



THE CHARTERED
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**ECONOMIC
OUTLOOK:
FROM HYPER INFLATION
TO DEFLATION**

**CALMING THE
INDIGENISATION
FURORE**

**PERSPECTIVE:
A LOOK AT ENTERPRISE
RISK MANAGEMENT**

**THE FIGHT AGAINST
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Camelsa Business Park
135 Enterprise Road,
Highlands, Harare
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Its a coordinated activity to direct and control the organization with regard to risk.

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Essentially, it involves balancing the interests of the many stakeholders in a company. These include management, customers, suppliers, financiers, government and the community.

YOUR OPINION MATTERS!

We love to hear from you, so if you have an opinion about any of the topics you have read or others, feel free to contact us on:

The Chartered Accountant

c/o The Institute of Chartered Accountants of Zimbabwe
2 Bath Road, Cnr. Sam Nujoma Street
Harare, Zimbabwe.

phone: +263-4-252 672, 263 772 | 92 060/61

email: edinahm@icaz.org.zw

website: www.icaz.org.zw

THE CHARTERED Accountant

EDITOR: Edinah Gemu

EDITORIAL ADVISORS: Philimom Mhlanga, Matts Kunaka, Lucille Makwasha

SUB EDITORS: Edward Sanudi, Jacob Rukweza

PRODUCTION SUPERVISOR: Kudzai Rushambwa

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President's message



Dear esteemed members

It is now nine months since I was elected President of this pre-eminent professional organisation, and I am happy to share with you that the journey so far has been exciting and stimulating.

I am indebted to you all and I would like to pay tribute to you as members, the Presidium, Council, Past Presidents, Committees and Secretariat for the continued support. Indeed, it is that collective effort which makes the Institute of Chartered Accountants of Zimbabwe (ICAZ) what it is today.

I would like to congratulate and welcome new members who joined ICAZ after successfully meeting membership requirements. We are increasing our membership without compromising professional standards.

The new members have just begun a challenging and eventful journey in their career. They are expected to protect jealously the ICAZ brand so that its quality and relevance is maintained and continues to be recognised worldwide.

For our profession, the year has brought a lot of new changes and challenges in the form of a new set of accounting standards and new dimensions in our economy that require us to rise up to these new challenges.

We are certainly ready to face these new challenges as we continue to develop agile professionals who understand the new realities of a fast changing world. These new realities require us to continue to change what we do, how we do it and the speed at which it is done. Certain of our members qualified before a calculator was a common business tool and some before the internet was available to businesses.

Today, the world we live in is driven by the realities of real time information at the press of a button. Computer systems have evolved and so are the skills and mind sets of the people entrusted with providing on time, fit for purpose business information. In this vein, we continue with Continuing Professional Development (CPD) seminars that ensure that our members remain adept at managing this change.

Several CPD seminars were held that allowed delegates to gain insights on a number of key issues such as International Financial Reporting Standards (IFRS) implementation guidance, accounting for long service awards and retrenchment, tax issues, economic issues, indigenisation laws, anti-money laundering and the implementation of the long-form audit report.

More CPD workshops are coming. I request members to

participate in large numbers for knowledge dissemination.

2016 Winter School

This year's Winter School will be held at the Elephant Hills Hotel in the resort town of Victoria Falls from July 14 to 17 July, under the theme "Taking Ownership of Our Zimbabwe's Future". I would like to urge members to attend the Institute's flagship event.

ICAZ-Old Mutual fundraising golf day

I am happy to inform you dear colleagues that golf "experts" from the profession will tee off at Chapman Golf Club in the capital on 29 April 2016, with the aim of raising funds towards the ICAZ Foundation and many worthwhile charitable causes. This initiative should be lauded as it affirms ICAZ's commitment to plough back into the community as a way of reciprocating the essential symbiotic relationship we have with the communities.

ZIMRA obligations

Fellow members, your Institute, which is the oldest and largest professional accountancy body in the country, has not been charging Value Added Tax (VAT) on subscriptions paid by members since its inception 98 years ago, believing that as an organisation involved in training activities, the law exempted us from paying VAT on members' subscriptions.

For the very first time since 1918, the country's tax collection agency, the Zimbabwe Revenue Authority (ZIMRA), has indicated we have to pay VAT on members' subscriptions, backdated to 2009. The arrears on VAT amount to more than US\$480 000. We have, however, appealed to the relevant authorities. While we continue with our appeal efforts, the Institute has moved to bill members a supplementary invoice as we do not have reserves to make monthly payment to ZIMRA to meet this liability.

Indeed, these are difficult times and the tax will place an additional burden on our members. It was not our desire to place such a burden on members, but under the circumstances, we believe that we had no choice.

History, however, has shown that those who shoulder the responsibility of their time determine the future. I am always reminded of the words of Malcom Gladwell in his work *Outliers*: "We overlook just how large a role we all play in determining the future." We owe this to future generations, dear colleagues, just the same way men and

women who have been there before our time made it possible for us to enjoy the fruits of being Chartered Accountancy today.

I therefore would like to make a personal appeal for us to stand together, always!

Education

In April, 274 students graduated after passing the ICAZ 2015 Assessment of Professional Competence (APC) and the Zimbabwe Certificate in Theory of Accounting (ZCTA).

This represented a pass rate of 90 percent and 69 percent in APC and ZCTA respectively. The overall best student in the APC examination was Tapiwa Chisango who trained with EY. He was awarded the Duff Award of Merit. The pass rate is commendable and reflects the success of the Institute's strategy whose focus is to grow the ICAZ membership while maintaining quality.

I would like to say congratulations to all the successful students! The CA(Z) qualification will certainly open new doors for you!

Condolences

On a sad note, on behalf of ICAZ, I would like to convey our deepest condolences to the Tapera and Muchada families following the death of Michael Tapera and Rebecca Muchada who passed away on January 13 and January 4 this year respectively.

May their souls rest in peace!

Conclusion

I would like to say we cannot make it alone as office bearers, but it is through your support that we shall be able to change our destinies. Each one of us is a reservoir of talent and potential!

I wish to thank the ICAZ staff, council members and members who serve on the various ICAZ Committees, for their support and unwavering commitment to the Institute.

May you continue to fly the Institute's flag high in 2016 and the years to come.

Best wishes

Roy Chimanikire
ICAZ President



A graduate receiving his certificate from Higher Education Minister, Jonathan Moyo while ICAZ president Roy Chimanikire looks on.

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Patrick Zhuwao

“Let me tell you this as Minister of Indigenisation and Economic Empowerment. I have a product to sell. I have a product to sell. I have a mandate that I need to renew in the next two and half years (when the country holds its next elections).”

President Mugabe calms

INDIGENISATION FURORE



By Phillipimon Mhlanga

PRESIDENT Robert Mugabe has allayed investor fears after clarifying the confusion over the interpretation of indigenisation law in the country.

There was increasing uncertainty among foreign-owned companies after many of them failed to meet with an indigenisation deadline issued by Minister of Youth, Indigenisation and Economic Empowerment, Patrick Zhuwao.

