ZAMBANKER

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Bank of Zambia

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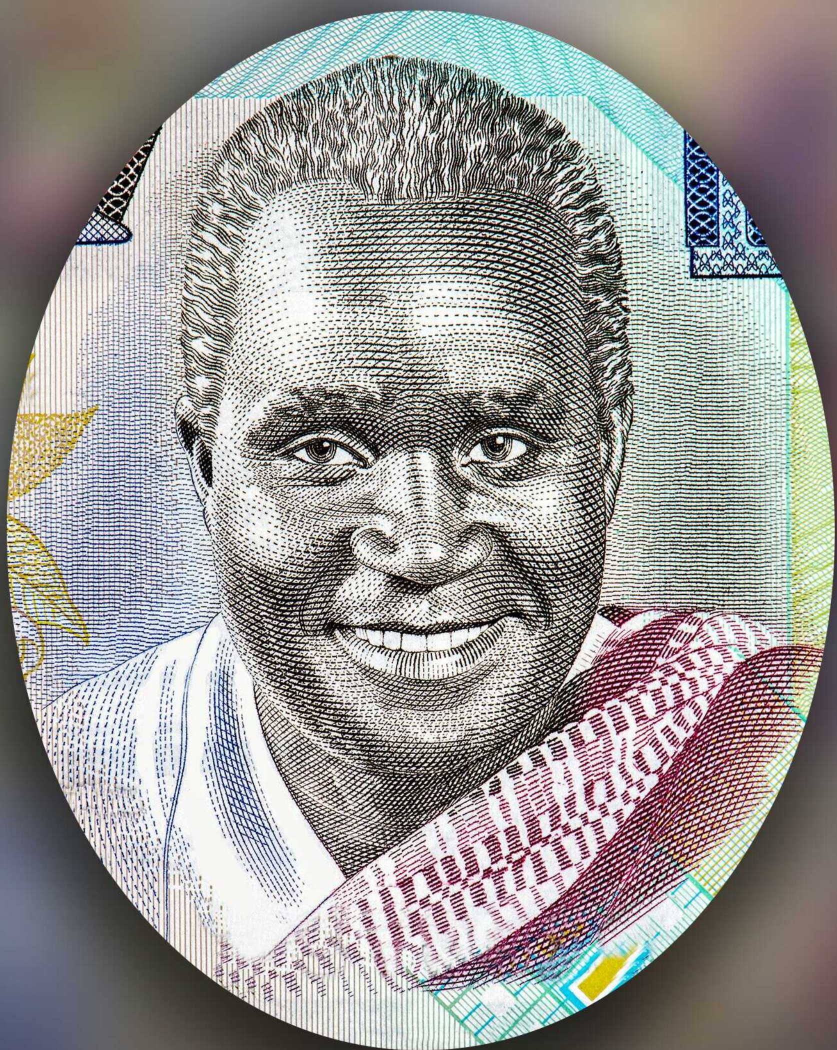

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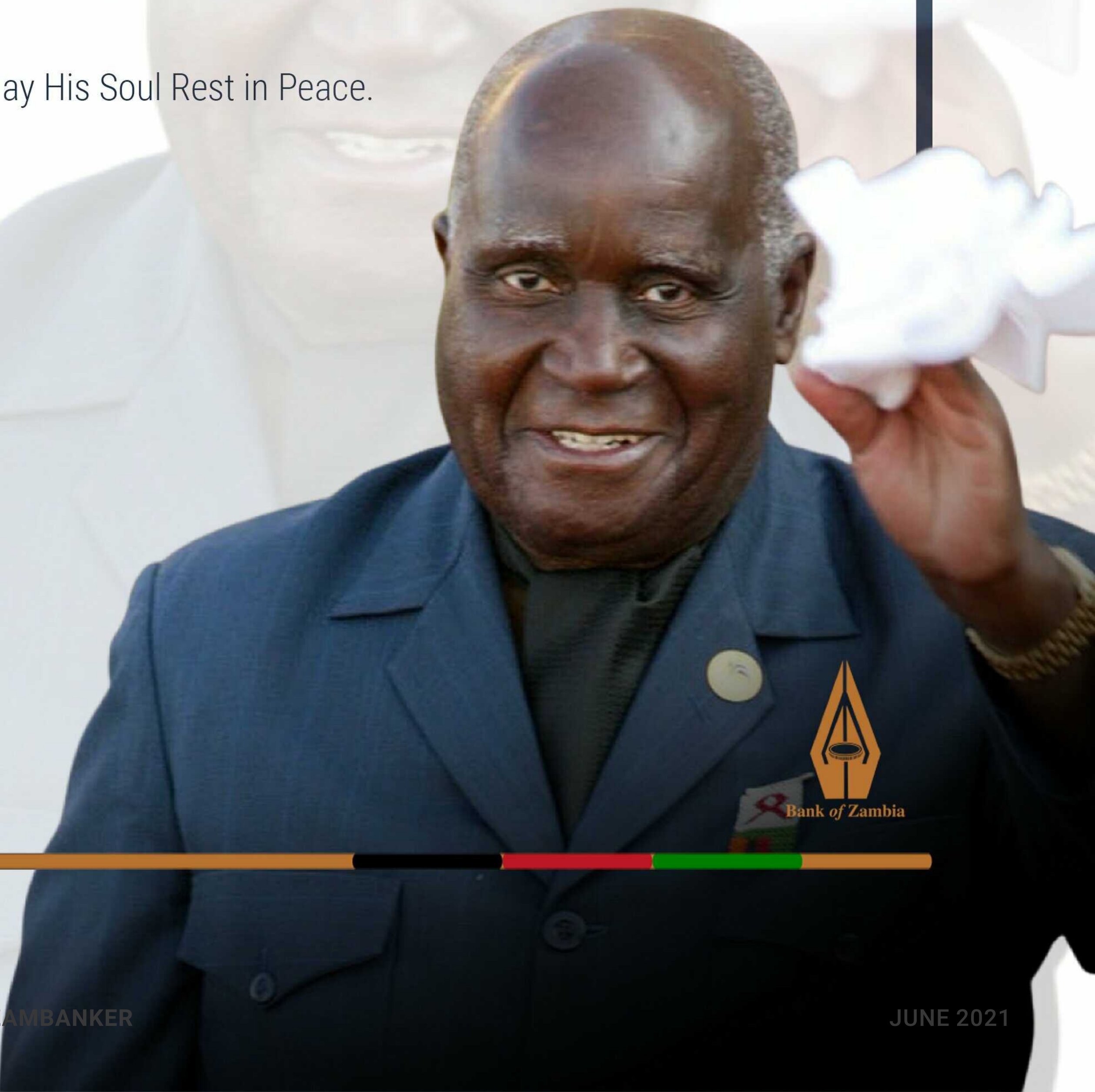
Condolences

The Board Management and staff of the Bank of Zambia wish to convey their sincere condolences and sympathy to the Kaunda family and the nation on the death of His Excellency Dr Kenneth David Kaunda, first Republican President of Zambia. Dr Kaunda was indeed one of Africa's great leaders and a global statesman who will be greatly missed.

The Bank of Zambia joins the rest of the nation in mourning our dearly departed founding father.

May His Soul Rest in Peace.



Bank of Zambia

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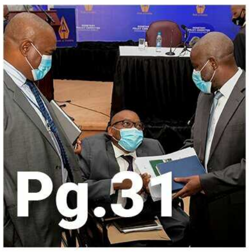
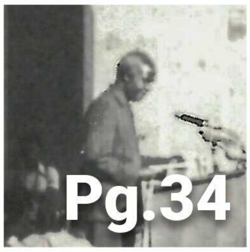


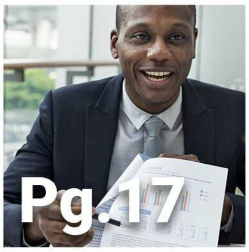
JAN-JUNE MONETARY POLICY OBJECTIVES

During the first half of 2021, monetary policy will focus on containing escalating inflationary pressures and anchoring inflation expectations. The shift in the monetary policy stance follows almost a one year period of monetary easing to support financial system stability and economic growth in the wake of COVID-19.

EVOLUTION OF MONETARY POLICY UNDER KK

Although the stages in the evolution of monetary policy in Zambia can be divided into several timeframes, there are two distinct eras. The first is the pre-liberalisation period which spans from 1964-1991, while the second, the liberation era, spans from 1992 to present. This article largely focuses on the pre- liberalisation era.



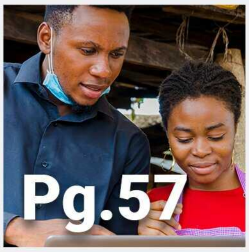


SUPPORTING INNOVATION IN THE FINANCIAL SECTOR

On 1st April, 2021, the Bank of Zambia gazetted the Bank of Zambia Guidelines for conducting Regulatory Sandbox, 2021. A regulatory sandbox is a framework set up by a regulator to permit firms to test trial their proposed innovative products or services in a live environment under a set of conditions and limitations without having to apply for the full license for the product.

OVERLAPPING CONSUMER PROTECTION MANDATE IN THE FINANCIAL SECTOR

Zambia has high-level regulations focusing on consumer protection and competition in the financial sector regulated by Bank of Zambia (BoZ), the Competition and Consumer Protection Commission (CCPC), the Securities Exchange Commission (SEC), the Pension and Insurance Authority (PIA) the Patents and Companies Registration Agency (PACRA) and the Zambian Information and Communication Technology Authority (ZICTA). Practical application of regulations and guidelines across the sector has, however, been challenging because of overlaps.

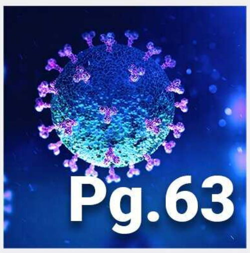


UNDERSTANDING THE FINANCIAL INCLUSION GAP BETWEEN RURAL AND URBAN AREAS

Zambia has made steady progress in advancing financial inclusion, recording a 69.4 percent level of inclusion in 2020 from 59.3 percent in 2015 and 37.9 percent in 2009. Despite the improvement in the overall level of financial inclusion, a big gap remains in the levels of inclusion in rural and urban areas.

COVID-19 AND ITS IMPACT ON THE ZAMBIAN ECONOMY

In the last quarter of 2019, the world witnessed the outbreak of a pandemic that has significantly changed the way of life. The novel coronavirus (COVID-19) has taken a heavy toll on lives and livelihoods across the globe. COVID-19 has adversely influenced the general socioeconomic systems, from interruptions in social interactions to disruptions in supply chains and general economic activity.



TRADE BALANCE INCREASES TO US$1.20 BILLION

By Zambanker Reporter

In the first quarter of 2021, Zambia's trade balance rose to US$1.20 billion from US$0.20 billion in the corresponding quarter of 2020. The outturn was explained by a rise in exports amid a decline in imports. Export earnings rose to US$2.44 billion in the first quarter of 2021, 52.3% higher than in the corresponding quarter in 2020, largely due to copper exports which grew by 62% to US$1.88 billion.

The rise in copper exports was on the back of rising export volumes and a sustained upsurge in prices. Export volumes benefited from the increase in copper production owing to continued higher throughput and favourable grades at some mines.

Higher copper prices were supported by improvements in external demand, particularly in China, due to policy support and relaxation of COVID-19 restrictive measures on account of widespread vaccination against the pandemic.

Besides copper, other major export commodities were: salt, sulphur, plastering material, lime and cement; natural/cultured pearls, precious stones and metal ores, slag and ash, as well as iron and steel. The major export destinations were Switzerland, China, Singapore, the Democratic Republic of Congo, Luxembourg, South Africa, and Zimbabwe.

Merchandise imports were 11.5% lower at US$1.29 billion in the first quarter of 2021 compared to the corresponding quarter in 2020. The subdued imports reflected weak domestic activity and sustained depreciation of the Kwacha. Significant reductions in imports were recorded in mineral fuels, oils and products of their distillation; electrical machinery, equipment, and parts thereof, fertilisers; and nuclear reactors, boilers, machinery, mechanical appliances and parts thereof.

The major import source countries were South Africa, China, India, United Arab Emirates and Seychelles.

BoZ, FSDZ EXTEND FINANCIAL INCLUSION MoU

By Zambanker Reporter

The Bank of Zambia (BoZ) and Financial Sector Deepening Zambia (FSDZ) have extended the period for the Memorandum of Understanding for 'Deepening Financial Inclusion for Real Sector Value to 2024 from 2021. This is in recognition of the need for the two institutions to work and co-operate to expand and deepen the financial inclusion in Zambia. This would enable access to financial services for poor and financially underserved or unserved communities and households; particularly, rural persons - especially women and youths, families, smallholder farmers, and micro/small/medium businesses.

The two institutions will further seek to develop and increase access and usage of digital financial services (DFS) to deepen formal financial inclusion in Zambia; share such information as may be necessary for the better achievement of objectives of this MOU; and generate information, statistics, research, and evaluations necessary to measure and monitor the levels of change of financial inclusion in the country.

ACHIEVEMENTS UNDER THE BOZ/FSD Zambia MOU

In line with the MoU, Financial Sector Deepening Zambia (FSDZ) has supported the Bank in the following activities:

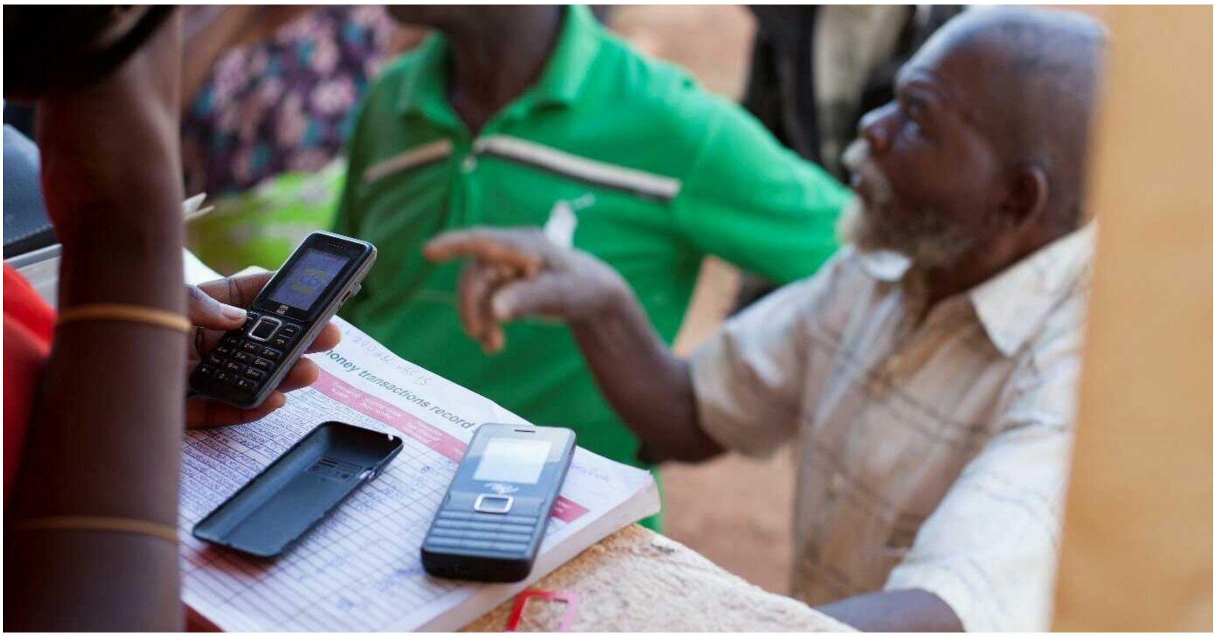
- National Financial Switch.
- Operations of the Payments Association.
- Review of the National Payment Systems Act (NPSA) and other regulations.
- Development of a framework for collection of sex disaggregated data.
- SME Finance Project.
- 2020 FinScope Survey.

National Financial Switch

FSD Zambia has rendered financial and technical support on the implementation of the National Financial Switch (NFS).

During the year 2020, the National Financial Switch (NFS) project accomplished its final major milestone of ushering into production the switching of mobile payments. This achievement saw the coming on board of non-bank participants on the NFS and has resulted in an increase in access and usage of financial services. With this development, customers can now make instant payments through the NFS as follows:

- Wallet to bank transfers;
- Bank to wallet transfers;
- Cash out at ATM or agent; and
- Cross network mobile money transfers.



Financial services such as mobile money have greatly contributed to on-boarding people who were previously financially excluded, including those in the rural areas who can now access financial services through their mobile phones.

The availability of these services on the NFS provide for efficient payment processing and interoperability between the service offering of commercial banks, non-bank financial organisations and various other payment service providers within Zambia. In the future, the NFS may also open up to integrate to regional payment systems within SADC, COMESA and beyond to support interoperability and efficiency with other trading partners.

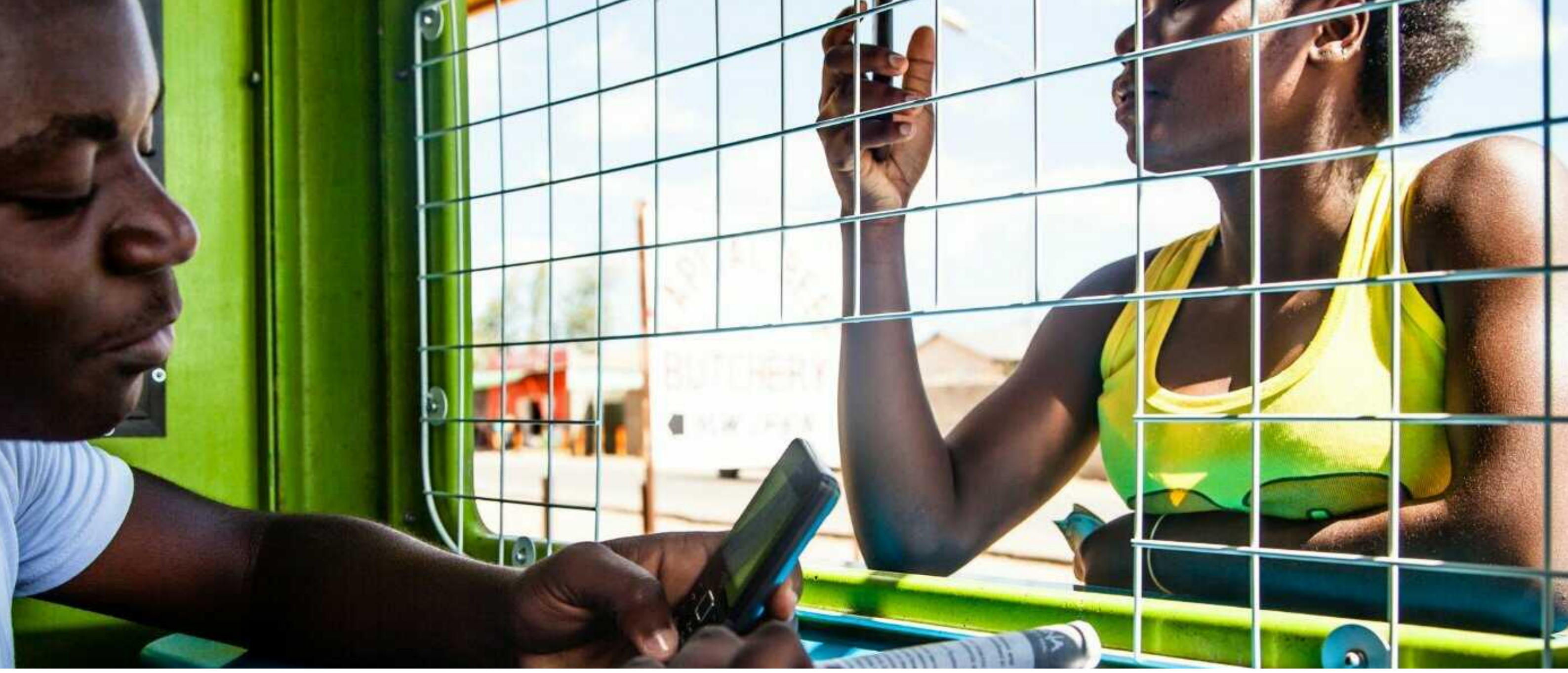
In the long run, the anticipated benefits of the NFS include reduced infrastructure acquisition and transaction costs through shared centralised infrastructure among financial institutions and customers in Zambia, promotion of innovation and of e-products and delivery channels that will extend the coverage of financial services in Zambia and reduction in the usage of cash and paper-based payment instruments in Zambia.

