



Bank of Zambia

OFFICE OF THE DEPUTY GOVERNOR - OPERATIONS

BOZ/EXEC/DG/fsd/pm

August 20, 2025

CB Circular No. : 19/2025

To : All Heads of Financial Service Providers

CALL FOR EXPRESSION OF INTEREST FOR THE SMALL BUSINESS GROWTH INITIATIVE

The Bank of Zambia, in collaboration with the National Advisory Board for Impact Investment (NABII), has designed a Credit Guarantee Scheme (CGS) to support risk sharing in the financial sector. The facility is expected to contribute to unlocking access to affordable credit, especially to Micro, Small, and Medium Enterprises (MSMEs). Rigidities in the credit market including perception of high risk have been some of the deficiencies that have contributed to suboptimal allocation of credit thereby hindering effective implementation of monetary policies, achievement of financial inclusion objectives and constricted MSMEs from achieving their potential.

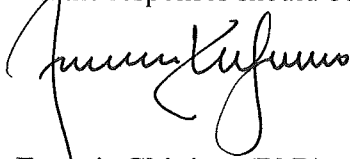
The facility, which shall be called the **Small Business Growth Initiative (SBGI)**, shall soon be rolled out on a pilot basis and shall comprise a guarantee facility that will support lending to MSMEs on a portfolio basis, training that will offer technical assistance (TA) to both Financial Service Providers and the recipients of funds, and a dedicated Learning Lab for data collection and analysis. Subsequent sleeves, beyond the pilot stage, shall include an alternative capital sleeve that will provide financing to funds, factoring, and leasing companies.

The Bank of Zambia therefore wishes to launch an **Open Call for Expression of Interest** to gauge the interest and eligibility of financial service providers as well as test the core tenets of the proposed SBGI terms and conditions. The information that shall be obtained through this solicitation shall be critical in the operationalisation and roll out of the facility.

Kindly provide responses to the questions in the attached document. The responses should be submitted to the NABII Secretariat on Secretariat@nabii.org.zm or the Bank of Zambia through the office of Mr. Lackson Zulu, Assistant Director - Macroprudential Policy and Contingency Planning at email lazulu@boz.zm or Mr. Mundu Mwila Analyst, Financial and Economic Statistics at email mwila@boz.zm.

.../2-

All the responses should be submitted by Tuesday, September 9, 2025.

A handwritten signature in black ink, appearing to read 'Francis Chipimo', written over the printed name and title.

Francis Chipimo (PhD)
DEPUTY GOVERNOR

cc Governor
 Deputy Governor - Administration
 Director - Financial Stability
 Director - Prudential Supervision



Call for Expressions of Interest (Eoi) for Participating Financial Service Providers (PFSPs) for the Small Business Growth Initiative (SBGI)

I. Background

The Bank of Zambia, in collaboration with the National Advisory Board for Impact Investment (NABII), has designed a credit guarantee scheme to introduce risk sharing in the financial sector. This facility is expected to contribute to unlocking access to affordable credit, especially to Micro, Small, and Medium Enterprises (MSMEs). Rigidities in the credit market have been one of the long-standing challenges that have affected effective implementation of monetary policies, achievement of financial inclusion objectives and constricted MSMEs from achieving their potential.

The facility which, shall be called the Small Business Growth Initiative (SBGI), will be rolled out on a pilot basis and shall comprise a guarantee facility that will support lending to MSMEs on a portfolio basis, training that will offer technical assistance (TA) to both financial service providers and the recipients of credit as well as a dedicated Learning Lab for data collection and analysis. Beyond the pilot stage, an alternative equity facility shall be included that will provide financing to funds, factoring, and leasing companies.

The Bank of Zambia wishes to launch an **Open Call for Expression of Interest** (the "Call") to identify interest in and solicit feedback from PFSPs to support delivery of the first phase of the SBGI. The objective of the Call is to gauge interest and eligibility of financial institutions, as well as to test several core tenets of the SBGI proposed terms and conditions.