Zhuwao had given foreign-owned companies up to the end of March to comply with the Indigenisation and Economic Empowerment Act or risk forced closure.

Speaking at a seminar organised by the Institute of Chartered Accountants of Zimbabwe (ICAZ) in the capital in March, Zhuwao had said all foreign-owned companies were compelled to sell, cede or donate at least 51 percent of their shares to locals.

This, he said, was in terms of the Indigenisation and Economic Empowerment Act, which came into force in 2008.

Zhuwao had earlier issued threats to start charging non-compliant companies a 10 percent levy on gross income to raise at least US\$100 million, which he said would be used to fund projects to create over two million jobs by 2018.

Zhuwao said: “Let me tell you this: as Minister of Indigenisation and Economic Empowerment, I have a product to sell. I have a mandate that I need to renew in the next two and a half years (when the country holds its next elections). So don’t tell me to understand business.” Deal with your ease of doing business, your foreign direct

investment (FDIs), it makes better business sense to you.

“To me, this does not solve my problem as the National Economic Empowerment Strategy (NEES) seeks to create 2,265 million jobs that we require by 2018.

“Remember that I am a politician and my stock of trade is votes. I have to make vote-sense as well. Creating these jobs is in the ZANU-PF manifesto, which I understand because I contributed in the writing of this document.

“In fact, it costs US\$678 405,53 to create one job in Africa from FDI, according to a research done by a reputable accounting firm Ernst & Young.” But he openly clashed with Finance Minister, Patrick Chinamasa and Reserve Bank of Zimbabwe (RBZ) governor, John Mangudya, over the implementation of the legislation in the financial sector.

Now, President Mugabe calmed the squables in an attempt to lure offshore capital required to revive the country’s ailing economy which has suffered from widespread company closures and job losses.

He said: “The banking sector shall continue to be under the auspices of the Banking Act which is regulated by the Reserve Bank of Zimbabwe (RBZ) and the insurance sector under the auspices of the Provident and Insurance Act.

“This policy position is essential for the promotion of financial sector stability, confidence and financial inclusion.”

President Mugabe said government would continue to insist on 51 percent ownership for new mining projects.

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President Mugabe calms INDIGENISATION FURORE



John Mangudya and Patrick Chinamasa

From Page 4

He said government had “a sacrosanct duty to ensure that such resources are exploited in a manner that safeguards the best interests of the country’s current and future generations”.

“Government and its designated entities will hold a 51 percent stake in businesses in the natural resources sector, with the remaining 49 percent belonging to the partnering investors. The need for investors in this sector to comply with the prescribed indigenisation obligations is therefore non-negotiable.

However, existing mines may continue to operate if they retain 75 percent of their earnings in Zimbabwe, he said. The clarification limited the role of the Youth, Indigenisation and Economic Empowerment Minister by allowing line ministers to come up with models of compliance.

The President said the ministry’s role would be to coordinate activities of line ministries in the implementation of the indigenisation policy through a Cabinet committee chaired by Zhuwao. Zimbabwe is desperate to lure offshore capital required to revive the country’s disintegrating economy.

There have been calls for the relaxation of the

controversial policy to help lure foreign capital. Analysts say FDI is desperately required to bailout the struggling economy, which has suffered from widespread company closures and job losses, estimated to have pushed the unemployment rate to over 90 percent, according to unofficial estimates.

Before President Mugabe’s intervention, Zhuwao had said: “There are companies in this country that still refuse to accept our indigenisation policy. But certainly that stubbornness and resistance should end. Its either you comply or you close shop.

“Those foreign firms, including those operating mines and banks that have not complied with the law to sell majority shares to locals will be closed.” He said Cabinet had passed a resolution directing that from April 1, all line ministries should proceed to issue orders to the relevant authorities to cancel licences of foreign companies that failed to comply with the equity laws. He had insisted that all Cabinet ministers had supported this policy thrust.

“There is not a single line Minister in Cabinet who did not approve of this or even raise an issue that they don’t agree with this” said Zhuwao.

“There is no inconsistency with what I want to

achieve, there is a law and the law is very, very clear and I think it’s a fair law.”

Although foreign-owned companies had been given ultimatums to comply with the law before the end of March or risk nationalisation, no action has yet been taken by government.

Apparently, the Minister of Finance and Economic Development, Patrick Chinamasa, had refused to cancel bank licenses for alleged non-compliance, resulting in a public fallout between him and Zhuwao, who also attacked Mangudya for refusing to implement a Cabinet decision.

But there were indications that even the Minister of Industry, Mike Bimha, who sanctioned deals that allowed the complete take-over Cairns Holdings and Blue Ribbon Foods by foreign-owned companies, was not cooperating.

The indigenisation campaign has not helped the country’s efforts to mobilise offshore capital in order to turnaround the country’s economy.

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CHIEF EXECUTIVE OFFICER'S INVITATION



Matts Kunaka, ICAZ CEO

Dear ICAZ Member

THE Institute of Chartered Accountants of Zimbabwe (ICAZ) is pleased to invite you to this year's Winter School to be held at Elephant Hills Resort in Victoria Falls from 14-17 July 2016.

The event will be held under the theme: Taking Ownership of Our Zimbabwe's Future. We strongly feel that this theme is poignant and relevant to all of us as captains of industry as we play a key role in defining and shaping the country's strategies to build and turn this economy around.

This year's winter school is a must attend as it seeks practical solutions to our economic challenges and, to effectively address this, we have invited foreign speakers whose countries have gone through challenges akin to those of Zimbabwe, prominent speakers, and presidents of other industrial and professional bodies. This is our opportunity to make a difference for our country so make a date with us and attend this year's winter school. Members will be availed opportunities to express themselves during panel discussions, debates and through interactive presentation formats. You cannot miss this opportunity to give your input into building Zimbabwe!

The 2016 Winter School program will include a unique opportunity to visit Botswana's Chobe National Park where delegates will enjoy a boat trip on the Chobe River and a game drive in Chobe National Park.

The park is located on the banks of the scenic Chobe River and is home to one of the largest game concentrations in Africa. Please bring your passport for this excursion.

We have organised a Charter Flight that will cater for 150 people hence we therefore urge all who would want to travel by the Charter plane to book and settle early as space will be allocated on a first paid basis.

Once your payment is done please send proof of payment to debtors@icaz.org.zw.

In order to attend and mingle with other members, the investment (which has decreased from prior years) is as follows:

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Double room (CA(Z) & spouse sharing)	\$2,360

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- The registration and payment cutoff date is 30 June 2016.
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Winter School registration www.icaz.org.zw

Registration instructions

Login using your login details.

When logged in click register for myself.

Select your registration option.

Answer the few questions on the tab.

Save the responses.

Proceed to Checkout.

If paying immediately online (VISA/MasterCard) enter your payment details then submit order, otherwise click pay later and enter the PO number which is your membership number. A confirmation will be sent to your email but payment is required to complete your registration.