Since going live on 23 September 2018, a cumulative total of 20 million transactions with a value of K13 billion have so far been switched through the NFS. During the year 2020, a total of 12 million transactions with a value of K8 billion were processed through the NFS compared to 7 million transactions with a value of K5 billion processed during 2019. This represents increases of 61% in the volume and 67% in terms of value of transactions processed between 2019 and 2020.

Operations of the Payments Association

The establishment of the Payments Association was one of the keys issues that the Bank and SADC identified as being important for providing a platform for collaboration amongst the DFS providers especially the non-banks and payment service providers. Collaboration is critical for advancing financial inclusion in Zambia.

The FSD Zambia was instrumental in the establishment of the Payments Association. The Bank has noted that the Association has now hired an administrator who will manage the day-to-day affairs of the Association.



The payments association has been key in facilitating engagement between Bank of Zambia and regulated entities on various matters such as regulatory policy and resolution of common challenges.

Review of the National Payment Systems Act (NPSA)

The Bank of Zambia has undertaken to review of the National Payment System Act to incorporate developments on the domestic, regional and global market. A number of developments have taken place including electronic/mobile money issuance and the coming on board of the FinTechs and other new innovations. The revision of the Act is necessary to ensure that the Bank continues to provide an enabling environment.

FSD Zambia was instrumental in offering both technical and financial support during the review of the National Payment System Act. The key thematic areas that are new in the proposed Bill relate to the following:

- Improved clarity over the mandate of the Bank of Zambia over payment systems;
- Separation of licensing requirements and designation of payment systems;
- Detailed corporate governance arrangements for payment systems;
- Inclusion of detailed provisions on consumer protection;
- Introduction of provisions related to electronic money and related transactions; and
- Introduction of the principle of regulatory sandboxes to accommodate appropriate regulations for the enhancement of innovations.

Development and establishment of a framework for collection and analysis of sex disaggregated data. The Bank of Zambia in conjunction with the cooperating partners and the financial service providers developed and implemented a framework for collecting and analyzing sex disaggregated data on access and usage of digital financial services. The collection of this data facilitates for evidence-based policy formulation and decision making. Further the data will be used for monitoring the effectiveness of polices that have been implemented. These efforts are aimed at closing the gender gap and increase financial inclusion for women in Zambia.

FSD Zambia was one of the cooperating partners that contributed to the achievement of this milestone

SME Finance Project

The Bank of Zambia with the support of the Alliance for Financial Inclusion (AFI) embarked on a project to develop policy framework for SME finance in January 2018. A diagnostic study was conducted in 2018 and FSD Zambia supported the Bank by providing a local consultant who played a key role in conducting the study.

Implementation of the 2020 FinScope Survey

The Bank, with support from other stakeholders in the financial sector successfully implemented the FinScope 2020 Survey, which covered 12,990 adults from across all districts in Zambia. The Survey is the main source of financial inclusion statistics, which includes the level of access and usage of financial products and services as well as attitude towards these services by the adult population. Top line findings for the Survey were disseminated to the public on 17 December 2020. The Survey established that the level of financial inclusion increased to 69.4 percent in 2020 from 59.3 percent in 2015.

FSD Zambia provided financial support in the sum of £251,696.00 as well as technical support through the project team and an international consultant from South Africa.

BoZ has prioritised financial inclusion as one of its strategic objectives in the 2020 – 2023 Strategic Plan. Under this plan, the BoZ is desirous to bring the unbanked and underserved population into the formal financial system, and to improve the depth and breadth of affordable, sustainable, and client-centric financial services available to all Zambian citizens.

FSD Zambia seeks to increase financial inclusion by providing information, knowledge and resources to facilitate innovation and market change, working with regulators and policymakers, financial service providers, and civil society organisations.

FSD Zambia as a neutral market facilitator brings information and knowledge to the market, and wishes to support a strong, effective, well-functioning financial market in Zambia so all Zambians can benefit from financial services, particularly low-income families.

Both BoZ and FSD Zambia recognise the importance of and need to continue to work together in a coordinated manner to help achieve the Government's vision of ***'universal access and usage of a broad range of quality and affordable financial products and services by 2030'.***

NEWS IN BRIEF

MONETARY POLICY COMMITTEE ANNOUNCEMENT

The Monetary Policy Committee at its meetings held from May 17 - 18, 2021 decided to keep the Monetary Policy Rate unchanged at 8.50 percent. This was to allow for the last Policy Rate adjustment to take full effect on the economy. The Committee was also cognisant of the existing vulnerabilities in the financial sector and fragile growth.

The MPC noted that, although inflation is projected to remain above the upper bound of the 6-8 percent target range over the forecast horizon, inflationary pressures are projected to ease faster than earlier anticipated, particularly towards the end of the forecast horizon.

This was at the back of improved supply of food, particularly maize and wheat following a strong crop harvest, higher than anticipated copper prices and improved external sector support.

To restore macroeconomic stability, the implementation of fiscal adjustment measures in line with the Economic Recovery Programme and understandings reached in discussions with the IMF, remain critical.

REGULATORY SANDBOX GUIDELINES ISSUED

The Bank of Zambia directives on the Regulatory Sandbox. These directives were issued on May 18, 2021.The directives are aimed at establishing a regulatory framework for testing of a variety of innovative products, services and other emerging financial technologies that have the potential to transform the financial sector and promote financial inclusion.

Any licensed institution or prospective applicant that seeks to test a novel financial product or service is eligible to apply for admission into the sandbox.

FINANCIAL INCLUSION - FINANCIAL LITERACY WEEK

The Bank of Zambia conducted media outreach on Millennium Television and community radio stations in Luapula, Copperbelt, Muchinga Northern and North-Western Provinces during the Financial Literacy Week (FLW) campaign, which was conducted nationwide from 22 to 26 March 2021, under the theme "Take Care of Your Health, Take Care of Your Money ".

PERFORMANCE OF THE MOVEABLE PROPERTY COLLATERAL REGISTRY UPDATE

The largest users of the Moveable Property Registry System (MPRS) during the first quarter remained the commercial banks, who made 139 registrations under the system representing 58% of activities. On the other hand, micro finance institutions registered 84 transactions which represented 35% of usage, while money lenders had two registrations representing 1% of transactions.

The utilisation of the MPRS improved for the period under review as evidenced by the increase in the number of registered financial statements on the system, which increased by 71.4% to 336 at end March 2021.

A total of 681 items were pledged as security in the quarter ended March 31, 2021 an improvement from 322 items recorded in quarter ended December 31, 2020. Moveable assets accounted for the largest portion of all registered collateral at 48.8%.

The provincial utilisation of the MPRS remained concentrated in Lusaka, Copperbelt and Central provinces which accounted for 55%, 19% and 14% respectively. Utilisation by the other seven provinces remained low at 6%.

The interest registered on the MPRS provides relief for loan loss provisions. The relief is in line with the Loans Classification and Provisioning Directives of 2020 which require institutions not to impair loans to the extent of the collateral held in the MPRS.

SUCCESSFUL HOSTING OF THE LEGAL SYMPOSIUM

The Bank of Zambia successfully hosted the Legal Symposium held from 22nd to 23rd April, 2021 at Avani Resorts in Livingstone. The objective of the forum was to engage and obtain insights from officers responsible for compliance in respective financial institutions. Additionally, the Bank of Zambia wanted to gain a better understanding of challenges they face when dealing with regulatory matters.

BoZ DONATES K3M TOWARDS COVID-19 FIGHT

By Zambanker Reporter

The Bank of Zambia has donated K3 million towards the Covid-19 response, with a call to various stakeholders, including private citizens to join the fight. Speaking during the Ministry of Health's (MoH) Coronavirus update briefing, Bank Governor, Mr Christopher Mvunga, said containment of the pandemic requires a collective response from all stakeholders including private citizens, without which the spread cannot be restrained.

The donation will be channeled through the Ministry of Finance, who will in-turn disburse the funds to the Ministry of Health. The contribution, which has come through the Bank's corporate social responsibility programme, is meant to help address immediate pressing needs that the Ministry is facing including saving lives.

Mr Mvunga explained that the virus, which has killed thousands of people in many countries across the globe, is now posing a serious threat on Zambia and requires concerted efforts from every institution and individual. He stated that significant economic impact has already occurred in the country as can be seen from reduced productivity, trade disruptions, business closures and decimation of the tourism industry.

"The Bank has found it prudent to collaborate with the Ministry of Health in preserving human life at a critical time such as this, when the third wave has hit the country hard. We have noted that Zambia has continued to record increasing numbers of new Covid cases and the death toll has also been on the rise," he said.

The Governor further commended the efforts and measures being implemented by the Ministry of Health in addressing the Covid – 19 pandemic.

Consistent with its vision of being a dynamic and credible central bank that contributes to the economic development of Zambia, the Bank recognises that health is one of the key pillars of economic development. The provision of social good to the public fosters a sense of pride and corporate responsibility for the organisation and its employees.

These efforts build on the Bank's initial response in 2020 including the following: monetary policy was relaxed in the second half of the year to mitigate the adverse effects of the COVID-19 shock on people's lives and livelihoods as well as to safeguard the stability of the financial sector. Thus, the Policy Rate was cumulatively lowered by 350 basis points in May and August to 8.0 percent. The cut in the Policy Rate complemented other broader measures the Bank implemented to mitigate the impact of COVID-19. These included liquidity support to the financial sector to avoid stress in the interbank money and debt markets as well as the overall functioning of the economy. In this regard, open market operations were scaled-up to provide short-term liquidity support on more flexible terms.

In addition, a 3-5 year K10 billion Targeted Medium-Term Refinancing Facility was established to provide funds to eligible Financial Service Providers for on-lending to priority sectors at attractive rates. So far, K6.4 billion out of K10

Governor Mvunga speaking to Dr. Kennedy Malama - Permanent Secretary, Ministry of Health, during the donation.

billion under the Medium Term Refinancing Facility has been disbursed as at 30th June, 2021.

Further, a secondary market bond purchase programme was implemented to support market liquidity and promote bond consolidation. This was expected to support the deepening of the secondary trading of Government paper and strengthen the transmission of monetary policy. Following the implementation of these measures, money market liquidity conditions eased.

Meanwhile, the Bankers Association of Zambia (BAZ) has donated 1,800 oxygen cylinders valued at K755,000 to the Ministry of health to help in reducing the acute shortage of oxygen in Lusaka hospitals for at least three months.

Speaking during the donation, BAZ Chairperson, Mr Herman Kasekende said the quantity of oxygen as advised by the Ministry of Health will greatly help in reducing the acute shortage of oxygen in Lusaka Hospitals for at least three months.

Mr Kasekende, who is also Standard Chartered Bank Chief Executive Officer, said BAZ recognises the strain the country's health facilities and workers are faced with in looking after critical-care patients, especially those impacted by the Covid-19 pandemic.

In recognising the acute shortage of oxygen in the country, the Association has partnered with the Centre for Infectious Diseases Research in Zambia (CIDRZ) to procure 1,800 oxygen cylinders valued at K755,000. The surge in Covid-19 infections and related deaths is not only about statistics, but it is more about the people we call our colleagues, employees, customers, family, and friends.

"As banks, we commit to ensuring that self-service digital banking platforms services continue to operate efficiently on a 24-hour basis," he said

.

He appealed to clients to transact from the safety of their homes through digital channels (online and mobile banking) and only visit branches when absolutely necessary. He also assured that banks will ensure continuity in the operations of all their ATMs and Cash Deposit Machines. In addition, banks have put in place Business Continuity protocols to ensure smooth operations of the above channels.

"Therefore, help us to protect our employees as we protect you by embracing digital banking channels as the nation goes through the lethal 'third wave' of Covid-19. All our channels will remain open during this period to ensure clients continue accessing essential financial services. In this respect, it has become imperative to elevate health and safety measures so that our various touch points (especially the branches) do not become a conduit of transmission for COVID-19," he added.

BoZ ISSUES CURRENCY CIRCULATION GUIDELINES

…to promote the circulation of acceptable good quality banknotes and coins to support economic activity in the country

By Zambanker Reporter

The Bank of Zambia has issued Currency Circulation Guidelines to promote and enhance quality control of circulating banknotes. The guidelines consequently explain various Currency Management activities that contribute towards maintaining an efficient cash cycle. These guidelines are intended to be used by all players in the Cash cycle, which includes the Bank of Zambia, commercial banks, major cash handlers and indeed the general public.

The Bank in the recent past intensified campaigns to encourage and promote the use of various forms of electronic payments which are safer and efficient with a view of reducing the country's heavy reliance on cash as a mode of payment. However, the existence of various technological and psychological impediments associated with electronic payments have led to continued dependency on cash. Cash transactions have continued to rise despite the prevalence of other forms of payments.

The increase in banknotes in circulation necessitates that the Bank continues to closely monitor the quality of banknotes and comes up with interventions that it deems fit to timely withdraw unfit banknotes in order to maintain the integrity of the Currency.

These guidelines are intended to promote the circulation of acceptable good quality banknotes and coins to support economic activity in the country.

The Guidelines provide a process through which the Bank of Zambia together with commercial banks and the public at large ensure that banknotes and coins in circulation are in good condition and of acceptable quality. Clean banknotes and coins make the identification of counterfeits easy by the public, facilitate easy use on vending machines and ATMs and provide safe and hygienic instruments for trade.

These Guidelines seek to provide a structure through which the Bank shall maintain good quality currency in circulation and are intended to promote the circulation of acceptable good quality banknotes and coins to support economic activity through;

- The provision of appropriate standards defining 'Fit' and 'Unfit' Currency;
- The issuance of currency;

- The withdrawal and destruction of unfit currency;
- Rules for exchange of mutilated currency; and
- Provision of continuous public education.

The Bank shall issue Banknote Quality Standards as may be applicable from time to time. The quality standards shall specify the requisite standards that shall be applicable for uniformity of application by the market. These standards thus provide examples as to what 'Fit" banknotes and coins should look like when compared with 'Unfit' banknotes and coins so as to assist those required to sort them to come up with an appropriate determination.

The following shall be the requirements for the maintenance of banknote and coins quality standards: all parties in the currency cycle shall promote and maintain the quality standards as provided; only (Fit) good quality banknotes and coins shall be made available for return into circulation.

To achieve its objectives, the Bank will ensure that it maintains adequate stocks of banknotes and coins at all times. The stocks of new banknotes and coins will be used side by side with reissuable banknotes and coins to replace unfit banknotes and damaged coins in circulation.

In order to maintain a high level of clean banknotes in circulation, the Bank of Zambia encourages expeditious withdrawal of unfit banknotes from circulation through the established banknote circulation channel, the commercial banks. Commercial banks shall deposit cash sorted into Fit and Unfit as prescribed in the Bank of Zambia Rules for Depositing Cash. The Bank shall provide sorting standards for banknotes to commercial banks.

Where required, commercial banks shall deposit banknotes classified as FIT and UNFIT at the Bank of Zambia in separate trunks. The Bank will verify and authenticate all deposits from commercial banks before reissue or destruction.

A banknote shall be considered unfit for recirculation when it has any of the following defects: holes, tears, heat damage, repairs, undesirable material on the banknote, ink wear, soiling and structural damage, defaced or twisted out of shape (coins), reduced weight and discolouration (coins) as well as melted (coins).

The Bank of Zambia has a statutory obligation to issue banknotes and coins to be legal tender in Zambia and to regulate all matters relating to the currency of the Republic under the Bank of Zambia Act Number 43 of 1996 section 4. It is the responsibility of the Bank to ensure that there are adequate banknotes and coins in circulation to facilitate trade and to ensure that the public maintains the country's legal tender under prescribed standards that aid easy identification.

In order to fulfill this statutory obligation, the Bank endeavours to maintain an acceptable quality of banknotes in circulation to ensure easy recognition of genuine banknotes by citizens. To ensure that banknotes in circulation remain clean, the Bank of Zambia will continue to supply clean banknotes through Commercial banks while withdrawing and destroying any soiled or mutilated banknotes.

The Bank of Zambia is committed to ensuring that public demand for banknotes and coins is met at all times and that the banknotes and coins in circulation are of a prescribed quality. The Bank will withdraw and destroy all banknotes and coins deemed unfit for circulation and replace them with fit ones.

POLICY FOCUSED ON INNOVATIVE, RESPONSIVE SECTOR

By Zambanker Reporter

Deputy Governor-Operations, Dr Francis Chipimo has said the Bank of Zambia has a vested interest in ensuring that the financial sector is innovative, responsive to demand and supports Zambia's economic growth journey, while maintaining stability.

Speaking during the policy workshop on Access to Finance for Small and Medium Scale Enterprises (SME) in Zambia, Dr. Chipimo said the Bank of Zambia remains committed to supporting the financial inclusion agenda and the development of products and services designed to meet the needs of the Zambian SMEs sector.

He stressed that the BoZ recognises the important role SMEs, particularly those led by women, play in the country's economic growth and poverty reduction strategy. He noted that while some SMEs are adapting through diversification of their business models, a significant proportion of SMEs are faced with challenges in meeting financial obligations and investing in enterprise growth.

"It is essential therefore, that the financial sector continues to expand its portfolio of products and services by leveraging reforms, digital innovations and targeted outreach. We shall continue to enhance our partnership with the World Bank and appreciate the support rendered to the financial sector to ensure financial services and credit are accessible to all segments of society particularly the SME sector," he said.

The Deputy Governor indicated that the COVID-19 pandemic has caused unprecedented economic challenges and devastation globally and Zambia is no exception, adding that SMEs in Zambia have particularly faced severe liquidity constraints, with decreasing demand, supply chain interruptions and an uncertain recovery timeline.

The latest Credit Market Monitoring Report shows that credit conditions remain constrained for households and SMEs, with more stringent credit criteria being implemented. The Report shows that demand for working capital has increased considerably as businesses seek to finance ongoing operations. Additionally, although lending rates have fallen in response to the Bank's TMTRF initiative, they are still unaffordable while collateral requirements remain unchanged. These challenges are exacerbated for women led SMEs.

Even before the outbreak of the COVID-19 pandemic, the BoZ was engaged in strategies aimed at facilitating increased access to financial services by women entrepreneurs and the SME sector including the following:

- In 2010, the Bank of Zambia partnered with the local office of the International Labour Organisation to promote the use of the Female and Male Operated Small and Medium Enterprise (FAMOS) self-check audit by banks, non-banks, and recently payments systems businesses. This initiative was aimed at supporting women's access to productive assets such as finance, capital and entrepreneurship with the sole purpose of

Dr. Francis Chipimo

enhancing the provision of suitable financial services for women. To-date, a total of 32 Bank of Zambia employees have been trained as FAMOS facilitators. Thus far, a total of 61 financial services providers have undergone FAMOS check audits.

- In 2017, the BoZ augmented its capacity building programmes for FSPs to design women's market programmes by hosting the Global Banking Alliance All-Stars Africa Academy. From this training, several banks have designed notable value propositions to serve women SMEs. In this context, the survey of women led SMEs in Lusaka, Copperbelt and Eastern Province conducted under the World Bank's Women Entrepreneurs Finance Initiative (WeFi), is even more relevant. This provides us with the latest insight into the firms across sectors and shows that there is a high demand for credit by women led SMEs in the country but that they are unable to access it from financial services providers.

- The results of the survey conducted on Moveable Assets Based Lending shows that despite the successful implementation of the Movable Property Security Interest Act (MPSI), and the establishment of the Movable Property Collateral Registry, which is administered by Patents and Companies Registration Agency (PACRA), the anticipated uptake in the use of moveable collateral for accessing credit, when compared to developments in other countries has not been seen.

  This new legal and institutional framework was designed to provide greater legal certainty and transparency for secured lending on movable property. Secured creditors could ultimately have the ability to innovate and introduce new types of asset-based lending products. Therefore, if well utilised, the register would allow women led SMEs who do not have landed property to have access to credit by pledging their movable properties as collateral.

- The Bank will soon implement the regulatory sandbox to support innovations and new product designs by FSP's, particularly, Financial Technologies (FinTechs) in a controlled environment. This is an opportunity for collaborative work among FSPs to design appropriate products for the SME sector.

- In addition, the Bank has developed a sex-disaggregated supply-side financial inclusion data framework and FSP's have been providing sex-disaggregated data since September 2019. The importance of sex-disaggregated data and its impact on effective decision-making, at all levels, most especially product and service design, cannot be over stated. This information will inform policy interventions to identify and address barriers faced by SMEs in accessing finance as well as assist with modifying the existing policies, strategies and other measures for increasing financial inclusion. The Bank is also preparing to undertake an SME FinScope survey in 2022, and the results of the survey of women led SME's will provide valuable input into the design of the nationwide survey.

