Bank of Zambia

STRATEGIC PLAN

2020-2023

BUILDING AN INCLUSIVE AND RESILIENT FINANCIAL SECTOR

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Bank of Zambia

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LIST OF ACRONYMS

ACTIONE	Accountability | Commitment to Excellence | Timeliness | Integrity | Objectives | New ideas | Equity
APIs	Application Programming Interfaces
BoZ	Bank of Zambia
CSD	Central Securities Depository
DFS	Digital Financial Services
FAMOS	Female and Male Operated Small Enterprises
FinTech	Financial Technology
FMIs	Financial Market Infrastructures
FSP	Financial Service Provider
GDP	Gross Domestic Product
KYC	Know-Your-Customer
MTEF	Medium Term Expenditure Framework
NFIS	National Financial Inclusion Strategy
PFMIs	Principles for Financial Market Infrastructures
PIA	Pensions & Insurance Authority
RTGS	Real Time Gross Settlement
RUFEP	Rural Finance Expansion Programme
SEC	Securities & Exchange Commission
SIPS	Systemically Important Payment Systems
SupTech	Supervisory Technology
SWIFT	Society for Worldwide Interbank Financial Telecommunications

Message from the Governor

This Bank of Zambia Strategic Plan is the sixth in the series. It spans the period 2020-2023 and builds on the gains made from implementation of previous Plans, in particular the 2016-2019 Strategic Plan. The Bank of Zambia (the Bank) has incorporated some of the incomplete activities from the immediate past Strategic Plan into the 2020-2023 Strategic Plan, while the rest of such activities will be pursued through annual operational plans.

For the 2020-2023 Strategic Plan, the Bank made a conscious decision to concentrate on two focus areas, namely, **Financial Stability** and **Financial Inclusion**. This stemmed from the observation that while the Bank has made significant progress in building a firm basis for price stability, a lot more work is needed to build a similarly strong foundation for its financial system stability objective.

Accordingly, in the area of financial stability, the Bank will focus on strengthening both micro and macroprudential supervision. To this end, microprudential supervision frameworks will be reviewed to: improve the rigour of stress testing; introduce proportionality in the supervision of Financial Service Providers (FSPs); enhance the resilience of financial market infrastructures; and implement a robust cyber-security framework for FSPs. Measures will also be taken to improve efficiency by implementing appropriate supervisory technologies. Further, efforts to implement a customised version of the Basel III standards will continue and culminate in fit for purpose regulations to enhance stability and resilience of FSPs.

With regard to macroprudential supervision, the Bank will continue to enhance its oversight of macroprudential risks. This will include strengthening further, the collaboration with other financial sector regulators, such as, the Pensions and Insurance Authority (PIA) and Securities and Exchange Commission (SEC), to facilitate a holistic view as well as timely identification and resolution of macroprudential risks. The Bank will also push for the formal establishment of a Financial Stability Committee and will commence publication of financial stability reports.

Under the second focus area of financial inclusion, the Bank will continue to leverage on Digital Financial Services (DFS) and its partnership with key stakeholder institutions. In addition, work will be undertaken to: increase penetration of rural finance; create an enabling regulatory environment for broadened access to financial services and products; strengthen protection of children and youth; and ramp up dissemination of financial inclusion information. Further, the Bank will continue its gender mainstreaming efforts with a view to drastically reduce the gender gap for financial inclusion.

In line with the adopted focus areas and as a continuation of what was started with the previous Strategic Plan, the Bank has adopted the theme **"Building an Inclusive and Resilient Financial Sector"** for this Strategic Plan. By the end of the Strategic Plan period, it is envisaged that significant achievements will have been made in this regard. In particular, the Bank aims at making a significant contribution towards the National Financial Inclusion Strategy (NFIS) target of reducing the level of the unbanked adult population from the latest recorded figure of 40.7 percent as at 2015 to 30 percent by 2022.

With respect to enhancing financial stability, the Bank aims to enhance the resilience of the financial system by continuing to improve efficiencies in financial intermediation.

This Strategic Plan has been formulated after wide consultations with internal and external stakeholders. The Bank does also recognise that successful implementation of the Plan critically depends on continued diligence and innovativeness of its staff as well as effective collaboration with partner institutions.

Dr Denny H. Kalyalya
Governor

Who We Are

The Bank of Zambia is the Central Bank of the Republic of Zambia and derives its powers and functions from Article 213 of the Constitution (Amendment) Act No.2 of 2016 and Section 4 of the Bank of Zambia Act, Chapter 360 of the Laws of Zambia.

The primary objective of the Bank is to formulate and implement monetary and supervisory policies aimed at achieving and maintaining price and financial system stability to support sustainable economic development of the country.

Price stability entails achievement of low and stable inflation. To achieve this, the Bank relies on a forward looking monetary policy framework. It is contended that price stability is a pre-requisite for achieving a high level of economic activity and employment through increased investor and consumer confidence in the economy.