For more information with regards to the event, email winterschool@icaz.org.zw

Yours Sincerely,
Matts Kunaka
CEO

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CAs should uphold professionalism



By Phillimon Mhlanga

THE Institute of Chartered Accountants of Zimbabwe (ICAZ) president, Roy Chimankire, has warned members to uphold the “moral high ground” of professionalism.

For a profession that prides itself on integrity, objectivity and credibility, Chimankire said: “To be a Chartered Accountant in Zimbabwe comes with a lot of weight and magnanimous reverence.

“It also comes with a lot of responsibilities and this means that members of the Institute are expected to tread the high moral ground and be exemplary citizens in their professional and social conduct, uphold good corporate governance, ethics and professional values for (they) are ambassadors of professionalism.”

Chimankire’s remarks come at a time when Zimbabwe has witnessed numerous scandals arising from corporate governance failures in the corporate sector.

These have led to a raft of regulatory responses, codes and legislation. Vice President, Emmerson Mnangagwa, last year launched the national code of corporate governance (Zimcode), which is for both private and State-owned enterprises, to deal with the inadequacies of the corporate legal framework.

Now, with the economy becoming less predictable than ever since dollarisation in 2009, when the country ditched its currency due to hyperinflationary pressures, managing financial volatilities is becoming critical for many companies. This means, for Chartered Accountants, who use the designation CA, the rules of the game have changed.

In light of cost pressures and business challenges, all eyes are now on the CAs who are responsible for managing the financial risk of organisations.

In addition to the traditional areas of financial stewardship, CAs are now expected to provide a clear

financial vision and roadmap.

They are an integral part of a company’s financial future and as such must be able to identify and report areas of efficiency in companies and how they can capitalise on that to ensure success in future. Chimankire said chartered accountancy is a reputable qualification that is internationally recognised and professionals have a particularly significant role in helping companies to improve ethical practices.

ICAZ has reciprocal agreements with the Institute of Chartered Accountants of England and Wales, the Institute of Chartered Accounts of Scotland, the South African Institute of Chartered Accountants, the Institute of Chartered Accountants of Ireland, the Canadian Institute of Chartered Accountants and the Hon Kong Institute of Certified Public Accountants.

This means Zimbabweans who qualify as CAs do not need to write any examinations in order to practice in these countries.

ICAZ past president, Tinashe Rwdodzi, who is also the Institute’s Examination Board chairman, said CAs need to be on guard always in terms of their professional conduct.

“You must always guard and protect this profession which plays a key role in the national and global economy by upholding the most professional behaviour and conduct at all times,” Rwdodzi said. ICAZ chief executive officer, Matts Kunaka, emphasised the need for qualified professionals to register with the institute to become true professionals.

He spoke after the institute conferred certificates to 274 students who graduated after passing the 2015 Assessment of Professional Competence (APC) and the Zimbabwe Certificate in Theory of Accounting (ZCTA).

The Institute recorded impressive pass rates of 90

percent and 69 percent in the APC and ZCTA examinations respectively.

The overall best student in the APC examination was Tapiwa Chisango, who trained with EY and was awarded the Duff Award of Merit.

Chisango is now based in the United States of America.

His sister, Rumbidzai, received the certificate and award on his behalf.

The Duff Award of Merit is an extremely prestigious award held by less than 100 people in the country since 1918 when the institute was established.

“I know there are some people who have gone for more than 10 years after passing their final examinations but they did not apply to become members of the Institute. We are going to be getting tough because the law allows us to prosecute those who call themselves CAs when they are not,” said Kunaka.

Higher Education Minister, Jonathan Moyo, said his ministry recognised the importance of the accountancy profession and would work with ICAZ to promote a knowledge-based economy.

“I want to confirm that my ministry recognises the importance of this profession. We believe it’s not that our institutions are not producing enough graduates in accounting but it’s that many of these are not qualified accountants or auditors because they did not serve articles,” said Moyo.

“The reason for failure is of much concern but its lack of good background in mathematics. But we have also realised that degree programmes offered by our universities are not currently aligned with professional studies,” he said.

He said they planned “to work with ICAZ to address this issue at our universities”.

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Do we need to rethink growth?

Can we have unlimited economic growth in a world of finite resources?



By **Jon Duncan**, analyst at Old Mutual Investment Group South Africa (OMIGSA)

ARGUABLY one of the more challenging concepts for modern economists is the idea that we can continue to have unlimited economic growth in a world of finite resources, moreover highly leveraged economic growth.

Our current paradigm of growth appears overly committed to the pursuit of Gross Domestic Product (GDP), a measure that many enlightened economists argue doesn't effectively capture the growth in debt, social inequalities or environmental externalities.

This idea of "limits to growth" is not a new one, it was first proposed by Tomas Malthus in his 1798 treatise *"An Essay on the Principle of Population"*.

In it he painted an apocalyptic image of man's demise at the hands of unrestrained population growth and declining natural resources. Of course the world has not yet ended, despite humankind's efforts to the contrary, world wars notwithstanding. The central critique of the Malthus thesis is his failure to account for humanity's productive capacity in the areas of science and innovation, which, to a large extent, has allowed "progress" at

a rate ahead of population growth.

The earth is unable to keep pace with consumption. It is somewhat ironic that the same "scientific progress" that Malthus failed to account for is starting to illuminate, with increasing clarity, the non-negotiable natural limits of the planet, namely its inability to regenerate the natural resources on which all economic growth depends. The Global Footprint Network (GNF) estimates that we use the equivalent of 1,5 times planet earth to provide the natural resources and ecosystem services we require for survival.

This means it now takes the earth approximately one and a half years to regenerate the resources that we consume in a year. Conservative projections using the GNF methodology imply that by 2030 we'll likely need the equivalent of two earths to support our resources and ecosystem service needs.

And, of course, we only have one planet. While analysts may debate the details of calculation methodologies, the common point of scientific agreement is that we're living on an increasingly crowded planet (about one billion in Malthus's

day and presently seven billion) and consuming natural resources at a rate faster than the earth's ability to replace them. And, in so doing, we impact the natural systems on which most of our economic wellbeing is predicated. This fact was well observed by Paul Crutzen, an eminent atmospheric chemist, who in early 2000 dubbed this the epoch of the Anthropocene — "the recent age of man".

It is a name that references humanity's massive impact on the planet and one that raises important questions about the functional limits of the earth's ecosystems and natural resources. A 2009 study by the pre-eminent Stockholm Environment Institute and 26 other academic organisations aimed to shed light on this vexing question.

This seminal study identified nine key life-sustaining planetary systems and, in addition, was able to define threshold limits for seven of them. The threshold limits represent the safe operating limit for humanity, beyond which the potential for catastrophic non-linear system destabilisation increases rapidly.

