ZAMBANKER

Bank of Zambia

MARCH 2020 EDITION www.boz.zm A BANK OF ZAMBIA JOURNAL

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Views expressed in this publication are not necessarily those of the Bank of Zambia Management or the Editor

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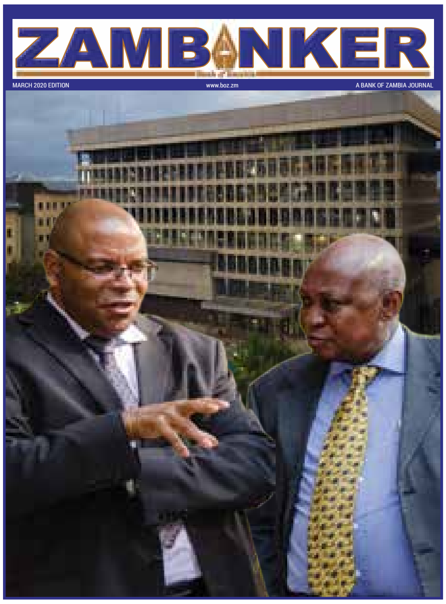
MISSION:
To achieve and maintain price and financial system stability to foster sustainable economic development.



BoZ responds to deteriorating macroeconomic environment & Covid-19

...The Bank will continue to monitor the situation and take any additional measures it deems appropriate to safeguard financial system stability...

By ZAMBANKER REPORTER

The Bank of Zambia has put together a set of comprehensive measures to safeguard financial system stability, promote the greater use of digital financial services and mitigate the negative effects of this shock on the economy to complement the measures taken by other arms of Government.

In a press statement issued recently, Bank Governor, Dr Denny Kalyalya said key among these measures are the following: establishing a Targeted Medium-Term Refinancing Facility with an initial amount of K10 billion to provide medium term liquidity. The amount will be reviewed as conditions warrant. This is a three to five years Facility that will be available to eligible Financial Service Providers (FSPs) to enable them restructure or refinance qualifying facilities or on-lend to eligible clients. Detailed implementation guidelines will be rolled out as soon as the on-going discussions with the Bankers Association of Zambia are concluded.

"The Bank has also scaled up open market operations to provide short-term liquidity support to commercial banks on more flexible terms than those obtaining before the outbreak of COVID-19," he explained.

Further, rules governing the operations of the interbank foreign exchange market to support its smooth functioning have been revised to strengthen market discipline and provide a mechanism for addressing heightened volatility in the exchange rate in periods of stress.

Similarly, the Governor explained that loan classification and provisioning rules through the issuance of new Directives as the replacement to Statutory Instrument No. 142 of 1996, which is in the process of being revoked have also been revised. This will allow FSPs to better accommodate lending, refinancing, and restructuring of facilities to critical sectors.

The transitional arrangement provided for under CB Circular No. 11/2017, wherein FSPs were granted a 3-year transitional period from 2018 to 2020 to amortise the 'Day 1 Impact of the IFRS 9' for capital adequacy purposes has been extended for a further two-year period up to 31st December 2022 on account of COVID-19.

Eligible non-bank financial institutions have been allowed to henceforth partially use capital instruments that would not ordinarily qualify as common equity Tier 1 and Tier 2 capital, for purposes of computing regulatory capital.

The sensitisation on the use of digital channels and contactless mobile payment mechanisms aimed at preventing the spread of the disease by minimising person-to-person contact, decongesting banks and other financial institutions premises and reduced use of cash has been stepped up by: adjusting downwards the Zambia Interbank Payment and Settlement System (ZIPSS) processing fees to increase the use of the Real Time Gross Settlement System (RTGS); increasing transaction and wallet limits for individuals, small-scale farmers and enterprises as well as removing these limits for agents and corporates; waiving charges for person-to-person e-money transaction values of up to K150 by all electronic money issuers, which will be reviewed at end April 2020; approving the use of K8.0 million from interest earned on Mobile Money Trust accounts to support the provision of sanitisers at mobile money operator booths. Additional support will be provided to promote awareness amongst the public and mobile money service users; and urging commercial banks to remove transfer fees on the bank account to electronic wallet transactions for an initial period of (3) months and to reduce the Merchant Discount Rate (MDR). Business Continuity protocols that will ensure that systemically important payment systems and financial market infrastructures remain available," he said.

He said other monetary policy tools available will remain options that may be deployed should conditions so warrant, consistent with the Bank of Zambia forward-looking monetary policy framework. The Bank will continue to monitor the situation and take any additional measures it deems appropriate to safeguard financial system stability.

The Zambian economy has been facing significant macroeconomic challenges as reflected in low growth, high fiscal deficits, rising inflation and debt service obligations as well as low international reserves. The outbreak of COVID-19 pandemic has compounded the situation, resulting in unprecedented global public health and economic crises. Although the full impact of the COVID-19 shock on public health and the economy cannot be determined at the moment, indications are that it will be unprecedented.

News in Brief March 2020

Value Limits Increased

In the wake of COVID -19 (coronavirus), the Bank of Zambia in consultation with commercials banks and payment service providers, introduced a set of measures aimed at reducing cash transactions and facilitating increased use of mobile money transactions. The immediate objective is to reduce the risk of transmission of COVID – 19 through the handling of cash.

The following measures have been adopted and will apply with immediate effect:

Electronic money issuers shall not charge for person-to-person e-money transactions valued up to K150. This will apply until 30th April, 2020.

Transaction and balance limits on agents and corporate wallets have been removed while those for individuals, small-scale farmers and enterprises have been adjusted upwards as follows:

Type of Customer /Client	Old Limit	New Limit Per Transaction Per Day ('K)	New Maximum Balance ('K)
Individuals Tier 1	10,000	20,000	100,000
Individuals Tier 2	20,000	100,000	500,000
Small scale farmers /Enterprises (not incorporated)	250,000	1,000,000	1,000,000

The current Anti-Money Laundering and Countering Terrorism Financing (AML/CFT) measures will continue to apply.

In addition, the Bank of Zambia has also reduced the Zambia Interbank Payment and Settlement System (ZIPSS) processing fees. This is meant to increase the use of the Real Time Gross Settlement System.

Outcome of the Monetary Policy Committee Meeting of 17th – 18th February 2020

The Monetary Policy Committee at its Meeting held on February 17–18, 2020, decided to maintain the Policy Rate at 11.50%. In arriving at this decision the Committee took into account the following factors: inflation is expected to remain high in the earlier part of the forecast period, but decline towards the upper bound of the target range thereafter as food supply improves. Much of the inflation has been driven by rising food prices; inflation could decline faster than currently projected on account of the anticipated improvement in agricultural output due to the favourable rainfall pattern observed so far during the 2019/2020 crop season;

Subdued economic activity with growth prospects remaining weak over the period 2020–2021; persistent liquidity challenges and risks to financial stability.

Thumbs up BAZ

The Central Bank has congratulated outgoing BAZ Chairperson Mr Kola Adeleke, and his Team for coming up with a well-articulated 2020-2022 Strategic Plan and for updating the Code of Ethics and Banking Practice document which will undoubtedly help in transforming the industry and ultimately contribute to economic development. Speaking at his Meeting with CEOs of Commercial Banks recently, Central Bank Governor, Dr Denny Kalyalya also welcomed the new Executive Committee led by the Chairperson Mr Herman Kasekende; the Vice Chairperson Mr Simangolwa Shakalima; the Treasurer Mr Leina Gabaraane and the Ex-Official, Mrs Joanna Bannerman and hoped that the new team would emulate the good work of the previous committee.

Legal symposium to be held in the second quarter of 2020

The Bank of Zambia has identified the need for close interaction with the legal and compliance functions of regulated entities as a way of promoting knowledge sharing and enhancing compliance with various financial laws and regulations. To this end, the Legal Services Department shall be hosting a Legal Symposium on an annual basis at which various topical issues such as new financial regulations, proposed legislation and new financial laws will be presented and discussed.

The first of such Legal Symposium is planned for end-June 2020.

Higher inflation expected over the first half

By ZAMBANKER REPORTER

Inflation is projected to remain above the target range over the first half of 2020 on account of the effects of on-going electricity supply challenges and increased external debt service, the Bank of Zambia Monetary Policy Statement has disclosed.

The Statement, which covers the period January to June, 2020, notes that elevated food prices as well as the second round effects of increases in electricity and fuel prices in January 2020 are also expected to contribute to higher inflation over the first half of the year. However, inflation could decline faster than expected should improvements in agricultural output during the 2019/2020 crop season materialise.

Monetary policy will focus on bringing inflation back to the 6-8% target range in the medium-term using the forward looking monetary policy framework. The framework is anchored on the Policy Rate as the key signal for the monetary policy stance. This takes into account inflation forecasts and outcomes, identified risks, as well as progress in the execution of fiscal consolidation. The Policy Rate was maintained at 11.5% in February 2020, taking into consideration weak domestic growth and the need to safeguard financial stability. Monetary policy continued to focus on bringing inflation back to the target range of 6-8% in the second half of 2019. In this regard, the Policy Rate was raised by 125 basis points to 11.5% in November as inflation was projected to remain above the target range of 6-8%.

Annual overall inflation remained high and averaged 11.3% in the second half of 2019 from 7.5% in the first half of 2019. This was mainly due to a sharp increase in prices of maize grain and related products and the significant depreciation of the Kwacha against the US dollar. To moderate pressure on the exchange rate, the statutory reserve ratio was raised to 9.0% in December from 5.0% and the compliance shifted to daily from weekly.

The Overnight Lending Facility rate was also adjusted upwards to 28% in November from 18%. Market interest rates continued to rise in the second half of 2019 mostly due to sustained Government domestic borrowing that kept yield rates high. In this regard, commercial banks' lending rates continued to rise while credit to the private sector remained subdued as credit conditions tightened further and weak economic activity persisted.

