



# The Country Risk Report 2024

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# Coverage and Focus

- Preliminary findings
- 12-month horizon and assessment of Government targets
- Independent IRMZA responsible for conclusions
- Helped by Industry experts
- Final reviews and consultations with the MoFNP ongoing

# Objectives of the Country Risk Report

- The country understands and proactively manage risks – to provide greater certainty and security for key sectors of the economy
- Stress the need for effective risk management as a tool for government's achievement of its developmental objectives – 8NDP
- Report highlights the most significant risks relevant to the country as identified by the public and industry experts

# Key points

- **Forecast background**
  - Not much change in pre-measures economy forecast
  - Underlying fiscal position better than last year
  - Key economic risks will remain if not worse
- **The policy package**
  - The IMF deal was signed
  - The G20 Common Framework Agreement with the creditors
  - Movements in the negotiations - Mining sector
- **Impact**
  - Fiscal consolidation in the short to medium term
  - Budget balance stronger in the years to come
  - Fiscal rules met but high cost of living persist

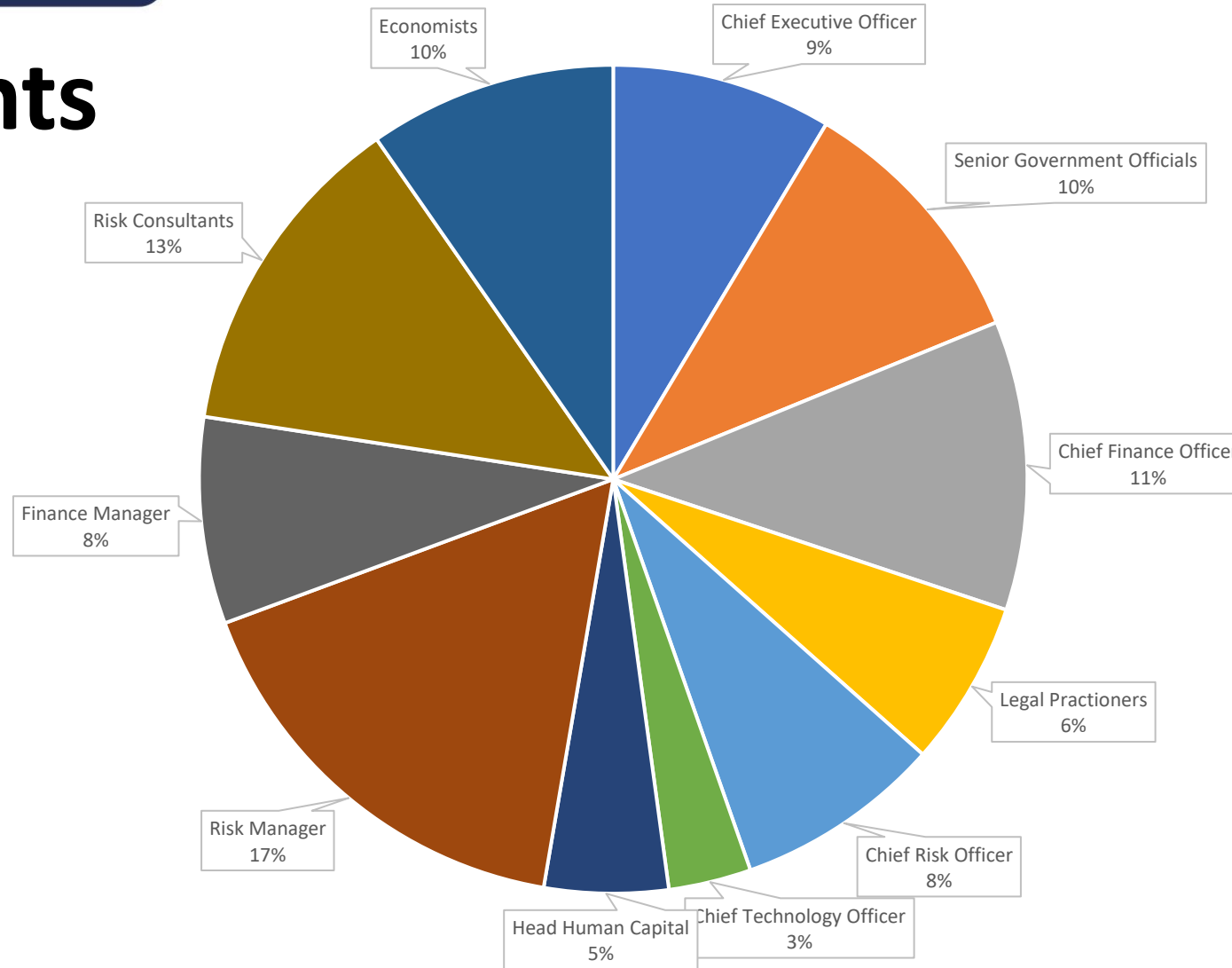


# Our approach

- Based on a country-wide survey
- Report incorporates perspectives of 184 respondents
- Presented questionnaire to two distinct groups:
  - Risk management experts
  - Technical subject matter experts
- Findings based on data driven approach and own judgement-based
- Scenarios are hypothetical in certain cases – risks are dynamic