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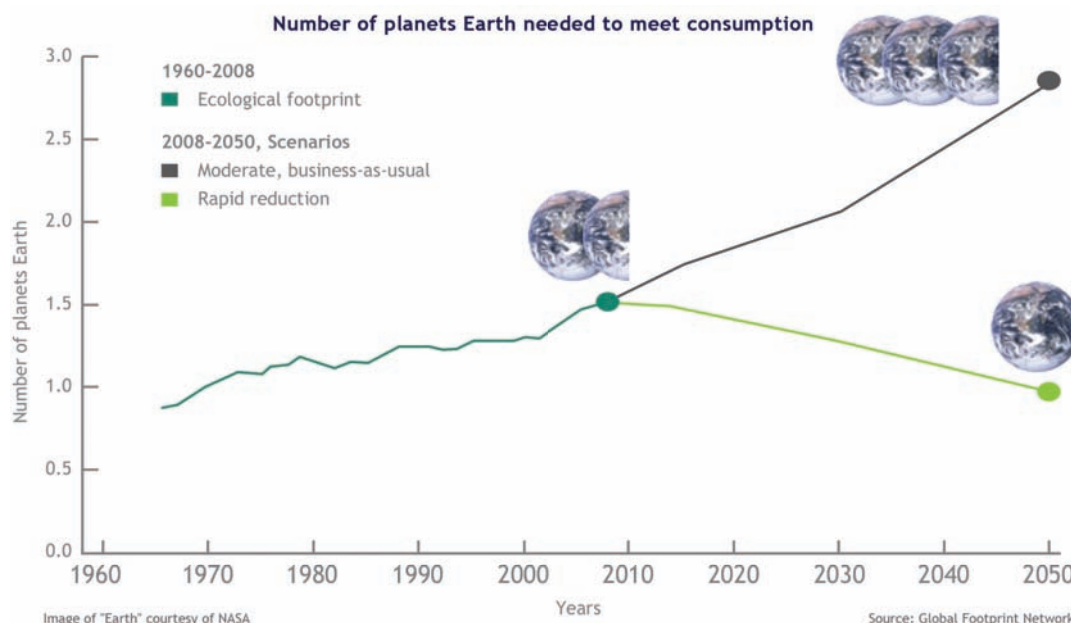


Image of "Earth" courtesy of NASA

Source: Global Footprint Network



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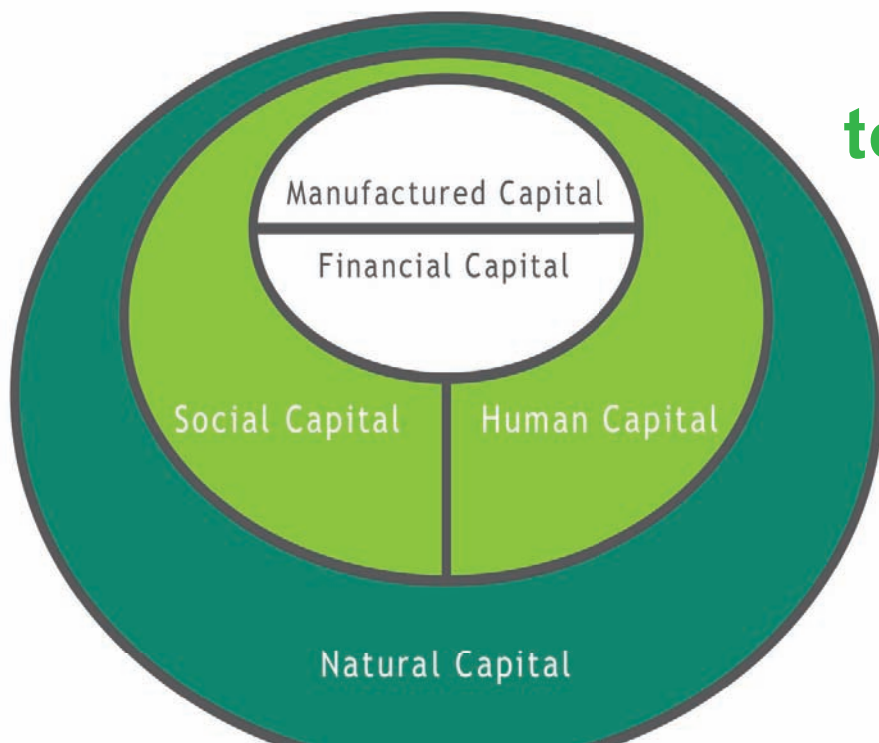
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Do we need to rethink growth?

Can we have unlimited economic growth in a world of finite resources?

From Page 14

The preliminary analysis indicates that we have transgressed three of these systems' boundaries and are making good headway on the rest.

While this work and other similar studies may sound alarmist, they are, importantly, developing a body of knowledge that is challenging our notions of growth.

Investment community needs to play their role

Significantly, the financial community is starting to respond both through regulation (think changes to Regulation 28 of the Pension Funds Act) and through voluntary initiatives such as the Code for Responsible Investment South Africa (CRISA) and the United Nations Principles of Responsible Investment (UN PRI).

At the heart of these initiatives is the injunction that the allocators of capital should consider the long-term social, environmental and governance (ESG) issues associated with their investment and ownership decisions. These initiatives are at their early stages, and I am hopeful that the investment community is thinking more critically about its role in creating systemic change and, perhaps more importantly, investing for a sustainable future.

"We do need to start thinking about growth in more qualitative terms than the narrow prescriptions of GDP." "Investors can no longer ignore long-term non-financial factors." An encouraging piece of work that is supportive of this approach was recently completed by Towers Watson and

Oxford University, with the support of 22 asset managers and eight prominent investment thinkers.

These investment advisory heavyweights argue that the world is at the cusp of a significant period of transformation, citing the cycle of de-leveraging, the impacts of increasing resources.

Adapting to our new economic reality, scarcity and degradation, and ageing demographics as the most evident instances.

More specifically, they argue that the portfolios and strategies judged as well suited to present-day conditions will prove unsuited to future conditions. They argue that investors, who have previously been able to ignore these long-term non-financial factors, run a significant risk that their performance will not be sustainable into the future. The study presents a framework for developing a sustainable investment proposition that "anticipates the direction of change and integrates the present with the future"

The end of growth, as we know it

More radical in his approach is Richard Heineberg who argues in his recent book, *"The End of Growth"*, that we need to start thinking about an era of qualitative development rather than quantitative growth. He aptly points out that "growth will inevitably collide with natural limits that don't respond to stimulus packages or bailouts".

Similar notions are explored by Professor Tim Jackson in his book *"Prosperity without Growth"*,

which presents a credible vision of how human society can flourish within the ecological limits of a finite planet.

Unsurprisingly, as we start to re-think growth, questions arise around age-old concepts of ownership, value and profit. Fortunately, there are many sound examples to help guide the way to answering these questions.

The Forum for the Future developed the innovative Five Capitals Model of sustainability (natural, social, human, financial & manufactured) which is now being used by many forward-thinking businesses (e.g. Unilever) to help them re-envision the way they create value. Similarly, new models of ownership are being pioneered by organisations such as Novo Nordisk (owned by the Novo Nordisk Foundation) and John Lewis (100 percent staff owned). Marjorie Kelly's book entitled *"Owning Our Future"* presents a compelling vision of generative ownership in a post-growth economy.

She calls these ownership designs generative as opposed to extractive, because their aim is to generate the conditions for the creation of shared value.

