA INSTITUTE OF CHARTERED ACCOUNTANTS**