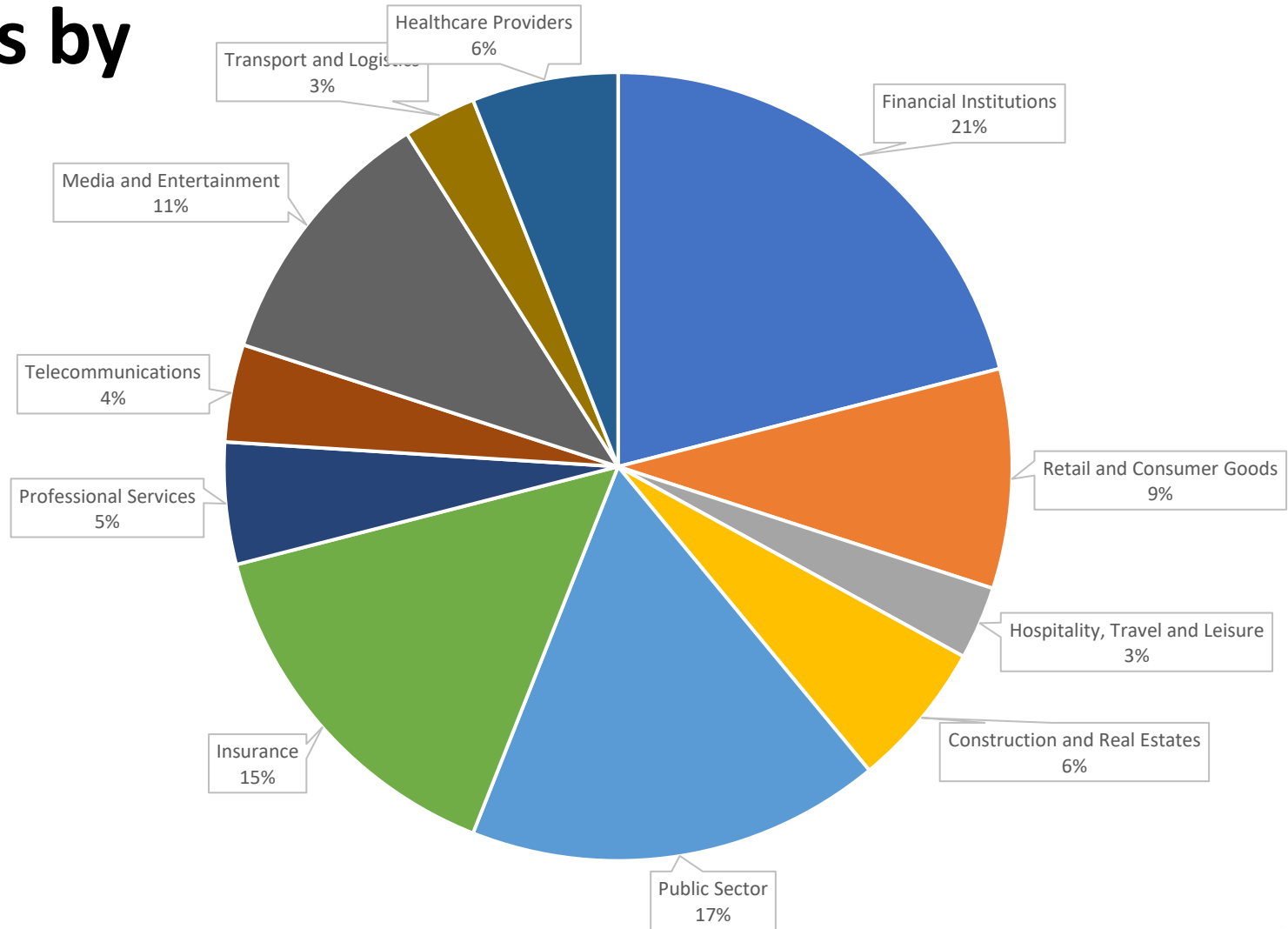
# Respondents by Role



- Chief Executive Officer
- Senior Government Officials
- Chief Finance Officer
- Legal Practitioners
- Chief Risk Officer
- Chief Technology Officer
- Head Human Capital
- Risk Manager
- Finance Manager
- Risk Consultants
- Economists

