



## **ZAMBIA INSTITUTE OF CHARTERED ACCOUNTANTS**

**2024 SECOND QUARTER MEDIA BRIEFING ON VARIOUS NATIONAL  
MATTERS ISSUED IN PUBLIC INTEREST BY THE ZICA PRESIDENT,  
MRS. YANDE SIAME MWENYE  
13<sup>TH</sup> AUGUST 2024 – ESSAU NEBWE HALL**

**Good Morning Ladies and Gentlemen,**

Welcome to the Zambia Institute of Chartered Accountants (ZICA) media briefing for the second 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 national interest. In this regard, the media briefing will reflect on developments related to the following key matters:

- 1. COMMENDATION OF GOVERNMENT ON THE LAUNCH OF THE NATIONAL GREEN GROWTH STRATEGY**
- 2. COMMENT ON PRIVATE DEBT RESTRUCTURING AND CREDIT RATING UPDATES**
- 3. CONCERNS ABOUT ZAMBIA'S CHALLENGES IN STRENGTHENING INSTITUTIONS, PRIVATE SECTOR ENGAGEMENT AND IMPROVING ACCOUNTABILITY**
- 4. CONSTITUENCY DEVELOPMENT FUNDS (CDF)**
- 5. ZAMBIA REVENUE AUTHORITY SMART INVOICING**
- 6. FOREIGN CURRENCY REGULATION**
- 7. COMMENTS ON THE 2025 – 2027 MEDIUM TERM BUDGET PLAN**
- 8. 2024 SUPPLEMENTARY BUDGET – LOCAL SUPPLIERS OF GOODS AND SERVICES**

## **9. CONCLUSION**

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### **1. COMMENDATION OF THE GOVERNMENT ON THE LAUNCH OF THE NATIONAL GREEN GROWTH STRATEGY**

In April 2024, the Ministry of Green Economy and Environment launched Zambia's National Green Growth Strategy (2024-2030) which aims to achieve sustainable economic growth, reduce poverty, and promote environmental sustainability. We note that the strategy is aligned with Zambia's Vision 2030, the African Union's Agenda 2063, and the United Nations' Sustainable Development Goals (SDGs).

We commend the Government for launching this strategy which will focus on:

- i.** Climate Change Mitigation and Adaptation
- ii.** Sustainable Natural Resource Management
- iii.** Green Infrastructure Development
- iv.** Sustainable Agriculture and Food Security
- v.** Green Economy and Industrialization
- vi.** Human Settlements and Urban Development
- vii.** Waste Management and Pollution Control
- viii.** Education, Training, and Awareness

As ZICA, we stand ready to support the implementation of this strategy

which aims to:

- Reduce greenhouse gas emissions by 25% by 2030
- Increase renewable energy sources to 50% of total energy mix
- Promote sustainable agriculture practices
- Protect and restore natural resources
- Support green entrepreneurship and innovation
- Enhance climate resilience and adaptation
- Foster international cooperation and partnerships

As you would appreciate ZICA has adopted the International Financial Reporting Standards (IFRS) S1 and S2 which are the sustainability disclosure standards aimed at enabling organisations to report on information about their most significant impacts on the economy, environment and people and how they manage these impacts.

Both locally and internationally there is a move towards a future where financial data and sustainability information are inextricably linked, and this correlation is becoming increasingly necessary for decision making, useful reporting and for business from a risk management perspective.

We take this opportunity to encourage our government that 2024 must be a year of progress and implementation of the green growth strategy. However, without the climate and sustainability bill being tabled in parliament successful implementation of the strategy will be a pipe dream! We therefore wish to reiterate that the strategy requires legislative backing.

## **2. COMMENT ON PRIVATE DEBT RESTRUCTURING AND CREDIT RATING UPGRADE**

As ZICA we are thankful to the Ministry of Finance and National Planning for the debt restructuring and await the final conclusion with the remaining Private Creditors Committee.