GOVERNMENT SECURITIES OPERATIONS

Creating a Fund to Receive Payments on Monthly Basis


By
Finzi Mwezani

In the last edition, we looked at how to create a simple Pension Fund using Government Securities. In this issue, we are going to look at how one would create a fund to receive a specific amount on a monthly basis. Some readers have requested that we assist them in designing a simple fund for their school-going children to be receiving monthly allowances. We will take a first year student pursuing a four-year program at a University in Zambia. We want the student to be receiving K1,000.00 every month to be paid to their account. We can replicate this to represent monthly bills such as rental, utility bills, fuel expenditure just to mention a few.

We will use the same principle we used in the previous editions where we created Pension and School Fees funds. How much do we need to invest so that our student gets that monthly allowance of K1,000.00? To determine how much we need to invest, we will need to select the instrument we shall use. In this illustration, we will use Government bonds. Our target is to get coupon payments on a monthly basis. Since government bonds pay coupon twice a year on a 6 months basis, we will need to purchase bonds every month for 6 months to get coupon payments on a monthly basis. For instance, we will purchase a bond issued in January which will pay coupons in January and July, then purchase a bond issued in February with a coupon payment cycle of February and August, then purchase a bond with coupon payment cycle of March and September and so on until we have 6 instruments that will pay coupon over 12 months in a calendar year.

To get the face value that will generate a net K1,000.00 coupon payment, we need to divide the K1,000.00 by the net coupon rate (coupon attract withholding tax of 15% and an administrative fee of 1% of the gross coupon amount). We will select a 5 year bond for this illustration. The current 5 year bond pays gross coupon of 11% per annum i.e. 5.5% every 6 months. We net off the coupon by multiplying the 5.5% by 0.84 (i.e. 100%-16% divided by 100%). This give us a net coupon rate of 4.62% or 0.0462 in number terms. We then divide the K1,000.00 by 0.0462 to get the face value of K21,645.02. We then round off the face value to K22,000.00, as bids for face value amounts of K29,0000.00 and below are placed in multiples of K1,000.00 in the primary market. We have determined the face value for each of our six (6) 5-year bonds we intend to purchase. The price of a 5-year bond as at the 03/2021/BA auction was K48.0452 for every K100.00 nominal. Therefore, for a face value of K22,000.00, we would pay K10,569.95. For the 6 instruments, our estimated cost would be K63,419.70 (assuming that the price is unchanged). With this fund, our student will receive a K1,012.00 every month for the next 5 years and will receive a total of K132,000.00 over the 6 maturity dates.

Please note that the yields/prices for Government securities rise or fall depending on market conditions. This article is strictly for illustration purposes. For financial advice, kindly consult a Financial Advisor.

GOVERNMENT SECURITIES OPERATIONS FOR 1ST QUARTER 2021

The following is a summary of Government Securities operations in Q1 2021.

Treasury Bills (T-bills)

The Government of the Republic of Zambia invited a total of K7.80 billion at cost over 6 Treasury bill auctions in Q1 2021. A total of K8.62 billion at cost was received representing an average subscription rate of 110.6% up compared to the average subscription rate of 83% recorded in Q4 2020. A total of K8.49 billion was allocated. This represents an average uptake rate of 108.9% up from the average uptake rate of 82.2% recorded in Q4 2020.

Treasury bills yield, Q1 2021

	Last Q4 2020 auction	Q1 2021 Tbill Results per auction					
	27/2021	01/2021	02/2021	03/2021	04/2021	05/2021	06/2021
	31-Dec-20	14-Jan-21	28-Jan-21	11-Feb-21	25-Feb-21	11-Mar-21	25-Mar-21
91 Days	14.0000	14.0000	14.0314	14.0314	14.0314	14.0314	14.0314
182 Days	16.0000	16.0266	16.0266	16.0266	16.0266	16.0266	16.0266
273 Days	19.5000	19.4500	20.0000	20.0000	20.0000	20.0000	20.0000
364 Days	25.7500	25.7500	25.7500	25.7500	25.7500	25.7500	25.7500
Weighted Average Yield Rate (WAYR)	22.6896	24.1968	22.3981	25.3936	22.3182	22.2620	23.6761

Key observations on yield rate movements in Q1 2021

- The yield rate on the 91 Days tenor rose by 3 basis points to 14.0314% as at end of Q1 2021 compared to 14.0000% at the end of Q4 2021.
- The 182 Days yield rate rose to 16.0266% as at end of Q1 2021 from 16.0000% as at end of Q4 2020 representing a rise of 3 basis points.
- The yield rate on the 273 Days as at end of Q1 2021 was 20.0000% up from 19.5000% as at end of Q4 2020.
- No yield rate movement was recorded on the 364 Days tenor in Q1 2021 over the 6 auctions conducted. The yield rate on the 364 Days remained unchanged in Q1 at 25.7500% same as the closing Q4 2020 yield rate.
- The Weighted Average Yield Rate (WAYR) for Q1 2021 rose by 68 basis points to 23.6761% from 22.6896% at the end of Q4 2021.

Government Bonds (GRZ bonds)

Three bond auctions were conducted in Q1 of 2021 with the total of ZMW 4.50 billion offered at cost. K2.76 billion was received at cost representing a subscription rate of 61.4% up from 56.3% recorded in Q4 2020. Of the K2.76 billion received in Q1 2021, a total of K2.42 billion was allocated at cost. This represents an uptake rate of 53.7% up from 29.4% uptake rate recorded in Q4 2020.

Govt bond yield rate movements, Q1 2021

	Q4 2020			Q1 2021		
	10/2020	11/2020	12/2020	01/2021	02/2021	03/2021
	30-Oct-20	27-Nov-20	24-Dec-20	22-Jan-21	19-Feb-21	19-Mar-21
2 years	32.0000	32.0000	32.0000	32.0000	32.0000	32.0000
3 years	32.7000	32.7000	32.7000	32.7000	32.7000	32.7000
5 years	33.0000	33.0000	33.0000	34.5000	34.5000	34.5000
7 years	25.0000	30.1000	30.1000	30.1000	30.1000	30.1000
10 years	33.0000	34.5000	34.5000	34.5000	34.5000	34.5000
15 years	33.5000	33.5000	33.5000	33.7000	34.0000	34.5000
Weighted Average Yield Rate (WAYR)	32.3940	32.8672	33.3522	34.3048	32.4486	33.6973

Key observations on Govt bond yield rate movements in Q1 2021

- No yield rate movement was recorded on the 2- and 3- year tenors which were maintained at 32.0000% and 32.7000% respectively.
- The 5- year yield rate rose by 150 basis to 34.5000% in Q1 of 2021 from 33.0000% in the last quarter of 2021.
- The 7- year yield rate remained unchanged at 30.1000% in Q1 of 2021 same as at the end of Q4 of 2020.
- There was no yield rate movement recorded on the 10- year bond. The yield rate at the end of Q1 2021 and end of Q4 2020 remained unchanged at 34.5000%.
- The yield rate on the 15- year bond rose by 100 basis from 33.5000% at the end of Q4 of 2020 to 34.5000% as at end of Q1 2021.
- The end of quarter Bonds Weighted Average Yield Rate (WAYR) rose by 35 basis points from 33.3522% as at end of Q4 of 2020 to 33.6973% as at end of Q1 of 2021.

For any queries and/or clarifications, get in touch with the Government Securities Unit, Financial Markets Department, Bank of Zambia. Tel +260 399 399, +260 399 343 or email: government.securities@boz.zm

BoZ HANDS OVER ABLUTION BLOCK, FACE MASKS TO SEFULA

By Zambanker Reporter

The Bank of Zambia has officially handed over a refurbished ablution block, which was renovated at a cost of K484,000 to Sefula School for the Blind in Western Province. The Bank also donated 500 face masks to the school.

During the official handover ceremony, Bank Governor Mr Christopher Mvunga said the Bank has prioritised education as one of its key focus areas under its Corporate Social Responsibility programme. He added that it was from this standpoint that the Bank responded favourably to the request from this school to assist with the renovations of the restrooms considering that the school lacked such facilities.

He explained that the Bank was proud to partner with the school in ensuring that the learners, regardless of their background, acquire quality education and thereby contribute to the economic development of the nation. This gesture is in line with the Bank's Community Involvement Policy, which seeks to complement Government efforts in providing opportunities for healthier and better-educated youth.

"We are convinced that this facility will go a long way in alleviating the challenges faced by the learners. The Bank is aware that school hygiene and sanitation are vital components of the learning environment. Therefore, maintenance of acceptable hygiene standards in institutions of learning is imperative," he said.

Learners, teaching staff and BoZ staff at Sefula School for the Blind

Whenever financial resources are available, the Bank extends a helping hand to support causes that directly or indirectly benefit disadvantaged communities, particularly those affecting women, children and the youth. The project we are handing over today was deliberately undertaken to improve the quality of the learning environment for learners as well as teachers.

The Bank of Zambia further donated 500 face-masks to help prevent the spreading and at the same time protect the learners as well as teachers against the Covid - 19 pandemic.

Meanwhile, Western Province Provincial Education Officer Mr. Nawa Mulambwa, in a speech read on his behalf by Mr. Muzumbi, thanked the Bank for rehabilitating the ablution block as well as donating face masks to the school. He said he was aware that the Bank of Zambia had been working on the Sefula School for the blind water-bone ablution block rehabilitation project since 2018 as part of its cooperate social responsibility activities.

Sefula pupils waiting for the official handing over of the ablution block.

"I would like to thank you for this very important service for this school which has learners with special educational needs. It is also important to note that the Bank of Zambia has supported the Ministry of General Education, and indeed other ministries in several activities and I want to state that I am happy that this particular one was directed to a school with special educational needs. By your choice of this school, you are following Sustainable Development Goal number four which is on Ensuring inclusive and equitable quality education and promote lifelong learning opportunities for all," Mr. Nawa Mulambwa said.

EFFECTIVE COMMUNICATION VITAL TO BoZ

CENTRAL BANK HOSTS MEDIA SEMINAR ON 'UNDERSTANDING THE MONETARY POLICY COMMITTEE STATEMENT'

By Zambanker Reporter

The Bank of Zambia recognises the importance of effective communication in carrying out its mandate of achieving and maintaining price and financial system stability in order to foster sustainable economic development, Deputy Governor-Operations, Dr Francis Chipimo has said.

Officially opening the 16th Bank of Zambia Media Seminar in Kabwe, Dr Chipimo explained that the seminar was being held within the broader scope of enhancing the media's understanding of developments in the economy and to help them and through them the general public, to correctly analyse and disseminate information related to the operations of the Bank.

Dr Chipimo stated that this was the beginning of the many interactions of this nature with the media because the Bank considers the media to be a critical stakeholder in the achievement of its mission. He said the interactions will be divided into segments where the Bank will deal with specific topics of interest at any given time.

The seminar was held from 10th to 11th June, 2020 under the theme 'Understanding the Monetary Policy Statement'. 31 out of the 33 invited journalists attended the workshop.

"This seminar will focus on the Monetary Policy Committee Statement which will be discussed in detail. The goal is to help you understand the framework used by the MPC and the information analysed prior to arriving at a policy rate decision," he said.

The objectives of the seminar were to: raise understanding about the MPC decision-making process; unpack key economic concepts used in the MPC Statement; and improve knowledge levels on monetary policy in general.

The following topics were presented: Monetary Policy Framework; Global and Domestic Economic Activity; Inflation; Interbank and Interest Rates; Government Securities; Domestic Credit and Money Supply; Fiscal Policy and Current Account Developments; Exchange Rate; MPC Decision Making Process; The Targeted Medium-Term Refinancing Facility and Developments in Payments Systems. All presentations begun with definitions and brief explanations of key concepts. The seminar provided for detailed discussions on the May, 2021 MPC Statement and allowed for engagements. Directors Banking and Currency, Mr Lazarous Kamanga, Freda Tamba and Isaac Muhanga moderated the sessions.

"The Bank has taken a deliberate decision to focus its media training initiatives on specific topics to allow for a more detailed discussion and deeper understanding of the topic at hand. It is hoped that this tailor-made approach will result in deeper engagements during media briefings," he said.

Deputy Governor - Operations, Dr. Francis Chipimo.

Meanwhile, Chief Business Reporter, Times of Zambia-Ms Maimbolwa Mulikelela thanked the Bank for coming up with this initiative. Speaking on behalf the journalists, Ms Mulikelela said the presentations were made in such an interesting and engaging manner, giving the media personnel a deeper understanding and appreciation of the anatomy of the Monetary Policy Statement issued quarterly by the Bank of Zambia.

"The media plays a very critical role in the dissemination of information and this seminar has sharpened our understanding on the operations of the Bank of Zambia, particularly on issues of the monetary policy.

As conveyors of information to the general public through print and electronic media, we consider ourselves more equipped by this workshop. The data in the various presentations was a "voice of sanity" especially during this politically charged period of campaigns when all sorts of unfounded and emotive statements are being made on the economy," she said.

She indicated that the scribes look forward for more interaction and similar engagements in future and hope more media personnel will be enlightened on the Monetary Policy Statements and operations of the Bank of Zambia.

"On behalf of my colleagues from the media we sincerely appreciate your contribution in making us better business reporters," she said.

Media personnel with Bank of Zambia officials at the media seminar.

ZOOMING IN ON STRENGTHENED PRUDENTIAL FRAMEWORKS

By Zambanker Reporter

The central bank intends to strengthen both the micro and macro prudential frameworks through a myriad of initiatives, to support the proper functioning of regulated entities. Connected to these initiatives is the formulation of sound legal framework.

Speaking during the first Legal Symposium held in Livingstone under the theme 'Zooming in on Financial Sector Regulation, Bank of Zambia Governor, Mr. Christopher Mvunga explained that the Symposium was being held within the broader scope of enhancing the regulatory mandate of the Bank of Zambia to promote the safety, soundness, and efficient operations of the financial system and to foster financial inclusion. The objectives of the Symposium were: to raise awareness about the salient laws and regulations pertaining to the sector; to obtain feedback on these laws with a view to refining and making improvements; and to improve compliance levels to laws and regulations sector wide.

The Governor called for honest feedback from participants to help improve sector wide compliance.

"I urge you all to be open and candid in your deliberations for us to thoroughly understand the concerns and pertinent issues needing the central bank's attention," he said.

The symposium was attended by Legal and Compliance personnel from different entities, representatives of the Pension and Insurance Authority, the Securities and Exchange Commission as well as Financial Intelligence Center. The Legal Symposium will become a regular event on the Bank of Zambia calendar to enhance collaboration among regulators and the regulated institutions.

The Bank of Zambia has in the recent past facilitated amendments to the: Banking and Financial Services Act culminating into the 2017 Act; The National Payment Systems Act 2007 is also undergoing revision. With regard to some of the subsidiary legislation promulgated in 2020, the Bank of Zambia issued the following directives; Bank of Zambia Prohibition Against Unwarranted Charges and Fees and Regulation of Specific Charges directives 2020; the National Payment Systems Directives on Domestic Automated Teller Machine, Point of Sale, Internet Transactions and Mobile Payments, 2020; the Banking and Financial Services (classification and provisioning of loans) Directives 2020; and the Bank of Zambia Customer Complaints Handling and Resolution Directives, 2020.

These developments in legislation reflect the central bank's efforts to achieve both its financial system stability and financial inclusion mandates through sound legal frameworks.

The following topics were discussed: The Legal Framework for Banks and Deposit Taking Institutions in Zambia; The Corporate Governance Directives, 2016, Credit Reporting and the Financial Sector in Zambia; Due Diligence and the Regulation of Mobile Money and Payments Systems in Zambia; Unauthorised Deposit Taking,

Governor Mvunga addressing participants of the Legal Symposium.

Money Circulation Schemes and the Regulatory Framework for Financial Crimes in Zambia; the Legal Framework for Financial Businesses and Microfinance Institutions; Financial Sector Consumer Protection; Legal Aspects of Financial Markets in Zambia; Combating Money Laundering in Zambia; and the Banking and Financial Services (Classification and Provisioning of Loans) Directives 2020.

The overall evaluation of the Symposium was positive with participants indicating that the event was insightful and allowed for not only open dialogue on key issues with the regulators but also provided an opportunity to engage other sector players on how they deal with regulatory issues.

"Events like this give opportunity for both players and the regulator to be conversant on matters on the ground and I think they are a good way of getting feedback," said one of the event evaluators.

Among topics proposed for future Symposiums include: a more detailed look at the shareholding provisions in the BFSA; the use of a panel of lawyers in perfection of security (Pursuant to BFSA Act provision); regulations around IFRS 9; legal aspects of financial markets; sanctions; consumer protection; mergers and acquisitions; legal framework for banks and deposit taking institutions; anti – money laundering as well as issues statutes, regulations and circulars among others.

The symposium was attended by Legal and Compliance personnel from different entities, representatives of the Pension and Insurance Authority, the Securities and Exchange Commission as well as Financial Intelligence Center.

OVER-THE-COUNTER FOREIGN CURRENCY CASH TRANSACTIONS LIMITS REVISED

By Zambanker Reporter

The Bank of Zambia has revised the over-the-counter foreign currency cash transactions limits with effect from 1 June 2021. In a statement issued to the public, Assistant Director- Communications, Ms Besnat Mwanza said the limits have been revised as follows: the Bureaux de Change (BDC's) foreign currency cash transactions with commercial banks has been reduced from US$100,000 to US$20,000 per day; commercial bank foreign currency cash transactions with an account holder has been increased from US$5,000 to US$10,000 per day; and commercial bank foreign currency cash transactions with a non-account holder has been increased from US$1,000 to US$5,000 per day.

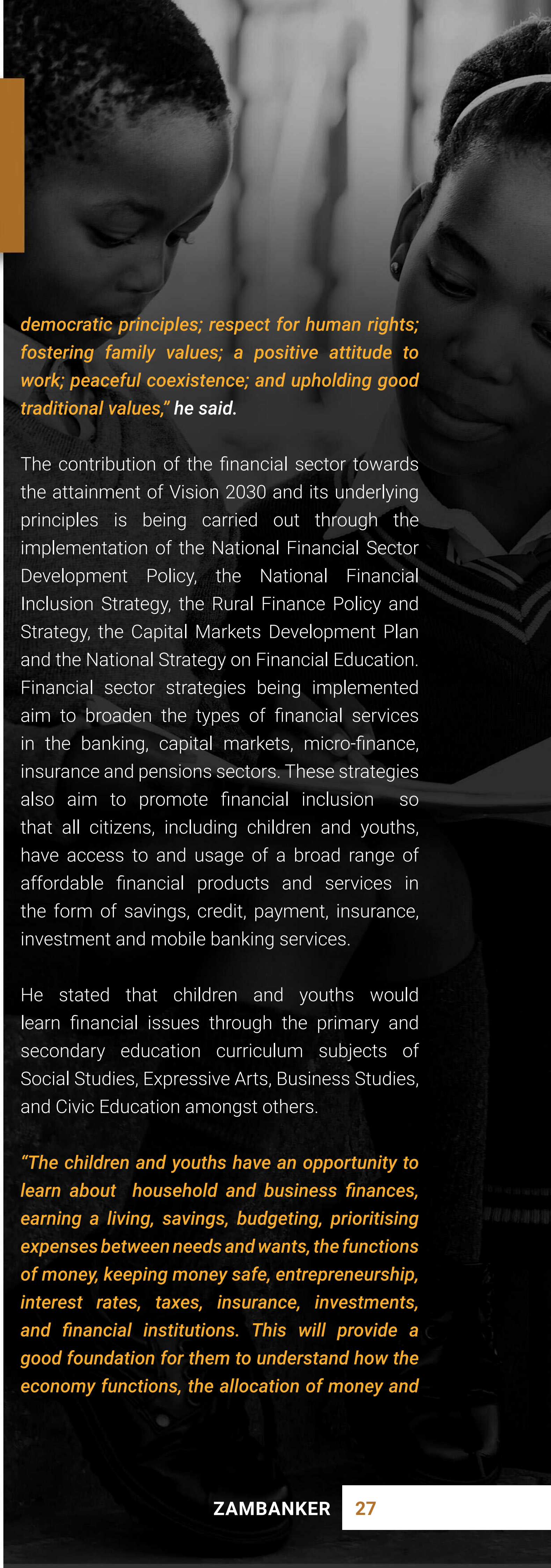
She stated that the Bank of Zambia held extensive consultations with various stakeholders, including the Association of BDCs in arriving at the decisions above. The Bank also undertook a regional and international comparative analysis of presently obtaining over- the - counter forex limits in different jurisdictions and came to a conclusion that the proposed changes are long overdue and appropriate to ensure smooth operations of over -the-counter forex transactions.