Financial system stability entails that the financial system, comprising financial intermediaries, markets, and the market infrastructure, is resilient to shocks and can smoothly conduct its core tasks of intermediation of financing, efficient transmission of payments, pricing of instruments, and distribution of risks. The Bank will achieve and maintain financial system stability by implementing appropriate macroprudential policies as well as effective licensing, regulation, and supervision of FSPs.

The primary duties, functions and powers of the Bank are to:

- formulate and implement monetary policy;
- formulate and implement supervisory policy;
- formulate and implement macroprudential policies;
- implement the exchange rate policy;
- hold and manage the international reserve assets of the Republic;
- issue notes and coins that are sole legal tender in the Republic and regulate all matters relating to the domestic currency;
- establish, conduct, monitor, regulate and supervise, and promote the soundness and security of payment systems;
- act as banker and fiscal agent to the Government; and
- act as banker to banks.

To strengthen pursuance of its mandate, the Bank has formulated this 2020-2023 Strategic Plan to, among other things, respond to key challenges and opportunities identified under the Environmental Setting section.

"The primary objective of the Bank is to formulate and implement monetary and supervisory policies..."

Vision and Mission

VISION

"To be a dynamic and credible Central Bank that contributes to the economic development of Zambia"

The overall goal of the Bank is to contribute to the economic development of Zambia by being dynamic and credible. Being dynamic means that the Bank will be vibrant and responsive to changes in the operating environment. The Bank will also endeavour to be credible, which means that it will engender confidence and trust among its stakeholders in discharging its mandate. Consistent with Zambia's Vision 2030, the Bank will continue to play a key role in enhancing economic development by pursuing appropriate monetary and financial stability policies.

MISSION

"To achieve and maintain price and financial system stability to foster sustainable economic development"

The Mission of the Bank is drawn from Section 4 of the Bank of Zambia Act, Chapter 360 of the Laws of Zambia and Article 213 of the Constitution (Amendment) Act No.2 of 2016, and is anchored on the key responsibilities of price and financial system stability.

"Consistent with Zambia's Vision 2030, the Bank will continue to play a key role in enhancing economic development by pursuing appropriate monetary and financial stability policies."

Values

Our Values, commonly referred to as **"The BoZ Way,"** are summarized by the acronym **"ACTIONE"**. This highlights that we are action oriented in the pursuit of our goals and aspirations. Each letter in the word ACTIONE is further interpreted as shown in the diagram below.

The BoZ Way means

A C T I O N E

Accountability

We will take responsibility for the decisions and actions that we take.

Commitment to Excellence

We will always identify, agree, and meet the requirements of both internal and external stakeholders and honour the commitments we make efficiently and to the highest quality standards.

Timeliness

We will always be on time in attending to Bank business.

Integrity

We will be honest, transparent, professional, and sincere in all our dealings.

Objectives

We will set ourselves challenging, specific, measurable, achievable, realistic, and time bound (SMART) objectives and will work diligently towards achieving them.

New ideas

We will be innovative and open to new ideas and develop for ourselves and our colleagues the skills to meet current and future challenges.

Equity

We will be fair in all our dealings.

Environmental Setting

An environmental scan was conducted which revealed threats, weaknesses, opportunities and strengths affecting the Bank. The Bank's strategic direction was informed by its vision, mission and the results of the environmental scan. Itemised below are the key factors identified during the environmental scan.

"The Bank's strategic direction was informed by its vision, mission and the results of the environmental scan."

EXTERNAL CHALLENGES

- The quality and quantity of capital of FSPs and resilience of the Zambian financial system needs to be enhanced to better withstand shocks and adhere to international standards and benchmarks.
- The levels of financial literacy and access to financial services in Zambia are low, especially in rural areas. The FinScope survey of 2015 revealed that only 59.3 percent of adult Zambians were financially included of which only 38.2 percent had access to formal financial services.
- High levels of public debt, climate change risks, subdued global and domestic growth, declining foreign exchange reserves, and fiscal challenges continue to weigh on financial stability.
- Cyber risk has become a real threat as FSPs embrace Digital Financial Services (DFS), which invariably expose them to cyber-attacks. Cyber risk also has a systemic dimension and has the potential to negatively impact financial stability.
- Lack of a centralised depository for Know-Your-Customer (KYC) information/data has impeded financial inclusion.

INTERNAL CHALLENGES

- Gender imbalances in the Bank where the majority of positions are filled by males despite females making up a higher proportion of the country's population. Imbalances were identified at all levels of the institution.
- Inadequate standards and systems for management of data.
- Limited access by retail investors to the Government securities market.
- Limited information dissemination on the Bank's programmes in the area of financial inclusion.
- Inadequacies in the legal and operational frameworks for conducting macro and microsupervision.