The Debt Restructure represented a crucial step towards stabilizing the country's financial landscape. This landmark deal underscores the collaborative efforts between the Creditor's Committee and the Zambian Government, emphasizing transparency and cooperation in achieving a mutually beneficial resolution.

The agreements successful implementation is anticipated to restore Zambia's access to international capital markets and stimulate long-term investments, fostering economic growth and prosperity for the nation. With the collective efforts of stakeholders and the commitment to sustainable economic reforms, Zambia is poised to embark on a path of recovery and growth.

## **Credit Ratings**

Following the successful Eurobonds restructuring, Zambia's economic landscape has been the centre of attention recently, with a series of sovereign rating announcements and developments in the capital market.

As an institute we recognize the upgrade in Zambia's long-term issuer rating by Moody's Ratings Agency, and by Fitch Ratings who also adjusted Zambia's short term issuer rating on FCY to 'CCC+', while maintaining the long-term rating at 'R/D', reflecting the ongoing progress in restructuring private debt. As noted by Financial Analysts, the rating upgrades are essential for attracting investors and accessing capital, which in turn enhances the potential for Zambia to raise capital on international markets, with improved ratings positioning the country favourably for future infrastructure projects.

### **3. CONCERNS ABOUT ZAMBIA'S CHALLENGES IN STRENGTHENING INSTITUTIONS, PRIVATE SECTOR ENGAGEMENT AND IMPROVING ACCOUNTANBILITY**

During the recent Presidential press briefing on 8<sup>th</sup> June 2024, followed by the Secretary to Cabinet directives, emphasis was placed on prudent utilisation of financial resources and a call for accountability.

As an institute we note that there is need for accountability and transparency and that this should not just be on paper but should be seen to be done. Where there is misappropriation of public or private funds there should be consequences and it is hoped that this would serve as a deterrent.

The Financial Intelligence Centre (FIC) in their quarter 1 2024 Trends report highlighted an increase in illicit financial flows and tax evasion, and un amounting to K61 Billion mostly by foreign nationals that have set up business operations in Zambia.

After a detailed review of the above ZICA has observed the following possible challenges:

**On Strengthening institution, it's possible that:**

- Implementation of reforms and changes seems to be hindered by Unknown forces;
- Inadequate resources and funding to support regulating authorities and institutional tasked with investigating such matters

**Accountability and transparency remain a significant obstacle, and it seems that:**

- There does not appear to be a spirit of accountability and transparency creating a huge disparity with expected results;
- Seemingly public perception that there is no accountability by those charged with managing public resources

**To address these challenges, ZICA recommends that the Government of the Republic of Zambia should consider to:**

- i.** Re-evaluate and tailor capacity building programs to specific institutional needs.
- ii.** A Demonstration of accountability at all levels that ensure that reforms and changes are implemented
- iii.** Provide resources and funding to support institutional development.
- iv.** Offer incentives and opportunities to spur private sector growth.
- v.** Strengthen institutions to tackle financial illicit flows and unaccounted wealth.

As you would appreciate when resources do not go to the intended purpose, there is a regression in the growth of our economy as a nation. ZICA believes that it is time for Zambia to re-strategize and implement effective solutions to address these challenges and unlock economic growth and development, particularly with the Debt Restructure and improved credit ratings.

#### **4. THE CONSTITUENCY DEVELOPMENT FUND (CDF)**

As an institute we have taken note of the announcement made by the President of the Republic of Zambia, Mr. Hakainde Hichilema that the CDF allocation will again be increased in the 2025 national budget. This is welcome and gladdens us as it should for the citizens of our country.



The CDF is intended to have a positive impact on local communities across Zambia to ensure development goes to all corners of the country.