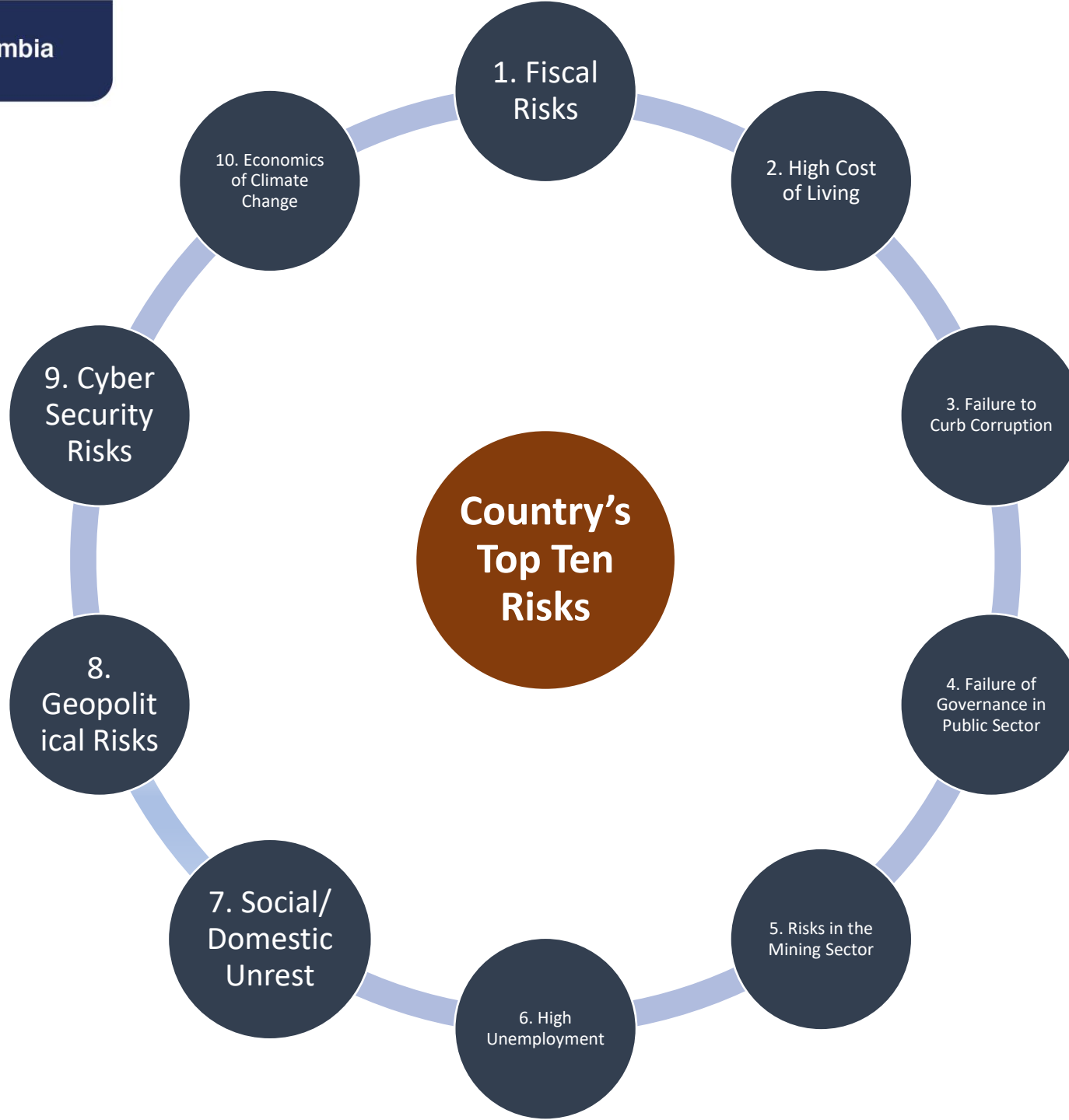


# Respondents by Industry



- Financial Institutions
- Public Sector
- Media and Entertainment
- Retail and Consumer Goods
- Insurance
- Transport and Logistics
- Hospitality, Travel and Leisure
- Professional Services
- Healthcare Providers
- Construction and Real Estates
- Telecommunications







# 1. Fiscal (Sovereign) Risks

**Fiscal Risks** – Potential deviations from the forecasts for public spending, borrowing and debt as contained in our fiscal outlook

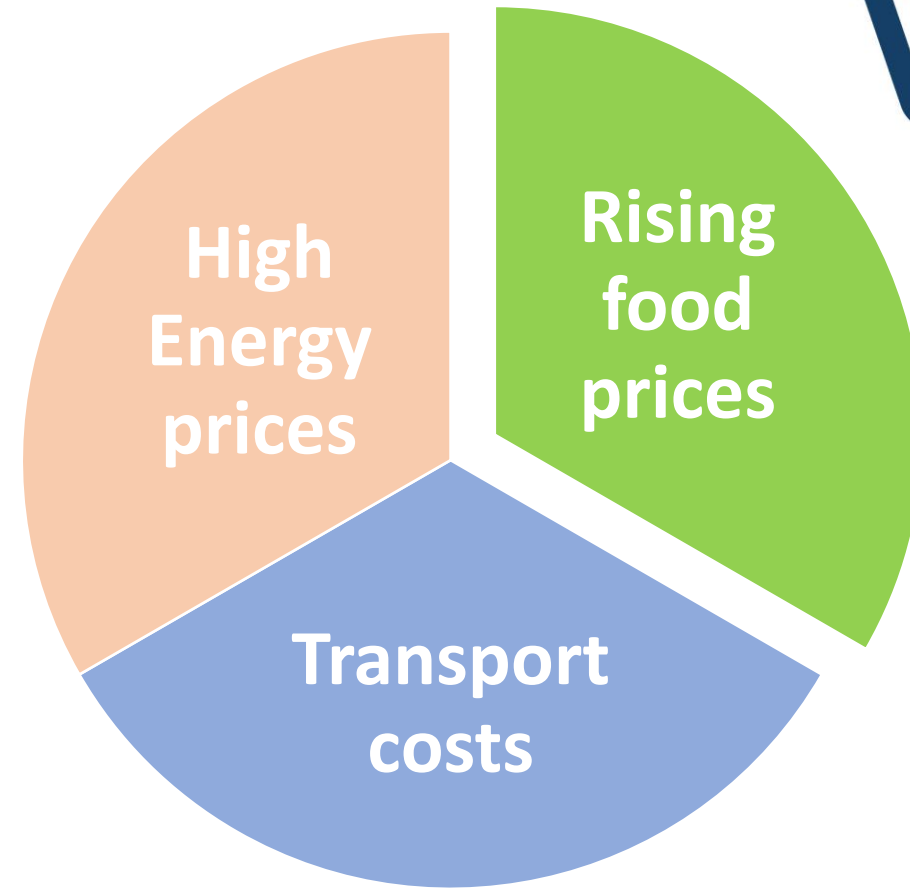
- **Revenue Risks** – 2024 budget expansionary in nature and exerting pressure on Govt to raise revenue through DRM
- **Inflation** – Continues to trend upwards due to rising oil prices, elevated food prices and tighter global financial conditions
- **Foreign exchange volatility** – High demand compounded by declining copper prices and low production
- **Sovereign Debt** – Agreement reached in principle
- **GDP growth** – Government projects a 4.8% growth in 2024 from 2.7 % in 2023.