Indicators of economic activity suggest a further slowdown in growth in the second half of 2019 owing to the contraction in mining output, electricity generation, cement production, consumer spending and manufacturing. In 2020 and the medium-term, real GDP growth is projected to pick-up, albeit at a weaker pace, driven largely by the anticipated recovery in the agriculture, electricity, and mining sectors.

A lower merchandize trade surplus was recorded in the second half of 2019 due to a higher contraction in exports relative to imports. Export earnings declined mainly on account of a drop in copper export volumes. However, copper prices rose due to favourable market sentiments associated with the "US-China Phase One Trade Deal" and supply disruptions in Chile. Imports of goods declined as a result of subdued economic activity.

The fiscal performance remained unfavourable, reflecting higher than programmed spending on capital projects and external debt service payments, compounded by the depreciation of the Kwacha. The continued volatility in the Kwacha exchange rate is likely to pose additional risk to the performance of the 2020 budget. Further, the accumulation of domestic arrears remains a risk to the stability of the financial sector. Therefore, there is need for effective and sustained implementation of fiscal adjustment and structural measures to address elevated debt levels and debt service, the accumulation of domestic arrears, and liquidity constraints.

The global economy is estimated to have expanded at a slower pace in 2019 than the preceding year. Growth decelerated mainly on account of trade and geopolitical tensions, weather related disasters, as well as uncertainty surrounding Brexit. Over the medium-term, global growth is projected to pick-up, albeit at a reduced pace, driven by the recovery in manufacturing, business confidence, investment, and global trade.

Barclays Bank Zambia Completes Rebranding as ABSA

Deputy Governor – Operations Dr Francis Chipimo and Director - Bank Supervision Ms Gladys Mposha with Absa Managing Director Ms Mizinga Melu and her staff during the official announcement of the name change from Barclays Bank Plc to Absa Bank Zambia Plc in Lusaka.

By ZAMBANKER REPORTER

Barclays Bank Zambia completed its transition to Absa Bank on 10th February 2020. Speaking during the media breakfast to announce the completion, Absa Bank Zambia Managing Director, Mizinga Melu, said the official name change to Absa Bank Plc is a great milestone the bank is proud of.

She explained that the rebranding could not have been possible without the support from the bank's key stakeholders and clients.

"Our stakeholders and clients have been extremely supportive during the transition because they understand that this is just a change in shareholders but that the commitment to delivering financial services that meet our client's needs will continue," she said.

Speaking at the same function, Deputy Governor-Operations, Dr. Francis Chipimo, said the official name change of Barclays Bank PLC to Absa Bank Zambia PLC is an important and historic event in Zambia's financial and economic history given that the bank is built on a long and rich history in Zambia, having been established in 1918 as a branch of Barclays Bank Plc, U.K., and later as a fully incorporated company and licensed bank in 1971.

He explained that this makes Absa Bank PLC, at over 100 years, one of the oldest banks in Zambia, adding that longevity in the financial sector is a sign of resilience, capacity and capability. He however said this is no guarantee that the future will be as kind, because in the financial sector, history tends to repeat itself but not always with the same players.

"What we witness here today is a change in name and not a change in the commitment of Absa Bank Zambia PLC to excellence and dedication in the service of its current and future customers. This change in name is not only happening here in Zambia, but in all other African countries where Barclays Bank Plc, UK still had a presence," he explained.

He added that Absa has continued to be in the top tier of the industry and ranked 1st in terms of loans, 2nd in terms of assets, and 4th in terms of deposits. He said Absa has a wide footprint in all 10 provinces of Zambia through a network of 37 branches and agencies, 101 Automated Teller Machines (ATMs), 2,241 Point of Sale (POS) machines, and 144,451 mobile and internet banking facilities. He elaborated that it is the Central Bank's expectation that Absa Bank Zambia PLC will continue to grow from strength to strength.

As the regulator, the Bank of Zambia has been actively engaged with Absa Bank Zambia PLC management (formerly Barclays Bank Zambia PLC). This engagement has included discussions with the Group, the South African Reserve Bank and other regulators in other jurisdictions where Barclays Bank operated across the continent.

"The separation from Barclays Bank Plc, U.K. has indeed been challenging and complex and includes the separation and migration of all its systems that were previously being provided by Barclays Bank Plc, U.K. The change-over has proceeded very well and I commend management for this," he said

The Deputy Governor was gratified that the bank has ensured that customers and employees had remained at the heart of its operations. He said that the transition itself has been relatively seamless as the bank worked to ensure that there were no major disruptions in service delivery at any given point.

He further stated that the Absa Group has committed to ensuring that the bank remains well capitalised and that any capital or liquidity challenges, should they emerge, would be supported. He said it was very important for the Bank of Zambia as regulator and for the customers of Absa Bank Zambia PLC to note that the bank rests on a strong foundation of support from its parent company. I believe that this support will ensure that Absa Bank Zambia PLC can continue to be a progressive force within our financial sector.

Dr Chipimo also noted that Absa's commitment to Zambia extends to community events, such as the Absa Cup, financial literacy training for footballers; the Absa Marathon; scholarships for over 50 vulnerable students; and the ready-to-work program that has reached over 15,000 youths.

What has changed?

- The Bank's website is now www.absa.co.zm
- Branch colleagues have stylish new uniforms reflecting their new warm, vibrant red color palette.

Deputy Governor – Operations Dr Francis Chipimo at the Absa Bank Plc rebranding event.

Deputy Governor – Operations Dr Francis Chipimo, Director - Bank Supervision Ms Gladys Mposha and Absa Managing Director Ms Mizinga Melu.

- Customers can look forward to new and innovative products and services from Absa Bank Zambia PLC such as updated internet and mobile banking apps.

What has not changed?

- Cards, accounts, cheque books etc. continue to work as normal. All new cards issued from 10 February 2020 bear the Absa brand. Barclays-branded cards and cheque books continue to be valid until they expire, at which point a customer can have it replaced with an Absa-branded card or cheque book.
- The look and feel of all channels (e.g. ATMs, internet banking, mobile banking and our official mobile banking app) has changed, but they work.
- The branches look and feel has also changed, but continue to operate as usual during normal banking hours.

In March 2018, Barclays Africa Group chief executive officer, Mario Ramos, hosted a tele-conference from South Africa where he announced that from March, 2020, the Barclays Bank brand will no longer exist in Zambia or any of the other markets in Africa where Barclays operated.

Absa Group Limited (ABGL), is an African based financial services group, offering personal and business banking, credit cards, corporate and investment banking, wealth and investment management. The Absa group which is listed on the Johannesburg Stock Exchange is the majority shareholder of 11 banks with a presence in 12 African countries, including Zambia.

Enactment of NAB Bill 2019 to enhance linkages

By ZAMBANKER REPORTER

The Bank of Zambia is confident that the proposed National Planning and Budgeting Bill 2019, N.A.B no. 22 of 2019 once passed into law, will greatly enhance the linkage between national planning process and the national budgeting system, thereby allowing the country to align its on-going spending patterns to sustainable long term development goals.

Making a submission to the joint Parliamentary committee consisting of the Committee on National Economy, Trade and Labour Matters and the Budget Committee on the National Planning and Budget Bill, N.A.B no. 22 of 2019, Bank Governor, Dr Denny Kalyalya said that in general, the Bank observes that the Bill clearly asserts that linkages between policy, planning and budgeting are fundamental to improving Government's ability to model development according to the local environment. Coordinating and taking control of our planning will ensure that Zambia's development agenda is achieved and will also serve as reference and as a guide to the cooperating partners, as they offer their development support. Basing the budget on national priorities will imply transforming a policy vision into strategic choices compatible with available resources.

The proposed National Planning and Budgeting Bill 2019 provides for an integrated national planning and budgeting process; strengthened accountability, oversight and participation mechanisms in the national planning and budgeting process and principles and modalities for formulation, approval, implementation, monitoring and evaluation of long term national, provincial and district development plans and budgets.

The Bill also provides for a participatory and decentralised national planning and budgeting process, which promotes the participation of state and non-state actors in the planning and budgeting process, evidence based decision making in national planning and budgeting process and enhanced budget credibility. We believe that the Bill, with amendments, will strengthen the planning and budgeting process and contribute to improved economic management and accountability.

Comments on specific sections

In section 1(2) of the Bill, the proposal is to appoint different dates for the coming into operation of different provisions or parts of the Act. While the proposal can be justified on the basis of the need to ensure that the relevant pre-conditions are put in place before the operationalisation of different provisions and parts of the Act, this provision has the danger of postponing the operationalisation of very useful provisions of the Act on account of lack of sufficient preparedness to implement them. Further, such a piecemeal approach presents a problem for the implementers of the Act because they will have to be constantly checking which part of the Act is effective. This challenge is further exacerbated by the fact that the various instruments putting into operation different parts and provisions of the Act will not be contained in one but different instruments.

In light of the above, the Bank proposes that the provision for appointment of different dates for the coming into operation of different provisions or parts of the Act be eliminated from the Bill to avoid legislative ambiguity.

In section 2(4), a definition for the Local Development Plan is given. However, it is not clear if the Local Development Plan is different from a District Development plan and which committee will be responsible for its implementation. For clarity, it is important to state whether the two are different, including an indication of the committee that will be responsible for implementation.

In section 2(5) of the Bill, the Medium Term Development Plan is defined as a five year national, provincial and local development plan while in section 2(15) the Medium Term Budget Plan is defined as a three-year projection of the resources of Government and their allocation across heads of expenditure and functions to finance the operational and developmental expenditures of the Government in line with a National Development Plan. Given the differences in the time horizons between the Development Plan and the Budget Plan, the Bank recommends that the time horizon be harmonised between the two.

The Bank welcomes the inclusion of the 11 principles relating to national planning and budgeting in section 3(1) in this regard, the Bank also recommend that the principle of ensuring that there is performance, evaluation and value for money should apply to the national planning and budgeting process. This principle should be stated explicitly.