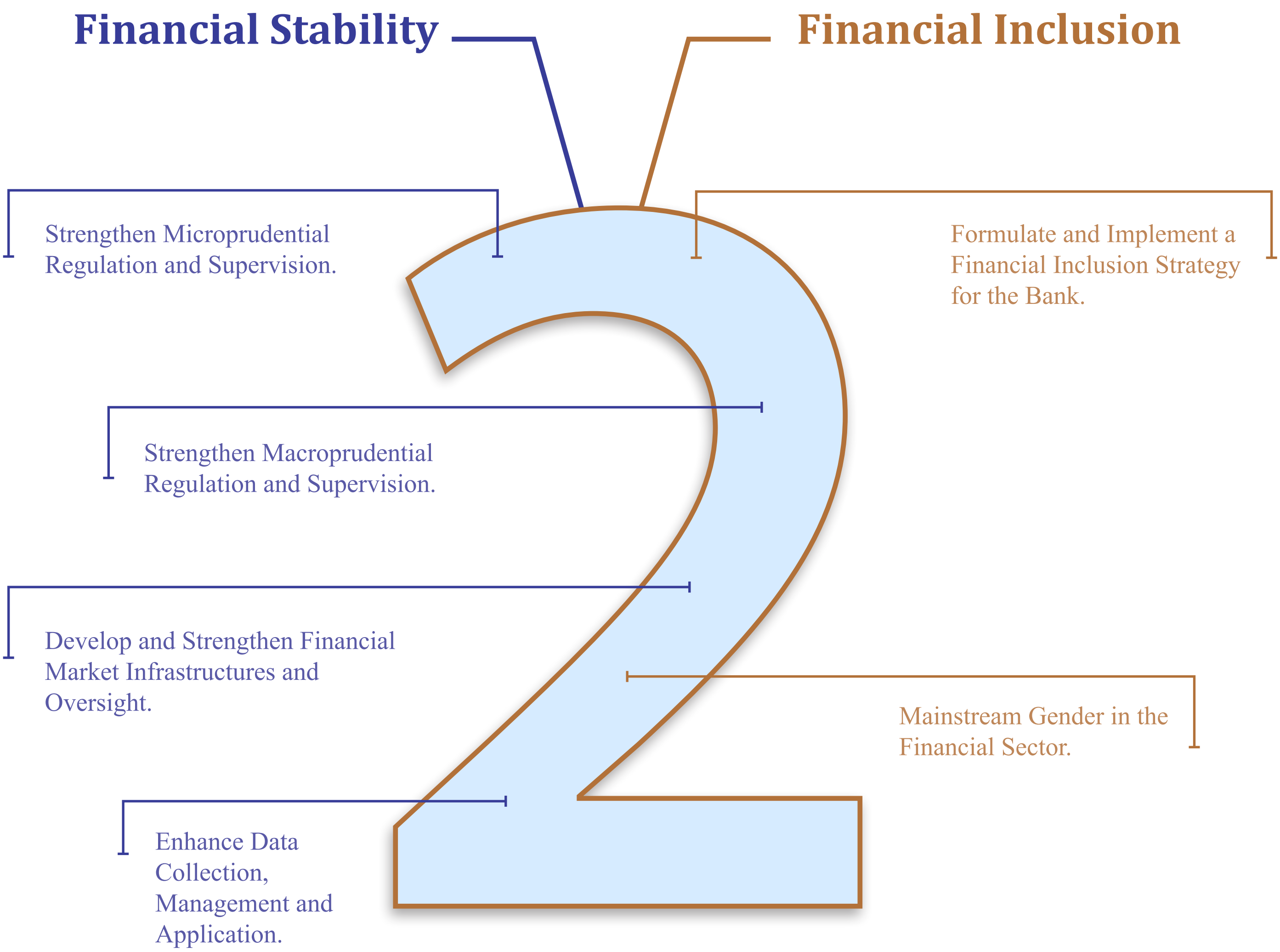
OPPORTUNITIES

- Youthful and growing population.
- Technological advancements in the supervision of FSPs as well as in the delivery of financial services.
- Introduction of national biometric identity system.
- Affiliation to various and reputable international and regional bodies.
- Cordial and formalized working relationships with other financial sector regulators, i.e. Securities and Exchange Commission (SEC) and the Pensions and Insurance Authority (PIA).
- Increased internet and mobile phone usage in the country.
- Improvements in global best practices in the conduct of macro and microprudential supervision.

STRENGTHS

- Skilled and experienced workforce.
- Constitutionally established operational independence.
- Credibility with stakeholders.
- Robust governance structures, systems, and processes.