So in response to the question "Do we need to rethink growth?" I'd argue that answer is yes — we do need to start thinking about growth in broader, longer, and more qualitative terms as opposed to the narrow prescriptions of GDP. For investors hoping to survive this transition, investing in businesses that create shared value and generative growth will be key.



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Godfrey Kanyenze



By Shame Makshori

From hyperinflation to deflation

ZIMBABWE, which ditched its currency after it had been ravaged by a hyperinflationary crisis during the decade to 2008, is now contending with a deflationary crisis which may be difficult “to get out of,” an economist has said.

Godfrey Kanyenze, executive director at the Labour and Economic Development Research Institute of Zimbabwe, said while adoption of a hard currency economy dealt with the hyperinflationary crisis that had buffeted the economy, it brought another problem that government was failing to resolve.

Speaking at an Institute of Chartered Accountancy seminar in the capital, Kanyenze said: “The adoption of a multi-currency regime

and cash budgeting, and discontinuation of quasi-fiscal operations of the RBZ (Reserve Bank of Zimbabwe) in 2009 killed off hyperinflation and helped restore price stability,” said Kanyenze.

That was the easy part. Now, he noted, another problem has emerged to torment the frail economy.

He said the general price level remained low, with year on year inflation having started at -1,3 percent in January 2015.

It reached -3,3 percent in October 2015, before decelerating slightly to -2,5 percent in December 2015. This, said Kanyenze, reflected weak aggregate demand, tight liquidity and

the depreciation of the South African rand currency against the United States dollar. Annual headline inflation averaged -2,4 percent for the period January and November 2015.

“Experience suggests that it is difficult to get out of a deflation,” said Kanyenze.

Deflation is a general decline in prices, often caused by a reduction in the supply of money or credit. It can also be caused by decrease in government, personal or investment spending, according to experts.

Zimbabwe is currently grappling with a liquidity crisis caused largely by inadequate supply of foreign currency in the economy. Since ditching the Zimbabwe dollar, the country’s central bank has been unable to print money to create liquidity in the economy. As a result, the country has had to depend on exports, Diaspora remittances and foreign direct investment to boost liquidity.

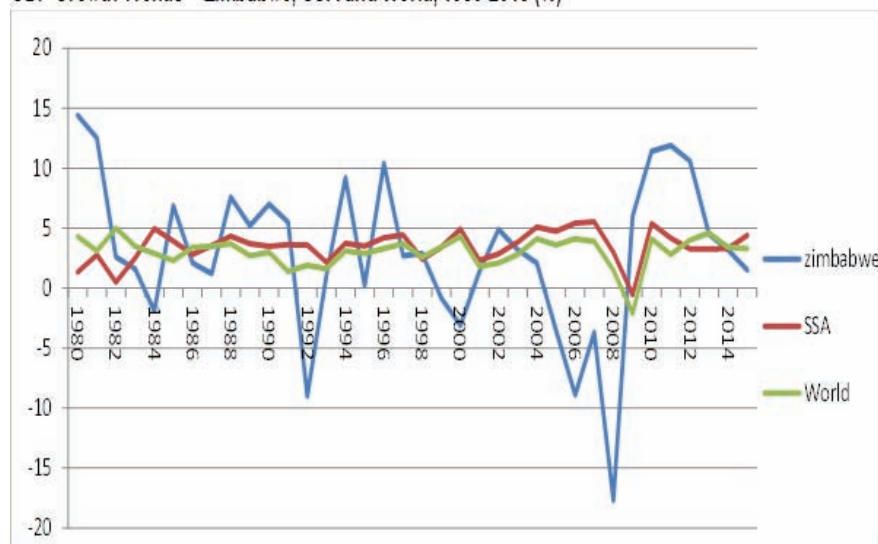
But exports have suffered from the closure of local companies, whose operations were ruined during the hyperinflationary crisis.

The demise of local industries has resulted in the country depending largely on imports, which have sucked liquidity created from exports. In fact, the country has been importing more than it has been exporting.

Said Kanyenze: “Exports are projected at US\$3,4 billion in 2015, against imports of US\$6,3 billion, resulting in a trade deficit of US\$2,9 billion compared to US\$2,7 billion in 2014.

“The large trade deficit reflects the country’s over-dependence on imports, most of which can be produced locally. **To Page 29**

GDP Growth Trends – Zimbabwe, SSA and World, 1980-2015 (%)



Source: Derived from World Bank data.



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Alana Chinhara

To cap it all, she won the 2015 Marketer of the Year Award, sponsored by the Marketers Association of Zimbabwe (MAZ).

ALANA

re-invents herself

There is no doubt the accounting qualification prepares people for a myriad of career choices in the accounting profession, but Alana Chinhara, a chartered accountant (CA), took a leap into marketing and is not looking back. She spoke to Phillimon Mhlanga about her move.

ALANA Chinhara trained to crunch numbers as an accountant, but she has found comfort in marketing, that profession concerned with the buying and selling of products or services. It is said that an accountant is normally trained to be an all rounder: An administrator who should be equally concerned by the financial prosperity of an enterprise.

But marketing? That certainly sounds like a venture into strange turf, particularly for someone who worked so hard to get the coveted qualification in accountancy.

For Chinhara, it was a case of being favoured by fate. When she joined the Zimbabwe Stock Exchange-listed hotel and leisure group, African Sun, in 2007 as the group revenue manager, she found herself working closely with the group's operations unit. Her role inevitably meant that all her recommendations had to demonstrate a clear understanding of the marketing aspect of the hotel and leisure business.

To help her around this challenge, she enrolled for marketing course with South Africa's Institute of Marketing Management. But before she acquired the IMM's professional qualifications, the then chief executive officer of African Sun, Shingi Munyeza, emerged as a mentor.

"I worked very closely with Munyeza who also trained with EY. That's how he became my mentor," she said, reflectively.

Chinhara did her articles with Ernst & Young (now EY) in Harare before qualifying as a CA.

Munyeza, himself did articles with EY. He then ditched accountancy for marketing when he worked for a hotel group owned by a local conglomerate. He left after leading a consortium of investors that took over African Sun some years ago.

Chinhara's role at African Sun was later broadened to include heading the group's business process functions. In 2012, she took a leap of faith and accepted the appointment as head of the sales and marketing function. Many thought it was going to be a difficult transition.

But Chinhara enjoyed the move. "I love marketing," she now says about her new-found profession. "I wouldn't choose anything else in the corporate world," she told The Chartered Accountant in an interview.

The Institute of Chartered Accountants of Zimbabwe (ICAZ) has found her skills in marketing handy.

She is on the ICAZ Public Relations Committee, whose role, understandably, is to manage the image and public perception of the institute.

Last year, Chinhara left the hospitality group to join one of the country's leading internet service providers, ZOL Zimbabwe, as head of marketing.

To Page 22

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ALANA

reinvents herself

From Page 20

She immediately built the company's brand and created top of the mind awareness among the country's population.

She increased ZOL Zimbabwe's sales through marketing campaigns.

To cap it, she won the 2015 Marketer of the Year Award, sponsored by the Marketers Association of Zimbabwe (MAZ).