"It should also be noted that BDCs rely to a large extent on Commercial Banks to source their daily forex float. The daily maximum limit that they can source is currently set at $100,000.00. The Bank of Zambia has revised this limit downwards

to $20,000.00. The rationale for the downward revision is that BDCs should now be able to source forex from their customers in light of the upward revision to $5,000.00 on OTC limits for BDCs in addition to the $20,000.00 they can source from Commercial Banks," she said.

Ms Mwanza explained that over-the-counter limits were last revised 20 years ago and business dynamics have since changed.

These decisions will ensure smooth and efficient operations and provide convenience to customers in sourcing and selling of forex. All other forex transaction rules remain unchanged.



THE YOUTH HAVE A ROLE IN VISION 2030

By Zambanker Reporter

Deputy Governor Operations-Dr Francis Chipimo has said that it is a collective responsibility for everyone to ensure that children and youths understand the importance of achieving the Vision 2030. Speaking at the Regulator's Round Table forum during the public awareness campaign for the 2021 Financial Literacy Week where he represented the Governor, Dr Chipimo said that children and youths have a role to play in achieving the Vision 2030 by learning about important national and financial sector programmes.

The Regulator's Round Table forum presented an opportunity for the Financial Sector Regulators Chief Executive Officers, namely the Bank of Zambia, the Pensions and Insurance Authority and the Securities and Exchange Commission to have a conversation with the youths on how they can make a meaningful contribution to achieving Zambia's Vision 2030.

The 2021 Financial Literacy Week campaign was conducted nationwide from 22nd-26th March under the theme 'Take Care of Your Health, Take Care of Your Money'. The theme attached the importance of citizens to take good care of their health during the outbreak of the Covid-19 pandemic and become more knowledgeable about ways to earn, save and invest their available and future financial resources, by leveraging on the use of digital services.

"As you may be aware, in 2006, the Government of the Republic of Zambia articulated the national Vision 2030 for Zambia to become a prosperous middle-income nation .The realisation of the 2030 Vision is founded on seven (7) basic principles and these are: sustainable development; upholding democratic principles; respect for human rights; fostering family values; a positive attitude to work; peaceful coexistence; and upholding good traditional values," he said.

The contribution of the financial sector towards the attainment of Vision 2030 and its underlying principles is being carried out through the implementation of the National Financial Sector Development Policy, the National Financial Inclusion Strategy, the Rural Finance Policy and Strategy, the Capital Markets Development Plan and the National Strategy on Financial Education. Financial sector strategies being implemented aim to broaden the types of financial services in the banking, capital markets, micro-finance, insurance and pensions sectors. These strategies also aim to promote financial inclusion so that all citizens, including children and youths, have access to and usage of a broad range of affordable financial products and services in the form of savings, credit, payment, insurance, investment and mobile banking services.

He stated that children and youths would learn financial issues through the primary and secondary education curriculum subjects of Social Studies, Expressive Arts, Business Studies, and Civic Education amongst others.

"The children and youths have an opportunity to learn about household and business finances, earning a living, savings, budgeting, prioritising expenses between needs and wants, the functions of money, keeping money safe, entrepreneurship, interest rates, taxes, insurance, investments, and financial institutions. This will provide a good foundation for them to understand how the economy functions, the allocation of money and

Students from the Copperbelt University, the University of Lusaka and the University of Zambia had a learning tour at the Bank during the Global Money Week.

development of productive assets and financial decision making," he said.

He added that by developing the habit of saving and financial planning, and the use of appropriate financial services, children and youths can acquire financial and social security, as well as accumulate capital to meet their current and future development needs, thus leading to prosperity in their individual lives; and lastly, through their productive future employment and entrepreneurial activities, children and youth not only contribute but hopefully will drive national development and the achievement of the Vision 2030.

Financial Literacy Week campaigns are targeted at creating awareness among children, youth and adults on the need and benefits of acquiring knowledge, skills, attitudes and behaviours that enhance personal financial management and entrepreneurship. Once acquired, these skills and attitudes also instill confidence and provide motivation to make sound financial decisions and use appropriate financial services, that improve the financial well-being, health and resilience of citizens.

MONETARY POLICY OBJECTIVES, INSTRUMENTS FOR THE FIRST HALF OF 2021

During the first half of 2021, monetary policy will focus on containing escalating inflationary pressures and anchoring inflation expectations. The shift in the monetary policy stance follows almost a one year period of monetary easing to support financial system stability and economic growth in the wake of COVID-19.

In February 2021, the Bank of Zambia signaled its intention to progressively tighten the monetary policy stance in order to bring inflation back to its 6-8% target range over the medium-term. This policy stance balances the need to rein in inflation against the efforts made to support financial system stability and economic growth since the outbreak of the COVID-19 pandemic. Ensuring that inflation remains well anchored in the medium-term is essential to moderate fragilities in the financial sector and support economic recovery.

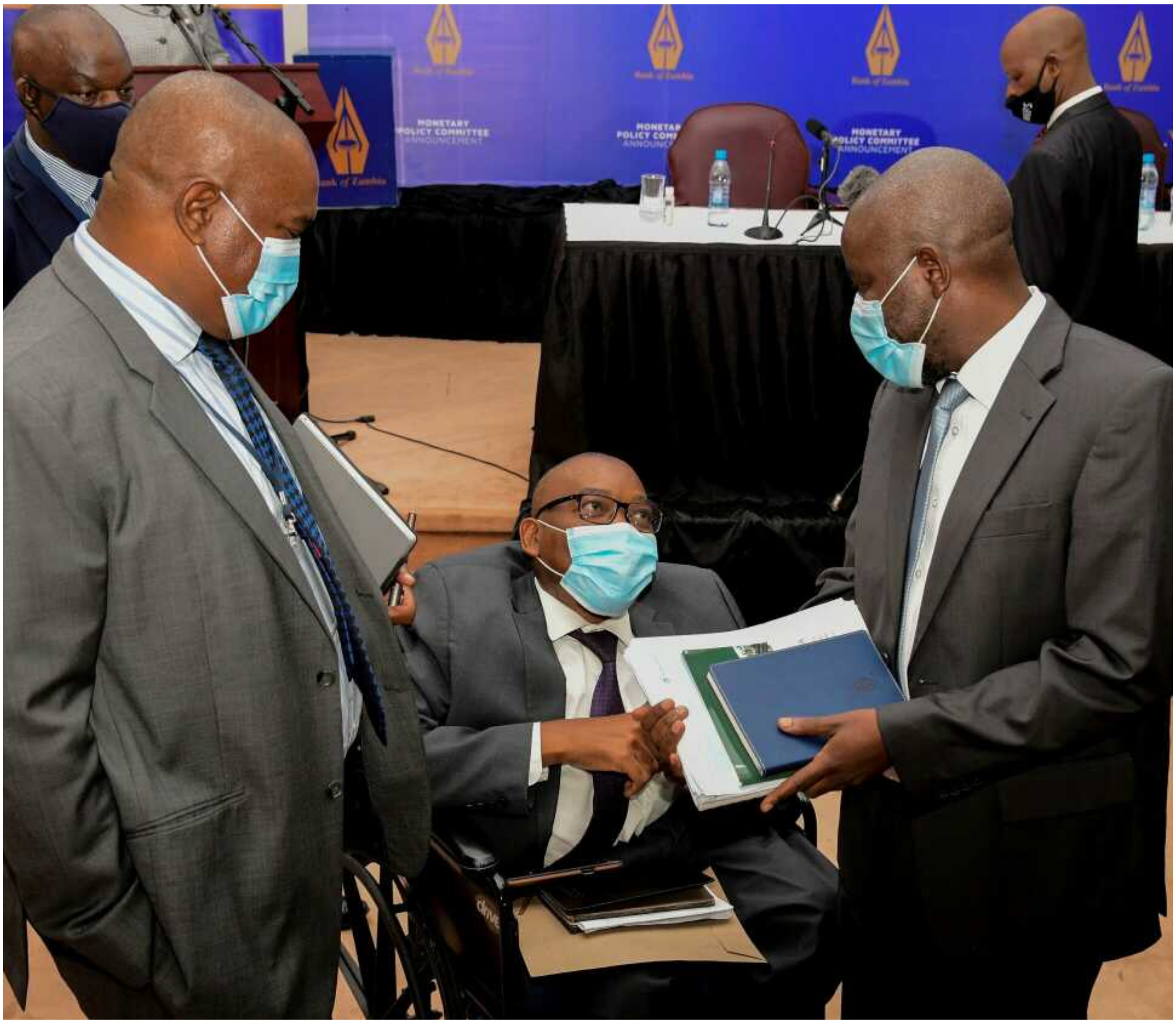
In this regard, the Bank of Zambia will continue to rely on the forward-looking monetary policy framework anchored on the Policy Rate as a key signal for monetary policy stance. The decision on the Policy Rate will be guided by inflation forecasts, outcomes, and identified risks, including those associated with financial stability and the COVID-19 pandemic. Further, monetary policy will remain supportive of the Government's macroeconomic objectives. The implementation of a strong fiscal policy adjustment, whose key parameters are clearly outlined in the Government's Economic Recovery Programme, is critical in restoring macroeconomic stability.

Inflation projections for the first half of 2021

Inflation is projected to deviate further from the upper bound of the 6-8% target range over the first half of 2021. This is largely due to the lagged pass-through from the depreciation of the Kwacha and sustained high fiscal deficits. The risks to the inflation outlook are assessed to be tilted to the upside. They include persistent increases in crude oil prices, higher than programmed fiscal deficits and a further weakening of the Kwacha against the US dollar. However, inflation may be moderated by improved supply of food and subdued aggregate demand as economic growth is likely to remain modest. Inflation outcomes are expected to range from a minimum of 19.5% to 21.7% with a 30% probability, 19.2% to 21.8% with a 50% probability, 18.7% to 22.0% with a 70% probability and 17.9% to 24.9% with a 90% probability.

Domestic Economic Outlook for 2021-2022

Real GDP is projected to recover in 2021 and the medium-term. The economy is projected to grow by 1.5% in 2021 against a preliminary out-turn of -2.9% in 2020. Underlying the recovery in 2021 is the expected positive growth in mining, electricity, gas and water as well as information and communication (ICT) sectors. Mining will benefit from stronger copper prices and demand as the global economy recovers. Favourable rainfall and the expected commencement of electricity generation at Kafue Gorge Lower Hydro-power Station are expected to support growth of the electricity sector. The ICT sector will leverage the expansion of mobile payment solutions, rising migration to digital platforms in the COVID-19 era and continued investment in modern infrastructure. However, uncertainty surrounding



Directors: Banking and Currency-Mr Lazarous Kamanga, Financial Market-Mr Isaac Muhanga and Economics-Dr Jonathan Chipili after the Monetary Policy media briefing.

the resurgence of COVID-19 infections and the narrow fiscal space pose significant downside risks to the growth outlook.

Global Economic Outlook for 2021-2022

Economic Growth

The global economy is projected to strongly rebound to 5.5% in 2021, but moderate to 4.2% in 2022 against a contraction of 3.5% in 2020. The optimistic growth projection in 2021 is mainly based on a gradual easing of restrictive measures owing to the anticipated widespread vaccination against COVID-19 coupled with strong policy support. This is expected to boost consumer and business confidence and contribute to the recovery of most global supply chains with a positive impact on demand, trade, consumption, investment and financial conditions. However, the recovery is envisaged to be uneven and likely to differ across countries contingent on the extent of economic damage, effectiveness of policy support and severity of health shocks.

The downside risks to the growth outlook dominate as stiffer restrictive measures, disruption to the recovery in consumer and business confidence as well as lower productivity may re-emerge. In addition, there is a high degree of uncertainty regarding the efficacy of the COVID-19 vaccines in the wake of the resurgence of new variant-related infections. Underlying fragilities in the financial markets could mount on account of rising debt burdens and likely premature withdrawal of policy support. The above notwithstanding, the potential for additional fiscal stimulus and faster-than-anticipated roll out of vaccines could result in higher growth out-turn than envisaged.

Further, economic activity in all major trading partner countries for Zambia is expected to gather pace in 2021 and the medium-term. This is underpinned by easing COVID-19 containment measures on the back of widespread vaccine coverage, sustained policy support, restoration of consumer and investment spending, the recovery in global and domestic aggregate demand, higher commodity prices and favourable financing conditions. Real GDP growth is projected to rebound to 5.1%, 4.2% and 4.5% from contractions of 3.4%, 7.2% and 10.0% for the United States, Euro area and UK in 2021 and 2020, respectively. In 2022, economic growth for these countries is estimated to remain strong at 2.5%, 3.6% and 5.0%, respectively. In China, a robust growth out-turn of 8.1% is projected for 2021 compared to the out-turn of 2.3% in 2020.

In 2022, growth is expected to strengthen to 5.6%. For South Africa and the Democratic Republic of Congo (DRC), growth is expected to expand to 2.8% and 3.0% from -7.5% and -2.7% in 2020 and in 2021, respectively. However, in 2022, economic growth in South Africa is projected to slowdown to 1.4% while that for the DRC is expected to strengthen further to 3.8%. Persistent electricity supply challenges and high unemployment levels may constrain growth in South Africa while growth in DRC could be affected by constrained capacity to fully respond to the pandemic and the economy's susceptibility to commodity price swings.

Commodity Prices

Commodity prices are expected to rise over the medium-term, supported by a rebound in global demand as economic activity normalises amid easing COVID-19 restrictions and increased vaccine coverage. In 2021, copper prices are projected to average US$7,791.6 per tonne and remain buoyant in 2022 from US$6,180.9 in 2020. The momentum in crude oil prices is expected to continue, rising to US$56.0 per barrel on average in 2021, and further to US$58.6 in 2022 from US$43.4 in 2020. Prices for selected agricultural commodities are expected to sustain the recovery momentum in the medium-term. This is largely based on resilient domestic demand, firming global demand and deteriorating production prospects due to adverse weather conditions for some crops. However, a more protracted duration of the pandemic amid new variants of the virus that may pose uncertainty on the efficacy of vaccines, could weigh on the recovery in commodity prices.

EVOLUTION OF MONETARY POLICY UNDER KK

Although the stages in the evolution of monetary policy in Zambia can be divided into several time-frames, there are two distinct eras. The first is the pre-liberalisation period which spans from 1964-1991, while the second, the liberation era, spans from 1992 to the present. This article primarily focuses on the pre-liberalisation era.

Monetary policy from independence through to the early 1990s was largely characterised by administrative controls. Commodities prices and interest rates were controlled while the exchange rate remained fixed. The Bank also imposed stringent and high reserve requirements on commercial banks' deposit liabilities. All these controls contributed to a rise in financial disintermediation and inefficient resource allocation. After 1991, there was a general movement of the economy towards market-based structures and systems and involved the deregulation of prices of real and financial assets and other administrative controls alongside the introduction of market-based instruments of monetary policy.

Pre-liberalisation Period

1964-1972

On August 7, 1964, the Lusaka branch of the former Bank of Rhodesia and Nyasaland was institutionalized as the Bank of Northern Rhodesia. On October 24, 1964, the Bank became the Bank of Zambia by default (although the Act to recognise it as such was not passed until June 1965), when the formal dissolution of the Bank of Rhodesia and Nyasaland was finally achieved.
During the first four years after its establishment, the Bank was unable to efficiently implement monetary policy. This was generally due to teething problems encountered by the Bank and the Zambian financial sector.

Firstly, the Bank was faced with severe human resource constraints at the time of its establishment as a break away from the larger federal bank. A significant number of skilled foreign personnel opted to leave and work in the Southern Rhodesian central bank, which was still under minority rule. It was not until the early 1970s after the Bank (with the help of the British Government) embarked on a deliberate policy to create capacity, did it manage to gain sufficient indigenous capacity to run its affairs.

Secondly, despite being empowered by the Bank Act of 1965 to implement monetary policy, the Bank did not have sufficient grip on the growth of credit creation in the economy because of the dominance of foreign banks in the banking sector. These banks operated as branches of powerful overseas banks and were manned almost entirely by expatriate personnel. As such, their lending policies were, by and large, determined by their overseas head offices, which were unrelated and sometimes divergent from the national needs of the Zambian economy. Further, these banks provided short, medium-term and long credit only to the foreign-denominated sector of the

Former governors' reunion. From left to right: Francis Nkhoma, Dominic M. Mulaisho, Late Luke Mwanashiku, Late Leonard Chivuno and David A. Phiri

Zambian economy, a situation which left local businesses (which at the same time accounted for 15% of the total bank credit) without sufficient investment finance to assert themselves in the growing economy.

Given this, the Zambia Government at the Mulungushi Economic Reforms of 1968 enhanced the powers given to the Bank by placing the provision of credit under the regulation of the Bank. It directed that all lending institutions lending to non-Zambians were to be approved by the Exchange Control Office of the Bank. This meant that expatriates and companies that were partially expatriate had to seek permission from the Bank to access credit. This gave the Bank de facto control over the total volume of credit as well as its direction.

Further, in 1972, the Government made additional reforms that set regulations that demanded commercial banks to be registered in Zambia, comply with a minimal paid-up capital requirement of K2 million and have a board of directors with a composition of at least fifty per cent Zambian citizens. These measures were aimed at changing the orientation of commercial banks operating in Zambia towards a more Zambian approach in the formulation of their credit policies.

Through these measures, the Bank was able to substantially reduce the rate of growth in money supply and direct credit towards areas that the Government perceived as a priority. At this time, the goal of monetary policy was the provision of credit that would support employment and economic growth. Because of this, much of the financial sector's credit was directed to state-owned public enterprises.

1973-91

The advent of the oil crisis of 1973/74 and the world economic recession that followed marked a significant change in the environment within which monetary policy worked, hence bringing about a new challenge. The Zambian economy suffered a severe in terms of trade shock when the price of oil skyrocketed and the copper price plummeted on the world markets. This had an adverse effect on the performance of the mining sector, which

First Republican President Dr. Kenneth Kaunda officially opening the Bank of Zambia executive building 1975

accounted for over 80 percent of total exports earnings, as well as Government expenditure as efforts were made to mitigate the effects of the shock on the Government-dominated economy. As a result of these budgetary constraints, the Government began to run huge fiscal deficits and often sorted out recourse from the central bank to bridge the gap. This marked the beginning of a challenge, which to this day continues to be a threat to the attainment of low inflation.

As the economy continued to suffer the effects of economic crises of the mid-1970s, fiscal deficits persisted as the Government made significant transfers to parastatals. By the late 1970s, policymakers realised that economic reform was needed as a lasting solution to the economic woes that Zambia faced. Hence, in the programme of action of 1978, Government, among other reasons, pointed unnecessary expansion of money supply through inordinate borrowing from the Bank. Also pointed out was the need to closely observe the growth of the commercial banks' credit and ensure it did not contribute to existing inflationary pressures. The second oil crisis of the late 1970s just served to exacerbate the situation, and thus emphasised the urgency of economic reform.

Though it was recognised that economic reform was needed at the time, no significant change was made. Hence, by 1982 the economic situation had worsened with persistent fiscal deficits and declining performance of the mining sector being the two main factors contributing to expansion in credit and hence the increase in money supply and inflation. Also, central bank financing remained the dominant option with 83% of the deficit being financed through borrowing from the Bank and 9.5% and 7.5% through external and commercial banking sector borrowing, respectively.

Although the Government later tried to reduce central bank borrowing by attempting to balance the budget by strengthening revenue collection, expanding the tax base, and supporting revenue-generating industries through the Bank's Exchange Control Office, inflationary pressures remained strong. Other than central bank credit deficit financing that continued to be a dominant pull factor, the scarcity of foreign exchange and low-capacity utilisation contributed to high inflation.

In an attempt to address the worsening economic climate, between 1985 and 1987, Zambia undertook an International Monetary Fund (IMF)/World Bank adjustment programme. This led to partial decontrol of interest rates and the introduction of the Dutch foreign exchange auction system as a way of allocating scarce foreign exchange through a quasi-market system.

It also entailed the removal of some subsidies as a remedy to the persistent deficits. At the same time, however, inflation went up after the decontrol of prices. These reforms proved to be unpopular and culminated in public protests and abandonment of the IMF supported reform programme in May 1987.