In section 3(2) of the Bill, the proposed definition of "intergenerational equity" is couched in abstract terms without reference to citizens of the Republic. For the purpose of clarity, the Bank proposes that the definition of 'intergenerational equity' is enhanced by contextualising it to Zambia and in relation to its citizens. In this regard, consideration should be made for the definition to mean 'citizens holding and upholding the natural and cultural environment in common with other members of the present generation and with other generations, past and future'.

The Bank notes in section 4(2) the composition of the National Development Co-ordinating Committee (NDCC). This is a welcome inclusion in the Bill. However, there is no representation from other statutory organisations such as the Bank of Zambia (BoZ) and the Zambia Revenue Authority (ZRA). The Bank further notes that section 4(2) (iii) includes a representative of a parastatal, which ordinarily should include BoZ and ZRA. Given the role that the Bank plays in the formulation and implementation of monetary and supervisory policies in the economy, and the importance of ZRA in revenue collections, the Bank recommends the inclusion of representation of BoZ and ZRA in the NDCC. Further, it may be necessary to reconsider the presence of the head of the Industrial Development Corporation vis-à-vis representation from a parastatal organisation. There is also need to consider representation from the academia. In particular, the Committee should consider including a seasoned development economist or a development expert from one of the leading public universities in Zambia.

In addition, it is worth considering that in order to maximise the effectiveness of the NDCC function, an independent entity and/or institution, other than members from Cabinet Office and Ministry of Finance, must be engaged to fully track progress of the implementation results. While the Bill has provided for an independent entity in the form of Cluster Advisory Groups, as prescribed in section 13(1), these cluster groups should be established at provincial level, and feed into an independent advisory entity at national level. This independent feedback will support implementation of budgeting policy at Provincial level.

Further, the Bank is in support of the participation of non-state actors as indicated in section 4(2) (g) of the Bill as this will promote coordination and harmonisation of planning and budgeting processes, which have been unstructured in the past. This provision creates an enabling environment for citizens' participation, especially in the budget process and cycle. This will ensure that policy documents that have the full support of all stakeholders will be able to influence every budget, thereby enhancing the implementation of projects and programs.

In section 7(2), the composition of membership to the Provincial Development Coordinating Committee (PDCC) is outlined. However, in section 7(3), it is indicated that members under sub-section 7(2) (f) shall be nominated by their organisation. The sub-section referred to specifies town clerks or council secretaries to be members of the PDCC. In this regard, there is need to correct section 7(3) to refer to 2(h) which is more appropriate rather than 2(f).

In section 11, the functions of the District Coordinating Committee are provided for, but there is no definition provided for a District Development Plan in the manner in which section 8(2) provides for a Provincial Development Plan. In this regard, there is need to consider providing a definition for the District Development Plan.

Section 14 requires clarity with regard to the period that an appointed member will serve in the Group as well as the composition and actual size of Cluster Advisory Groups, which are not indicated. In this regard, we recommend that the composition of the Groups and the actual size be specified as well as the maximum period one will be required to serve on the Cluster Advisory Group.

In section 15, it is indicated that the Minister shall initiate the preparation of a Long Term Development Plan, specifying the national long term aspirations of the Republic. However, there is no indication of the duration of the Long Term Development Plan. The Bank, therefore, proposes that the duration of the Long Term Development Plan should be specified to distinguish it from the 5-year cycle of the National Development Plan.

In section 17 of the Bill, the Minister is being obliged to prescribe guidelines for undertaking the review and formulation of the successive Long Term Development Plans, four years prior to the expiry of the implementation of the existing one. The language does suggest that the Minister must do this exactly four years before. To eliminate uncertainty, we recommend that the wording be amended to 'at least four years prior to…' which should introduce some flexibility in the timing of prescribing the guidelines.

Section 19 provides for the content of a National Development Plan. In this regard, the Bank proposes that the content of a Provincial Development Plan as well as a District Development Plan be provided for under relevant sections. This will provide clarity as to what to expect in these plans. In addition, the National Development Plan frameworks cited under section 19 (1) of the Bill must explicitly develop and adhere to unique benchmarks for planning and budgeting that matches Zambia's circumstances and political environment.

The Bank welcomes the inclusion of the provision for projects and programmes to be appraised before inclusion in the development plans as indicated in section 24(1). This will ensure that only projects and programmes that are of economic and social significance, particularly for major projects and programmes are in the plan and budgeted for. To ensure that Government achieves the desired results through the implementation of the projects and programmes, we recommend the formulation of Key Performance Indicators (KPIs) to track progress. These indicators, which can be embedded within the National Planning Framework, should be designed according to specific objectives as per the medium term budget plan from ministries, provinces and districts. It is also important that the assessment of indicators is undertaken at the right time in the financial year. Typically, the assessment needs to be sufficiently far into the financial year to ensure that statistics from the previous year have been collected and analysed, yet early enough to ensure that they can inform the priority setting and the subsequent budget preparation and national planning.

The Bank welcomes the inclusion of Section 27 that provides for the National Planning Framework. If the Framework is successfully implemented, it will enhance the facilitation of better service provision, efficient use of resources, targeted use of funds, and greater accountability for policy implementation. However, Government's challenge has been trying to improve planning, budgeting, and the links between the two process areas. Typically, the challenges arise from the need to establish clear policies, ensuring

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Enactment of NAB Bill 2019 to enhance linkages

that budgets reflect those policies and that spending is in line with allocations, as well as the need to measure results and feed those back into policymaking. The Bank is of the view that this Bill has outlined the link between the national budget and the national development policy as the basis for social and economic development planning. This is expected to systematically organise service delivery as well as ensure that policies influence national budget allocations.

In section 30(2), the Minister is required to prepare annual and mid-term reviews of National Development Plan, which will include an assessment of the impact of any unplanned projects on the implementation of the National Development Plan and the annual budget. However, it is indicated in section 24(1) that projects, particularly major projects and programmes will have to be appraised before inclusion in the Plan. In the Central Bank's view, no unplanned projects or programmes should be taken on during the implementation of the National Development Plan. This is because introducing unplanned projects will distort the implementation of the Plan and the budget as funds for unplanned projects will have to be diverted from some planned and budgeted for projects or programmes. This will ultimately compromise the quality and delivery of the projects or programmes that were planned and budgeted for.

Section 42 provides a requirement for the Minister of Finance to lay before the National Assembly the national budget of the Republic for the next financial year. Unless stated in the Republican Constitution, however, the date of delivering the national budget to the National Assembly is not categorically stated in this Bill even though the delivery dates for the other planning and budget processes have been specified. To be consistent, we propose that the date for the presentation of the national budget to National Assembly be specified in this Bill.

Similarly, section 49 which requires the Minister of Finance to lay before the National Assembly a mid-year budget performance report does not indicate the date when to deliver the report. The Bank's recommendation is for such a date to be specified in the Bill.

The Bank notes from the composition of membership of the proposed Committees that these are likely to be large and this will have significant financial implications whenever the Committees are sitting. The financial implications of having large Committees will be exacerbated by the requirement that they meet at least once in every three months as indicated in the schedule. In light of this, there is need to reconsider the size of the Committees and/ the number of times they will be required to meet in a year in order to lessen the financial burden of running the Committees. This is particularly important if the Bill were to be enacted and operationalised in a challenging economic environment, like what the country is facing currently.

Collaboration is key to minimising regulatory loopholes

By ZAMBANKER REPORTER

Institutions like the Bank of Zambia that are concerned with public policy objectives can no longer afford to work in isolation, Deputy Governor-Operations, Dr Francis Chipimo has said. Speaking during a signing ceremony of the Memorandum of Understanding (MoU) between the Bank of Zambia and the Zambia Institute of Chartered Accountants (ZICA) at the Central Bank recently, Dr Chipimo indicated that collaborative effort was not only desirable but also necessary to ensure that regulatory loopholes that may arise from information asymmetry are minimised.

He stated that the financial sector was very dynamic and sometimes very volatile. Because of this, developments in the financial sector are fast paced and sometimes require rapid regulatory responses. As a result, having cooperating partners such as ZICA who are ready to provide their expertise at short notice enhanced the Bank of Zambia's ability to effectively address any emerging issues.

Dr Chipimo explained that the signing ceremony was significant for two main reasons: first, the financial world was becoming ever more complex and this required increased cooperation among the various regulators and

Deputy Governor – Operations Dr Francis Chipimo speaking during a signing ceremony of a Memorandum of Understanding between BoZ and ZICA at the central bank. With him are Deputy Governor – Administration Ms Rekha Mhango (l) and the ZICA team comprising CEO Mr Bona Kashinga, Director Membership and Corporate Services Ms Patricia Sitali and Director Standards and Regulation Mr Mwelwa Mwaba.

standard setters; and second, the accounting and auditing standards, which govern the financial sector, have a significant impact on the Bank of Zambia as a regulator of the financial sector. The MoU therefore provides a framework for exchanging ideas and information in a more coordinated manner to the mutual benefit of ZICA and BoZ.

In this regard, the Deputy Governor said that "Accounting and auditing standards are very important to the work of the Bank of Zambia because of their critical role in Prudential Financial reporting. These standards have an important impact on the information that is available for examination and other supervisory purposes. The better the quality of financial information, and of the accounting and auditing standards that shape this information, the greater our ability to monitor and supervise banks effectively. This is also true for the supervised entities as well, as financial statements, are a critical component of the banks' credit underwriting standards. In fact, accounting and auditing standards are part of the preconditions for effective banking supervision of the Basel Core Principles for Effective Banking Supervision."

The Basel Core Principles state that for banking supervision to be effective, a country should have, " comprehensive and well defined accounting principles and rules that are widely accepted internationally, and a system of independent external audits, to ensure that users of financial statements, including banks, have independent assurance that the accounts provide a true and fair view of the financial position of the company and are prepared according to established accounting principles, with auditors held accountable for their work".