## 2. High Cost of Living

- Large terms of economic shocks
- IMF agreement – has it made Zambians worse off?
- Depreciation of the exchange rate
- High cost of fuel
- High electricity tariffs

Note: we expect that the cost of living will most likely get worse and trigger instabilities in the economy.

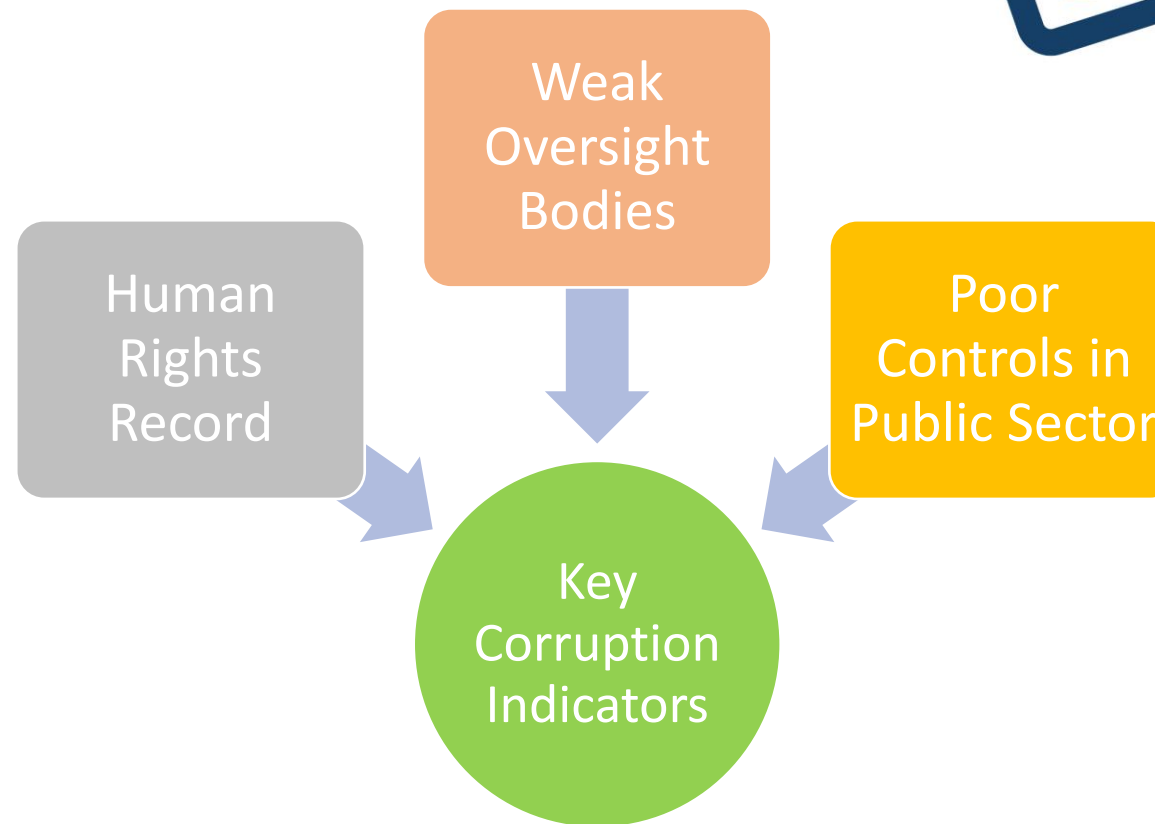




## 3. Failure to Curb Corruption

Zambia's ranking on the Transparency International's Global Corruption Perception Index remains poor at 33 out of 180 countries