"It's good to be endorsed by the entire country," Chinhara says, relishing the accolade. "For me, it means I have been doing the right thing."

Chinhara recalls that when ZOL Zimbabwe chief executive officer, Denny Marandure, championed the ZOL Fibroniks package in March 2015 for home internet users, which cost US\$39, her job was to ensure this was vigorously marketed as an exciting low cost package, making the fibre to home (FTH) dream a reality for many.

Her successful campaign, which continues to run up to now, consisted of clear communication to the market through newspapers, radio, television, billboards and digital media.

From the 'Get your daily dose of fibre' and the 'Heart and ZOL' adverts to 'ZOL built this city' jingle, this campaign not only educated the market on Fibroniks, but saw sales for the service growing by over 300 percent in the month of launch.

"The 'ZOL built this city' jingle could be heard on the lips of children and adults alike," Chinhara said. "This catchy theme has then led to a sub campaign called ZOL built this city, which has been used as the theme for growing the ZOL Fibroniks footprint throughout Zimbabwe," she said, visibly excited.

At the same time that this campaign was launched, ZOL's shops were revamped, making them more accessible and customer friendly, providing ZOL spot in the shops and customer experience centres at each location which allowed users to experience the ZOL Fibroniks speeds as well as make payments online, while applying services excellence methodology.

In Harare, ZOL shops are located at shopping malls in Westgate, Eastgate, Sam Levy, Mutare and Bulawayo.

Chinhara said: "The US\$39 package was complemented by the Fibroniks on the Go campaign. This service allows the user to experience their home internet service (Fibroniks) away from home as long as they are at a ZOL spot or ZOL secure location at any of the 200 nationwide locations in the country.

ZOL Zimbabwe also built its brand equity and top of the mind awareness through Corporate Social Responsibility (CSR) events, brand and sales activations as well as lifestyle experiences talking to the pay offline "You deserve to live like this".

ZOL is the HIFA main stage sponsor, and supports

Aware Trust events and the Friends of Hwange Trust.

ZOL also supports Musi Trust and Nomads through golf tournaments. Apart from this support, ZOL also provides internet to schools throughout the country under the theme "You deserve to learn like this".

The firm also supports organisations such as Island Hospice through internet provision.

It also supports emerging ideas and young entrepreneurs through the Start up Challenge, Muzinda Hub, Emerging ideas, Hypercube and Innovation Baraza.

Notable lifestyle events include the Tony Braxton and Baby Face Concept, ZOL Restaurant Week winter and summer editions and Dewalietc.

Chinhara is a wife and mother first and a career woman second.

She is married to Nyasha, who is also a CA. The couple has been blessed with a child called Rumbi, who is three years old.

To her, God is the centre of her life. She enjoys working out, to keep her alert and energetic, with sessions focusing on kick-boxing and Zumba. She enjoys a good laugh and lives by the moto "Work hard, play hard". She said her dad used to say this to her and her other siblings and she says this has been the working basis for her approach to almost everything.



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Focus Goal

Expand the ICAZ membership while maintaining quality and growing influence.





A perspective on enterprise risk management



Stanley Mutenga, executive director of Starz Risk Solutions (UK & Zimbabwe) writes that companies should make use of enterprise risk management programmes to protect and enhance value.

ERPRISE risk management (ERM) is defined by ISO31000:2009 Standard as co-ordinated activities to direct and control the organization with regard to risk.

In other words ERM is best implemented when activities designed to deal with risk are executed and matured in a systematic and integrated way.

The development of ERM is attributed mainly to major financial, hazard and corporate governance challenges encountered in the last few decades.

The first and second generation standards and frameworks after September 11, 2001 suicide attacks on the United States of America, also referred to as 9/11 and the 2008 financial crisis respectively were designed in response to these challenges to create enabling structures for managing risk.

Revisions to these standards and their integration into other ISO standards and corporate governance codes are being done to ensure the embeddedness of ERM in all organisational functions.

Therefore, to ensure effectiveness in implementing ERM, organisations should take this historical context into consideration.

Why is it important for companies to implement ERM?

A survey on evidence on whether risk management adds value by Smithson and Sim-

kins carried out in 2005 confirms the fact that ERM adds value to practising organisations.

It is therefore not surprising that the ISO31000 standard is underpinned by the principle of value creation.

From the empirical studies it is evident that ERM adds value in different ways, in that it

- makes earnings more predictable and helps companies generate higher share valuations,
- identifies potential threats and deals with them before they materialise,
- enhances the planning process through the use of predictive modelling,
- preserves and optimises cash flow utilisation as the demand and supply of funds are matched, and
- reduces contracting costs,

The traditional approach to risk management has been to focus on protecting corporate value, whilst modern day ERM is focused on protecting and enhancing corporate value. Most entities in Zimbabwe have ERM programmes in name but in reality by the very nature of their operating models they still view and deploy risk management using the traditional approach.

I attribute this as the main reason why their programmes fail to add value.

The majority of so-called ERM programs in Zimbabwe are not integrated to strategy, do not have clearly defined risk appetite statements, and as such have not matured beyond the risk registers.

Organisations lack the capability and skills to develop credible models to measure their risk profiles quantitatively.

In most instances they do not have a clue of the distribution their risk profiles follow or the amount of capital/cash flows required to support their risk profiles.

The knowledge of the underlying stochastic value distributions is critical to as it aids in predicting possible future risk profiles and accelerates maturity of an ERM programme.

Another challenge faced when implementing ERM is the lack of usable databases. The majority of companies in Zimbabwe due to lack of data do not use advanced stochastic models to measure risk exposures.

The existence of usable databases is critical in carrying out meaningful risk analysis that will be useful for International Financial Reporting Standard (IFRS) balance sheet risk reporting purposes.

It is a known fact that the patterns and trends hidden in the data help companies to truly understand possible movements in risk factors driving the performance of their process and return risk profiles. If quantitative analysis is so critical in helping understand the true nature of an organisation's risk profile, why has the IFRS reporting of risk on

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A perspective on enterprise risk management

From 24

balance sheet remained descriptive, irrelevant and uninformative to investors and users of financial statements.

There is need for companies to partner with skilled analysts to measure their risk profiles quantitatively for reporting purposes.

Lack of usable databases is mainly due to companies focusing only on applications when selecting IT systems, without taking into consideration their data needs.

We always advise companies to seriously consider the integration to application systems of database functionalities relevant for capturing and tracking critical risk data.

Building good databases is a vital cog in warehousing data, developing risk intelligence, maturing ERM programmes, enhancing productivity, improving efficiency and exploiting competitive advantage.

On another vein, although banks by nature of Basel II regulatory requirement governing them have been on the forefront in adopting risk management, very few banks have embedded ERM systems.

Most ERM programmes in Zimbabwe are not pushed low enough to operational levels in order for them to be embedded and effective. This can be ascribed to:

- lack of diverse skills required to implement a fully integrated ERM programme,
- failure to build business processes with integrated data capturing mechanisms,
- focus on compliance and not the value adding attributes of ERM,
- failure to build infrastructure elements required to continually improve ERM, lack of buy-in from the top,
- lack of appreciation of risk management, skills and credible training at board level,
- micro-management of risk, and strategic plans that are divorced from ERM programmes.