The Banking and Financial Services Act requires that financial statements prepared by financial service providers must comply with the accounting standards promulgated by the ZICA. This is because, ZICA is mandated, through the Accountants Act, to develop, promote and enforce internationally comparable practice standards. ZICA has therefore adopted the International financial reporting standards (IFRS) and the International Auditing Standards (ISAs), which are internationally accepted standards, as the required practice standards for Zambia. In addition, the MoU recognises the need to leverage on each other's expertise in order to achieve optimal outcomes in respective areas of operations.

A recent demonstration of the importance and benefits of closer cooperation between ZICA and BoZ was on the implementation of the IFRS 9 which has profound effects in the way financial service providers handle allowances for loan loss provisions. The Deputy Governor was hopeful that collaboration and cooperation between the two Institutions would now be scaled up following the signing of a memorandum of understanding.

He further added that it was the expectation of the Central Bank that the Joint Working Group proposed to be established under the auspices of the MoU would endeavour to develop robust working plans comprising key issues of mutual concern and interest in order to effectively utilise the available resources in the two institutions. He also urged ZICA to come up with a framework which is aimed at periodic monitoring and evaluation of the key milestones that will be defined and agreed in the work plans.

Kwacha, Shilling trade side by side

By ZAMBANKER REPORTER

The Bank of Zambia (BoZ) and the Bank of Tanzania (BoT) have launched the currency exchange programme between Zambia and Tanzania. The launch, which took place at the one stop border in Tunduma, Tanzania was officiated by Nakonde District Commissioner Mr Fred Simwinga and Momba District Commissioner, Honourable Juma Irando.

Senior Economist - Liquidity Forecasting Mr Philippe Masengo during a sensitisation campaign in Nakonde.

This follows the signing of a Memorandum of Understanding (MoU) on currency convertibility and repatriation (signed 21st September, 2018) between BoZ and BoT, which is intended to facilitate acceptability of the Zambian Kwacha and the Tanzanian Shilling by the banking system in Zambia and Tanzania thus, resolving mediation challenge at the border towns (Tunduma & Nakonde) and facilitating cross-border trade. i.e. allowing the citizens along the border area to make payments for goods and services originating from either country using currencies of their respective home countries, i.e., TZS and ZMW.

The move is as resolved during the 6th Joint Meeting of Permanent Secretaries of Zambia and Tanzania on 25th April, 2016.

Further, these milestones bode well with the regional integration agenda in the SADC region of promoting intra-regional trade. It draws on a similar arrangement among EAC member states. (EAC Currency Convertibility MOUs of 1994 and 2014).

For operationalisation of the MOU, each Central Bank shall authorise commercial banks along the border of Tunduma and Nakonde to accept the other Party's currencies surrendered by market participants in their respective jurisdiction; each Central Bank will put in place mechanisms for collecting and receiving the other Party's currencies surrendered by market participants in respective jurisdiction; each Central Bank shall purchase the currencies of the other Party submitted by the banks and arrange for repatriation to the issuing Central Bank.

"Each Central Bank shall authorise commercial banks along the border of Tunduma and Nakonde to accept the other Party's currencies surrendered by market participants in their respective jurisdiction; each Central Bank will put in place mechanisms for collecting and receiving the other Party's currencies surrendered by market participants in respective jurisdiction as well as purchase the currencies of the other Party submitted by the banks and arrange for repatriation to the issuing Central Bank," says the MoU.

Further, each Central Bank shall not only determine the rates at which it will purchase the other Party's currency from the domestic market and apply a spread that enables the market to function while supporting convertibility but also allow commercial banks in their respective jurisdictions to open and operate accounts in the currencies of the two countries, strictly for facilitating buying and selling over the counter. Bank's clients shall not be allowed to open an account denominated in other Party's currencies.

Informal trade of foreign currencies has been rife at Tunduma/Nakonde border with foreign exchange (Between the Zambian Kwacha and the Tanzanian Shilling) being largely traded on the black market.

PACRA plays a critical role in the economy

By ZAMBANKER REPORTER

Bank of Zambia Governor, Dr Denny Kalyalya has stated that the Patents and Companies Registration Agency (PACRA) plays a critical role in the economic affairs of the Republic, being the place where all corporate entities begin their lives.

The BoZ delegation led by Governor - Dr Denny Kalyalya appearing before a Parliamentary Committee.

Speaking when he appeared before the Parliamentary Committee on National Economy, Trade and Labour Matters where the Bank was asked to provide comments on the Patents and Companies Registration Agency Bill, NAB, No.3 of 2020, Dr Kalyalya explained that the Patents and Companies Registration Agency is one of the Bank's key stakeholders, which it constantly interfaces with in achieving its regulatory mandates. He added that as a financial sector regulator, the Bank's regulated entities begin their journey to existing regulations from the Patents and Companies Registration Agency and it remains an important stakeholder in the lives of financial service providers.

The Governor noted that the Bank of Zambia generally welcomes the Patents and Companies Registration Agency Bill, No.3 of 2020 as it redefines the functions of the Agency for operational efficiency. Overall, the Bill has recognised the newly enacted and amended legislation outlined in 5 (1) (a). These include the Movable (Property Security) Interest Act, 2016, which was instigated by the Bank of Zambia and the Corporate Insolvency Act, 2017 whose provisions are relevant for harmonisation with the insolvency provisions under the Banking and Financial Services Act (BFSA). The Bank provided an input in the development of both Acts prior to their enactment to ensure avoidance of conflict. The Bill would allow the implementation of related Acts to be administered under one-umbrella institution. At the heart of all this is effective implementation and operational efficiency.

"We are grateful for the opportunity to comment on the Patents and Companies Registration Agency Bill, No. 3 of 2020. We are confident that the proposed Bill, once passed into law, will greatly enhance the corporate governance of the Patents and Companies Registration Agency, a critical institution in the economic development of our nation by facilitating development of a thriving commercial enterprise sector," he said.

The following are the Central Bank's views on the specific aspects of the Bill:

- The proposed Patents and Companies Registration Agency Bill provides for the continued existence of the Patents and Companies Registration Agency and re-defines its functions, re-constitutes the Board of the Agency and provides for its functions as well as repeal the Patents and Companies Registration Agency Act, 2010. In clause 5 of the Bill, while there is an exhaustive list of Acts which the Agency is mandated to administer, it may be advisable to include an enabling provision to allow the Agency administer

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PACRA plays a critical role in the economy

any other Acts as Parliament may determine. This is to avoid a scenario where subsequent Acts of Parliament may not properly and legally be within the mandate of the Agency to administer on account of the restrictive manner clause 5 is currently couched.

- On the composition of the Board of the Agency as proposed under clause 6(1), we would propose providing for the appointment of a representative of the Law Association of Zambia to ensure the presence of independent external legal practitioners on the Board considering the number of statutes which the Board is mandated to administer. Our proposal can be accommodated, without increasing the number of people on the Board, by limiting the number of direct appointees under clause 6(1) (f) to one person.
- Clause 6 (1) constitutes the Board of the Agency which consists of part-time members. We note the reference to part-time members in the PACRA Act, 2010. There is no reference to full-time members nor definition of a part-time member. We therefore propose that either the term part-time be deleted and that members listed under Section 6 be non-executive or the definition of part-time member be spelt out.
- Section 6 (3) refers to the appointment of the Board Chairperson by the Minister. Since the Minister will appoint Board members, we propose that the Board Chairperson and the Vice-Chairperson be elected by the members themselves instead of the Chairperson being appointed by the Minister and Vice-Chairperson elected from among the members.
- Clause 9(5) of the Bill provides that the person whom the Minister may appoint to replace the vacating member shall 'hold office as a member for the unexpired part of the term of the Board'.

Members of Parliament with the BoZ delegation (not in picture).

However, there is no provision for a term of the Board under the Bill. What is provided under clause 9 (1) of the Bill is term of office of each member and not of the whole Board. It is also a good corporate governance practice for the tenures of members of a Board to expire at different times to ensure continuity and institutional memory. We would recommend that the term of the new member whom the Minister may appoint to replace the vacating member be tied to the general provision in clause 9(1) of the Bill which already provides for the term of office.

- Clause 14(1) of the Bill prohibits the unauthorised disclosure of information by a person 'in the course of that person's duties'. The true import of this provision is to narrow the prohibition of disclosure of information only 'in the course of a person's duties' which means that the person would be at liberty to disclose the same information, though unauthorised, if done outside the person's duties. We believe, as drafted, this may not contain Parliament's true intention which is to prohibit unauthorised disclosure both in and outside the course of a person's duties. We therefore recommend the deletion of the words 'in the course of that person's duties' appearing in the third line of clause 14(1) of the Bill to eliminate the ambiguity.
- Clause 16 (1) does not indicate the tenure of office of the Registrar. We propose that the tenure of office for the Registrar be indicated in the Bill under this section.
- Clause 17 (1) we propose that the appointment of the Deputy Registrar be the prerogative of the Board. Further, the qualifications and tenure of office for the Vice Registrar and the Secretary of the Board be included in the Bill.
- In clause 21(3), there is a proposal to provide that the Auditor General's fees must be paid by the Agency. This provision is not an optimal utilisation of public resources between two public offices. We expect that the auditing of the financial books of the Agency by the Auditor General is an exercise of a public good, a statutory duty and within the statutory mandate of the Office of Auditor General which must not attract additional audit fees as that office is already funded by the public purse to discharge this mandate. We would therefore recommend deleting the proposed amendment and maintaining the clause 18(3) of the Patents and Companies Registration Agency Act, 2010 which provides that the Agency shall pay audit fees to accommodate a scenario where the audit is done by an independent auditor.