Unfortunately, some worrying revelations have been made by the Minister of Finance and National planning when it was alleged that there has been misappropriation of CDF, which prompted the need for an audit to be constituted through the Office of Controller of Internal Audit. Further, the Permanent Secretary of Local Government and Rural Development in a recent interview has revealed that some local authorities have been abusing CDF and that investigations had be launched against the erring councils.

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 matter to ensure all finance professionals in local authorities are properly regulated according to the law. Once these finance professionals are in the net, this will act as a deterrent to misconduct because once they are reported, they risk being de-registered from the profession if found wanting. Engaging

qualified accountants registered with ZICA ensures adherence to our ethical standards and of course employment for the Zambian accountant.

Further, we await the reports from the Controller of Internal Audit and the results of the investigations by Ministry of Local Government and Rural Development. In addition, we also look forward to a comprehensive report that will show actual amounts disbursed for CDF to date and details such as the demographic as you would appreciate the intended beneficiaries in the community are Women and Youth at respectively.

## **5. ZAMBIA REVENUE AUTHORITY – SMART INVOICING**

ZRA launched the Smart Invoicing System on April 1, 2024. The smart invoicing system is designed to enhance the monitoring and verification of tax invoices issued by businesses. This system leverages technology to reduce tax evasion by ensuring that all sales transactions are recorded accurately. The system's rollout includes training for businesses on compliance and integration with existing accounting systems. Continued refinement and expansion of this system will be crucial to its success, including regular updates and support services for users.

We wish to congratulate Zambia Revenue Authority for having registered about 12,000 Taxpayers out of about 22,000 registered taxpayers on smart

invoicing as at 30<sup>th</sup> June 2024. We have also taken note that they have extended the registration deadline from 1<sup>st</sup> July to 30<sup>th</sup> September 2024.

We believe that the implementation of smart invoicing will significantly enhance tax mobilization efforts, and we expect key outcomes such as;

- **Enhanced Compliance:** Real-time invoicing will improve the rate of compliance, reducing the scope for tax evasion and under-declarations. This we believe will help particularly plug revenue leakages leading to increased revenue collections in the medium to long term.
- **Increased Transparency:** The smart invoicing system will ensure that all transactions are documented and traceable, leading to more accurate tax assessments and collections. This transparency will be instrumental in identifying and addressing discrepancies. This will also help reduce the level of false VAT claims resulting in turn decreasing tax evasion and resulting in improved data analytics and facilitation of electronic auditing.
- **Higher Revenue Collection:** The strategy has so far contributed to exceeding VAT collection targets, with K19.21 billion collected against a target of K17.01 billion, an 11.7% surplus as at 30<sup>th</sup> June 2024.

This improved performance is attributed to the comprehensive tracking and immediate invoicing capabilities of the system.

- **Streamlined Processes:** Automation will reduce administrative overhead and errors, facilitating more efficient tax collection and processing. This will free up resources to focus on enforcement and compliance activities.

As ZICA, we urge all eligible taxpayers to comply with the requirement for integration of the Smart Invoice system in their businesses by 30<sup>th</sup> September 2024. We also urge all consumers of goods and services to demand for a tax invoice for all goods and services every time. We value our relationship with ZRA and look forward to future collaborations as we work together to bring about various tax reforms that will help in a sustainable revenue collection platform.

## **6. FOREIGN CURRENCY REGULATION**

On 20<sup>th</sup> June, 2024 the Bank of Zambia began a consultation process regarding the draft foreign currency regulations through the Public Private Dialogue Forum.

The broad goal of the proposed currency regulations is to enforce existing laws and strengthen the implementation of monetary policy, which works

better by influencing the quoting and pricing of domestic transactions in  
Zambian Kwacha.

We were advised by the Bank of Zambia (BOZ) Governor Dr Denny Kalyalya at the recently held Mid term performance review that dollarisation could be detrimental to financial stability as it gives rise to mismatches in the foreign currency assets and liabilities of financial institutions when there is a steep movement in the exchange rate. The draft foreign currency regulations are aimed primarily at enhancing financial sector stability. Further, there was an emphasis of the need to recognize the Nation's legal tender as the Zambian Kwacha and no other currency.