What organisations should do in order to get the best out of their ERM programmes?

From this discussion we have realised that embedding risk management into operations requires a disciplined implementation of strategic as well as operational risk management tools. In summary ERM programmes will do well if organisations will

- build well-resourced risk management departments;
- outsource quantitative risk analysis to well-resourced firms;
- invest in usable databases, and integrate early warning systems and data capturing mechanisms into business processes; and
- mature ERM programmes from risk register to optimised level by using predictive modelling in measuring risk profiles, strategy setting, planning and budgeting.

In conclusion, failure among most companies to advance their ERM and making use of predictive risk modelling hamstrung organisations from fully realising the potential of their ERM programmes.

ERM is most effective when the capability to deploy advanced stochastic risk methodologies to measure and predict enterprise risk is fully developed.

Let's hope we all learn from history that the Zimbabwean crisis is a risk management crisis that is littered with bankrupted companies that were killed by risk numbers they didn't know.



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Corporate governance: Balancing the interests of stakeholders

STANDARD Association of Zimbabwe (SAZ) director general, Eve Gadzikwa, who is also the African Organisation for Standardisation (ARSO)'s president elect, writes that corporate governance plays a critical role in the development of a country.



By Eve **Gadzikwa**

CORPORATE governance essentially involves balancing the interests of the many stakeholders in a company. These include management, customers, suppliers, financiers, government and the community.

In Zimbabwe, the National Code on Corporate Governance (ZimCode) was launched in April 2015 and is now widely accepted as the leading corporate governance framework.

ZimCode contains international best practice, principles and standards on corporate governance and provides guidelines on responsible business conduct. The promoters of ZimCode are Standard Association of Zimbabwe (SAZ), Institute of Directors Zimbabwe (IoDZ) and the Zimbabwe Leadership Forum (Zimlef).

Leadership and corporate governance go hand in hand and neither exists in a vac-

uum.

The world we want to experience is where everyone leads with integrity and embraces corporate governance for the common good. Corporate governance questions the role of leadership in creating fairness and transparency in the use and management of resources, impact of business operations to the environment and corporate social responsibility.

It tests the integrity of those who are entrusted to be the custodians or agents of national and company resources. In short, leadership means good stewardship of shareholder's assets and the earth's natural resources to ensure that today's business operations are sustainable beyond the current generation.

Leadership speaks about responsible business conduct which embraces the three Ps, namely People, Planet, and Prof-

its. However, there is a clear division of responsibilities between the various levels of leadership such as the board, chairman, the chief executive officer (CEO) and management.

The Role of the Board and Directors of any enterprise is the link between shareholders and the company.

An effective board should lead and control the company in partnership with its managing director, CEO and the senior management team.

Building an effective and high performance board is not an easy task, but it is highly possible and desirable. An effective board must develop a methodology to ensure that the board has the correct structure, composition, size, culture, gender

To Page 30



From hypernation to deflation

From Page 18

The huge import bill is also fuelled by the continued depreciation of the rand against the US dollar, which lost over 13 percent of its value against the US dollar since January 2015, undermining the competitiveness of Zimbabwean exports.”

Moreover, government has also been unable to spend significantly due to budgetary constraints, while the buying power of individuals has been eroded by increasing joblessness.

Government’s indigenisation campaign has resulted in low levels of investment. For example, Zimbabwe generated US\$545 million in foreign direct investment in 2014, a fraction of the US\$4,9 billion that went into Mozambique that same year and US\$5,7 billion that directed into the South African economy.

These factors, apparently, have also combined to feed a deflation.

The problem with deflation is that it also exacerbates unemployment because of the low demand in the economy.

Already, economic growth has been slowing down, raising fears of a possible economic depression.

Kanyenze said gross domestic product (GDP) growth had averaged 10 percent during the period between 2009 and 2012, but this had declined to an estimated 4,5 percent in 2013, 3,8 percent in 2014, and 1,5 percent in 2015, reflecting the liquidity shortages in the economy.

Kanyenze said the economic rebound since 2009 had been anchored by mining and agriculture, with mining emerging as the most dynamic sector, replacing agriculture in pre-crisis Zimbabwe.

But he said last year’s projected modest growth of 1,5 percent was likely driven by tourism, construction and communication after “setbacks in agriculture and mining”.

Zimbabwe’s current efforts to revive the economy are predicated upon the Zimbabwe Agenda for Socio-Economic Transformation (ZimAsset 2013-2018) and the Ten-Point Plan of August 2015.

Since independence in 1980, the country has implemented no less than 15 economic blueprints.

These are Growth with Equity (1981), Transitional National Development Plan (1982-1985), First Five Year National Development Plan (1986-1990), Economic Structural Adjustment Programme (ESAP) (1991-1996), ZIMPREST (1996-2000), Millennium Economic Recovery Programme (MERP) , 2001-02, Ten Point Plan based on Agriculture (2002), National Economic Revival Programme (NERP) (2003) and Macroeconomic Policy Framework (2005-2006), National Economic Development Priority Programme (NEDPP) (2007), Zimbabwe Economic Development Strategy (ZEDS) (2008)(aborted at Conception), Short Term Economic Recovery Programme (STERP I) (2009-10), Short Term Economic Recovery Programme (STERP II) (2010-12), Medium Term Plan (2011-15).

Will the country succeed where it failed before?

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2nd Floor Methodist House, 7 Central Avenue, Harare.
Tel: 04 795 247 / 253 033-4 Cell: +263 774 746 056
Email: fpange@mazhandu.co.zw
Website: www.mazhandu.co.zw

Corporate governance: Balancing the interests of stakeholders

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balance and skills set as well as ensuring that the board is not only effective but also consistent in its performance and sustainability in terms of succession planning.

A dysfunctional board is one which chooses to ignore these important elements of good governance.

For instance, Non-Executive Board Members are required to be trained on corporate governance best practices, director excellence, to act in good faith, to exercise their duties in terms of business judgment rule and must not have material personal interest.

The chairperson, once perceived as a ceremonial head, is responsible for the leadership of the board and is pivotal in the creation of the conditions necessary for overall board and individual director effectiveness, both inside and outside of the boardroom.

It is also the chairperson's role to ensure effective communication with stakeholders and to chair General Meetings.

Today, the chairperson must be skilled and is expected to be independent not only on appointment but is expected to remain independent throughout his tenure.

The chairperson must promote and oversee the highest standards of ethics within the board and the company, to lead the

board and in particular discussions on all proposals put forward by the executive team, to set an agenda for the board which is focused on strategic matters, to be forward looking to oversee current business, to maintain a proper process to ensure compliance with board policy on matters reserved to the board for consideration, to ensure that board members receive accurate, timely and clear information to enable them to monitor performance, to make sound decisions and give appropriate advice to promote the success of the company.