When the Government cut links with the IMF, it pursued an indigenous economic recovery programme. Although this programme was successful in some respects, it suffered major setbacks that made the programme unsustainable. During the same programme, the rate of inflation escalated while the need for external financing grew, prompting the Government to go back to the IMF and agree on a new IMF supported programme articulated in the policy framework paper in 1989. The main policy measures concerning monetary policy design and implementation included the following:

- Decontrol of interest rates
- Abolition of exchange controls and movement to a market-determined exchange rate regime
- Introduction of Government Securities auctions
- Establishment of an inter-bank money market
- Modernisation of the national payments system
- Strengthening of the legal framework
- Establishment of a stock exchange

After a new Government came to power in 1991, its priorities were to restore economic growth through market-based stabilisation policies and promotion of the private sector. Hence the economy was liberalised, giving market forces a greater role in the allocation of resources. Real and financial assets prices were decontrolled, while subsidies on all consumer items were abolished.

This marked a notable change in the environment within which monetary policy worked, and as such, the design of monetary policy had to change in tandem. Although the ultimate economic objective has remained the same namely, growth and employment, it was accepted that investment and subsequently growth was unlikely to take place if macroeconomic instability, as reflected by characteristics such as high inflation, remained present. Consequently, from 1992, the emphasis of monetary policy concentrated on the creation of a stable macroeconomic environment as a precondition for stable economic growth. This contrasts with the pre-liberalisation era when monetary policy targeted multiple objectives without clearly defined targets.

Source: Bank of Zambia


BANK OF ZAMBIA
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FOR THE BANK OF ZAMBIA
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378737
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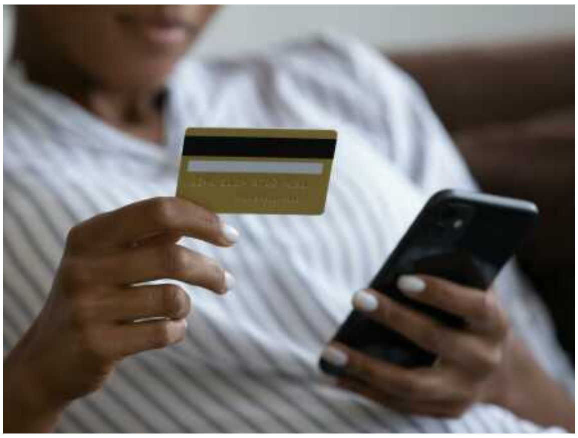
FREQUENTLY ASKED QUESTIONS

Digital Financial Services in Zambia

The expansion in digital financial inclusion in Zambia has been driven by significant innovation in both the public and private sectors. One of the key drivers has been Government policy that prioritises access to financial services as a tool for poverty reduction and inclusive growth.



What is meant by Digital Financial Services?

Digital Financial Services (DFS) refer to a very broad range of financial services accessed and delivered through digital channels, including payments, credit, savings, remittances and insurance. Some of the common channels for accessing DFS include mobile devices (smart phones and feature phones) and the internet. The common terminology in DFS include 'mobile banking', 'mobile money', 'internet banking', 'electronic money' etc.

What are the benefits of DFS as compared to traditional financial services?

- Convenience - It can be used to pay for utility bills from the comfort of your home Save time as you avoid queuing up to pay bills
- Faster in completing transactions – within minutes the person has their money
- Increased the reach and closer to the people – you can now send to remote areas almost all the districts in Zambia you are able to find DFS.
- One can easily send money to relatives and other people from their device
- Account/Wallet balance can be monitored online from any location where respective network is available. Thus increases the ability to track and trace payments.
- One can use mobile money to pay for various goods and services provided the seller is able to accept mobile money. For example, one can pay for bills such as electricity, school fees, transportation, salaries, tax, bulk payments, medical bills, loan repayments and insurance premiums among others.
- Reduces person to person contact – reduces the chances of you contracting the corona virus as you are able to access financial service from your home. So stay home and use DFS.
- With the benefits we also always highlight the safe guards that people need to put in place as they access and use DFS. The simplest and perhaps the most critical one is never to share your PIN. Don't share your personal details with people you don't know.

How has Covid-19 impacted on DFS uptake?

The Bank of Zambia saw a significant increase in the uptake in DFS transactions on mobile, POS, EFT credit, among other streams.

- The volume of transactions processed on the Point of Sale (PoS) terminals increased by 26.1% to 33 million transactions in 2020.
- The value of transactions processed also increased by 75.3% to K35.2 billion.
- The volume of mobile payments increased by 35.8% to 750 million transactions in 2020.
- Similarly, the value of transactions grew by 114.0% to K105.8 billion in 2020.
- Active mobile money accounts increased by 48.0% to 8,609,265.
- Active mobile agent outlets increased by 55.7% to 128,789.

What are the major challenges consumer face in DFS?

The major challenges faced by customers in accessing and usage of DFS include the following:

- Lack of digital skills;
- Agent liquidity;
- High prices levied by DFS providers.
- Lack of consumer awareness;
- Fraud especially those that are targeted at deceiving customers into sharing their PIN or personal details and also deceiving customers by unknowingly sending money to the fraudsters.

What kind of consumer complaints or cases do you handle in terms of digital financial services?

- Most of the complaints are handled by the service providers and only those that will have not been resolved get escalated to the Central Bank.
- In April 2020, the Bank issued the Bank of Zambia Complaints Handling and Resolution Directives which prescribe minimum requirements for customer complaints handling.
- The regulations require that the providers should have dedicated officers charged with the responsibility of complaints handling

Some of the common complaints include:

- Funds sent to wrong account/ wallet
- Failed transaction but not reversed on time
- Fraudsters - scammers calling or texting them with view to dupe them.

Considering that the majority of Zambia's population is female, what efforts are being made to ensure that women and girls participate in the utilisation of DFS to ensure digital financial inclusion is attained?

- The Bank of Zambia continues to facilitate awareness efforts among women.
- The BoZ is also encouraging Providers to develop customer centric products which are meant to address the needs for women and girls so that no one is left behind in the digital economy and financial inclusion agenda.
- The BoZ is now piloting the collecting of gender-disaggregated data on usage and access to DFS so as to formulate evidence-based policies or targeted policies that aim to improve the participation of women and girls in the financial space and reduce any inequalities that may be there.
- The data will also help to increase the support of the business case for serving women and girls in the financial space.

Security in the digital world cannot be over emphasised, what is being done?

- Awareness of the threats and opportunities is key to mitigate against any threats.

Therefore, the Central Bank and the FSPs have heightened awareness efforts to ensure customers and institutions safeguard themselves.

- Providers are required to have effective risk management frameworks to protect customers and the institutions.
- Information sharing among providers about emerging threats.
- Increased collaboration among regulators and other stakeholders to come up with mechanisms to respond to various threats
- Enhancement of regulatory frameworks so that erring individuals or institutions are accordingly sanctioned to deter would be offenders.

The attainment of digital financial inclusion could be a nightmare without the full participation of consumers, what interventions are being made to sensitise the public?

- The Bank has for a number of years carried out sensitisation programmes in all the provinces all the way down to all the districts. These efforts are undertaken in collaboration with the FSPs and cooperating partners such as RUFEP.
- Public awareness efforts involving the various stakeholders should continue to be on-going to safeguard the consumers.
- The Bank encourages the development of customer centric DFS products which requires the participation of consumers in the design of the products and services.

How have digital financial services contributed to financial inclusion?

- In Zambia, we have seen that DFS, has contributed significantly to the increase in financial inclusion. According to the Finscope Survey of 2020; Financial inclusion of adults increased by 10.1 percentage points to 69.4% compared to 59.3% in recorded in 2015 while financial exclusion declined to 30.6% in 2020 from 40.7% in 2015.
- This was largely driven by the increased uptake of DFS such as mobile money. This is consistent with reports from other countries where digital financial services have been seen to accelerate financial inclusion.

As a country we are on the right track and we expect the numbers to even go higher with the recent implementation of the local National Financial Switch to support interoperability of DFS transactions.

What other strategic partnerships are available in promoting a secure cyber space?

- The Bank has an MOU with ZICTA
- Enhancing cyber resilience in the financial sector is one of the Bank's strategic objectives and a significant amount of work has gone into this aspect. The Bank will continue to work very closely with ZICTA and other stakeholders on this matter;
- The Bank works with the World bank and the IMF on technical support to enhance cybersecurity.

BOARD APPROVES PHASED REORGANISATION, APPOINTMENTS

By Zambanker Reporter

The Bank of Zambia Board of Directors, at its 343rd meeting held on 23 February 2021, approved the phased reorganisation programme as follows:-

1. Establishment of the following new Departments under the Bank's organisation structure:
   (i) Payment Systems Department;
   (ii) Risk and Compliance Department; and
   (iii) Strategy and Change Management Department.
2. Merging of the Board and Legal Services Departments to create the Bank Secretariat Department.
3. Enhancement of the role of Regional Office in providing better support to the Bank's Business Continuity Management (BCM) processes.

Following the restructuring of the Executive Department as communicated in the memorandum of 4 December 2020, and the merging of Legal and Board Services Departments as stated in (2) above, the following Directors have been reassigned as follows:

MR. FABIAN HARA

PREVIOUS POSITION
Director - Internal Audit (BOZ8)

NEW POSITION
Chief of Staff (BOZ8)

DATE OF APPOINTMENT
7th December 2020

MRS. NAMWANDI NDHLOVU

PREVIOUS POSITION
Director - Board Services (BOZ8)

NEW POSITION
General Counsel and Bank Secretary (BOZ8)

DATE OF APPOINTMENT
1st March 2021

Furthermore, the Board approved the following senior management appointments:

MR. ROY SIKWIBELE

PREVIOUS POSITION
Assistant Director - Internal Audit (BOZ7)

NEW POSITION
Director -Internal Audit (BOZ8)

DATE OF APPOINTMENT
1st March 2021

MR. NAYOTO MOOLA

PREVIOUS POSITION
Assistant Director - Security (BOZ7)

NEW POSITION
Director - Security (BOZ8)

DATE OF APPOINTMENT
1st March 2021

BBUKU HAPPY WITH ROLLOUT OF GENDER ACTIVITIES AT RO

By Lombe Mulanda

The Regional Director, Mr. Visscher Bbuku, has praised the two Gender focal persons at Regional Office for their steadfast and innovative approach towards gender mainstreaming activities in the wake of the Covid-19 pandemic.

The Covid-19 pandemic outbreak in March 2020 and the subsequent issuance of Statutory Instrument (SI) No. 20 of 2020 together with the Bank of Zambia guidelines restricting external outreach programs would have completely shut down gender mainstreaming activities if not for the ingenuity and innovative approach to the subject matter, which Assistant Manager Currency Processing, Mr. Vernon Haachombwa and Assistant Manager Banking Front Office, Mrs. Daisy Olatunji adapted.

The Regional Office Gender Desk focused on internal gender awareness campaigns through presentations in meetings via Teams, weekly gender nuggets on official mail and continued sensitisation of gender considerations in the Bank's internal operations. The objectives of the activities were to increase institutionalisation of gender concepts, gender sensitivity in the formulation and implementation of policies, gender awareness and capacity building, promotion of equality in the work processes, internalisation, ownership and buy-in of gender concepts by all staff.

Regional Office took part in three gender outreach events which included the International Women's Day event – IWD 2020 under the theme "I am Generation Equality: Realising Women's Rights". The International Women's Day event was preceded by a one-day Ndola District exhibition at Z-mart Mall in Ndola, where the Regional Office Gender team took part in the exhibition. The gender team displayed the Bank's gender mainstreaming initiatives and raised awareness of the Bank's commitment to the promotion and enhancement of gender equality in both governances of the Bank as well as the financial sector to contribute to sustainable development.

Further, female staff at Regional Office were sponsored to attend an all-white women brunch that focused on financial literacy and education. The event provided a great opportunity to reach out to women regarding recent developments in the financial sector (such as village banking groups) and gender mainstreaming in the financial sector. Additionally, the Regional Office distributed brochures on electronic payments and Government Securities. Ms. Olatunji, also gave a talk on financial inclusion which was one of the highlights at the function.

The Gender Focal persons told the Zambanker that the gender desk remains proud and resolute with the progress attained in Gender Mainstreaming in the Bank and thanked Management for the unwavering support towards the Gender desk.

The Bank has heightened staff involvement in Gender Mainstreaming activities over the years.

"We hope to continue with the same spirit in 2021, and the focus will continue to be on the new strategic objective for 2020-2023 with a concentration on financial inclusion. In line with this strategic initiative, Regional Office will continue building capacity within the department as well as facilitating FAMOS framework training and other gender analytical tools to the financial sector," they said.

Other issues that will receive active attention in the year 2021 include the following:

- Engaging rural and peri-urban women savings groups (at least two (2) groups per province) on Village Banking Methodology.
- Participation in financial inclusion activities anchoring on Financial Literacy and inclusion in the Northern Region.
- Participation in identifying active SME Women's Trade Associations and Savings Group Associations in the Northern Region.

NEW FACES

MS. MUMBI NG'ANDWE

Joined the Bank on 4th January, 2021 as an Examiner in Bank Supervision Department. Prior to joining the Bank, Ms. Ng'andwe worked for PricewaterhouseCoopers as a Senior Associate in Transaction Advisory Services.

MS. NELLY NSEFU

Joined the Bank on 8th February, 2021 as an Internal Auditor in the Internal Audit Department. Prior to joining the Bank, Ms Nsefu worked for Water Resources Management Authority (WARMA) as an Internal Auditor.

MR. MAAMBO SIMWAMI

Joined the Bank on March 3rd, 2021 as Clerk – Staff Ledgers in the Banking and Currency Department. Prior to joining the Bank, Mr Simwani worked for ABSA Bank Zambia as Branch Operations Manager.

SEPARATIONS

MR. LOVE MWALE

Separated from the Bank on 1st January, 2021 through retirement. He was Security Officer – Operations in Security Division at the time of separation.

MR. JOSHUA MAZYAMBE

Separated from the Bank on 5th January, 2021 through retirement. He was Clerk – Cheque Processing and Customer Service in Banking, Currency and Payment Systems Department.

MS. NAMAKAU GRACE SIMASIKU

Separated from the Bank on 19th February, 2021 through resignation after serving for over 6 years. She was an Economist – Foreign Exchange Dealing in the Financial Markets Department at the time of her separation.

MS. DORIS CHITUTA

Separated from the Bank on 10th February, 2021 through retirement after working for 32 years. She was a Note Examiner in the Banking, Currency ad Payment Systems Department at the time of her separation.

MR. ABRAHAM KASAPO
Separated from the Bank on 3 March, 2021 through retirement after working for 20 years. He was a Security Officer in the Security Department at the time of separation.

MR. MUNALULA KAYAMA
Separated from the Bank on 31st March, 2021 through resignation after working for 35 years. He was a Data Processing Officer in the Banking and Currency Department at Regional Office at the time of separation.

OBITUARY

MR. ROYD MANENGA
Passed away on 2nd January, 2021 in Lusaka. He joined the Bank on 26 November, 1991 as a Clerk in the Foreign Exchange Budget Division (Financial Markets) and later moved to Economics Department in 1994 in the same capacity. He served in different portfolios, including Statistical Assistant and Senior Statistical Officer. He was an Economist – Field Survey at the time of his demise.

The Bank of Zambia wish to convey its deepest condolences to the Manenga family.

Meet Joseph Manzi

In this issue, we feature Mr Joseph Kondwani Manzi from the ICT Department. Mr Manzi joined the Bank on September 2nd 2013, as an Electronics Technologist in the Procurement and Maintenance Service (PMS) and later moved to ICT Department on 1st October 2020, where he works as Network Support Officer and is currently acting as a Technical Support Specialist.

Zambanker: Who is Joseph Manzi?

Manzi: My full names are Joseph Kondwani Manzi, I was born on 4th December, 1984 in Solwezi, North Western Province. I come from Malisawo Village, Kanele Box 1-Lundazi. I am the 3rd born in a family of 6. My parents were both civil servants. My late father, Mr. Jackson Ehpraim Manzi, worked for the National Registration & Passport Office whilst my mother, Mrs Lyness Banda Manzi, retired as a Head Teacher at Nambuluma Basic School in Chinsali. All my siblings have completed Tertiary Education and are working in Government Institutions.

Zambanker: Where and when did you start schooling and what has been your Academic path?

Manzi: I started my Grade 1 at Mwaba Basic School in Chinsali in 1990. I later moved to Ntindi Basic School in Nakonde where I did my grades 4-6. I returned at Mwaba Basic School where I wrote my Grade 7 and went to Chinsali Basic School for my junior secondary school. I was selected to Kenneth Kaunda High School were I completed my Grade 12 in 2001.

Zambanker: What did you do after Secondary School?

Manzi: Immediately I enrolled to study Electrical & Electronics Technician Certificate under the City & Guilds of London and passed with Distinctions in all courses. In 2006, I decided to pursue a Diploma in Electrical Engineering from The Copperbelt University (CBU) and graduated in 2009. I later enrolled into a Bachelor's Degree in Electronics and Telecoms at the same university and graduated in 2019. I am currently in my 3rd Semester pursuing Master's Degree in Information Technology at ZCAS University.

Zambanker: Did you have specific goals as a Youth? How did you go about achieving these goals?

Manzi: My Dream was to become either an Architect or an Engineer especially that I was taking subjects like Woodwork and Geometrical and Mechanical Drawing at High School.

Zambanker: Tell us about your career and work experience.

Manzi: I worked for Alstom France at ZESCO Vic-falls Power Station as an Electrical Technician during the Rehabilitation Projects of Vic-Falls Hydro Electric Power Stations from 2003 to 2006. In 2010, I joined Kafue Sugar Plant as an Electrical & Instrumentation Technologist. In 2011 I joined Zambia National Broadcasting Corporation (ZNBC) as Master Control Room Technician at Mass Media Complex in Lusaka. And on September 2nd 2013, I joined the Bank as an Electronics Technologist in PMS at Regional Office with a core duty to service and maintain Cash Processing, Disintegration and Briquetting machines. On 1st October, 2020 in pursuit of my Goals I transitioned to join ICT Department as a Network Support officer and am currently acting as a Technical Support Specialist at Regional Office.

Zambanker: What are some of the most exciting moments in your career and what has been your worst moments?

Manzi: Graduating as an Engineer Electronics & Telecoms from The Copperbelt University was an ultimate achievement because it led to my being employed by reputable organisations including the Bank of Zambia which later exposed me and my colleague Sudden Chanda Mulenga to a one month International Specialised Training on Cash Processing machines in Dublin-Ireland March 2014.

Zambanker: what do you think of Engineering Professionals in Zambia in terms of Innovations and how will you make a difference?

Manzi: First of all, there is need to introduce STEM (Science, Technology, Engineering, and Mathematics) in technical and high schools so that engineering students in universities and colleges can blend well even before graduating. Thereafter, universities and colleges should be linked to the Industry for easy access of engineering students to the Industry where they will learn from elders.

Zambanker: What sets you apart in your work/ job?

Manzi: Diligent, focused, goal oriented and hard work

Zambanker: Where do you see yourself in the next 10 years professionally?

Manzi: I will by then have obtained a PhD in engineering (as Engineer Dr Manzi) and will become a global consultant especially in the area of Research and Development to Engineering University Students.

Zambanker: who is your Inspiration professionally?

Manzi: Professor Clive Chirwa

Zambanker: Why does he inspire you?

Manzi: First of all, he is a fellow Engineer and as the Bible says Iron sharpens Iron. Professor Clive Chirwa is a world class Engineer, an Inventor and a Consultant. As I earlier indicated, Consultancy is my ultimate goal also in my Engineering career and having Professor Clive Chirwa as a motivation will surely help me yield my potential.

Zambanker: Who is your greatest influencer in decision making and why?

Manzi: My greatest influencer in decision making is Bishop David O. Oyedepo - Founder and President of Winners Chapel International aka Living Faith Global Ministry. He is a man of the spirit of God and he is a man of faith. I have learnt leadership through his teachings, seminars, workshops and books as a member of Winners Chapel International.

Zambanker: What are some of the things you have overcome that others can learn from?

Manzi: Some of the things I have overcome include fear and failure. My academic and professional success are therefore a result of focus and determination. Among the few achievements include, graduating from University especially coming from a rural area and moderate family financially. Another milestone achievement in the Bank has been the aspect of embracing the value for dignity of labour. My diligence and hard work on cash processing machines in PMS resulted into developing the ability to face new challenges in life, hence the move to ICT in October 2020.