Eols are invited from financial intermediaries wishing to be shortlisted for continued dialogue and possibly participation in the SBGI.

II. Requested Feedback on Core SBGI Elements

MSME Lending Programs

1. The SBGI intends to employ the definition of MSME adopted by the Revised National Micro Small and Medium Enterprise Development Policy, 2023. Please share what definitions you apply to classify your MSME portfolio at present and the extent to which your organisation could adapt to the SBGI definition?
2. Briefly describe your organisation's MSME lending operations, including:

- a. What percentage of your current lending portfolio is comprised of MSMEs?
 - b. Within this MSME portfolio, what primary sectors are you currently lending to and with which financial instruments? Why?
 - c. What are the main risks your institution sees in MSME lending?
 - d. What are the primary strategies or tools your institution uses to mitigate risks associated with MSME lending?
 - e. Would you consider your MSME lending programme to date a success? Please explain why or why not, including the key metrics or indicators you use to assess performance.
 - f. Does your institution have an appetite to increase MSME lending? If not, what internal or external factors have constrained your ability or interest in doing so?
 - g. If supported by the SBGI guarantee programme, what new areas of MSME lending would your institution be interested in exploring (e.g., specific sectors, MSME segments, or financial instruments)?
3. Would a significant expansion in MSME lending, as envisioned by the SBGI, require your institution to establish new partnerships (e.g., with Fintechs or other intermediaries to expand scale or geographic reach), or could it be achieved within your existing organisational capacity and structure?

SBGI Guarantee / Coverage Mechanisms:

4. The SBGI envisions advancing long-term credit risk guarantee funds to PFSPs upfront—via subordinated notes—against approved Qualifying Loan Portfolios. These advances would serve as a form of “cash collateral” to cover eligible principal defaults.
- a. To what extent would this advance disbursement mechanism incentivise significant changes in your institution's MSME lending practices?
 - b. Please reflect on the potential benefits and drawbacks of holding the guarantee funding upfront, particularly in relation to:
 - i. Risk scoring and credit assessment practices
 - ii. Loan pricing and cost of capital
 - iii. Collateral requirements
 - iv. Client access to finance
 - v. Appetite for long-term or systemic change in MSME lending
 - vi. Other

5. The SBGI proposes to advance credit risk guarantee funds to PFSPs at concessional interest rates. How would this concessional pricing influence your institution's on-lending rates to MSMEs?
 - a. What factors would determine whether, and to what extent, you pass on some or all of the pricing benefit to MSME borrowers?
 - b. You may wish to comment on internal pricing frameworks, risk appetite, competitive positioning, and other relevant considerations.
6. The SBGI envisions allowing credit risk guarantee funds to cover a range of principal default percentages - structured either as first-loss or pari-passu - based on defined loan terms and alignment with high-priority impact areas (e.g., financial inclusion, gender, green finance).
 - a. What level of coverage on MSME loan principal defaults would be most effective for your institution, and why?
 - b. Additionally, how would the structure of the guarantee - first-loss versus pari-passu - affect your institution's willingness or approach to MSME lending?
7. What size of MSME loan portfolio (in ZMW) could your institution realistically originate and disburse under the SBGI over the next 12–18 months?

SBGI High Priority Lending Criteria:

The SBGI intends to define certain “high-priority” impact areas—such as green finance, gender inclusion, first-time borrowers, and collateral-free lending—where meeting specific thresholds could result in enhanced credit risk guarantee coverage.

8. How well positioned is your institution to originate MSME loans aligned with these high-priority impact areas? Please comment on areas such as green finance, lending to women-led businesses, first-time borrowers, and clients without traditional collateral.
9. What are the most significant barriers currently limiting your institution's ability to expand lending to first-time borrowers and women-led enterprises?