The chairperson must manage board meetings so that sufficient time is allowed for the discussion of complex or contentious issues. The chairperson must create the conditions for overall board and individual director effectiveness including among other things, regular CEO and Board Evaluation.

The chief executive officer (CEO) is responsible for the day to day management of the business, in line with the strategy and long term objectives approved by the board.

The CEO reports to the chairperson and must prepare regular informative and accurate updates for board members in order to facilitate decision making. He is responsible for all executive management matters affecting the organisation. All members of executive management report, either directly or indirectly, to the

CEO.

Undoubtedly, the success of an organisation greatly depends on the drive, leadership, integrity, experience and effectiveness of the CEO and his team.

Role of Senior Management

All members of the senior management team report directly to the CEO.

They are responsible for appraising the performance of each member of the team, encouraging their development and further training, where necessary replacing them, recruiting replacements and formulating remuneration proposals for remuneration committee decision are making.

The senior management must support the CEO.

The company secretary plays a crucial role in the governance of the company and the board's discharge of its leadership. The contemporary company secretary is the chief administrative officer of the company or chief governance professional within the organisation.

The chairman relies on the expertise of the company secretary in terms of current best practice, corporate governance requirements, directors' fiduciary duties, board reporting and disclosure obligations and proper meetings procedures.



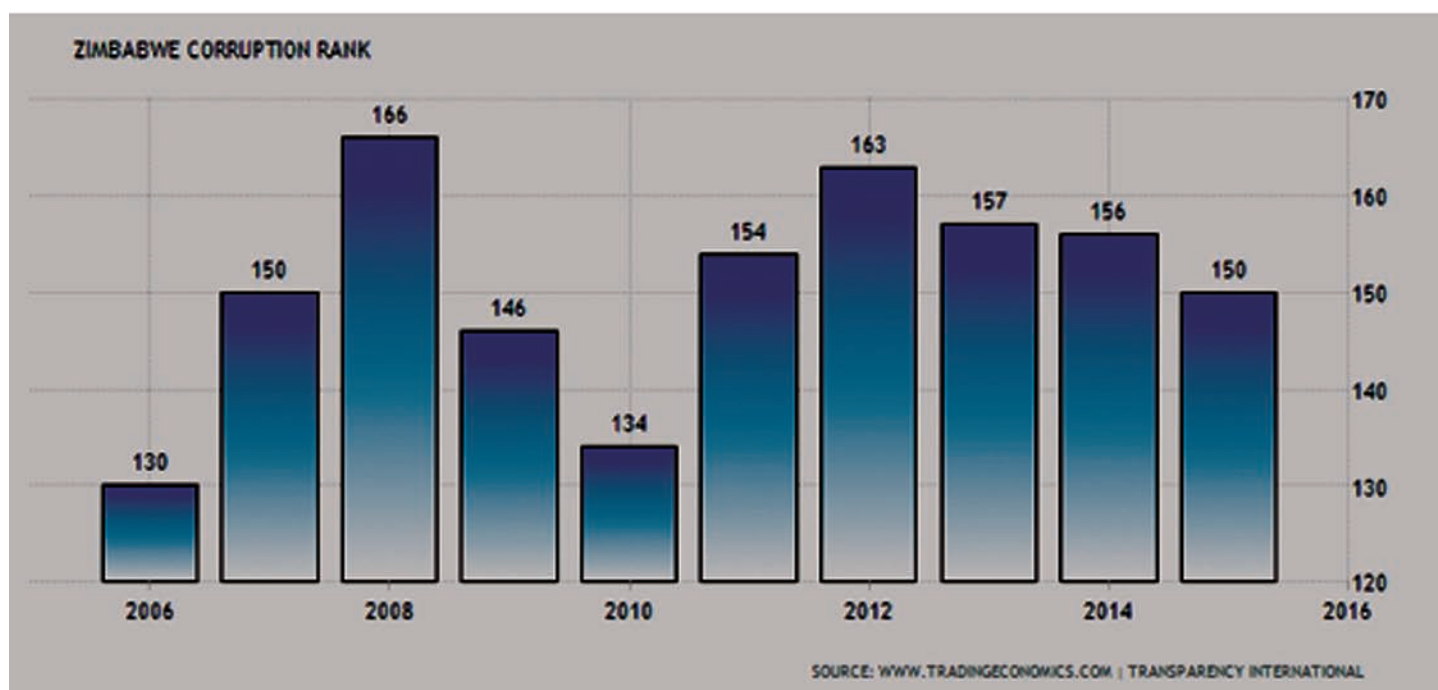
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The fight against corruption



By Phillimon Mhlanga

As the scourge of corruption continues to take a toll on economies, accountants, particularly chartered accountants (CAs), are increasingly being called upon to ensure that they play a significant role to combat the vice.

Indeed accountants are in a better position to fight corruption given their interaction with the corporate world as well as government and its institutions, foraging through information that enables them to make disclosures on the management of funds and even its abuse in institutions.

Zimbabwe is one country out of many that has been devastated by corruption.

According to a Transparency International's 2015 Corruption Perceptions Index, Zimbabwe is the 150 least corrupt country out of 175 countries.

The corruption ranking for Zimbabwe averaged 117,89 from 1998 until 2015, reaching an all time high of 166 in 2008 and a record low of 43 in 1998, according to Transparency International.

The corruption perception index ranks countries based on how corrupt their public sector is perceived to be from a scale of zero (highly corrupt) to 100 (very clean).

At a meeting in April, Zimbabwe's Vice President, Emmerson Mnangagwa, reiterated that accountants played a pivotal role in the fight against corruption, saying government depended on their integrity to deal with the scourge.

Mnangagwa, who is also the Justice Minister, was the guest of honour at the conference. "Accountants are pivotal in facilitation the transformation of the country's economy, but Zimbabwe will succeed only if we stop talking about corruption but start fighting it. Your role is pivotal in both the private and public sectors," Mnangagwa told the accountants.

There has been rampant abuse of State resources at all levels of government. For several years, the auditor-general, Mildred Chiri, has presented reports to Parliament exposing corruption, highlighting the role accountants play in combating corruption in the country.

Unfortunately, there has been unwillingness on the part of politicians to act on this information.

Nonetheless, this does not diminish the role of accountants in the economy.

President Robert Mugabe has spoken strong against the scourge, and his government has

instituted an Anti-Corruption Commission, which is a Constitutional body.

But little or no action has been taken to hold the perpetrators accountable. The Anti-Corruption Commission is also currently underfunded.

Ngoni Kudenga, the managing partner of BDO Zimbabwe who was the first black chartered accountant in the country, said: "As accountants, let's do what we are meant to do. We need to go back to basics. We are the doctors of the economy.

"From now onwards, we must say no to corruption. Where there is corruption, take the finance person of that company and lock him or her at Chikurubi Prison because its members of our profession who are to blame."

Mnangagwa last year launched the national code of corporate governance (Zimcode).

Zimcode, which is applicable to both private and State owned enterprises, was meant "to deal with the inadequacies of the corporate legal framework," Mnangagwa said.

The launch came in the wake of corporate failures among listed and non-listed firms and in the financial services sector over the years.

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