Zambanker: Tell us about your Personal Life. Are you married? Any children?

Manzi: I am married to Ethel Kamilo, with whom I have two kids, a boy and a girl. We got married on 24th November 2012 in Lusaka. Our first born Son Kondwani Manzi is in Grade 2 at Franciscan Convent School while our second born Daughter Taonga Manzi is in Middle class at Franciscan Nursery School in Ndola.

Zambanker: What social activities are you engaged in?

Manzi: I play Chess and Football

Zambanker: Your last words to the Zambanker reader?

Manzi: Seek God first and His Kingdom Matthew 6:33. Have faith in God. Pray specific prayers to God. Numbers 14:28 from the NIV Bible. Seek the counsel of Elders Proverbs 12:15 and Proverbs 11:14. Finally plan and execute those plans through God because failing to plan is planning to fail.

Bank of Zambia Social Media Guidelines

By
Lwanga Mwilu

Are you aware that your social media activity could open you up to personal, business, legal and security risks? Do you ever wonder how third parties use the information you share online?

Social media is one of the foremost features of the information-driven society we live in today. It has significantly enhanced opportunities for interpersonal communication in both our professional and personal lives. It has also elevated our role as users from mere consumers to producers of content. Along with the many benefits, this elevation also comes with risks such as loss of privacy or malicious use of information by third parties, among others. The extent to which these risks can and do materialise depends on how informed and responsible our social media use is.

The Bank recognises social media as a useful tool for both its operations and staff. It also recognises, on the other hand, the potential personal, business and legal risks, and other pitfalls inherent in social media use. Further, the Bank recognises the need to protect members of staff and affiliates by equipping them with the necessary information on the appropriate use of social media. This would, in turn, minimise the risk to the Bank, its staff and affiliates as inappropriate use of social media may compromise security in terms of reputation, operations, physical and information, among others.

The Guidelines

The Bank of Zambia Social Media Guidelines came into effect in October 2020, following departmental peer review and Management approval. The Guidelines are issued under the Bank of Zambia Communications Policy and informed by selected Bank sources, including the Security Procedure Handbook, Information Security Policy, Disciplinary and Grievance Procedure as well as best practice in e-communications.

The main objective of the Guidelines is to set out standards for appropriate use of social media by members of staff and affiliates vis-à-vis their employment with or presence in the Bank.

The Requirements

The following are some of the requirements set out in the Guidelines:

- Do not use your work email to open personal social media accounts.
- Do not announce Bank related developments on your personal social media before official communication. Share posts from the Bank's official social media accounts.
- Do not attempt to respond to customer inquiries or comments in your personal capacity even for seemingly 'safe' topics, without prior clearance.
- Do not participate in social media commentary on issues that relate to the Bank's business and that of its stakeholders.

- Be mindful that your views online, including in WhatsApp groups, can easily be misinterpreted as those of the Bank or that your opinion is based on information you may have access to by virtue of your employment with the Bank.
- Be mindful that, depending on the subject, even disclaimers such as "my views are personal and do not represent those of my employer" may not keep media and other parties from quoting you in your capacity as a Bank employee

Failure to comply

- The Guidelines apply to all members of staff, and it is, therefore, incumbent upon each one of us to familiarise ourselves with our respective responsibilities set out in the document. Failure to comply will constitute a breach and violation of the Guidelines, the Communications Policy and Security Regulations, and will lead to sanctions under the Bank of Zambia Disciplinary Code and Grievance Procedure as follows:

OFFENCES RELATING TO BREACH OF COMMUNICATIONS PROCEDURES

	OFFENCE	1st Breach	2nd Breach	3rd Breach	4th Breach
7.22	Issuing unauthorised press statements to the public or mass media on Bank matters without authority	Final written warning	Dismissal		
7.24	Publication or disclosure of confidential information to unauthorised persons.	Final written warning	Dismissal		
7.34	Bringing the Bank's name into disrepute	Written warning	Final written warning	Suspension for 14 days without pay	Discharge

Safety Online

Here are a few tips as you share content and interact online:

- Read and understand the privacy policy, general terms and conditions, and data protection provisions before signing up on any social media site or network.
- Customise your privacy settings and ensure your passwords are secure. Never share or save your passwords.
- Limit the amount of personal information you share and do not accept friend requests from accounts whose credibility you cannot confirm.
- As we are in an election year, online discourse is likely to be more emotive, and it is your responsibility to exercise good judgement in all situations.
- Do not engage in unlawful conduct such as defamation, cyber-bullying, dissemination of pornographic material, unverified information, hate speech etc.
- Familiarise yourself with the recently enacted Cyber Security and Cyber Crimes Act, 2021.

Contact the Communications Division for any queries on the Bank of Zambia Social Media Guidelines.

SUPPORTING INNOVATION IN THE FINANCIAL SECTOR

7 take-aways from the BoZ Regulatory Sandbox Guidelines, 2021

By
Lungisani Zulu

The Bank of Zambia has just gazetted the Bank of Zambia Guidelines for conducting regulatory, 2021. In this article, I set out to bring out seven key points ushered in by the guidelines.

But, first things first, what exactly is a regulatory sandbox?

The simple answer is that a regulatory sandbox is a framework set up by a regulator to permit firms to test trial their proposed innovative products or services in a live environment under a set of conditions and limitations without having to apply for the full license for the product. Companies can test innovative financial products, services, or business models with actual customers in a controlled environment.

So what key take-aways can be deciphered from the 2021 sandbox regulations by the central bank?

The sandbox applies across all regulated sectors under the Bank of Zambia

The Bank of Zambia is the designated regulator of payment systems which includes e-money under the National Payment Systems Act, 2007, financial service providers under the Banking and Financial Services Act, 2017 and as well as credit reporting agencies under the Credit Reporting Act, 2018. The sandbox regulations may be used by any person with an innovative product or service who wants to enter any of the above spaces regulated by the Bank of Zambia.

Products must meet eligibility criteria to qualify for the sandbox

A product or service which may be subjected to live testing on actual customers through the sandbox must meet certain requirements. These include being ready for live testing, markedly different from existing ones as well as of benefit to customers.

Use of the sandbox subject to an application

Merely because you have an innovative product or service does not justify your live testing on actual customers. To benefit from the protection that comes with the use of the sandbox, you are required to make an application to the Bank of Zambia using a customised form. After the application is lodged, the Bank of Zambia reviews the application and if it meets the qualifications, the applicant is granted an authorisation letter.

Have a Test Plan as part of your application

Applicants who want to test their products using the sandbox must also furnish the Bank of Zambia with a test plan. This is a plan which details what you hope to achieve in the live testing and which type of customers will be targeted, among other items.

You remain liable to the customers you are testing on

Though the sandbox gives you exemptions from strict compliance with the law applicable in offering the service, you remain liable to the customers you are testing on. So you should ensure that you mitigate all risks associated with the testing of your product. Should you hurt the customers through your experimental products or service, the fact that you had been granted authorisation will not be a defense.

Experiments must end so that the real product is deployed

While the sandbox gives you the chance to test the product or service on real customers, the testing cannot be forever. It is anticipated that your product will exit the test environment so that it can be deployed in real life. Exit may be by way of obtaining the required license to offer the service as a regulated one or indeed if the experiment fails. Participants can exit the sandbox on their own or be asked to exit by the Bank.

Progress must be reported

The guidelines impose reporting requirements on participants to track progress on the experiment. The Bank of Zambia is interested in knowing how the live testing of a new innovative product or service is going. It may even publish results of the test, which should aid in giving the new product or service good publicity.

The above are my seven key points ushered in by the Bank of Zambia Guidelines for conducting Regulatory Sandbox, 2021. The guidelines give a chance to companies with innovative financial products and services, but not prepared to immediately bear the cost of full compliance with the applicable laws, to test on real customers. Ultimately, the central bank is signaling support for innovation in the financial sector.

Lungisani Zulu is Senior Legal Counsel in the Bank Secretariat Department

OVERLAPPING CONSUMER PROTECTION MANDATE IN THE FINANCIAL SECTOR

...Not a problem, MoUs answereth all

By
Silvia Siwale

Zambia has high-level regulations focusing on consumer protection and competition in the financial sector regulated by Bank of Zambia (BoZ), the Competition and Consumer Protection Commission (CCPC), the Securities Exchange Commission (SEC), the Pension and Insurance Authority (PIA) the Patents and Companies Registration Agency (PACRA) and the Zambian Information and Communication Technology Authority (ZICTA).

The BoZ is responsible for monetary and supervisory policy and regulates banks and other financial service institutions registered under the Banking and Financial Services Act (BFSA), Chapter 387 of the Laws of Zambia. The BFSA supports the BoZ Act by amplifying the legal and regulatory framework of licensing, supervising and regulating financial service providers in Zambia. In its preamble, the BFSA sets out the objectives for which it was enacted, that is to regulate the conduct of banking and financial services; to provide safeguards for investors in and customers of banks and financial institutions; and to provide for matters connected with or incidental to the foregoing.

The PIA regulates the pensions and insurance industry in Zambia and is further mandated by law to develop the industry as well as protect the interests of pension scheme members and insurance policyholders. The SEC is the regulator of the Capital Markets in Zambia, while the CCPC is the primary agency for general consumer protection and competition in Zambia. PACRA is responsible for registration and licensing of companies while ZICTA is responsible for regulating the Information Communications Technology (ICT) sector in Zambia.

Practical application of regulations and guidelines across the sector has, however, been challenging because of overlaps. For instance, the CCPC has mandate to handle complaints from all sectors of the economy such as: banking; education, energy; retail trade; insurance; microfinance; transport; water and sanitation; real estate; ICT; health; hospitality and automotive sectors as long as the person lodging in the complaint qualifies as a consumer under the Competition and Consumer Protection Act No. 24 of 2010. If need be, CCPC handles some consumer complaints in collaboration with other regulators or may refer the complaints to the relevant regulator.

Similarly, a consumer of an insurance product offered by a commercial bank may be confused as to whether to report a grievance to the Central Bank or to the PIA, or indeed CCPC. It therefore becomes difficult for some consumers to know who to contact when they have grievances with their service providers.

To resolve these concerns and share burdens across the sector, financial services regulators have resolved to utilise memoranda of understanding for ease of cooperation. For instance, **ZICTA and the BoZ signed a memorandum of understanding (MoU) outlining how the two institutions will work together in the supervision and regulation of areas of common interest. This is with a view to ensure that favourable market outcomes for both providers of financial services using telecommunication or ICT platforms and consumers of these financial services are attained.** This partnership follows recognition by the two regulators that ICTs and financial services have attained some convergence in their development. The MoU outlines specific areas of regulatory and supervisory collaboration on mobile financial services between the two organisations and these include among others: the implementation of Government policies aimed at enhancing financial inclusion, joint inspection of entities in which both institutions have regulatory interest, the development and implementation of a framework for consumer protection, dissemination of information on mobile financial services, matters related to cyber security in mobile financial services and the implementation of guidelines on market conduct. This collaboration also facilitates the resolution of money transfer related consumer complaints.

Another Multi-sectoral Memorandum of Understanding (MMOU) exists between the BoZ, PIA and the SEC. The purpose of the Agreement is: to establish a framework for mutual assistance and to facilitate the exchange of information between the Authorities to enforce or secure compliance with any laws or regulations of their respective jurisdictions; to enhance regulatory coordination and establish the manner in which the parties will interact with each other in promoting financial market stability; to provide one another with assistance to the full extent permitted by the laws, regulations and rules of their respective jurisdictions; to promote the integrity, efficiency and financial soundness of the banking and financial institutions industry, insurance, pension and provident funds industry and securities industry, by improving the effective regulation, enhancing the supervision of cross-authority transactions, and preventing fraudulent and other prohibited practices in Zambia; and to actively pursue all avenues towards obtaining, by law, all the necessary powers for the effective achievement of the objectives of the MMOU and to keep the other Authority informed of developments in connection therewith.

Through the machinery set up by this MoU, the Authorities agree to promote mutual assistance and exchange of information to enable the parties to perform their respective duties effectively according to the laws, regulations and rules of their respective jurisdictions. Parties may, under certain agreed circumstances, share each other's available resources in order to bring the provisions of this MMoU into full effect; provided such a process is reasonable, does not compromise the respective independence of the parties and does not contravene any statute with which the parties must conform.

This Memorandum of Understanding does not affect the ability of the Authorities to obtain information from persons on a voluntary basis, provided that the existing Authorities observe procedures in the jurisdiction of each Authority for obtaining of such information.

Where one Authority has information that will assist the other Authority in the performance of its regulatory functions, the former may provide such information, or arrange for such information to be provided, on a voluntary basis even though the other Authority has made no request.

Further, the Authorities will consult with each other to improve the operation of this Memorandum of Understanding and resolving any matters that may arise including but not limited to matters of mutual interest to enhance co-operation and to protect depositors, investors, pension scheme members and policyholders by ensuring the stability, efficiency, and integrity of the banking and financial industry, securities industry, insurance, pension and provident funds industry; the co-ordination of the supervision of the banking and financial industry, securities industry, insurance, pension and provident funds industry; and the administration of the laws, regulations and rules of their respective jurisdictions.

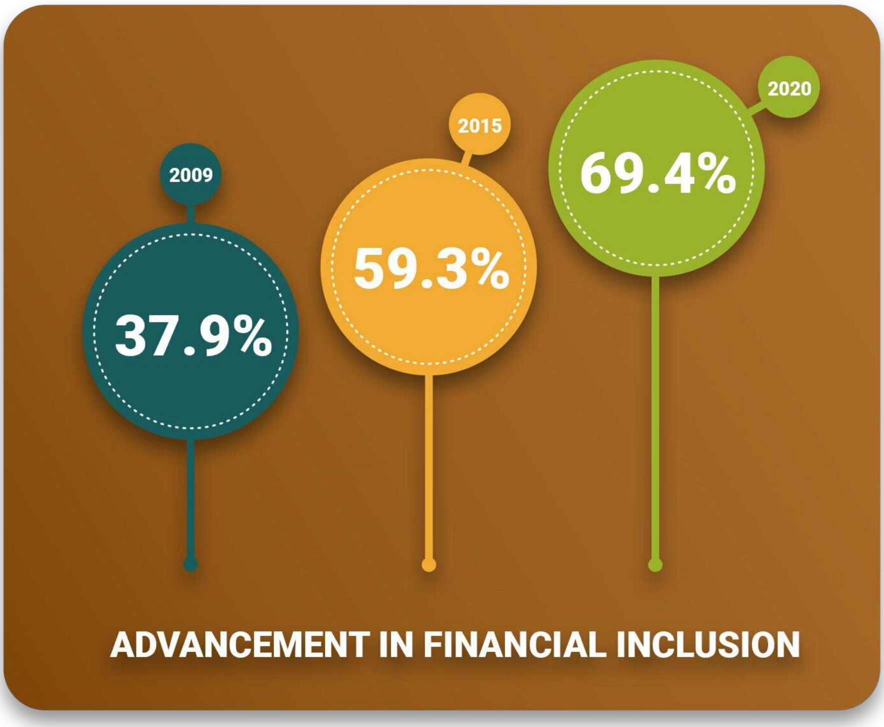
The purpose of such consultations shall be to assist in the development of mutually agreeable approaches for strengthening the banking, insurance, pension and provident funds and securities industries of their respective jurisdictions while avoiding, whenever possible, conflicts that may arise from the application of differing regulatory practices. The Authorities will consider the need for additional measures for the exchange of information regarding investigations, enforcement, supervisory and surveillance in the administration and enforcement of the laws, regulations and rules concerning the banking, securities, insurance and pension industries, on an ongoing basis. To this end, the Authorities will inform one another of the adoption of any measures that may affect their respective authorities to provide assistance under this Memorandum of Understanding.

Further, the Authorities may take practical measures as may be necessary to facilitate the implementation of this Memorandum of Understanding. As such, the Authorities may, by mutual agreement amend, relax or waive any of the terms of this Memorandum of Understanding. It is therefore safe to conclude that the regime of Memorandum of Understandings is the sure answer to the question of regulatory overlaps in consumer protection issues in the financial sector. The regulators are already on top of things in this matter.

Ms Silvia Siwale is Acting Manager-Media and Publications in the Executive Department

UNDERSTANDING THE FINANCIAL INCLUSION GAP BETWEEN RURAL AND URBAN AREAS

EVIDENCE FROM THE FINSCOPE 2020 SURVEY



In recent years, financial inclusion has grown in importance worldwide, with Governments, Central Banks and other financial sector players promoting it.

This concept refers to access to and informed usage of a broad range of quality and affordable savings, credit, payments, insurance and investment products and services that meet the needs of individuals and businesses .

According to Demirguc-Kunt (2008) , financial inclusion allows individuals to take advantage of business opportunities, invest in education, save for retirement, and insure against risks. The lack or limited access and usage of these financial services has adverse implications on economic growth, income distribution and poverty levels in an economy.

Zambia has made steady progress in advancing financial inclusion, recording a 69.4 percent level of inclusion in 2020 from 59.3 percent in 2015 and 37.9 percent in 2009. Despite the improvement in the overall level of financial inclusion, a big gap remains in the levels of inclusion in rural and urban areas. While financial inclusion in urban areas increased by 14.1 percentage points to 84.4 percent in 2020 from 70.3 percent in 2015, inclusion in rural areas remained relatively low after increasing by 5.8 percentage points to 55.9 percent in 2020 from 50.1 percent in 2015. Of the financially excluded adults, 75.8 percent reside in rural areas compared to 24.2 percent in urban areas.

This article looks at some characteristics of the rural and urban adult populations, which could possibly explain why financial inclusion remains a challenge in rural areas. This analysis is based on a review of research papers then relating them to the FinScope 2020 Survey, which the Bank of Zambia, in collaboration with other financial sector stakeholders conducted in September 2020. The survey, which interviewed 12,781 adults aged 16 years or older, is the main source of financial inclusion statistics.

Factors that affect access to financial services

Research suggests that the disparity in the level of financial inclusion between urban and rural areas could be explained by the distinct profile of adults in the two areas, which relate to the main barriers of financial inclusion, such as poverty, irregular income, low financial literacy and distance to access points.

Poverty

Klapper and Demirguc-Kunt (2012) report that approximately 30 percent of people around the world who have no access to formal financial services report that the lack of sufficient funds to hold a bank account is the biggest barrier to financial inclusion . These findings correlate with those of FinScope 2020 Survey which showed that the main barrier to accessing commercial bank products/services was insufficient money, as reported by 37.5 percent of unbanked adults. Also associated with this barrier was failure to meet the minimum balance requirements as stated by 10.9 percent of unbanked adults.

Alice (n.d), states that poor people often do not believe they have enough income to transact with formal financial institutions and are concerned about requirements around collateral, further indicating that irregular and unreliable income discourages poor people from availing themselves of formal financial services . Monticone (2010) also concluded that people with higher incomes were more likely to acquire financial knowledge on their own while those with lower incomes found it too costly or did not have the same incentives to do so.

In the FinScope Survey, a proxy measure for household poverty called Progress Out of Poverty Index (PPI) was developed. The PPI scores were segmented into 5 intervals (quintiles) to determine the share of the adult population that fell into each quintile. PPI1 represents adults from the lowest income household of the Zambian population while PPI5 represents adults from the highest income household. An analysis of the income groups by rural-urban segmentation showed that the majority of the rural population is in the lowest two (2) income bands (87.8 percent). On the other hand, majority of the adults in urban areas were in the middle and higher income bands (76.7 percent). This means this barrier is more likely to affect rural based adults than those residing in urban areas.

Frequency of Income

Eustat defines stable income, as earnings from work or capital which do not suffer serious variations (over 25%) over the period of one year . Comparing the frequency of income received by adults in rural and urban areas shows that those in urban areas have more stable income than their rural counterparts (Figure 2). While 45.3 percent of adults in urban areas receive regular income on a monthly basis, only 16.7 percent of those in rural areas do so. On the other hand, 42.7 percent of adults in rural areas have irregular income (seasonal/occasional).