Strategic Direction



FOCUS AREA #1: FINANCIAL STABILITY

RATIONALE

A stable and resilient financial sector is a precondition for a well-functioning economy. If underlying weaknesses in the financial system are left unattended, they can potentially compromise the core tasks of the financial system and impair sustainable economic development. Disruptions to the financial sector affect the flow of credit to the real economy adversely resulting in output and income contraction, a rise in unemployment, and a loss in social welfare. Therefore, it is imperative that systemic risks to the financial sector are identified on time and accurately measured and managed to forestall crystallization of financial imbalances into financial crises. It is recognized that financial stability risks to a financial system are not simply a sum of risks to individual banks or FSPs.

Given the critical role that the financial sector plays in an economy, the Bank intends to strengthen both the micro and macroprudential frameworks, through a number of initiatives with the objective of addressing and filling the existing gaps in the current frameworks.

STRATEGIC INITIATIVES:

1.0 Strengthen Microprudential Regulation and Supervision

1.1 Implement a Microprudential Stress Testing Framework

Since the 2008 global financial crisis, which exposed key financial sector vulnerabilities, stress testing has become a well established tool for assessing the resilience of individual FSPs and banking systems. The Bank currently undertakes stress tests with a macroprudential objective, by assessing system-wide risks and their aggregate impact. Building on the macroprudential approach, the Bank intends to develop a microprudential stress testing framework which will focus on assessing the resilience of individual FSPs.

Microprudential stress test results will provide forward-looking information to assist the Bank make decisions on whether an FSP should take remedial actions, such as, increasing regulatory capital, reducing risk exposures or improving its capital planning processes.

1.2 Implement Supervisory Technologies (SupTech) to Digitize Reporting and Regulatory Processes

Adoption of Financial Technologies (FinTechs) by FSPs has had a disruptive effect on their business models. FSPs have implemented FinTechs in a bid to lower operational costs as well as to deliver innovative solutions that suit the emerging needs of their customers.

In order to meet the new challenges posed by FinTech and those emanating from large volume and high velocity supervisory data, the Bank plans to adopt Supervisory Technologies (SupTechs). The Bank will strive to identify and implement appropriate SupTech solutions to enhance effectiveness and efficiency in the supervisory process. SupTech will assist the Bank in undertaking more data-intensive, risk-based supervision by capturing larger and richer datasets from various sources thereby enhancing the supervision process.

1.3 Develop and Implement a Framework on Proportionality for the Regulation and Supervision of Financial Service Providers

Although global prudential standards, such as, Basel III are designed to address financial risks emanating from large, complex, and internationally active FSPs, domiciled mainly in advanced economies, a significant number of emerging and developing economies have adopted these standards as international best practice. However, the wholesale adoption of international standards by developing and emerging market economies may impose significant regulatory burden on some FSPs. The Bank intends to develop and implement proportionality in the regulation and supervision of FSPs. This will ensure that regulatory requirements are effectively customised based on an FSP's size, systemic importance, complexity, and risk profile.

1.4 Develop and Implement Customised Basel III Liquidity Regulations based on Proportionality Concept

In keeping with the thrust to introduce proportionality in the regulation of FSPs, as detailed in section 1.3 above, the Bank will also endeavour to customise the Basel III liquidity standards in line with the size, complexity and systemic importance of FSPs.

1.5 Develop and Implement a Framework for Cyber Security

The Bank, FSPs, and other market players have embraced technology as a means to enhance efficiency in their operations. However, these advancements have also been accompanied by changes in the risk landscape resulting in increased exposure to cyber-attacks. Further, the inter-linkages and dependencies in the financial system have brought about additional exposure should any of the participants not have adequate cyber risk mitigation processes in place. The Bank intends to develop a framework that will govern mitigation and facilitate information sharing on cyber risks. The development of the cyber security framework will provide policy guidance for the Bank and FSPs to enhance their resilience against cyber-attacks.

2.0 Strengthen Macroprudential Regulation and Supervision

2.1 Enhance the Analytical Framework to Effectively Monitor Stability of the Financial System

A robust financial stability and analytical framework, which adequately addresses assessment of systemic risks, improves macroprudential policy formulation and addresses financial stability concerns. Systemic risk is the failure of all or part of the financial system resulting from internal or external shocks that lead to a serious impact on the economy. Systemic risk has the potential to disrupt the financial system. Failure to adequately monitor and analyse systemic risk development could also lead to inappropriate policy decisions. Therefore, the Bank will revamp its financial stability analytical framework by incorporating the assessment of financial infrastructure resilience.

2.2 Establish an Appropriate Governance Framework for Macroprudential Policy Making, Implementation and Communication

The Bank has identified the need to have an appropriate governance structure to guide macroprudential policy making, implementation, and communication. The absence of an appropriate governance structure impedes macroprudential policy making and could result in failure to adequately respond to financial stability concerns. To address this challenge, the Bank will push for legislative change to facilitate establishment and operationalisation of a Financial Stability Committee. This will, among other things, provide oversight to the Bank's financial stability mandate. As part of this process, the Bank will also commence bi-annual publication of forward-looking financial stability reports to inform economic agents of emerging systemic risks and factors taken into consideration when arriving at macroprudential policy decisions.