- Absence of strong and effective legal institutional frameworks
- Weakness in governance
- Weak transparency and accountability mechanisms
- Increased undermining of state legitimacy to distort market competition



## 4. Failure of Governance in the Public Sector

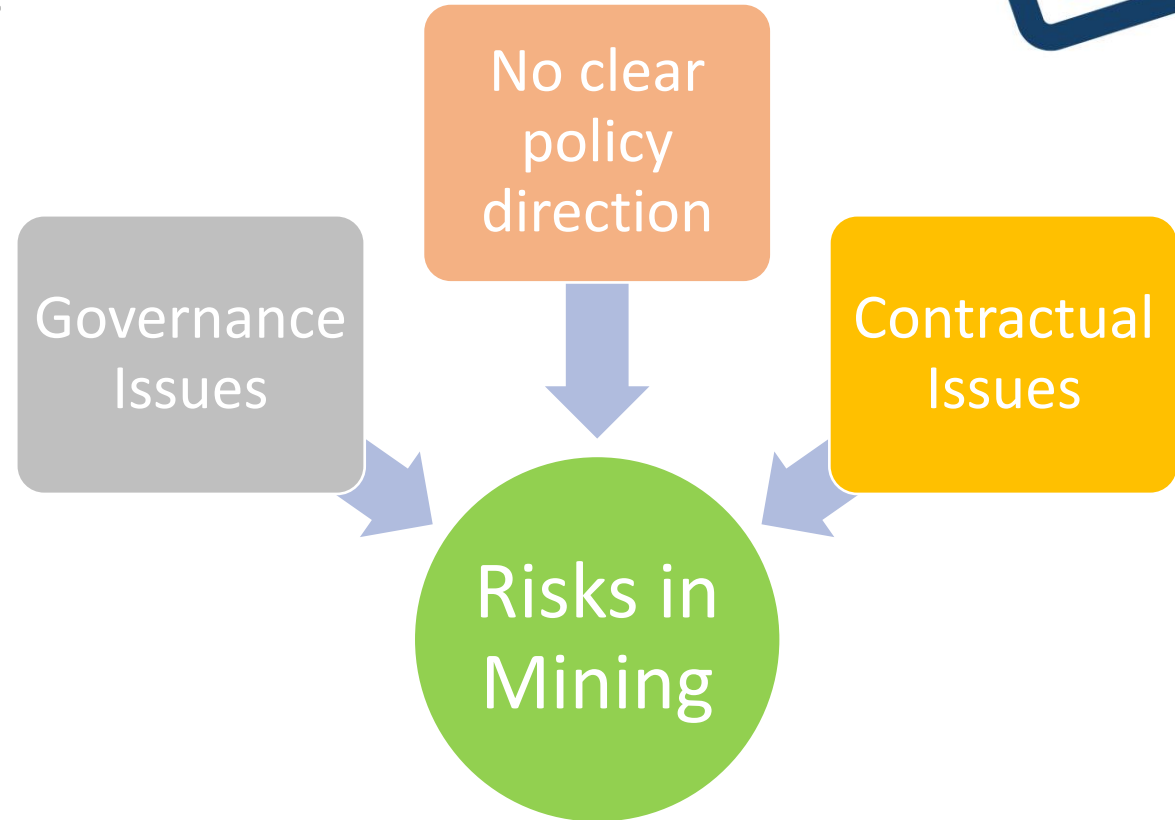
- Instabilities in the mining sector
- Slow erosion of public trust in government
- Failed promises
- Structural vulnerabilities to present protracted instabilities
- Lack of clear oversight responsibilities within government





## 5. Risks in the Mining Sector

- Mining remains the country's major revenue earner
- Policy inconsistencies in the sector persist
- Investment flows still positive
- Unresolved disputes with mining houses





## 6. High Structural Unemployment

- Government committed to creating 2 million jobs by 2026 which translates into 400k job per year.
- Current average rate stands at 4,000 jobs per year