Among many other effects, IIFL Securities, an investment advisory firm, indicates that an irregular income can affect a person's finances in the following ways :

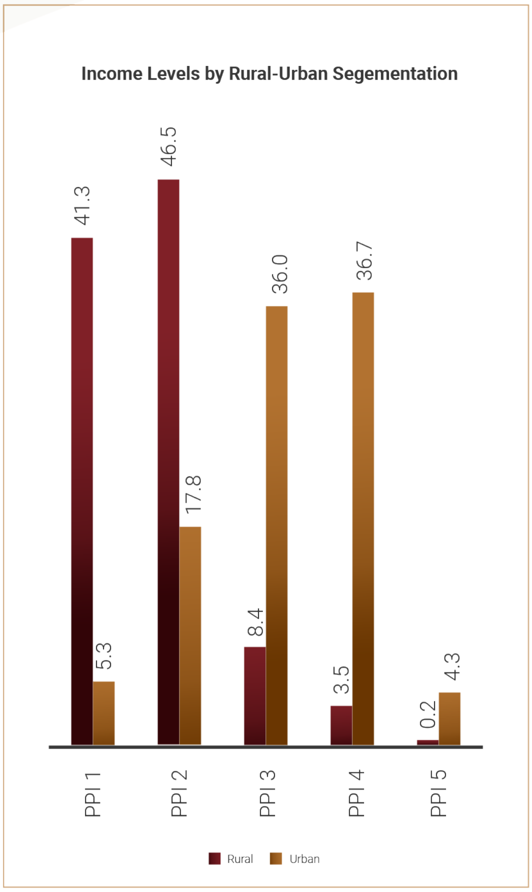
- It is a huge impediment in drawing a viable investment plan.
- Leads to inability to invest in financial products that require regular contributions.
- Inability to make long-term investments due to uncertainty about the future, which forces one to take quick-fix, or short term investment options, which will again derail one's finances.

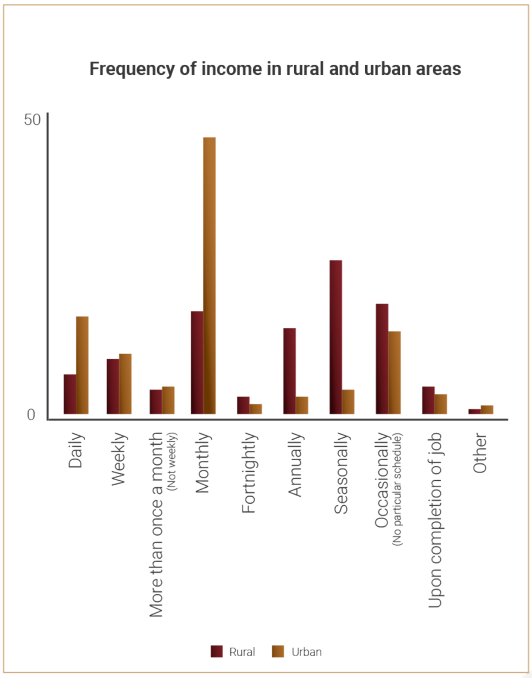
The profile of rural based adults in terms of frequency of income shows that they are less likely to demand financial products and services, and so they tend to be financially excluded..

Financial Education

The level of education is positively correlated with financial literacy. Studies have consistently shown that individuals with higher levels of education are most likely to be financially literate. Those individuals who completed university or college degree are more likely to be financially knowledgeable than those with low education level (Cole et al. (2008) . Another study by Lusardi, Mitchell, and Curto (2010) found that college students were more financially knowledgeable compared to high school students. Findings from the FinScope 2020 Survey confirm this relationship (Figure 3).

Having established this relationship, we can now look at how this relationship can explain the low





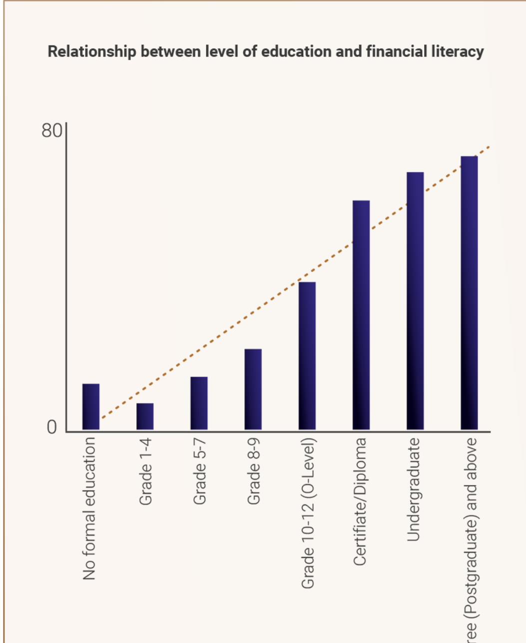
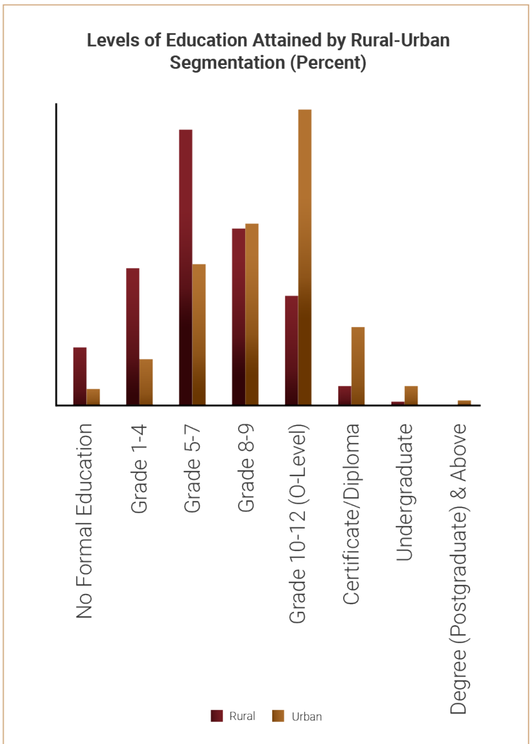


Figure 3

levels of financial inclusion in rural areas relative to urban areas in Zambia. The 2014 Financial Capability Survey in Morocco showed that women and people living in rural areas score significantly



lower on various financial capability metrics (budgeting, coping with unforeseen events, etc.) compared to men and the urban population .

In Zambia, the levels of education are much lower in rural areas compared to urban areas. According to the FinScope 2020 Survey, 60.7 percent of urban based adults had secondary school education compared to 36.7 percent of rural based adults. In terms of tertiary education, 13.0 percent of adults in urban areas had tertiary education compared to only 2.7 percent of rural based adults.

According to the G20 , poor financial literacy represents a significant barrier to access and proper use of formal financial services. It limits the capacity of people to be aware of financial opportunities, make informed choices, and take effective action to improve their financial well-being.

Findings from the FinScope Survey showed that the level of financial literacy was much lower in rural areas (15.6 percent) compared to urban areas (32.5 percent).

Distance to financial access points

Physical access to banking services can often be hampered by long distances from the next bank outlet (Beck, Demirguc-Kunt and Martinez Peria, 2007) . Physical access to financial access points is more of a challenge in rural than urban areas.

Findings from the FinScope Survey showed that the proportion of adults who are able to reach a financial access point within 30 minutes, whether by foot, cycling or driving was much higher in urban areas than rural areas. For example, whereas only 2.6 percent of the rural adult population was able to walk to a bank branch within 30 minutes, the proportion for urban-based adults was 37.2. The pattern was similar for other financial access points (Table 1).

Table 1: Adults able to reach a financial access point within 30 minutes (Percent)

	Rural			Urban		
	Font	Bicycle	Road	Font	Bicycle	Road
Bank branch	2.6	2.6	2.6	2.6	2.6	2.6
ATM	2.6	2.6	2.6	2.6	2.6	2.6
Microfinance institution	2.6	2.6	2.6	2.6	2.6	2.6
Building society	2.6	2.6	2.6	2.6	2.6	2.6
Insurance company	2.6	2.6	2.6	2.6	2.6	2.6
Mobile money agent	2.6	2.6	2.6	2.6	2.6	2.6
Bank agent	2.6	2.6	2.6	2.6	2.6	2.6
Capital Markets Operator	2.6	2.6	2.6	2.6	2.6	2.6

Conclusion

From the results of the FinScope 2020 Survey, it is clear that addressing the challenges faced by the rural based population in accessing financial services needs a broader, multi-sectoral approach. The most significant barrier, the lack of or insufficient money, requires employment creation for the rural population. Provision of infrastructure, including requirements for the provision of digital financial services, is obviously a pre-requisite, as this would reduce the cost of doing business thereby attracting investment in rural areas. Provision of financial services through mobile phones serves greater outreach to remote areas that do not have access to physical financial service providers.

Financial sector players should not relent in its efforts aimed at promoting financial literacy to ensure that potential users of financial services appreciate them and those already having access can have informed usage. In addition, an understanding of the needs of the rural based adults will enable financial service providers to develop customer-centric products that would support credit to farmers as well as micro and small enterprises, to increase productivity and contribute to their economic welfare. The Government is also encouraged to work with stakeholders (such as international partners and NGOs) engaged in promoting the financial inclusion agenda through various initiatives, to ensure that the NFIS target of achieving 80 percent financial inclusion in Zambia is met.

In the words of Professor Njuguna Ndung'u, former Governor of the Central Bank of Kenya, ***"Financial inclusion is no longer something that is "nice to do" but is now an essential part of the global economic development agenda. It is a public policy issue that we regulators cannot shy away from" .***

Godwin Sichone is Assistant Manager-Research, Monitoring and Evaluation in the Non-Banks Financial Institutions Supervision Department.

Condolences

The Board, Management and Staff of the Bank of Zambia wish to convey their deepest condolences to the Chiyavula family and the Pensions and Insurance Authority on the death of Acting Registrar and Chief Executive Officer, Mr. Tresford Chiyavula. Mr. Chiyavula's contributions to the financial sector will be greatly missed.

May his soul rest in peace.

Bank of Zambia

COVID-19 AND ITS IMPACT ON THE ZAMBIAN ECONOMY

By
Nason Kapako

In the last quarter of 2019, the world witnessed the outbreak of a pandemic that has sigvnificantly changed the way of life. The novel coronavirus (COVID-19) has taken a heavy toll on lives and livelihoods across the globe. Aside from claiming millions of lives, COVID-19 has adversely influenced the general socioeconomic systems, from interruptions in social interactions to disruptions in supply chains and general economic activity. Zambia has not been spared. It has succumbed to the adverse effects of the virus - affecting both the social and economic systems.

Covid -19 has claimed thousands of lives, strained the health system and dented income prospects of both businesses and households, with dire consequences on financial intermediaries.

THE EFFECTS

Zambia recorded its first two cases of coronavirus in March 2020. Since then, the picture worsened with new daily cases peaking at 3594 in June 2021. This was during the third wave the country experienced, which claimed more lives than recorded during the first and second waves. Cumulative cases and deaths rose exponentially to 182,129 and 2,991 as of mid-July 2021. This translated to 16.4 deaths per 1,000 infected persons, or a mortality rate of 1.6 % which is below the global average ratio of 2.1%.

The pandemic has also piled pressure on pre-existing weaknesses inherent in the health system. This includes a shortage of healthcare workers and medical equipment, and inadequate financing. To put it into perspective, data obtained from World Health Organization (WHO) reveals that Zambia had 0.63 medical doctors per 10,000 population compared with USA's 26, South Africa's 7.8 and 7.7 in India between 2016 and 2018. Hospital beds stood at 20 per 10,000 population compared with the global average of 33.7. And in terms of health financing, Zambia has been equally lagging due to a lower current health expenditure per capita than countries previously compared with. The classification of coronavirus as a pandemic by WHO, and a notifiable infectious disease by the Health Ministry, suggests that the allocation of these scarce health resources has potentially been prioritised to fight the pandemic over other diseases like HIV, TB and malaria.

Other adverse spillovers relate to COVID-19's impact on business, economics and finance. While the pandemic's containment measures are intended to help curb the spread of the disease, they have suppressed demand and output further.

Restrictions on international travel, coupled with individuals' apprehension to travel, have had a devastating toll on transport and accommodation services while emphasis on social distancing has adversely disrupted restaurant activity. With muted international tourist arrivals, there has been reduced activity in sectors related to tourism. Several cases of subdued hotel occupancy rates have been reported. For example, in its note to investors issued earlier in the year, Pamodzi Hotel stated that it was "temporarily closed" between April and September 2020 "due to Covid-19 pandemic". It reported that no income was generated from rooms, food and beverages. Consequently, it posted a net cash-outflow of K27.2 million and loss after tax of K22.7 million in the six months to September 2020, compared to a profit of K1.3 million during the same period in 2019. Zambia Statistical Agency (ZSA) quarterly growth figures for 2020 indicate that activity in accommodation & food, and entertainment & recreation sectors has contracted since the onset on the pandemic.

Cashflow deficiencies and financial losses have cascaded to financial intermediaries in form of rising loan defaults. The quality of banks' credit portfolio has deteriorated, with the non-performing loans (NPLs) ratio rebounding as they contend with weakened borrowers' balance sheets. In a year to March 2020, the stock of hotel and restaurant related bad loans soared by 18%. Furthermore, the sector had the highest default rate of 77%. The transport industry, which has been ravaged by border closures and international travel restrictions, recorded a 147% increase.

Responding to a crisis

First things first Government responded by declaring coronavirus as a notifiable infectious disease, in line with Section 9 of the Public Health Act, and setting out measures aimed at combating the spread of the disease. These include mandatory quarantine for patients and those suspected of suffering from the disease, mandatory wearing of masks, restrictions on foreign travel and a requirement to maintain a social distance when in public spaces. Others included prohibition of mass gatherings which saw schools and churches shut down temporarily.

On the monetary side, Bank of Zambia (BoZ) initially cut its policy rate. Then it rolled out a quantitative easing programme aimed at enhancing liquidity conditions and supporting financial system resilience. This includes the K10 billion Targeted Medium -Term Refinancing Facility (TMTRF) and the bond-purchase programme. While the TMTRF is aimed at providing liquidity to lenders for on-lending to businesses and households affected by the fallout from the pandemic, the bond-purchase programme was aimed at liquidating commercial banks' sovereign bonds holdings so as to ease their liquidity conditions.

On the fiscal side, Government issued an K8 billion security, labelled the Covid Bond, which was earmarked to be spent on economic activities and mitigate the negative impact of the pandemic. This was supplemented by the release of K2.5 billion to dismantle arrears to Government suppliers and grants and donations from bilateral and multilateral partners.

Other key measures are prudential in nature. These were introduced to help financial institutions remain solvent during the period of stress.

Any opportunities?

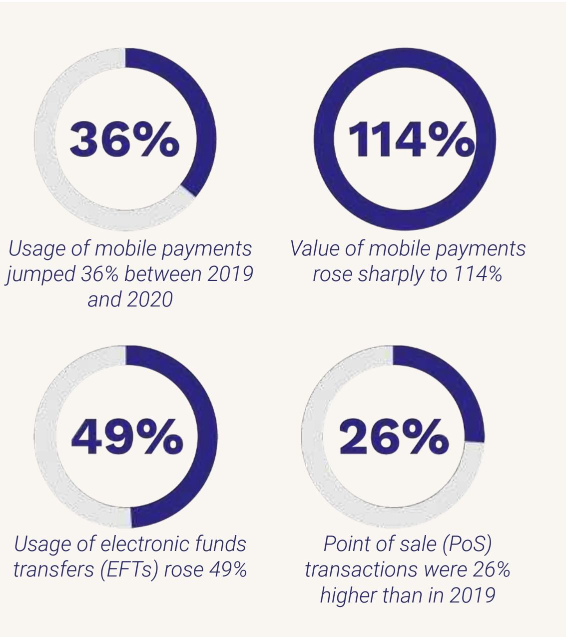
Despite COVID-19 having raised financial institutions' financial and operational risks, it has bolstered the usage of their digital services. The pandemic's containment measures are of course positioning banks' digital services as safer means for customers to transact than walking into brick and mortar branches which are often crowded. This ties-in well with the banking sector's strategy to leverage digital services to enhance value delivered to their customers and shareholders. It is also in line with BoZ's plans to use digital financial services to foster financial inclusion.

In as much as the usage and value of digital-related transactions have been on a steady upward trajectory pre-covid, they accelerated during the pandemic. For instance, the usage of mobile payments jumped 36% between 2019 and 2020, with the value rising sharply by 114%. The usage of electronic funds transfers (EFTs) rose 49% and point of sale (PoS) transactions were 26% higher than in 2019.

While financial institutions' profitability may come under pressure from headwinds largely emanating from low economic activity, they may experience lower overhead costs should the usage of digital channels rise further.

Light at the end of the tunnel

With the advent of a safe and effective vaccine,



an end to the pandemic is in sight. As of mid-July 2021, the total vaccine doses administered globally stood at about 3.4 billion. With a high efficacy level, vaccines will help curb infections, combat the spread, and materially suppress the associated death rate.

Developing countries have not been left out, thanks to the Covax initiative established by WHO, CEPI and GAVI. Under this initiative, the trio will buy vaccines for 150 poor countries, and intends to get 20% of their populations vaccinated in 2021. After meeting the conditions to be eligible to get its share of Covax, Zambia received 456,000 doses of the AstraZeneca vaccine and has administered 243,818 doses as of mid-July. Additionally, consignments of 4.4 million doses of the Johnson & Johnson and 100,000 doses of Sinopharm vaccines have been secured. If the country speeds up efforts to have enough adults inoculated by year end, economic activity would pick up momentum and risks to financial stability would be tamed.

But there are challenges. Although there are several developers, supply-chain bottlenecks abound. It would take a while before their aggregate production meets the overwhelming global demand. Second, delays in procuring enough vaccine doses before the cold season intensified precipitated a third wave, has proved costly. The third challenge is more psychological. The anti-vaccine disinformation or conspiracy theories are dampening people's willingness to take the vaccine. In Zambia, the misperception that only the rich get infected will also slow down the vaccination drive. Reports that vaccines from some developers (including AstraZeneca and Johnson & Johnson) cause blood clots will not help either.

On balance, opportunities outweigh risks. For incomes to get back on a sustainable growth path, more adults need to be vaccinated. This would help ease international travel restrictions and aversion, thereby giving hardest hit sectors like tourism impetus to grow again. The Government must not relent in its efforts sensitise the population about the importance of taking the vaccine.

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UNDERSTANDING THE BASIC LANGUAGE OF INSURANCE

By
Bridget M Kaluba

One of the rules of learning a new language is to start with the simple words which are frequently used such as those used to greet people. Words, for example, like 'how are you' in English, 'mwapona buti' in Tonga, 'mulishani mukwayi 'in Bemba, 'mudingayi mwane' in Lunda, 'muzuhile cwani' in Lozi, 'mujibiepi' in Kaonde etc. Likewise, understanding the terminology used in a particular profession and their application is a prerequisite for effective learning. Therefore, this being the first article in a series aimed at raising awareness on the subject of insurance amongst the readers, I will start by defining some terms used in the insurance profession also referred to as 'the basic language of insurance'.

Insurance, as one of the aids to trade in commerce, is a Risk Transfer Mechanism. According to the Business Dictionary, Insurance is defined as 'a promise of compensation for specific potential future losses in exchange for a periodic payment'. Therefore, Insurance is designed to protect the financial well-being of an individual, company or any entity in the case of unexpected loss. For example, if you own a watch valued at K3,000.00 and two months later, it is stolen while on a minibus, the Insurance Company is supposed to buy a similar watch for you. This is what is known as compensation or indemnity.

Insurance may also be defined as a contractual relationship which exists where one party, promises to reimburse another for a loss caused by designated contingencies.

Like any other contract, Insurance has terms and conditions. It is very important, especially for the customer, to know the key or salient terms and conditions of the contract.

"Remember if you can spend money on buying insurance then you can also spend time to read the contract"

Insurance involves three parties:

- **First Party**

This is the part that provides insurance cover called the Insurer or the Underwriter.

- **Second Party**

This is the Insured, the Policyholder or the Proposer.

- **Third Party**

This relates to other persons who may be injured or whose properties may be damaged arising from the accident caused by the insured. Examples include Pedestrians, Motorists and Cyclists etc.

PERIL

This refers to the actual cause of loss, for example, fire, accidental damage, storm, water leakage, house breaking, etc.

HAZARD

A hazard according to the business dictionary is a "condition or situation that creates or increases chance of loss in an insured risk", it is separated into two kinds:

- **Physical Hazard:** physical environment which could increase or decrease the probability or severity of a loss. Physical hazard arises from physical characteristics of the risk such as defective brakes on a motor vehicle, rough or bad roads.

- **Moral Hazard:** is attitude and ethical conduct of the insured. Moral hazard arises from personal attributes such as habits, methods of management, financial standing, mental condition or lack of integrity of an insured that may intentionally cause or hope for a loss.