2.3 Develop Macroprudential Policy Toolkit

The Bank has identified the need to have a toolkit for macroprudential policy formulation and implementation. The toolkit will provide the Bank with appropriate policy implementation tools to mitigate systemic risks and foster sustainable economic growth.

2.4 Strengthen Crisis Management and Resolution Framework to Enhance Crisis Preparedness

Crisis management and resolution frameworks are widely used for contingency planning, preparedness assessments, and management of financial crises. An inadequate crisis management and resolution framework may result in failure to resolve crises and ultimately cost the treasury large sums of money. To ensure crises are managed and resolved with minimal disruption to the financial system, the Bank will enhance the existing framework. This will include conducting crisis simulations in the financial system and establishing a model for determining the most cost effective option for crisis resolution.

3.0 Develop and Strengthen Financial Market Infrastructures and Oversight

3.1 Strengthen the Resilience of key Financial Market Infrastructures

Well-functioning Financial Market Infrastructures (FMIs) play an important role in smoothening transactions in the economy and ensuring financial stability. FMIs comprise Systemically Important Payment Systems (SIPS), Central Securities Depositories (CSD), Securities Settlement Systems, Central Counterparties, and Trade Repositories. Developing and improving the resilience of FMIs is a priority for the Bank. In this regard, the Bank will take appropriate measures to ensure that the operators of FMIs and their participants enhance the resilience of FMIs.

3.2 Develop Sandbox Regulations in order to Promote FinTech

Regulatory sandboxes are controlled environments in which live testing of FinTech products can be undertaken before the products are rolled out to the financial sector. The Bank has identified the need to develop sandbox regulations for FinTech companies, to foster innovation whilst managing the risks that these technologies may present. The Bank will therefore set up a sandbox regulatory framework to allow for controlled live testing of innovations under its supervision.

3.3 Enforce Compliance of Systemically Important Payment Systems to the Principles for Financial Market Infrastructures

Principles for Financial Market Infrastructures (PFMIs) are international standards that strengthen and harmonise the management of risks that emanate from FMIs. When enforced, these principles strengthen Systemically Important Payment Systems (SIPS) and minimise the risk of failure of the financial system and the economy as a whole. Consequently, the Bank will build internal capacity to effectively enforce SIPS compliance to the PFMIs.

3.4 Facilitate Development and Implementation of a Centralised KYC Infrastructure for Financial Service Providers

The Bank intends to facilitate the development and establishment of a centralised Know-Your-Customer (KYC) information platform for the financial sector. The platform is meant to be a single source of primary KYC data required to perform due diligence checks on all customers of FSPs. This platform is also expected to minimise the operational workload and compliance requirements associated with the collection, maintenance, and storage of KYC data as the information will be centrally held and shared. In addition, it will facilitate the smooth process of on-boarding new customers. It is expected that FSPs will benefit from the timely availability of due diligence information which will facilitate the effective and objective evaluation of customers and mitigate the perceived risk of establishing business relationships with certain segments of clients in the country. The centralised KYC platform will integrate with the National Biometric Identity System, once operationalised.

3.5 Adopt ISO 20022-1: 2013 Standard for Electronic Data Interchange

The financial sector predominantly utilises the Society for Worldwide Interbank Financial Telecommunications (SWIFT) messaging platform for processing payment transactions. In Zambia, SWIFT message formats are used for domestic and cross border payments. SWIFT is transitioning to a new messaging format based on ISO 20022-1: 2013 from its earlier Standard, ISO 20022-1: 2004. The new standard will facilitate the next generation of payment schemes, including instant payments, 24/7 Online transactions, and open banking over Application Programming Interfaces (APIs). This implementation, if not well managed, has the potential to disrupt the financial system in Zambia as the change will affect systemically important payment systems such as Real Time Gross Settlement (RTGS), commercial banks' systems, and other payment platforms that are dependent on the SWIFT messaging platform. The Bank will therefore spearhead the change management process to ensure that there is a smooth transition to the new messaging standard.

3.6 Develop and Implement an Online Government Securities Application Platform

The Bank implemented a Central Securities Depository (CSD) in September 2014, which resulted in the electronic participation of commercial banks and selected financial institutions in auctions of Government securities. In contrast, individual and other institutional investors, only access the CSD through either a commercial bank or by manually submitting an application directly to the Bank. This arrangement has proven costly and inefficient as the affected investors are required to obtain a letter of guarantee from their bankers and at non-trivial cost in some cases. The Bank will address this challenge by providing additional interfaces to the CSD through web browsers and mobile platforms. This will enable investors in Government securities to directly register and participate electronically in the auction of Government securities. It is expected that the Bank's efforts in its agency role will be more effective and attract a larger and more diverse pool of clients to invest in Government securities.

