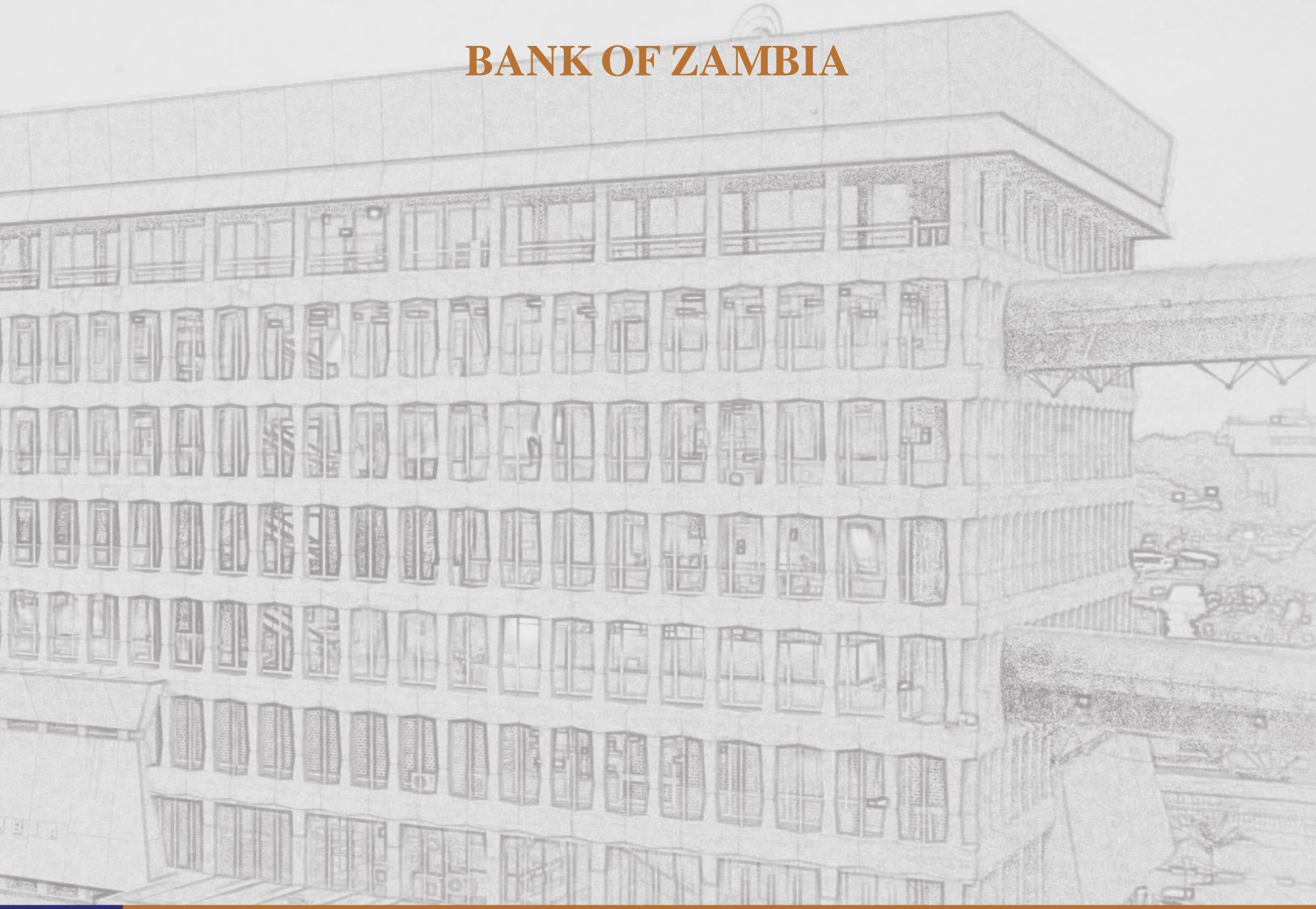


Governor's Talking Notes

BANK OF ZAMBIA



Panel Topic:

**The Fourth COMESA Business Council Digital
Financial Inclusion Public - Private Dialogue;
Towards A Regional Digital Payments
Platform for Micro, Small and Medium Sized
Enterprises (MSMEs)**

March 10 2022



Bank of Zambia

Salutations

- *COMESA Secretary General, represented by COMESA Assistant Secretary General-Programs, Amb. Dr. Kipyego Cheluget;*
- *COMESA Business Council President, Mr. Marday Venkatasamy;*
- *CBC Board of Directors from Kenya, Malawi, Uganda, Ethiopia, Zimbabwe and Egypt;*
- *Chief Executive Officer, AfricaNenda, Dr. Robert Ochola;*
- *CBC Chief Executive Officer, Ms. Sandra Uwera;*
- *Members of CBC DFI Advisory Committee*
- *Central Bank Governors and representatives herein present;*
- *Deputy Chief Executive Officer, AfricaNenda*
- *Representatives of the Ministries of Finance;*
- *Representatives of COMESA institutions;*
- *Representatives of the ICT Regulators, Commercial banks, Mobile Network Operators, FinTechs, Non-bank operators, MSMEs;*
- *Members of CBC;*

- *Members of the press;*
- *Distinguished Guests;*
- *Ladies and Gentlemen.*

May I simply say - All protocols observed

It is an honor for me to officiate, on behalf of the Governor Dr Denny Kalyalya, at the Fourth Digital Financial Inclusion Public - Private Dialogue hosted by the COMESA Business Council, whose theme is “Towards a Regional Digital Payments Platform for MSMEs in COMESA. I am well aware that this is a follow up event to a similar engagement that was held in December 2021.