## 7. Social / Domestic Unrest

- Political landscape in 2024 will be driven by domestic policy priorities
- Political polarization and anti government protests will steadily rise

## 8. Geopolitical Risks

- The geopolitical landscape remains extremely volatile – Ukraine/Russia, Sahel region and the Gaza/Israel war

## 9. Cyber Security Risks

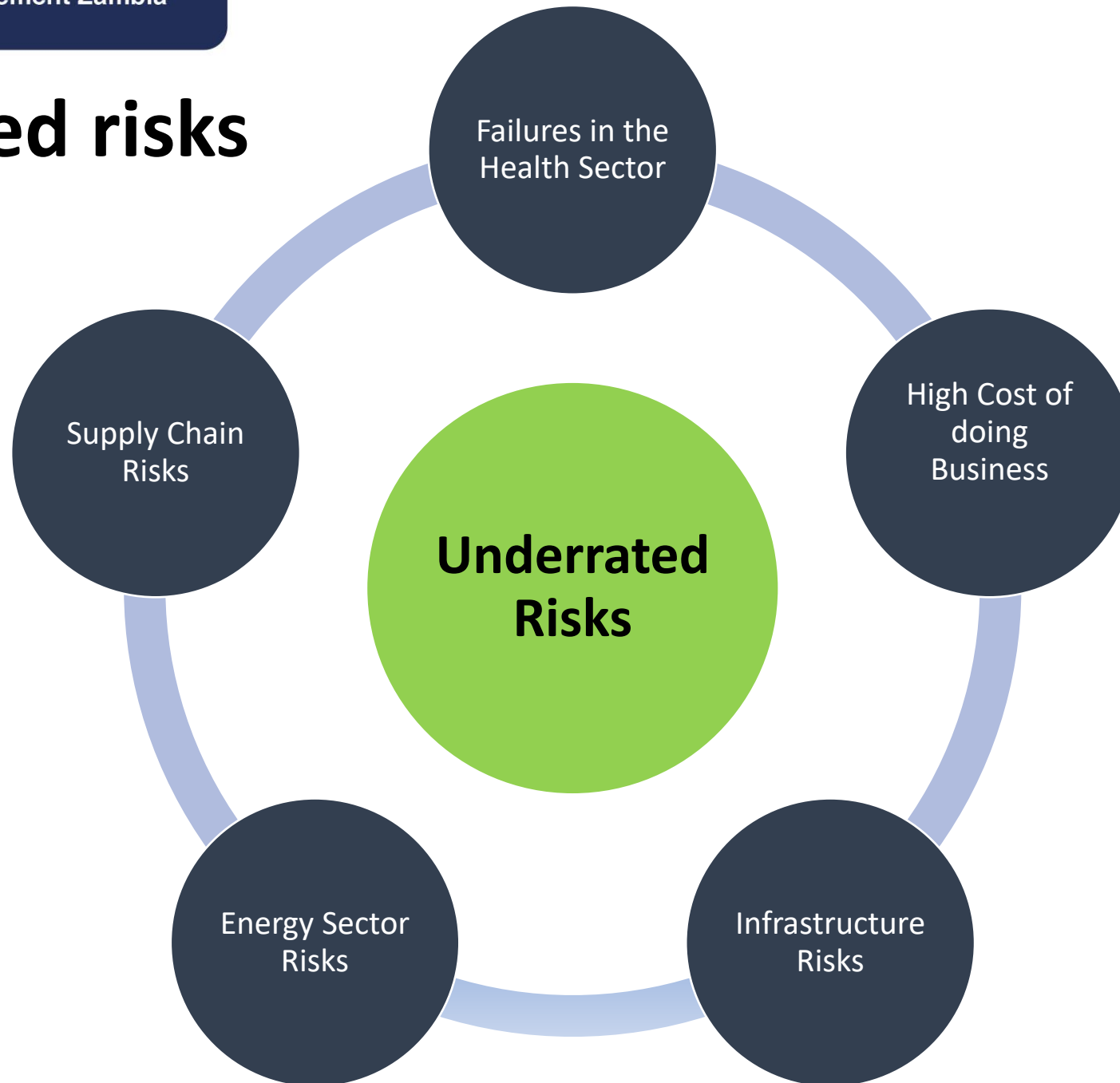
- Cyber risks will continue to affect business houses. Cyber attacks, data breaches, system failures will be the number source of business interruptions