Financial Literacy: An Enabler of Financial Inclusion

By ZAMBANKER REPORTER

Minister of Finance, Dr Bwalya Ng'andu has called on financial service providers to integrate financial inclusion and financial capability issues like financial literacy in their operational and business plans. Government's commitment to enhance financial inclusion levels as outlined in the 2017 National Financial Inclusion Strategy seeks to scale up financial inclusion levels from 59 percent in 2015 to about 80 percent by 2022. Undoubtedly, financial education will play an important role in actualising this ambitious objective.

Speaking in Lusaka during his national address to launch the 2020 Financial Literacy Week, Dr Ng'andu explained that Financial Education plays an important role in realising the primary objective of the National Strategy On Financial Education, which is to empower Zambians with knowledge, understanding, skills, motivation and confidence to help them to secure positive financial outcomes for themselves and their families.

Government through the Ministry of finance launched the second phase of the National Strategy on Financial Education in November, 2019, to build on the first National Strategy on Financial Education which expired in 2017. The strategy outlines a set-out framework for improving financial education in Zambia.

The 2020 Financial Literacy week was commemorated from 23rd-29th March under the theme 'Be Money Smart to Live a Better Life'. Due to the unprecedented outbreak of the coronavirus, the Government of the Republic of Zambia applied precautionary measures to safeguard the lives of all citizens. In this regard, this year's commemoration was conducted through the dissemination of financial literacy related information on various media platforms including print and electronic media. National and provincial activities such as exhibitions that require physical assembly were not conducted. The campaign covered a number of topics including earning, insurance, pensions, investing, budgeting and savings to empower citizens to make smarter money choices.

Dr Ng'andu urged financial service providers to leverage on technology in order to reduce transaction cost and also expand the out-reach to the underserved population. "Maximise the use of digital platforms for customers to make transactions such as payment of bills, transfer of funds, online banking as well as purchase of merchandise in order to lessen human interactions as means of preventing the spread of covid-19 pandemic". Dr Ng'andu also implored village banking groups, who have become an important source of affordable finance, to also leverage digital platforms and minimize human interactions for their transactions.

To jump-start the digital transformation process, Government through the Smart Zambia Institute is in the process of establishing a Government-wide interoperability platform through the Government service bus and payment gateway aimed at digitalising its payments.

Dr Ng'andu applauded various associations and institutions for their continued commitment to the campaign and the growth of financial literacy in Zambia over the years. These included the German Savings Bank for International Cooperation, Financial Sector Deepening Zambia, Rural Finance Expansion Programme, Insurers Association of Zambia, Capital Markets Association, Association of Microfinance Institutions of Zambia, Zambia Association of Pension Funds and Bankers Association of Zambia. Others were the three Financial Sector Regulators-Pensions and Insurance Authority, Securities Exchange Commission of Zambia and the Bank of Zambia. On its part, the Bank of Zambia has adopted financial inclusion as a key pillar of its 2020-2023 strategic plan. Accordingly, pursuant to the provisions of the Banking and Financial Services Act of 2017, in January 2020, the Bank of Zambia issued a circular to compel all financial service providers regulated by the Bank to integrate financial inclusion and financial capability issues like financial literacy in their operational and business plans. The financial service providers are also expected to include a statement on financial inclusion activities in their annual reports from 2020 onwards.

The Bank has also, together with three financial sector regulators developed a Joint Messaging Campaign, which aims at raising awareness on fraudulent financial products and educate the public on how to distinguish such products from genuine ones. The campaign will also instill a sense of responsibility towards the choice and uptake of financial products as well as increase the level of awareness and appreciation for financial sector regulatory oversight.

This year, Bank of Zambia is also scheduled to conduct a FinScope survey, that will help establish the progress made towards increasing the level of financial inclusion from the 59% recorded in 2015. Being a comprehensive demand side survey, the 2020 FinScope survey will also highlight some financial literacy and capability issues that continue to hinder widespread access and usage of formal financial services.

ZICA CEO Courts Regional Office Accountants

By ZAMBANKER REPORTER

The Zambia Institute of Chartered Accountants (ZICA) Chief Executive Officer, Mr Bonna Kashinga paid a courtesy call on ZICA members at the BoZ - Regional Office where he shared key highlights on various developments the institute was undertaking. The developments include the introduction of short courses, launch of the CFI Certification and digitalisation of study materials.

The ZICA CEO Mr Bonna Kashinga with Regional Office staff who attended the meeting when he paid a courtesy call on his members.

Mr Kashinga was on the Copperbelt with his management team for stakeholder engagements with various companies.

The ZICA Chief informed the Bank's accounting professionals that the institute would continue to periodically engage its members to ensure their needs were adequately met. He expressed gratitude for the good turnout of staff who attended the meeting and encouraged them to engage his team on the Copperbelt for queries or any other issues they may have which needed to be resolved.

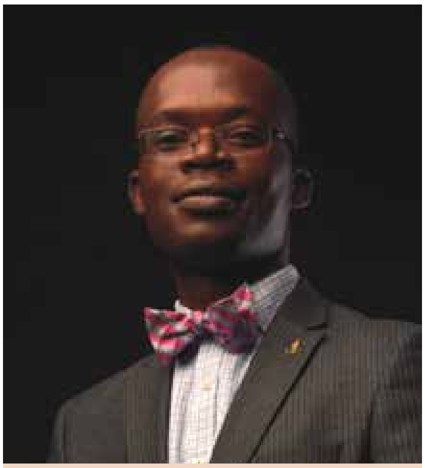
Mr Kashinga was in the company of his Director - Membership and Corporate Services Ms. Patricia M Hantumba Sitali and ZICA - Regional Manager North, Mrs Violet Chibawe when he visited the Bank.

> The ZICA Chief informed the Bank's accounting professionals that the institute would continue to periodically engage its members to ensure their needs were adequately met. He expressed gratitude for the good turnout of staff who attended the meeting and encouraged them to engage his team on the Copperbelt for queries or any other issues they may have which needed to be resolved.

Assistant Manager – Human Resources, Mr Shadreck Mukuwa thanked Mr Kashinga for taking time to meet his members at the Regional Office. He stressed the importance of ZICA members to continually interact and create networks as that was key to their profession. Mr Mukuwa also recognised Mr Stanley Siame who is Manager - Currency Accounts and also ZICA Disciplinary Committee member. He urged other members of staff not to shy away from contesting ZICA positions as that enhanced their Curriculum Vitae.

BoZ employees who attended the meeting include Ms Kamuti Chama, Mr Joseph Kawaya, Mr Lovemore Chakatala, Mr Brutus Chitumbo and Ms Beatrice Mazyopa. Others were Mr Munalula Kayama, Mr Felix Goma, Mr Brian Mulenga and Mr Robert Mtonga.

Achieving balance between innovation, competitive marketplace and consumer protection – Part 1



Mr Musantu

By MOSES MUSANTU

In many countries around the world, Zambia inclusive, innovations in products, services and technology have significantly expanded the reach of financial services, including new economic activities and previously excluded segments such as small businesses and communities in the lower income groups.

Many financial regulators and international bodies such as the Alliance for Financial Inclusion (AFI), World Bank and Organisation for Economic Co-operation and Development have noted that deepening of Digital Financial Services (DFS) is bringing in its wake a widening in innovations and scope of products, services, delivery channels, use cases, geographical reach, users, and providers. AFI reports that globally 515 million adults own accounts and this is an increase of seven percentage points since 2014 largely driven by the rise in usage of DFS. Despite this progress, about 1.7 billion adults globally remain unbanked. The global gap between men and women in account ownership has remained almost without change since 2011, with a gender gap of 7% between men and women account ownership, globally, and of 9% in developing countries.

At the same time, research in recent years has shown how badly things can go when innovation disregards legitimate consumer needs and expectations for fair and responsible treatment. The risks associated with DFS are fluid, complex and multifaceted (e.g. risks associated to the device, the delivery channel, behavior and knowledge of consumers etc.). DFS related consumer protection issues such as fraud, data protection, over-indebtedness, inadequate transparency/information, unbalanced marketing/selling of products/services etc., is adversely impacting trust of consumers, discouraging uptake and usage of DFS, eroding the gains made in financial inclusion with the potential to destabilise financial markets. This is harmful not just to the affected consumers but to the broader economy and financial system, with long-lasting consequences. The emerging trends across financial markets therefore point to an increasing convergence of DFS with consumer protection policy.

The regulators face a dilemma of protecting consumers of DFS without imposing high compliance costs on DFS Provider. This has brought to the fore the need for regulators to rethink the approach to regulation and supervision of DFS for consumer protection. This article will therefore discuss how to achieve the balance between policies, innovation, competitive marketplace and consumer protection. In this first part of our discussion, we shall highlight four interventions that can be instituted in order to achieve the desired balance.

1. Identification of associated risks

The need for regulators to be alert to the risks from a consumer perspective that can arise with financial innovation, and the importance of developing more robust solutions to manage these risks effectively cannot be overemphasized. The first step in achieving the balance is clearly by identifying the risks and constraints consumers face when they register with a DFS provider including the challenges that may arise when they use DFS. It is further critical that regulators are aware of and understand all the factors that influence the conduct of DFS provider and to manage the risks and inherent costs involved. Development and implementation of effective policy interventions are therefore anchored on correct identification of risks associated with DFS usage.

2. Establishment of an enabling policy and regulatory framework

DFS has the potential to accelerate access and usage of quality financial services for all if appropriately harnessed through enabling policies and regulatory frameworks. It is therefore important that regulators consider adopting flexible and adaptable regulatory approaches in response to fast evolving technologies and business models while also minimising risk. These regulatory approaches should be principle based and proportionate to ensure service provision is efficient and commensurate to the risks.

There is also need to come up with innovative regulatory approaches such as regulatory sandbox and policy innovations such as e - money, digital identity/eKYC, cybersecurity, data protection and privacy frameworks. Regulatory sandbox approach offers a window into regulators' attempts to balance promotion of innovation with consumer safety.