SBGI Reporting Requirements:

The SBGI seeks to go beyond traditional lending metrics and evaluate its impact on systemic change, such as job creation, increased lending to women-led businesses, and growth in green sectors. With that in mind:

10. What is your institution's current capacity to provide disaggregated, and potentially new, data related to your MSME lending activities?
11. Beyond loan performance data, what additional data points does your institution currently collect on MSME borrowers (e.g., gender, sector, employment, business outcomes)?
12. What systems and processes are in place to ensure compliance with reporting obligations that may be required under the SBGI?
13. How frequently does your institution collect and report MSME lending data?
14. In what format is your MSME lending data stored and monitored, for example, through a central dynamic database, or static reports?

Technical Assistance Scoping:

The SBGI intends to provide Technical Assistance (TA) in the form of reimbursable grants to Business Development Service (BDS) providers and Innovation Grants (including matched funding) to financial institutions. These are designed to help de-risk MSME lending, strengthen institutional capacity, and build robust, long-term MSME lending programmes that continue beyond the life of the SBGI facility. With that in mind:

15. What types of technical assistance, if any, does your institution currently provide or use in support of your MSME lending activities?
16. If you do not currently offer technical support to MSMEs, what forms of assistance do you believe would be most relevant or beneficial to your current or potential MSME borrower base?
17. What types and approximate amounts of technical assistance (e.g., as a percentage of loan size or for specific borrower types such as first-time borrowers) would you recommend to meaningfully scale your MSME lending programme? Please be as specific as possible to inform the design of the SBGI's TA facility.
18. What BDS providers or TA delivery models are you currently using (e.g., in-house provision, third-party partners, donor-funded programmes)? What approaches have worked best for your institution to date?
19. Do you have existing or planned partnerships with local BDS providers, business accelerators, or other collaborative platforms aimed at strengthening sourcing, risk scoring, or M&E capacity for MSME lending?
20. Are you or your MSME clients currently receiving any form of TA funding? If so, from which sources, and how critical is this support to your lending operations?

21. The SBGI envisions offering “Innovation Grants” to PFSPs in the form of matching funding to support well-defined needs that could enhance and scale MSME lending. These grants may support areas such as systems upgrades, staff training, or improved risk monitoring capabilities.

Please describe your institution’s level of interest in receiving such an Innovation Grant, including the types of investments or improvements you would prioritise.

Other Considerations and Requests for Feedback:

As noted, the SBGI design has been informed by global best practices. Before the pilot launch in the coming months, we welcome your reflections on participation in credit risk guarantee schemes.

22. Which credit risk guarantee schemes is your institution currently working with, if any? Which schemes have you engaged with in the past?
23. Were there any schemes that did not align well with your institution’s needs or operating model? If so, please explain why?
24. Would your institution be interested in participating in the SBGI pilot phase (targeted for disbursement in first quarter of 2026)? If not, please explain the reasons or constraints that would prevent early participation.

III. Deadlines and Next Steps

Please note that this Call for Expressions of Interest and feedback is not a Request for Proposal (RFP). However, we do expect that organisations will submit their Eols during this Eol Open Call period to be considered in the formal RFP process.

Please submit your Eol before 9 September 2025 18.00 CAT by e-mail to: Secretariat@nabii.org.zm or through the office of Mr. Lackson Zulu, Assistant Director Macro prudential Policy and Contingency Planning at email: lazulu@boz.zm or Mr. Mundu Mwila Analyst, Financial and Economic Statistics at email: mmwila@boz.zm , with the subject link , “Small Business Growth Initiative Fund – FSP Expression of Interest: [name of the Applicant]”

The deadline applies to the receipt of the e-mail by the interim SBGI team. An acknowledgement of receipt will be sent to the relevant Applicants by the interim SBGI team via e-mail, which shall state the confirmation that the Eol was received before the deadline. The submission of Expressions of Interest will only be considered as effective once this acknowledgement of receipt has been sent.

Applicants are encouraged to make requests for additional information in advance of submitting the Eol if needed by no later than 1st September 2025. Any request for additional information should be submitted to Secretariat@nabii.org.zm **“Small Business Growth Initiative Fund – FSP Expression of Interest:** The SBGI will endeavor to respond to all requests for additional information as soon as possible.