As ZICA, we believe this proposed policy shift threatens to disrupt our economic stability. The intent behind this policy is to solidify the Kwacha's role in our economy, but the approach is fraught with significant risk. By dislodging the dollar from local trade, we risk unsettling sectors that have long relied on it, potentially diminishing their profitability and competitive edge and this move could alarm foreign investors, whose confidence in our policy stability is paramount.

The government must take a measured approach, fostering dialogue with all stakeholders before implementing the policy change. The new currency rules must align with existing economic strategies and should remain flexible to global economic shifts.

As ZICA, we are disappointed that we have not been invited to be a part of the consultative process, as you would imagine accountants play an integral role in a businesses or organistions and as such our input into the consultative process is cardinal. It is our considered view that the process

should include all relevant stakeholders to ensure a document and guidelines that will stand the test of time and avoid unnecessary business inconvenience and bad international interpretation.

## **7. COMMENTS ON THE 2025 – 2027 MEDIUM TERM BUDGET PLAN**

We commend the Honourable Minister of Finance & National Planning for publishing the amended 2024 Annual Borrowing Plan (ABP) which is meant to address the requirement for the Government to bridge the financing gap in the 2024 National Budget. This demonstrates Government's commitment to enhance transparency and accountability in the contraction of public debt.

We believe that the added scrutiny by key stakeholders should ultimately result in improved debt management by the Government.

The amended ABP increased the Net Domestic Financing from K16.3 billion to K22.3 billion and the total external loans from US \$416.33 million to US \$907.11 million. This substantial increase in both domestic and external borrowing is aimed at addressing the deficit in the revised budget. What is clear is there has been a deviation necessitating a reassessment of strategy due to the severe effects of the El Nino induced DROUGHT.

And particularly:

1. Alleviation of the crisis caused by the drought
2. Servicing of foreign debt
3. Servicing of local debt to clear fuel arrears

As ZICA, we have reviewed the 2025 – 2027 medium term budget plan report and we have made the following observations:

## **INFLATION**

The projected single digit inflation now appears to be an untenable a stretch. The Zambia Statistics Agency reports an increase from 13.5% from last quarter when it stood at 12.9%. Annual inflation is projected to climb to 14.7%.

## **ENERGY**

Sufficient provision of energy remains a significant contributor to the countries economic growth. The impact of the lack of power has had a negative impact on the growth of the economy.

### **a) Economic Growth Projections**

The projected growth rates of 6.6% in 2025, 5.9% in 2026, and 5.6% in 2027 reflect a strong optimism about the economic recovery and development potential. The government plans to achieve this through various reforms, infrastructure projects, and enhancing productivity across key sectors. However, these projections might not fully account for potential external shocks, such as global economic downturns, commodity price fluctuations, or local issues like power shortages and adverse weather conditions. Historical data shows that such optimistic growth projections often face significant hurdles. The IMF and the World Bank have projected growth rates for Zambia in the range of 3-4% over the next few years which is lower than what the budget is projecting. This reflects a more cautious outlook considering potential external and domestic risks specifically citing the drought and high energy prices. Previous growth targets have often fallen short due to a combination of external and internal factors. For example, the drought has severely impacted agriculture, and power shortages have

hampered industrial production. The plan should incorporate more conservative scenarios and include contingency plans for potential disruptions. This could involve creating financial buffers, diversifying export markets, and investing in climate-resilient infrastructure.

### **b) Private Sector Investment**

As ZICA, we are concerned with the extent to which the energy crisis has continued to affect investments in the economy. It is common knowledge that, both domestic and foreign investors seek stable and reliable power supply as a fundamental prerequisite for establishing and expanding businesses.