In addition, it is critical that regulators foster market efficiency through competitive pricing, innovation and consumer choice with a range of financial services and products. In order to achieve this, there should be a policy or regulation that encourages competition, restrains abuse of dominant position, cartels and other non-competitive market barriers.

The regulatory framework should further include licensing, regulatory, supervisory and enforcement powers that ensure effective market conduct in the provision of DFS. The licensed DFS providers should operate under clear rules to protect consumer funds from misappropriation by the DFS providers, insolvency, fraud or any operational risk. The World Bank has stated that at a minimum, the regulatory framework should include:

- Transparency and disclosure requirements;
- Consumer protection measures on fair treatment and business conduct;
- Protection and availability of customer funds;
- Authorisation, authentication, and data security requirements;
- Liability for errors, fraud, and unauthorised transactions;
- Data protection and privacy;
- Dispute resolution mechanisms; and
- Risk management framework.

The Basel Committee on Banking Supervision has advocated for strong governance framework that speaks to establishment of specialised Consumer Protection Unit/ Department within the regulator, Financial Ombudsperson or a Financial Conduct Authority. In some jurisdictions, the general consumer protection and competition authority and telecommunication regulator also have legal mandate to address consumer protection matters in the DFS subsector. This situation therefore requires inter-agency cooperation and coordination. The regulatory framework should also permit the establishment of consumer and self-regulated associations. Additionally, the regulator should promote development of industry code of conduct to ensure that the market adopts self-regulated standards that enhance fair customer treatment.

3.Consumer Protection and Market Conduct Principles

AFI Guideline Note 21 on Market Conduct Supervision guides that regulators should ensure that they create an enabling environment in which consumers (particularly disadvantaged and low-income segments of society) are confident they will benefit from the outcomes of the collective actions of all market participants. The financial regulator should thus promote the existence of these outcomes which include: an inclusive and competitive marketplace, suitable products, proper transparency and marketing, proper ethics and professional standards, due care, safety and security.

Specific principles to be included under consumer protection include but are not limited to bundling and tying DFS products, cooling off periods, unfair contract terms, fair debt collection, responsible lending, sales and marketing practices. Regulators should also ensure that DFS are offered with appropriate disclosure of terms and conditions.

4. Collaboration and Partnership in DFS provision

Supervisory dialogue with DFS providers and their consumers is key. It is important that financial regulators clearly explain to the public why they promote financial innovation and measures put in place to safeguard customer interests and financial system stability. This intervention shall greatly contribute in averting public distrust to innovation and DFS providers in general. Additionally, financial regulators should create outreach programmes to bring together regulators and market participants to clarify how innovation fits into the existing regulatory framework.

Research has further shown that most jurisdictions dealing with DFS supervision tend to have different regulators mandated to address specific areas of DFS supervision. In such instances, it is strongly recommended for supervisory authorities to collaborate with other domestic regulatory authorities (e.g. telecommunications authority, competition authority) to harmonise regulations related to DFS and reduce the possibility of benefiting from regulatory arbitrage. In addition, industry collaboration helps to improve interoperability and resolution of technology related risks.

The Financial Stability Board has also noted that stronger international cooperation is critical in advancing effective consumer protection measures, education and protection from fraud and abuse. This development reflects the increasingly global dimension of financial services, in which weak consumer protection can have repercussions that extend beyond national borders. It is therefore important that regulators collaborate at domestic, regional and global level.

Join us in the next Zambanker edition as we discuss the last three policy interventions.

The Author is a Senior Analyst in the NBFIS Department.

Personality profile

By ZAMBANKER REPORTER

Mr Kashweka Kashweka is Manager – Archives and Records Management in the Board Services Department. He joined the Bank on 2nd September, 2002 and is due for retirement on 11th November, 2020. Zambanker caught up with him to get his reflections on his journey in the Bank.

Who is Kashweka Kashweka?

I am the first born son of Mr Thomas Kashweka and Mrs Margaret Kashweka, born in Mongu District of Western Province about 55 years ago. I have one brother and three sisters.

I did my primary education at Kaba Hill and Limbotwa primary schools in Kaoma District of Western Province from 1975 to 1981 and my secondary education at St Johns Secondary School in Mongu from 1982 to 1986.

I did my undergraduate degree in Library Studies at the University of Zambia from 1987 to 1991 and was later on sponsored by the German Foundation for International Development to do a Master's Degree in Library and Information Studies at University of Botswana from 1996 to 1998.

I married Grace Miyutu in 1997 and we have four daughters.

What attracted you to join the Bank and when did you join?

Before joining Bank of Zambia, I was working for the Ministry of Education under the Zambia Library Service as Deputy Chief Librarian and at the same time Acting Chief Librarian. At that time, the Ministry of Education was undergoing some restructuring and there were some changes in the reporting lines which I was not comfortable with. For this reason, I started looking for a Job elsewhere.

After graduating from the University of Zambia, I was invited for interviews at Bank of Zambia but I missed the interviews as I was in the village at the time. So when the Bank advertised

Mr Kashweka Kashweka

again, this time for a different position, I decided to apply and I was offered the job in September 2002. At this time, I had another option to join the University of Zambia.

How has your career progression been like in the Bank?

Generally I have had a good time in the Bank. I spent 12 years in the Human Resources Department as Manager – Library and Archives and six years in Board Services Department as Manager – Archives and Records Management. Working in the Library for 12 years gave me an opportunity to meet and know a lot of people in the Bank.

What has surprised you most about the Central Bank?

The Bank of Zambia has gone through a lot of changes both in terms of structure and the manner of doing business. Most of the operations of the Bank have been automated and this has made work much easier than before. One of the changes that has had some profound impact on the operations of the Bank is the computerisation of most of the Human Resources business processes.

What have you found most challenging about the Bank?

I worked in the public service for ten years where the management of records was critical in ensuring effective business operations. Although the records management system in Government was not perfect, it was much more organised than it is in the Bank. Very few people appreciate the importance of records in the Bank and it is for this reason that records management has lagged behind. Most people think records management is about filing and therefore anyone can do it.

If you could change one thing about the Bank, what would it be?

There is need to give attention to line

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With his wife Grace at Government Complex during a Likumbi Lya Mize fundraising Dinner

management employees at BoZ 5 and BoZ 6 levels. These employees are key operatives in the Bank as they are directly involved in the delivery of services. They need to be motivated to retain them.

Who are some of the most interesting people you've met while working in the Bank?

I have met a good number of interesting people while working in the Bank, but the one who was most interesting was Mr Harry Mulenga. Apart from the way he welcomed me when I reported for work for the first time, he was always ready to help where possible. He was a listening colleague who loved his work. He retired from the Bank in 2019 but we still communicate.

What's your personal work philosophy?

I am resourceful. My training background has helped me to look for solutions or answers when I am given an assignment even if it is not in my area of competence. I know how and where to look for information and this has helped me both in and outside my working life.

Do you have anyone who has influenced your decisions in the Bank and/or your social life?

During my working time in the Bank, I have met and interacted with a lot of colleagues but the ones that have influenced my decisions the most are Mr Christopher Mweetwa who was my supervisor when I joined the Bank and Mr Dinde Simacheche. They were dedicated to their work but at the same time focused about life after the Bank.

What is it that people may not know about you? That someone might be surprised to know about you?

I am a very social person, I enjoy interacting with people.

What would you tell someone who is thinking about joining and/or prematurely leaving the Bank?

The Bank of Zambia is a prestigious institution which many people would like to work for. In addition, the Bank offers employees opportunities to develop both career wise and at a personal level. People leave employment for different reasons and therefore leaving the Bank is a personal decision, but it should be a well informed decision.

What do you consider your greatest achievements while in the Bank?

Not necessarily greatest achievements but my contributions to the operations of the Bank. When I joined the Bank, the institution did not have an approved Records and Archives Management Policy and other important documents such as Procedures Manuals, Retention Schedules, File Plans, etc. and I played a role in the production of these documents.

What do you think will change about the Bank over the next five years?

The Bank has become more and more of an information organisation whose operations revolve mainly around the creation, distribution and manipulation of information. In this regard, the Bank is expected to adopt

Mr Kashweka hosting church mates at his home in Lusaka

a lot of information systems in order to enhance business processes.

If you weren't working for the BoZ, what would you be doing instead, or what would your life be like?

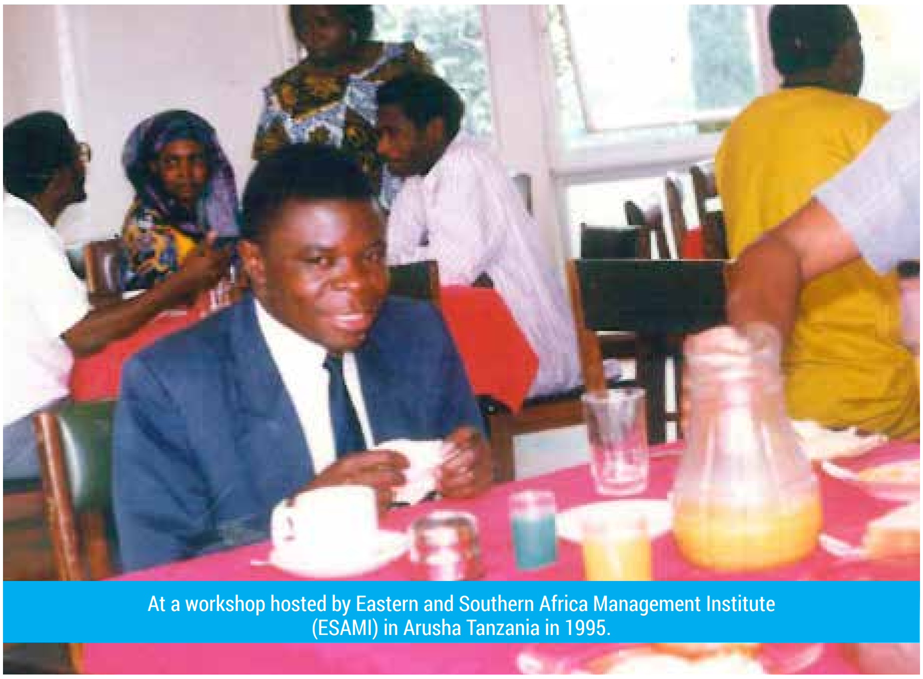
I indicated earlier on that I had an opportunity to join the University of Zambia, but I am not sure where I would have been at the moment. It's very difficult to predict the future but I believe that God has a plan for our path of life.