## 10. Economics of Climate Change

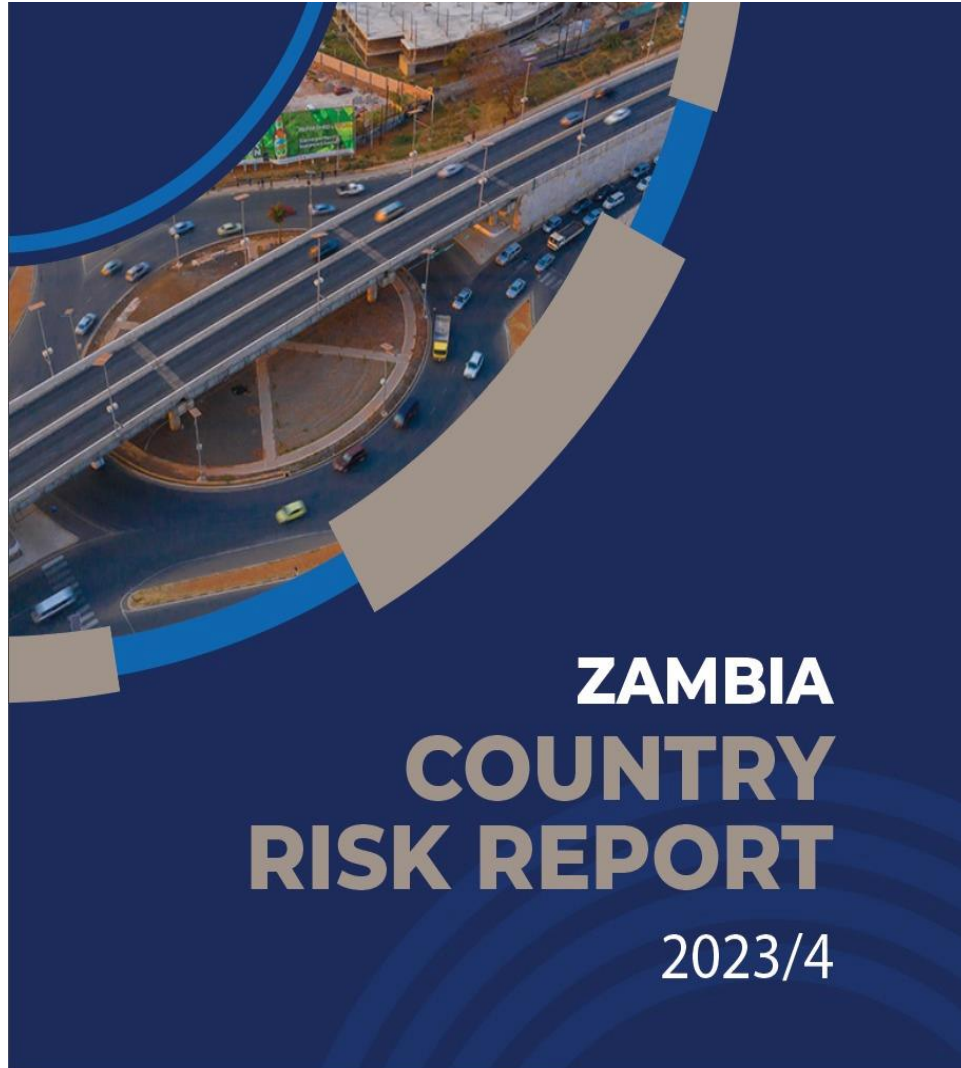
- Predicted El-nino (limited rains) threaten to derails any gains:
  - Food shortages will rise and so will the cost
  - Anticipate poor electricity supply - loadshedding



# Underrated risks



The report will be released in the final week of November 2023







# Thank You

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