Addressing the crisis promptly is crucial to creating an attractive investment climate. With rising unemployment and SME closures, the energy crisis directly impacts employment and livelihoods. Swift action to stabilise the power supply can help preserve jobs and support the informal sector which is vital for the economy.

Frequent power outages have led to significant production losses. The Zambia Chamber of Mines reported that mining companies, which account for over 70% of Zambia's export earnings, experienced production cuts of up to 15% due to power shortages in 2023. This translates into a potential revenue loss of nearly \$500 million for the sector. Agriculture, another critical sector, has also been adversely affected. The reduced power supply impacts irrigation systems, leading to lower crop yields. In 2023, maize production, a staple food crop, decreased by 20% compared to the previous year, exacerbating food security issues and increasing the cost of food imports.



Small and medium enterprises (SMEs), which employ around 60% of the workforce, face increased operational costs due to the need for alternative power sources such as diesel generators. The informal sector, which constitutes about 68% of employment, has seen a decline in productivity, further straining the livelihoods of many Zambians.

The overall economic impact of inadequate power generation and load-shedding is profound. The Zambia's GDP growth slowed from 4.1% in 2022 to 2.5% in 2023, primarily due to the energy crisis. Unemployment rates have also increased, with the Zambia Statistics Agency reporting a rise in the unemployment rate from 11% in 2022 to 13% in 2023. This increase is attributed to job cuts in energy-intensive industries and the closure of SMEs struggling with high operational costs.

Zambia's energy crisis, characterised by inadequate power generation and load management, has severe economic consequences.

Addressing these challenges with urgency is paramount. Immediate interventions to stabilise and diversify Zambia's energy mix are critical not only to mitigate the current economic impact but also to foster long-term resilience and sustainable growth. Prioritising the resolution of the energy crisis should be first on Zambia's to-do list in a bid to safeguard its economic future and enhance the well-being of its citizens.

### **c) Human and Social Development**

It is hoped that with the debt restructure education, health, water, and sanitation will be given the much-needed priority as this reflects the government's commitment to improving human capital and quality of life.

Enhancing social protection measures aims to mitigate the impacts of economic reforms on the most vulnerable populations. The effectiveness of these initiatives depends on adequate funding, efficient implementation and accountability and transparency in the application of resources. We look forward to seeing a plan which provides specifics on how these services will be funded sustainably. Past programs have sometimes suffered from misallocation of resources and inefficiencies in service delivery. However, ZICA is hopeful that this vision will be realized with prudent resource allocation and utilization.

#### **d) Debt Management**

Emphasizing transparent debt management and completing the debt restructuring process is crucial for fiscal sustainability. The plan includes improving debt transparency and accountability mechanisms. While the commitment to transparency is commendable, the specifics of these accountability mechanisms are not well defined. Effective debt management will require strong institutions, regular audits, and public access to debt information. Moreover, the success of debt restructuring hinges on negotiations with creditors, which can be complex and protracted. Contracting further debt should be taken with greater caution and we trust that the government will continue to stick to the approved annual borrowing plan whose approval is at the floor of Parliament. We are confident that Parliament will protect the country adequately in this manner to avoid unsustainable debt contraction.

### **e) Digitalization and Public Sector Efficiency**

Digitalization aims to streamline public services and thus improving efficiency. It was refreshing to note the Minister of Local Government and Rural Development imploring all local authorities to upload their budgets onto the ministry portal.

Digitalization increase efficiency, provides for easy tracking on progress and most importantly reduces the carbon footprint. It is hoped that there will be continued investment in in ICT infrastructure and enhancing digital skills amongst employees in both the public and private sector.

The success of digitalization initiatives will depend on overcoming significant challenges, such as the current state of ICT infrastructure, internet penetration rates, and digital literacy. We also commend Government for taking a keen interest in matters of Cyber Security by enacting the Cyber Security and Cyber Crimes Act. We are hopeful that with the introduction of AI continued enhancement of policies to protect users and provide safeguards will be a continuous process. To this effect it is hoped that traction will be seen in the Office of Data Commissioner through compliance following the enactment of the Data Protection Act.