What do you do when you aren't working?

When I am not working, I will either be engaged in Church activities or at my farms in Kamaila area of Chisamba or in Chiyuni area of Chibombo district.

What have you done to prepare for your retirement?

I will spend most of my time managing my farms. Currently I have about 50 breeding herds for beef. I intend to increase the number to about 100 cows so that in the next three years, I should be talking of having at least 300 herds of cattle.



At a workshop hosted by Eastern and Southern Africa Management Institute (ESAMI) in Arusha Tanzania in 1995.

What would you want to be remembered for, after you leave the Bank?

I would like to be remembered for whatever little contribution I made to support the operations of the Bank during my tour of duty.

Your last words.

I am very grateful for being given an opportunity to say farewell to the Bank through my personal profile. I would like to urge my colleagues who are still working to give their best to the Bank.

The BoZ team during the industrial tour of Indeni.

Regional Director Mr Visscher Bbuku presenting some BoZ branded giveaways to Indeni Chief Operations Officer Mr Emmanuel Mulenga after the Industrial Tour.

Manager – Strategic Communications Mr Nkatya Kabwe exchanging notes with Assistant Manager - Social Media Ms Kateule Nakazwe in one of the meetings at the Bank.

(l-r) Senior Economist - Market Structural Risk Modelling in Bank Supervision Department - Ms Shula Sikaona, Assistant Director - Balance of Payment Monitoring in Economics Department - Dr Ivan Zyuulu and Analyst - Domestic Markets in Financial Markets Department - Mr Cosam Chanda during a presentation of research findings of a study on "The Segmentation of the Interbank Money Market in Zambia."

Board Services Department hosted a farewell function for Former Manager – Board and Protocol Services Ms Mirriam Lupindula who left the Bank in January, 2020. Ms Lupindula is flanked by Director - Board Services Ms Namwandi Ndhlovu (l) and Assistant Director - Board Services Ms Chanda Punabantu (r).

(l-r) Assistant Director - Examination and Surveillance Portfolio B in Bank Supervision Mr Raphael Kasonde, Assistant Director - Examination and Surveillance Portfolio B in Non-Bank Financial Institutions Supervision Mr Joseph Munyoro and Executive Assistant to the Deputy Governor Administration Ms Kombe Soteli following proceedings of a meeting in the Boardroom.

Some of the departmental representatives that participated in the detailed mapping exercise of Bank of Zambia business processes. The exercise, which took place from March 2-18, 2020 in the Annex building, is part of the ongoing Enterprise Architecture project.

Deputy Governor – Administration Rekha Mhango with Director - Board Services Ms Namwandi Ndhlovu at Governor's Meeting with Chairpersons of banks.

PHOTO FOCUS

(l-r) Assistant Director - Examination and Surveillance in NBFIS - Ms Mankolo Beyani, AB Bank Board member Mr Paul Nkhoma and Deputy General Counsel Ms Helen Banda at Governor's Meeting with Chairpersons of banks.

The Zambia Union of Financial Institutions and Allied Workers (ZUFIAW) led by Mr Alfred Chifota and the Management team led by Ms Gladys Mposha finalising and signing off the 2018 - 2020 Collective Agreement. The Bargaining Unit was chaired by Mr David Mwape, Director - Strategy and Risk Management.

Deputy Governor - Operations Dr Francis Chipimo and ZICA CEO Mr Bonna Kashinga exchanging documents after signing the MoU on behalf of the two institutions.

Deputy Governor - Operations Dr Francis Chipimo responding to a question during the February MPC Media Briefing.

Staff who attended the MPC Media Briefing.

Ms Gladys Lwizi of Zambia Business Times asking a question during the media briefing.

Assistant Director - Regional Office Mr Musapenda Phiri led a BoZ team to Chilengwa Primary School in Masala, Ndola where they donated fruit trees as part of the Bank's efforts to mitigate the impact of climate change. Above, learners being helped by a BoZ employee to plant trees.

Members of staff taking part in the 2020 International Women's Day march past.

Priority list in a liquidation: Contrasting fortunes for creditors of financial service providers and non-financial corporates

Mr Zulu

By LUNGISANI ZULU

When a company is placed under liquidation, the possibility of being paid as an unsecured creditor from the proceeds of liquidation is directly proportional to your standing on the priority list. Further, where you are on the priority list depends on whether the company in liquidation is a financial service provider or not.

In this write up, I set out to discuss the issue of priority list for payments in a liquidation. I will discuss the two different priority lists applicable to financial service providers and non-financial corporates. In the conclusion, I point out the philosophical underpinnings of the priority list to the continued life of a company.

Firstly, by priority list of creditors, I mean the schedule set out in the applicable law showing who should be paid earlier than the other from the proceeds of the company that has gone into liquidation.

When the company that has gone into liquidation is a financial service provider, the provisions of section 132 of the Banking and Financial Services Act No. 7 of 2017 regulate the priority list of creditors to be paid from the proceeds of the liquidation.

So who is paid first and last in such a scenario?

On top of the priority list in a liquidation of a financial service provider are expenses incurred in the process of winding up or dissolution. These will have to be paid from the liquidation proceeds ahead of any other creditor.

Second in priority are depositors of the financial service providers. This means that part of the costs of liquidation, depositors of banks and financial institutions enjoy superior protection in a liquidation process as they are paid ahead of numerous creditors.

Taxes and rates follow in third in the priority list followed by wages and salaries of employees of the financial service provider for a period of three months at number four.

Charges and assessments due to the Bank of Zambia are number five in the priority list while other claims against the financial service provider in such order of priority as the High Court may determine on application by the Bank of Zambia as liquidator, close the list at six.

It must be noted that this is a new priority list introduced by the provisions of the Banking and Financial Services Act No. 7 of 2017.

The previous and now repealed Banking and Financial Services Act, 1994 under the repealed section 107 provided a different priority list.

Like the new Act, necessary and reasonable expenses incurred by the Bank of Zambia in the application of the provisions of this Part, basically liquidation costs, were number one on the old priority list.

Second in the priority list were taxes and rates due, whether payable to the Government or to a local authority.

Number three on the list were wages and salaries of officers and employees of the financial service provider in liquidation for the three-month period preceding the effective date of seizure, within the limit as prescribed.

Then came the depositors of financial service providers at number four followed by fees and assessments due to the Bank of Zambia and claims established under a deposit protection scheme at number five and six respectively.

Other deposits and other claims against the liquidated financial service provider in such order of priority as the High Court may determine upon application by the Bank of Zambia closed the list at seven.

From the above provisions, it's safe to conclude that depositors have been the greatest beneficiaries of the amendments brought about by the Banking and Financial Services Act No. 7 of 2017. Depositors have jumped from number four to number two in the priority list of creditors to benefit from the proceeds of a liquidation. This is not a simple matter and intended to have the corresponding positive impact of enhancing the confidence of the public in the financial sector as they can freely deposit their funds with financial service providers fully aware that in case of a failure, they stand to walk away with something in light of their lofty status in the priority list.

Enough said about the priority list of creditors in a liquidation of a financial service provider. What about the priority list of creditors of liquidated entities that are not financial corporates? The priority list of creditors of non-financial companies is provided for in section 127 of the Corporate Insolvency Act, 2017. Secured creditors of course are generally paid in line with the security document and the asset subject of the security.

For all other creditors, on top of the priority list are costs and expenses of a winding-up including the payable taxed costs of a petitioner, the remuneration of the liquidator, and the costs of an audit carried out.

Second in the priority list are any taxes, duties, rates payable by the company for any period prior to the commencement of the winding-up, Government rents less than five years in arrears at the commencement of the winding-up and rates payable to a local authority that were due and payable within three years before the date of commencement of the winding-up. This group has to be paid second in priority to the costs of liquidation.

Third on the list are wages or salaries accruing to every employee within the period of three months before the commencement of the winding-up, leave accruing to every employee within the period of two years before the commencement of the winding-up, paid absence, not being leave, accruing to every employee within the period of three months before the commencement of the winding-up and recruitment or other expenses or other amounts repayable under a contract of employment. Others are severance pay to each employee, equal to three months' wages or salary and all amounts due in respect of workers' compensation which accrued before the commencement of the winding-up.

Closing the priority list at number four in the priority list are any other creditors of the company in liquidation.

Again, as with financial service providers the above priority list is new having only been introduced by the Corporate Insolvency Act, 2017. This has replaced the old priority list for non-financial corporates which was contained in section 346 of the repealed Companies Act, 1994.

On top of the old priority list, like the new one, were costs and expenses of a winding-up including the payable taxed costs of a petitioner, the remuneration of the liquidator, and the costs of an audit carried out.

Second on the list were wages or salary accruing to every employee within the period of three months before the commencement of the winding-up, leave accruing to every employee within the period of two years before the commencement of the winding-up, paid absence, not being leave, accruing to every employee within the period of three months before the commencement of the winding-up and recruitment or other expenses or other amounts repayable under a contract of employment. Others are severance pay to each employee, equal to three months' wages or salary and all amounts due in respect of workers' compensation which accrued before the commencement of the winding-up.

Third in the priority list were any taxes, duties, rates payable by the company for any period prior to the commencement of the winding-up and Government rents less than five years in arrears at the commencement of the winding-up.