Let me start by commending the COMESA Business Council and partners for the work done so far on the Digital Financial Inclusion program that aims at implementing a cost-effective payments platform for Micro, Small and Medium enterprises (MSMEs) and customers at the bottom of the financial pyramid in the COMESA region. It is critical that payment systems support key users such as MSMEs and retail customers if we are to achieve the overall goals of promoting trade and investment in the COMESA region.

We welcome the consultative approach that the COMESA Business Council has adopted in the formulation of a payment platform for MSMEs and retail customers, as evidenced by

successive Public – Private Dialogue events that have been held. The input provided by stakeholders will not only help design a platform that addresses the various pain points while balancing the needs of various stakeholders, but it will also significantly improve our chances of success. And as we move forward on this journey, it is important that we learn from the experiences of other regional payment system initiatives as well as our own previous projects such as COMESA Regional Electronic Payment and Settlement System.

***Ladies and Gentlemen,** the validation exercise that we are undertaking at this Fourth Digital Financial Inclusion Public Private Dialogue will ensure that we gain full understanding of the business needs of the MSMEs and the expectations of retail customers while at the same time appreciating regulatory requirements. As a regulator, such dialogue helps us to formulate policies that ensure that we have a safe, secure and efficient payment systems and that are consistent with evolving business needs*

Ladies and Gentlemen, based on 2019 data the COMESA region has a combined population of approximately 583m and a combined GDP of over U\$805bn. The combination of these two factors highlights the opportunities that the region offers in intra – COMESA trade. Although intra - COMESA trade increased from U\$1.5b in 2010 to U\$10.9b in 2018, the value of trade for 2018 represented only 7% of COMESA’s global trade.

With regards to financial inclusion, the most recent data from the World Bank (2018), the COMESA region has experienced a faster pace of financial inclusion and has surpassed the Sub-Saharan Africa average. The number of financially included in COMESA has more than doubled in the last decade, rising from 23% in 2011 to 32% in 2014 and further to 48% in 2017, with Digital Financial Services playing a key role. This reflects the fact that a good number of our countries have recorded significant growth in the uptake of digital financial services. In this regard, being able to measure the improvement in digital financial service provision and use remains a critical task.

Distinguished guests, in Zambia, the levels of financial inclusion, as measured by the 2020 Finscope survey stood at about 69.4%,

an increase of 10 percentage points from the 59.3% recorded in 2015. The major contributor to this growth has been mobile money services.

However, despite this growth in digital financial services, the use of cash in the economy, as measured by currency in circulation continues to be high. The continued high usage of cash as a settlement mechanism is indicative of low acceptance of digital financial service by merchants, including MSMEs. It is thus important that forums such as the one we are having today to explore and resolve the reasons for such low merchant acceptance. Once we address merchant acceptance, we will then reduce the need for economic agents to resort to cash.

***Ladies and gentlemen,** while the Finscope survey has shown growth in the uptake of Digital Financial Services in Zambia, there are still some challenges that we must address to fully exploit the potential of these digital payment systems, at both national and regional level. There are three specific areas that will be important for us to address: First, is the prevalence of incidences of fraud related to digital financial services. As we continue to migrate customers towards digital technologies, it is*

important to safeguard customer funds, especially new users of such services. We must ensure that we fully exploit these tools. It is therefore imperative that cyber fraud incidences are addressed to ensure the gains made so far in financial inclusion are maintained and enhanced. We have at our disposal several tools to address this challenge including investment in secure systems and applications, consumer awareness, and, knowledge sharing.

A second and related issue that requires our attention is that of the low financial capability of our citizens. Despite the growth in active DFS accounts in Zambia, for example, low customer awareness of new and existing DFS products is still a major obstacle. Roughly half the population has low digital literacy, and adoption of DFS is skewed towards higher income population segments, resulting in key segments of society being left out of the financial system.

In this week, where we celebrate both Women's Day and Youth Day, we must ensure that the challenges faced by these key segments of the market are consigned to the past. Zambia has bridged the gender gap from 33.3% of financially included women in 2015 to 58.5% in 2020. It is vital to point out the role

that data/ statistics has played in this journey, in keeping with the adage: what gets measured, gets done. However, we still have a long way to go.

The final issue is that of collaboration amongst stakeholders, who include regulators, financial sector players, Government departments and agencies and the wider community. Digital Financial Services represent a convergence of technology and financial services. We therefore cannot afford to continue operating in silos or focused on self-preservation when the challenges we face requires input from all of us.

In conclusion, let me mention that the CBC DFI Recognition awards will be presented during this Public Private Dialogue. The awards could not be presented during the meeting, which was held on December 3, 2021 due to the COVID-19 pandemic.

With these remarks, it is now my pleasure to declare the 4th Public Private Dialogue (PPD) on Digital Financial Inclusion officially open. I wish the meeting successful deliberations.

I thank you all for your attention, please stay safe, let's continue to observe the five golden rules with respect to COVID-19 and God bless you all.