4.0 Enhance Data Collection, Management and Application

4.1 Strengthen Collaboration with other Data Collection Agencies

The Bank collects financial and economic data for various uses, including policy formulation. However, there have been challenges in obtaining some data for financial stability analysis. Practical challenges have been encountered in obtaining this data quickly to facilitate timely decision making, particularly, in relation to respondents outside the supervisory ambit of the Bank. Consequently, the Bank's ability to assess systemic risks in the financial system was constrained. The Bank will therefore review its existing collaborative arrangements with other regulators to facilitate the smooth collection of data. The Bank will also review the legal frameworks and suggest appropriate changes to enhance efficiency in the collection of data.

4.2 Develop and Implement Data Management Standards and Protocols

The Bank acknowledges the importance of high quality data for analysis of systemic risks and the formulation of financial stability and other related policies. Data management practices are however not standardised across the Bank. This has the potential to compromise data quality and policy formulation. In this regard, the Bank will develop standards and protocols for data management to facilitate production and dissemination of high quality statistics. Data collection will be guided by requisite principles of quality, methodological soundness, accuracy, reliability, availability, accessibility, assurance of integrity, and consistency.

4.3 Establish a Data Warehouse

Data warehousing is the collection and management of data derived from various internal and external sources. Warehousing data improves data management, avoids duplications, and facilitates application of best practices and standards.

Presently, the Bank does not have a consolidated data warehouse. This has resulted in duplication of data management efforts across the Bank as well as limiting information accessibility within the Bank and to external stakeholders. The establishment of a data warehouse is critical to remedy these challenges by consolidating and integrating data from disparate databases located in different departments of the Bank into one central location where data will be optimally managed.

FOCUS AREA #2: FINANCIAL INCLUSION

RATIONALE

The adoption of this focus area signifies the Bank's commitment to the advancement of financial inclusion in Zambia. The last FinScope survey conducted in 2015 revealed that only 59.3 percent of adult Zambians had access to financial services. Of these only 38.2 percent had access to formal financial services. The FinScope survey further revealed that women had less access to financial services compared to men (formal financial inclusion for men was at 43.2 percent while that for women was 33.3 percent resulting in a gender gap of 9.9 percent). Global research has revealed a positive correlation between being financially included and reduction in poverty levels as well as quality of life among individuals. Further, the transmission of monetary policy is affected by the level of financial inclusion.

The Bank has adopted several initiatives in this Strategic Plan to contribute towards reducing the proportion of financially excluded individuals in Zambia. The measures adopted will focus on promoting formal financial inclusion, resolving the gender gap, resolving the urban-rural imbalance, paying particular attention to inclusion of children and youths as well as leveraging DFS in a bid to accelerate achievement of financial inclusion targets. The activities adopted by the Bank are aligned to the National Financial Inclusion Strategy (2017 – 2022). Initiatives adopted in this Strategic Plan will aim at contributing towards attaining the formal National Financial Inclusion target of 70 percent by 2022 and reducing the gender gap from 9.9 percent to 5 percent by 2023.

The FinScope Survey

Formal financial inclusion

MEN

43.2%

WOMEN

33.3%

STRATEGIC INITIATIVES:

5.0 Formulate a Financial Inclusion Strategy for the Bank

5.1 Formulate a Financial Inclusion Strategy to focus on Digital Financial Services, Rural Finance and Children & Youth

In 2017, the Government approved the National Financial Inclusion Strategy (NFIS), which outlined various roles that different authorities should perform. The Bank, being one of these authorities, is expected to align its financial inclusion activities with the NFIS.

Under this Strategic Plan, the Bank will formulate and implement a Financial Inclusion Strategy detailing the approach that it will take in addressing the activities allocated to it under the NFIS. This strategy will articulate the Bank's role in fostering financial inclusion through the following enablers: collaboration with the Government, public and private sectors; regulatory reforms and financial sector policies; customer-centric products, access points, and delivery channels; the cost and affordability of financial transactions; technological innovations; financial infrastructure; and consumer protection and market conduct, whilst balancing these with financial stability and integrity. The Strategy will also incorporate activities over and above those allocated to the Bank under the NFIS.

5.2 Enhance use of Digital Financial Services

The Bank has identified Digital Financial Services (DFS) as a key enabler for enhancing financial inclusion. DFS, especially those that use mobile phones have enabled millions of formerly excluded and underserved people, mostly in emerging market and developing countries to access formal financial services. These services include payments, transfers, savings, credit, insurance, and investment products. Use of DFS can extend financial services to more people in diverse places. DFS can also facilitate the customisation of financial products based on the unique needs of customers.

The Bank will implement appropriate regulations that support development, access to and use of DFS. Further, the Bank will promote the use of interoperable products, which are expected to make it more convenient and cheaper for people to access financial services.

"The Bank has identified Digital Financial Services as a key enabler for enhancing financial inclusion."