RISK

Risk is the uncertainty about the future or the probability of a loss or exposure to loss. It can also be said to be the probability that actual loss will vary from predicated loss. There are different kinds of risks namely, Financial risks, Foreign Exchange Risks, Fundamental Risks, Interest Rate Risks, Investment Risks, Market Risks, Objective Risks, Particular Risks, Preferred Risks, Political Risks, Pure Risks, Speculative Risks.

Normally the insurable risks among the above are Particular and Pure Risks. Particular Risks involve those risks in which one has little or no control of the outcome whereas Pure Risks are those in which there is no chance of gain by the insured for example theft of a vehicle.

INSURED

Party to an insurance contract, to whom the insurer agrees to indemnify losses, provide benefits, or render services. The insured can be an individual or a corporate entity and may also be referred to as the policy holder.

INSURANCE CONTRACT ESSENTIALS

As defined above Insurance is a legal contract and for it to be enforceable at Law, the following essentials need to be met.

- ***Offer and Acceptance:*** Offer is given by proposer, say after filling in a proposal form and acceptance by the insurer takes place when premium is received, or policy wording is issued. A quotation or renewal notice by insurer is generally regarded as invitation to offer.
- ***Consideration:*** This is in the form of premium paid by the insured while for the insurer it is money paid in case a claim is lodged in by the insured.
- ***Consensus ad idem:*** There must be agreement between the parties or meeting of minds.
- ***Capacities of the parties to contract:*** The parties to the contract should be of sound mind and of legal age.
- ***Legality of the contract:*** The Insurance contract must be issued, signed and stamped by a licensed entity i.e. permitted by Law. In Zambia the Pensions and Insurance Authority (PIA) is mandated by government to issue licenses and regulate the Insurance Industry.

A PROPOSAL FORM

This is a basis of an insurance contract. It is a questionnaire prepared by the insurer to elicit all information necessary for a proper evaluation of the risk and for rating purposes. Most of the insurance policies require that a proposal form be completed and signed by the proposer before insurance can be effected.

SUM INSURED

This refers to the limit of liability of the insurer to pay under a policy .The insurer cannot pay more than the sum insured under a claim. If it is discovered that the subject matter was underinsured, the insurance company will not pay the difference but will stick to the sum insured and may actually charge a penalty called the average. Average means that if the subject matter was underinsured by say 15 per cent, then the insured should also be paid less by 15 per cent.

MARKET VALUE

This is the price obtainable to buy the item in question on the day of exchange in an open market between a willing buyer and a willing seller in an arm's length transaction where both parties act on knowledge, prudence and without compulsion. Therefore, it is important for the insured to declare a market value for his Sum Insured at the time the contract is being entered into to avoid being under insured or over insured.

POLICY

This is a printed document issued to the insured by the insurance company stating the terms and conditions of the insurance contract. It is also a written contract of insurance between an insurance company and the insured. As stated above, the customer needs to read this document to understand the terms and conditions of the insurance contract. A prudent underwriter will also highlight the salient terms/ conditions to the customer.

Sometimes this document can be bulky and that's what makes some customers feel 'lazy' to read it but the fact that it is issued, not reading it cannot stand as a defense in court.

POLICY EXCESS

This is uninsured loss which is borne by the insured or in other words it is a loss paid by the insured and the remainder by the insurer. It is usually a minimum amount that is aimed at excluding small claims i.e. claims that do not make economic sense to process.

This article has not exhausted all the definitions for one to fully understand insurance basics, but it has provided the fundamentals that are at the core of insurance. The information provided is useful in our day- to- day affairs as far as insurance is concerned and largely equips the consumer with knowledge that will level the playing field against the sellers of insurance products.

Ms. Bridget Kaluba is Assistant Manager-Insurance Services in the Procurement and Maintenance Services Department

MAY IS INTERNATIONAL INTERNAL AUDIT AWARENESS MONTH

By Agripa Mwanza

WHAT IS INTERNAL AUDITING?

Business people all around the world are familiar with the term. But do they understand the value it brings to their organizations? Exactly what is this somewhat illusive profession all about and why is it so essential to efficient and effective business operations? And why is it so critical to optimal governance and organizational sustainability?

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal auditors have an in-depth understanding of the Bank's systems, processes, and culture. They provide assurance to executive management and governing bodies that governanc processes are sound and that existing internal controls are adequate to mitigate risks. They also serve as consultants who evaluate emerging technologies, analyze opportunities, and offer recommendations for improvement.

All of this means that internal auditors assess whether things are going as they should in order for the Bank to meet its strategic, financial, and operational goals, and to maintain an ethical environment and culture of accountability. Simply put, internal auditors bring enormous value to the Bank and stakeholders they serve.

Internal Auditing = Assurance, Insight, and Objectivity

Assurance, Insight, and Objectivity – the value of internal auditing can be described by these three very important words. Management and the Board can look to internal auditors to provide assurance on whether policies are being followed, controls are effective, and the Bank is operating as management intends. Internal auditors have unique insight on;

- Which risks might lead to disaster.
- How to improve controls, processes, procedures, performance, and risk management.
- Viewing the Bank with the strictest sense of objectivity that separates them from — but makes them integral to — the Bank.

Although value can be viewed as a subjective quality, when it comes to internal auditors, subjectivity has no role to play. Executive Management and the Board agree that Internal auditors are invaluable!

THE VALUE OF PROFESSIONALISM

The value of internal auditing cannot be fully realized without very important requisite qualities possessed by absolute professionals. Internal audit professionalism means competence and quality. It means standing up for transparency and integrity and speaking out against unethical business practices. And it means embracing growth and change, seeking new ways of doing things, and providing fresh ideas for ensuring risks are mitigated.

THE VALUE PROPOSITION TO STAKEHOLDERS

The Institute of Internal Auditors (IIA) challenges internal auditors around the world to continuously enhance their competencies as professionals, and encourages stakeholders to enthusiastically incorporate internal auditing into their organization's governance structure.

Internal auditing is a profession, and the responsibilities described here represent only a part of what is mandated for and expected of professional internal auditors. This speaks volumes as to internal auditing's value, but clearly, value is defined differently for different business functions. For some, saving money is the most important goal; for others, protecting the reputation is the focus. For internal auditing, its value proposition to the Bank's stakeholders can be best depicted as providing assurance, insight and objectivity to help Management and the Board meet their goals, and that, without question, is of great value.

Mr. Agrippa Mwanza is Internal Auditor in the Internal Audit Department

THE SOUTHERN AFRICA DEVELOPMENT COMMUNITY REAL-TIME GROSS SETTLEMENT (SADC-RTGS) SYSTEM

1

What is the SADC- RTGS System?

It is an automated interbank settlement system, which settles payment obligations between participating banks in real-time in all the SADC countries. The system has been in operation in Zambia since September 2014. The system currently settles payments in South African rand (ZAR) only. There are considerations to include additional regional currencies in the system in the near future. The System was developed to facilitate funds transfer for cross-border payments in the SADC region in order to contribute to the promotion of trade and investment. All businesses and individuals can use this system to send and receive payments to and from a trading partner within the SADC region. The transactions are processed in real-time meaning that a counterparty receives the funds faster and without delay.

2

SADC-RTGS's design and implementation is guided by the following principles:

- All payments are in real time across the region.
- Use of existing infrastructure in terms of the SWIFT network
- Use international standards to ensure interoperability.
- Invest in straight-through processing.
- Each country will keep its own currency and financial infrastructure.
- Cross-border cheques or drafts phased out.

3

How can a business firm or individual utilise the System?

When you import goods and services within the SADC region, you can remit or pay your counterparty through the system by contacting your commercial bank as listed below. Request your commercial bank for forms that you need to fill in for funds transfer using the SADC-RTGS. This can be done within the bank branch or online as may be required by your commercial bank. The process will require you to provide the detailed information needed for the cross border funds transfers. The transaction will be processed in real-time and on a straight through process allowing businesses and individuals to received funds instantly.

When you export goods and services within the SADC region, you can request your counterparty to pay you through the system. The funds will be received faster as compared to correspondent banking as funds are processed in real time.

4

Who are the participating banks in Zambia?

The following are the participating banks in the system;

- Absa Bank (Z) Limited
- Banc ABC t/a Atlas Mara
- Bank of Zambia
- Cavmont Bank (Z) Limited
- Ecobank (Z) Limited
- First National Bank (Z) Limited
- Stanbic Bank (Z) Limited
- Standard Chartered Bank (Z) Ltd
- Zanaco
- Zambia Industrial Commercial Bank

5. What are the benefits of the SADC-RTGS system?

For Businesses and Person On the Street	Participant Banks Benefit
• Faster payment services across the broader SADC region • Easier to transact across borders as the system is available in all the member countries. • The displacement of cash and the requirement for cash exchange • Improved safety and security • Enhanced pricing transparency • Uniform ways of making payments and payment instruments • The ability to compare services, which leads to the use of efficient and cost-effective solutions • Save transaction costs. One way conversion from Kwacha to Rand or vice versa as opposed to three way conversion from kwacha to Dollar to Rand • No need to source US Dollars to settle the transaction	• Processing of real-time, immediate, final and irrevocable transactions • Reduced costs because of harmonised processes and international standards • Real-time notifications in the case of errors or when an account is not funded • Access to the SADC-RTGS web's running dashboard (position monitor) which shows running balances in participants' accounts in real time.

The Bank of Zambia wishes to encourage businesses and individuals trading in the SADC region (especially South Africa) to transact in Rand through the SADC RTGS system in order to save currency conversion costs and also faster settlement of transactions.

CAN ROBOTS SAVE AFRICA?

By
Inigo Mulaisho

From the cradle to the grave, the majority of Africans can't look beyond their daily food sustenance; technology couldn't be further removed from their minds, but it's this technology, artificial intelligence, which possess the potential to catapult mostly rural Africa, into the modern world's 21st Century. Africa, a place with an abundance of natural wealth at the same time, the world's biggest monopoly on poverty and many injustices; is primed for the introduction of artificial intelligence across many disciplines, spanning schooling, hospitals, mining, blue & white-collar jobs, catering, offices, retail, and homes.

Africa is already, quickly, making a reputation for herself as a place where adopted technologies from developed countries; designed to serve a particular purpose; are inverted and applied to serve local, practical purposes. The cell phone was once considered a status accessory in developed countries but quickly became the number one medium for communication. In Africa, displacing the role, in developed countries, reserved for the land telephone. The shopping mall phenomenon, in developed countries, a shopping bonanza driven by the one-stop-shopping principle; all your shopping needs within proximity to one another has taken a new twist; shopping malls, in Africa, are now the gateway for the mass infusion of, first world, shopping infrastructure, enhancing the customer shopping experience, and providing local jobs and business opportunities along the way, and in tandem, well known international retailers, who wouldn't otherwise setup shop, are gifted with the underwriting of an already existing, diverse, customer base, and already set up infrastructure; reducing the risk exposure for the retailer, making it easier to invest in an unknown market.

On Africa's immediate horizon is the opportunity to utilize Artificial Intelligence (AI) to fill the skills gap with the rest of the world. In developed countries, AI is considered a tool to augment existing expertise. In Africa, however, it may be inverted as a tool utilized in the absence of local expertise or dependability.

AI, similarly, before the advent of cell phones worldwide; is considered a preserve of advanced countries, where AI is sought for its processing power advantage over man and the economics of using AI as a replacement for human decision making in certain jobs. As with the other technologies, the technical application of the technology in an African setting is different from the rest of the world; overall, Africa needs an infusion of AI at the first level to make up for the human resource deficit relative to the rest of the world.

AI is the formulation of a solution to a problem by a machine. It represented in two forms: Weak AI and Strong AI. Weak AI refers to machine solutions prescribed by humans. Strong AI refers to machine solutions derived by the machine. Machines can learn from the environment, past experiences and can alter their solutions; accordingly, they can also network with other machines leading to a dramatic scaling effect.
The general Economic fields of AI can be separated into the following five fields as defined by the IBA Global Employment Institute:

Deep learning:
This is machine learning based on a set of algorithms that attempt to model high-level abstractions in data. Unlike human workers, the machines are connected the whole time. If one machine makes a mistake, all autonomous systems will keep this in mind and will avoid the same mistake the next time. Overall, intelligent machines will win over every human expert.

Robotisation:
Since the 19th century, production robots have been replacing employees because of the advancement in technology. They work more precisely than humans and cost less. Creative solutions like 3D printers and the self-learning ability of these production robots will replace human workers.

Dematerialisation:
Thanks to automatic data recording and data processing, traditional 'back-office activities are no longer in demand. Autonomous software will collect necessary information and send it to the employee who needs it. Additionally, dematerialisation leads to the phenomenon that traditional physical products are becoming software, for example, CDs or DVDs are being replaced by streaming services. The replacement of traditional event tickets, travel tickets or hard cash will be the next steps due to the enhanced possibility of contactless payment by smartphone.

Gig Economy:
A rise in self-employment is typical for the new generation of employees. The gig economy is usually understood to include chiefly two forms of work: 'crowd working and 'work on-demand via apps' organised networking platforms. There are increasingly independent contractors for individual tasks that companies advertise on online platforms (e.g., 'Amazon Mechanical Turk'). Traditional employment relationships

are becoming less common. Many workers are performing different jobs for different clients.

Autonomous Driving:

Vehicles have the power for self-governance using sensors and navigating without human input. Taxi and truck drivers will become obsolete. The same applies to stock managers and postal carriers if the delivery is distributed by delivery drones in the future.

Africa is home to 60% of the world's uncultivated arable land and is the only continent where the number of undernourished people has increased over the past 30 years. The emergence of AI provides the African, surging population, set to double by 2050, with a Biblical Moses separating of the seas, moment, to escape from the bondage of poverty and mass misery; Africa can optimize AI to feed her growing population.

Farming is one of the fastest evolving areas as far as the implementation of AI is concerned and farmers can efficiently carry out the tasks of irrigation, weeding, crop monitoring and spraying, with the aid of automated robotic systems. Through AI, every farming decision is aided with the benefits of a moving laboratory, honed in, to minute detail, on the science of the specific soil. As an extension of the computerised farms, it would only be logical. The computerised farms feed into a computerised farming body; thereafter, a computerised Agriculture Ministry. AI is beneficial across many sectors ranging from education, health care, technology, agriculture, and manufacturing.

The era of ushering in AI is referred to as the 'second machine age' or the 'internet of things' – the fourth industrial revolution. The fourth industrial revolution is expected by experts to hold a lot of promise for Western developed countries, and advanced Asian countries. At the same time, it is predicted to be a period of gloom for Central and South American countries, and Africa. The low wage manufacturing jobs will shift back to Western countries resulting in a decrease of demand for raw materials by China. Africa is not expected to fare well in the fourth industrial revolution; the low levels of education and literacy will hang like an albatross around Africa's neck as her competitiveness in this new world economic order, is negligible; Africa is poised for more poverty according to a common convention.

However, every cloud has its silver lining, what may seem like the final sealing of Africa's fate, as a continent, forevermore, on the decline, may be the blessing Africa requires. AI, offers African countries, the opportunity to make wise, judicious decisions, in the absence of frameworks to effectively guide the decision-making process. It is quite common in Africa to find a foreign investor making profits over the purchase price of an asset within the space of a few weeks of purchasing it. Currently, a local musician composing a hit song uses more computing power than is employed in estimating the life of a mine in Africa. With AI, the decision-making process is rooted in real numbers on the ground and real numbers under the ground; less reliance on foreign investors inspired estimates. The implementation of AI in Africa particularly the adoption of strong AI by member nations in Africa leading to the respective intelligence systems working in unison would create a juggernaut, strong intelligence system allowing Africans to profit from the comparative mineral resources advantage Africa holds over the rest of the world. Africa would be on par with the rest of the world, in making long-term decisions that benefit her and her population.

Mr Inigo Mulaisho is Software Engineer in the ICT Department.

PHOTO FOCUS

Assistant Director-Communications Ms Besnat Mwanza talking to Mr Taonga Mitimingi of Bloomberg News Agency at the MPC media briefing.

Members of the press following proceedings of the MPC announcement.

The Bank of Zambia delegation paid a courtesy call on the Provincial administration during it's visit to Western Province, where it made a donation to Sefula School for the Blind.

Sefula School pupils with Bank of Zambia staff during the donation.

Senior Legal Counsel Bank Secretariat- Ms Jean C. Kamanga and Ms Grace Mukulwamutiyo at court.

Bank of Zambia staff with students from the Copperbelt University and the University of Lusaka at the Bank.

Deputy Governor-Operations, Dr Francis Chipimo, Chief Executive Officers of the Securities and Exchange Commission and Pension & Insurance Authority Messrs Phillip Chitalu and Tresford Chiyavula made virtual presentations during the launch of the Global Money Week.

Members of the Financial Markets Department at a luncheon.

Board Services staff during a team building activity.

Selected female members of staff at Regional Office at a WOW event.

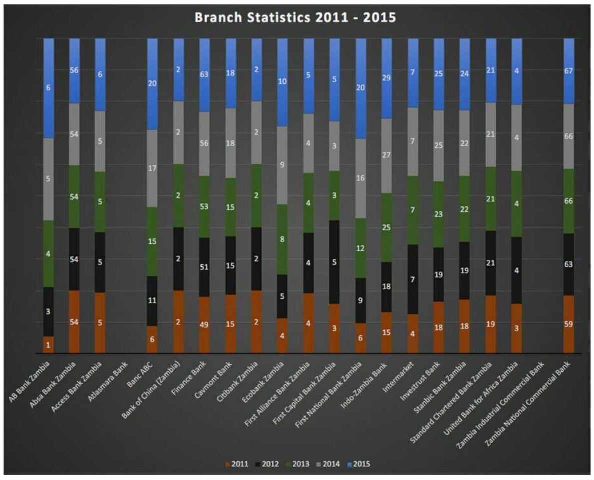
Regional Office staff at the Nsobe Game Camp.

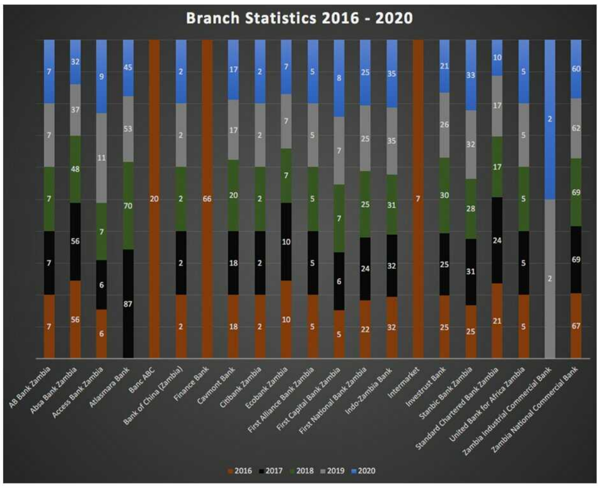
Governor Mvunga during a soccer match at the Social Club.

BRANCH BANK BY BANK

BANK	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
AB Bank Zambia	1	3	4	5	6	7	7	7	7	7
Absa Bank Zambia	54	54	54	54	56	56	56	48	37	32
Access Bank Zambia	5	5	5	5	6	6	6	7	11	9
Atlasmara Bank							87	70	53	45
Banc ABC	6	11	15	17	20	20				
Bank of China (Zambia)	2	2	2	2	2	2	2	2	2	2
Finance Bank	49	51	53	56	63	66				
Cavmont Bank	15	15	15	18	18	18	18	20	17	17
Citibank Zambia	2	2	2	2	2	2	2	2	2	2
Ecobank Zambia	4	5	8	9	10	10	10	7	7	7
First Alliance Bank Zambia	4	4	4	4	5	5	5	5	5	5
First Capital Bank Zambia	3	5	3	3	5	5	6	7	7	8
First National Bank Zambia	6	9	12	16	20	22	24	25	25	25
Indo-Zambia Bank	15	18	25	27	29	32	32	31	35	35
Intermarket	4	7	7	7	7	7	25	30	26	21
Investrust Bank	18	19	23	25	25	25				
Stanbic Bank Zambia	18	19	22	22	24	25	31	28	32	33
Standard Chartered Bank Zambia	19	21	21	21	21	21	24	17	17	10
United Bank for Africa Zambia	3	4	4	4	4	5	5	5	5	5
Zambia Industrial Commercial Bank									2	2
Zambia National Commercial Bank	59	63	66	66	67	67	69	69	62	60

NOTE: FNB and Ecobank have a total of 473 (454 and 19 respectively) cash agents. Intermarket Bank was repossessed in 2016 while Finance Bank and Banc ABC began reporting on a consolidated position in 2017.





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