### **f) Climate Change and Environmental Sustainability**

The 2025 – 2027 medium term plan recognizes the need to address climate change impacts and includes measures to align resources for early recovery interventions and humanitarian needs. The document acknowledges climate change but lacks detailed action plans and timelines. Effective climate change policy requires specific measures, such as adopting renewable energy sources, enforcing environmental regulations, and investing in

climate-resilient infrastructure. There is also a need for comprehensive risk assessments and adaptive strategies for vulnerable sectors.

It would be important for the Government to employ resources into the Metrological department as there are projections that the nation could experience the opposite of El Nino, which is La Nina therefore instead of a drought we could experience flooding. What strategies are being developed to deal with this potential crisis?

## **8. 2024 SUPPLEMENTARY BUDGET – LOCAL SUPPLIERS OF GOODS AND SERVICES**

On June 21, 2024, Dr. Situmbeko Musokotwane, the Minister of Finance and National Planning, presented a supplementary budget of K41.9 billion to Parliament. This budget adjustment came on the heels of the initial K177.9 billion budget for 2024.

The supplementary budget approved by Parliament outlined a series of interventions aimed at mitigating the effects of the current economic challenges caused by drought.

As ZICA, we were pleased that the supplementary budget also included provisions for debt servicing, with K14.6 billion set aside for external debt

obligations and K15.2 billion for fuel arrears. The total of K29.8 billion represented a significant financial commitment and suggested an increase from the initial budget allocations.

The K15.2 billion allocated for fuel arrears, indicated a strategic decision to expedite the settlement of outstanding debts. This approach is aimed at avoiding substantial penalties that have continued to accrue because of delayed payments. However, we are concerned that debt owed to local suppliers of goods and services was not included in the supplementary budget. We have noted with concern that the government's focus and efforts have been spent on resolving foreign debt, leaving domestic suppliers of goods and services. Non payment of local suppliers has a negative impact on cashflows and other suppliers along the value chain. The ripple effect is lack of growth impacting the economy, lack of sustainability of businesses in the long run and lack of employment of locals to mention a few.

## **9. MATTERS AFFECTING THE INSTITUTE –**

- i) **39<sup>th</sup> Annual General Meeting** - The Institute successfully held its annual general meeting and related activities from 17 to 19 July, 2024 in Livingstone. We wish to thank all members who participated both physically and virtually. These interactions are

only possible with a dedicated cadre of members. As we are all aware, membership of ZICA is a must for all finance professionals. This regulation of such personnel as enshrined in the accountants Act number 13 of 2008 is a pre-requisite to protection of public interest. The public is urged to engage only regulated finance professionals because these are the only people who have been authenticated by various processes that they hold both the education and skills to carry out such work. If you employ a person masquerading as an accountant, auditor, tax officer or any such like term, blame yourself when they do not deliver. You are free to contact the Institute to report any misconduct perpetrated by anyone who claims to be a member of the Institute and the Disciplinary Committee will gladly deal with such to rid the profession of rogue accountancy professionals. Remember that validity of membership of the Institute is by payment of annual subscription fees. We urge all employers and employees to comply as we have the compliance teams on country wide inspections.

- ii) **Graduation Ceremony** – The 2024 graduation ceremony will take place on 30<sup>th</sup> August, 2024. 925 graduates who completed

various ZICA qualifications will be receiving their official certificates. We hope you will be able to follow us on various platforms during this momentous occasion.

- iii) **Commending Stakeholders** – We thank all our partners and stakeholders for aiding the Institute to deliver on its mandate. There is a lot that still needs to be done for the growth of the profession. We continue to collaborate with many stakeholders both local and international. Thank you most sincerely to our journalists and media houses who are always available to disseminate valuable information.

## **10. CONCLUSION**

Thank you all for listening. 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**