5.3 Contribute to Increased Penetration of Rural Finance

The results of the 2015 FinScope Survey revealed that access to financial services in urban areas was higher at 70 percent compared to 50 percent in rural areas. The Bank will seek to increase the level of financial inclusion in rural areas in order to contribute to reducing the poverty levels. In this regard, the Bank will enter into Memoranda of Understanding (MoUs) with relevant authorities to enable FSPs to use schools, churches and health centres as general access points for the delivery of financial services.

Further, the Bank will consolidate and disseminate existing research findings to encourage FSPs to consider the untapped potential in rural areas as well as establish linkages between FSPs and rural savings groups.

5.4 Promote Financial Access and Protection for Children and Youth

Financial inclusion for children and youth calls for financial literacy and financial empowerment, particularly through savings. The Bank will promote the development of child-friendly financial products in order to encourage uptake of financial services at an early age. The promotion of these products is expected to complement the National Financial Inclusion Strategy (NFIS) objective to improve the quality and availability of financial products and services for minors.

In this Strategic Plan, the Bank will review current regulations to provide FSPs with guidelines that promote safer banking (savings and payment) products for minors; safeguard minors' savings accounts; address issues related to dormant accounts for minors; encourage long-term savings for future needs (higher education, start-up capital); and promote financial literacy for minors. These efforts are expected to result in greater access and usage of safer financial products by minors.

5.5 Disseminate Financial Inclusion Information about Zambia

Financial inclusion is an international policy priority that plays an important role in helping individuals improve their resilience to economic shocks and the quality of life. The Bank's financial inclusion drive signifies its commitment to continue contributing to the advancement of the national financial inclusion agenda. Accordingly, the Bank will expand and enhance information dissemination on financial inclusion for peer learning and knowledge sharing. This will build awareness to the target audience and the general public on the importance of financial inclusion, provide feedback on key milestones, and demonstrate the impact of financial inclusion activities on Zambia's economic development.

The information dissemination activities are expected to encourage participation of the private sector in promoting financial innovations to support the financial inclusion agenda and the generation of financial inclusion data. The dissemination activities will also present key lessons that may inform policy formulation and implementation. Further, the activities are expected to transform the perspective on formal financial inclusion of savings groups and the unbanked population.

The Bank will also develop a new publication to showcase Zambia's financial inclusion journey and milestones locally and internationally; publish articles in the media with international circulation, and host essay and photo challenges focusing on financial inclusion.

5.6 Monitor the Progress of Financial Inclusion

The Bank has identified the need to measure the levels of financial inclusion in the country on a regular basis. Currently, financial inclusion is measured every five years through FinScope Surveys. For timely intervention and monitoring of progress, there is need to measure the levels of financial inclusion on a more frequent basis. The Bank will therefore develop an index which will measure the level of financial inclusion on an annual basis. It is envisaged that the index will assist the Bank and other partners to develop more timely financial inclusion policy interventions.

6.0 Mainstream Gender in the Financial Sector

6.1 Strengthen Accountability for Gender Mainstreaming and Diversity in the Bank

The Bank in its 2016-2019 Strategic Plan developed and commenced the implementation of a Gender Policy and Strategy. The Strategy assigned responsibilities to different functions of the Bank to promote gender mainstreaming within the Bank. While the Bank has made noticeable progress in gender mainstreaming, it has not done very well regarding the implementation of Departmental Gender Action Plans and promoting diversity in the Bank.

Therefore, the Bank will build gender leadership and diversity capacity and develop a mechanism to monitor the progress of implementation of the Gender Action Plans. Further, the Bank will implement gender mainstreaming interventions identified in the Gender Strategy and determine the impact on the Bank's operations. The ultimate goal is to enhance gender and diversity accountability within the Bank.

6.2 Contribute to Reducing the Gender Gap for Formal Financial Inclusion

The National Financial Inclusion Strategy (NFIS) highlights that while financial inclusion has improved, overall figures mask significant inequalities. According to the FinScope Survey of 2015, it was noted that although women make up 51 percent of the total population in Zambia, they are more likely to be financially excluded than men. This was revealed by the FinScope FOCUS series which revealed a formal financial inclusion gender gap of men over women of 9.9 percent. This implies that a significant proportion of the population is contributing less to Gross Domestic Products (GDP) due to their limited access to financial services, which in turn constrains their participation in economic activities.

The Bank will develop and implement specific Gender Action Plans that will incorporate findings from Female and Male Operated Small Enterprises (FAMOS) checks conducted as part of the onsite examinations of FSPs and the effort to leverage DFS. This is intended to contribute to reducing the formal financial inclusion gender gap from 9.9 percent to 5 percent by 2023.

"The ultimate goal is to enhance gender and diversity accountability within the Bank."

WHAT SUCCESS WILL LOOK LIKE

The Bank envisions that the successful implementation of this Strategic Plan will lead to:

i. A more resilient financial sector that can better withstand economic and financial shocks.
ii. Enhanced data analytics leading to better data for decision making purposes.
iii. Enhanced identity management leading to simplified KYC.
iv. At least 70 percent of Zambians having access to formal financial services.
v. An increase of 10 percent of retail investors in Government securities.
vi. Improved mainstreaming of Gender in the financial sector.
vii. A reduction from 9.9 percent to 5 percent in the formal financial inclusion gender gap.

To further drill down and articulate what success will look like, strategic initiatives, activities/agreed actions and measures of success (key performance indicators) have been identified. These deliverables, which have been incorporated in the Companion document, will assist implementation as well as monitoring of progress.

Women using mobile phones to conduct financial transactions.

STRATEGIC RISK ASSESSMENT

A strategic risk assessment was conducted in line with the Bank's Enterprise Risk Management Framework. The outputs of the strategic risk assessment have been incorporated in the Bank's risk register. These outputs identified the potential impediments as well as key opportunities which are likely to impact the successful execution of the Plan. In this regard, measures have been identified to manage risks. The strategic risk assessment process afforded the Bank an opportunity to plan ahead for eventualities. Strategic risks will be reviewed on a regular basis at all levels of the Bank and overseen by the Board of Directors. This will assist the Bank to monitor the evolving nature of the identified strategic risks as well as to identify and treat emerging ones.

The Bank envisages that the continued identification, review, monitoring, controlling, and treatment of risks under the enterprise risk management process will improve the chances of successful execution of this strategic plan. The detailed results of the strategic risk assessment exercise are provided in the Companion to the 2020- 2023 Strategic Plan.

RESOURCING PLANNED ACTIVITIES

The Bank will allocate budgetary resources on a prioritised basis for the successful implementation of the 2020- 2023 Strategic Plan. These resources shall be reflected in the Bank's Medium Term Expenditure Framework (MTEF) from which annual budgets will be derived.

COMPANION TO THE STRATEGIC PLAN

The Bank, as in the immediate past Strategic Plan, has formulated an internal Companion document to this Strategic Plan. This provides the basis for monitoring and evaluation of the Plan. In addition, the Companion contains detailed information to aid successful execution of the Plan by tracking key matrices. It also incorporates Strategic activities, key performance indicators, budgets, timelines, and identified risks attached to each strategic activity.

"Strategic risks will be reviewed on a regular basis at all levels of the Bank and overseen by the Board of Directors."

Strategic Direction in Summary

FINANCIAL STABILITY

Strengthen Microprudential Regulation and Supervision

- Implement a microprudential stress testing framework
- Implement Supervisory Technology (Sup-Tech) to digitize reporting and regulatory processes
- Develop and implement a framework on proportionality for the regulation and supervision of financial service providers
- Develop and implement customized Basel III Liquidity Regulations based on proportionality concept
- Develop and implement a framework for Cyber Security

Strengthen Macroprudential Regulation and Supervision

- Enhance the analytical framework to effectively monitor stability of the financial system
- Establish an appropriate governance framework for macroprudential policy making, implementation, and communication
- Develop Macroprudential Policy toolkit
- Strengthen crisis management and resolution framework to enhance crisis preparedness

Develop and Strengthen Financial Market Infrastructures and Oversight

- Strengthen the resilience of key financial markets infrastructures
- Develop sandbox regulations in order to promote FinTech
- Enforce compliance of Systemically Important Payments Systems to the Principles for Financial Market Infrastructures (PFMIs)
- Facilitate development and implementation of a Centralised KYC Infrastructure for Financial Service Providers
- Adopt the ISO20022-1 Standard for Electronic Data Interchange
- Develop and implement an online Government securities application platform

Enhance Data Collection, Management and Application

- Strengthen collaboration with other data collection agencies
- Develop and implement Data Management Standards and Protocols
- Establish a Data warehouse

FINANCIAL INCLUSION

Formulate and Implement a Financial Inclusion Strategy For The Bank

- Formulate a Financial Inclusion Strategy to focus on:
  - » Digital financial services
  - » Rural finance
  - » Children and Youth
- Enhance use of Digital Financial Services by:
  - » Reviewing the National Financial Switch Directives in order to cater for other financial service providers (FSP)
  - » Promoting the use of Interoperable products and acceptance of DFS payments by retail merchants
- Contribute to the Increased Penetration of Rural Finance by:
  - » Establishing and implementing MoUs for BoZ with Ministry of Education, Health and Church Mother Bodies to enable FSPs to use general access points for financial services
  - » Consolidating research done to produce analytical data on FSPs on untapped potential and linkage mechanisms with savings groups
- Promote Financial Access and Protection for Children and Youth
- Disseminate financial inclusion information about Zambia
- Monitor the progress of financial inclusion

Mainstream Gender in the Financial Sector

- Strengthen accountability for gender mainstreaming and diversity in the Bank
- Contribute to reducing the gender gap for formal financial inclusion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