Closing the list at number four were all rates payable to a local authority that were due and payable within three years before the date of commencement of the winding-up.

The old priority list was silent on the fate of any other creditors of the company in liquidation. Even then, it was always assumed they were the last to be paid in any event.

From the changes in the priority list of creditors to be paid from the liquidation proceeds of non-financial corporates, we can conclude that government taxes, duties and rents have displaced the emoluments payable to employees of the company in liquidation on the priority list. Further, rates to local authorities have enjoyed the biggest jump, from being last on the priority list to second in the list joining government taxes, duties and rents.

Finally, the fate of all other creditors is more clearer under the new priority list, notwithstanding that they occupy the last position on the priority list.

It must be stressed that while the priority list is akin to a will and speaks upon the death of the company, unlike a will, it is very important to the continued life of the company as it shapes, at least in part, how people relate with it. To a very large extent, potential creditors' engagements with a company are influenced by their position on the priority list in the event that the very company goes into liquidation. The higher you are on the list, the more likely you are to freely engage and interact with the company as an unsecured creditor.

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Covid – 19, a Black or Green Swan: Rethinking Risk, Controls and Business Continuity Plans

Ms Chibale

By MAMBWE CHIBALE

"The Coronavirus pandemic has set a wave of financial and operational disruptions in the wake of remote work arrangements causing sudden shifts in risk exposures and mitigation measures" said Katherine Heires a freelance business journalist and founder of Mediakat LLC in her article, "For the Covid-19 New normal, Risk and Compliance Advisories Aplenty" published on 3 April, 2020. "Risk overall is going up and risk practitioners are likely to see overall changes in a lot of the key risk indicators" added Heires.

Is Covid-19 a Black or Green Swan?

Nassim Nicholas Taleb, a Lebanese American Essayist, scholar, statistician, former trader and risk analyst defines a black swan as a highly improbable event with three principle characteristics: it is unpredictable; it carries a massive impact; and can only be explained after the fact. Black swans can take many forms such as a terrorist attack to a disruptive technology or a natural disaster. Black swans are typically referred to as fat tail events because they exhibit a large skewness relative to that of a normal distribution and cannot be predicted by backward-looking probabilistic approaches which assume normal distribution such as value-at risk models. Although black swans cannot be predicted using backward-looking probabilistic models, counterfactual reasoning, that is thoughts of what might have been can help hedge, at least partially, against black swan events, Epstude and Roese (2008).[1]

According to Bank for International Settlement in its e-book, The Green Swan: Central Banking and Financial Stability in the Age of Climate Change, published in January 2020, the term green swan finds its inspiration from the black swan concept and relates to climate related risks. In an article by Steve Zwick published on Ecosystem Market Place on 3 February 2020, green swans generally describe risks that we humans create for ourselves by pumping contaminants into our air and water, destroying our ecosystems and destabilising our climate.

Like black swans, green swans typically fit low probability high impact events or fat tail distributions. They materialise in both physical and transition risks and are characterised by uncertainty and non-linearity and as such cannot be predicted by backward –looking probabilistic approaches. However, unlike black swans, green swans have a high degree of certainty that "some combination of physical and transition risks will materialise in the future", NGFS (2019a, p4)[2]; could pose an existential threat to humanity Ripple et al (2019)[3] ; and the complex chain reactions and cascade effects associated with both physical and transition risks could result in unpredictable environmental, geopolitical, social and economic dynamics.

Clearly, the Covid -19 has characteristics of both a black and green swan. Arguably, the Covid-19 was unpredictable, has so far impacted business and all works of life massively and scientists are still studying and explaining the virus. These characteristics are all typical of a black swan event.

Similarly, Covid -19 has presented both physical and transition risks which are characteristic of a green swan. In terms of physical risks for example, a report by Inskit Group "Capitalising on Coronavirus Panic, Threat Actors Target Victims World Wide" published in March 2020 revealed that the number of references to Covid-19 in relation to cyber-attacks increased in January and February 2020. The report further revealed that the number of newly registered domains related to Covid-19 increased since the outbreak in December 2019 with threat actors creating infrastructure to support malicious campaigns referring to Covid -19.

In terms of transition risks, a number of regulators and central banks have announced measures to afford flexibility and targeted relief to help financial firms and their clients during the period of distressed market conditions. The United Kingdom (UK) Financial Conduct Authority has granted UK companies extra time to complete audited financial statements; the United States (US) banking regulators on March 27, 2020 allowed for a two years extension on capital transition accompanying the

[1]Kai Epstude and Neal Roese, 2002. "The Functional Theory of Counterfactual Thinking", Personality and Social Psychology Review 12(2): 168-92. https://doi.org/10.1177/1088868308316091

[2]NGFS 2019a "NGFS First Comprehensive Report. A Call for Action – Climate Change as a Source of Financial Risk" April 2019. Available on https://www.ngfs.net/en/first-comprehensive-Report-Call-Action

[3]Ripple William j, Christopher Wolf, Thomas M. Newsome, Phoebe Barnard, and William R. Moomaw, 2019. "World Scientists' Warning of Climate Emergence" BioScience. https://doi.org/10.1093/biosci/biz088

current expected credit loss standard and early adoption of the standardised approach for measuring counterparty credit risk; Basel Committee on Bank Supervision deferred by one year the final implementation date for Basel III standards; and the Bank of Zambia extended by a further two years the transition period to amortise the Day 1 Impact of IFRS9 for capital adequacy purposes, revised loan loss classification and provisioning rules and revoked Statutory Instrument Number 142 of 1996 among other measures. These measures are significant policy changes that have associated potential transition risks.

Further, the Covid-19 like a green swan has some degree of existential risk to humanity considering the trends in reported number of new infections and deaths. The Covid-19 can also be said to have had some degree of certainty of happening judging by the past world flu - like pandemics such as the Russian flu (1889-1894), Spanish Flu (1918-1920), Asian Flu (1957-1958) and Hong Kong Flu (1968 – 1969) among others.

You will agree with me that there is still a lot of research being undertaken on the Covid-19 and like all black and green swans, it will only be fully explained after the fact. But risk practitioners should not wait until this pandemic is over before they could start making inferences because then will be too late.

Clearly, the Covid-19 has characteristics of both black and green swans. But is Covid-19 a black or green swan? With some people like Benjamin C Halliburton, Forbes books author, calling it a black swan and others like Jessamin Norton of Renewable Energy World calling it an energy phoenix in his article on "Covid-19: Fossil Fuel Black Swan or Renewable Energy Phoenix" published on 13 April 2020[4] it would be prudent to say that the Covid -19 is a swan of its own color.

Was the Covid -19 unpredictable and could it have been predicted with some degree of certainty?

Undoubtedly, the outbreak of the covid-19 pandemic has been met with different conspiracy theories. For purposes of this write-up, we will look at some theories related to written evidence that suggests that the Covid-19 could have been predicted with some levels of certainty and what this means for risk management and future business continuity plans (BCPs).

In her book about the end of the world published in 2008, Sylvia Browne wrote that in around 2020, a severe pneumonia like illness will spread throughout the globe, attacking lungs and bronchial tubes and resisting all known treatments. "Almost more baffling than the illness itself will be the fact that it will suddenly vanish quickly as it has arrived, attack again after 10 years later and then disappear completely".

Bill Gates in a 2015 Ted Talk warned that the world was not ready for the next pandemic. In 2018 during a discussion on epidemics hosted by the Massachusetts Medical Society and New England Journal of Medicine, Gates presented a simulation for disease modelling which found that a new flu - like epidemic like the one that killed 50 million people in 1918 would now most likely kill 30 million people in six months.

Virologist and Researcher, Robert G Webster, in his book called Flu Hunter: Unlocking the secrets of a virus which was published in December 2019 predicted an upcoming flu pandemic. Webster questioned the possibility of another deadly disruptive pandemic and concluded that the pandemic was possible and that it was just a matter of time. "Nature will eventually again challenge mankind with an equivalent of the 1918 influenza virus" he wrote.

With the knowledge and chronology of the past flu pandemics such as the Russian flu (1889-1894), Spanish Flu (1918-1920), Asian Flu (1957-1958) and Hong Kong Flu (1968 – 1969) and the above theories, what becomes clear is that influenza like pandemics are not rare. Should financial firms, therefore, continue to treat them as fat tail events especially in today's connected world? The answer is a resounding no.

What does this imply for financial firms risk, controls and business continuity plans?

In a McKinsey article "A blue print for remote working: Lessons from China" published in March 2020, it is reported that around 200 million people were working from home in China in the wake of the Covid-19 crisis. The report, which included advice on how to effectively manage work teams and communicate with employees in a way that reinforces company culture and helps to reduce risk, added that while working from home if done right has benefits such as boosting productivity and morale, it can breed inefficiency, damage work relationships and demotivate employees. While some financial firms , including financial service providers in Zambia, have effectively implemented telecommuting, there is increasing concern in areas such as fraud and anti-money laundering, record keeping, cyber security, data privacy and confidentiality. In Zambia, for example, there are increased money laundering concerns arising from increased mobile money account limits and removal of fees for certain thresholds, suboptimal record-keeping for those that are using personal computers and laptops, cyber risk arising from increased use of digital financial services meant to curb the spread of the Covid-19, unauthorised access to confidential information by people in employees homes and deterioration of corporate culture and values as employees' work outside their offices.

In a report "Covid-19 challenges and opportunities in financial services" produced for the Boston based firms by the Aite Group, a US based research and consultancy company in March 2020, a number of risks on banking and payments, securities and investments, insurance and frauds, AML and cybersecurity are outlined. According to the report, more accounts payable scams and internal fraud are expected on the AML and financial crimes side.

In another report on "Assessing the competitive landscape for US and P&C core systems, the Aite Group added that fraudsters thrive when normal routines or ways of doing business are disrupted. A lot of things can go wrong

[4]Available on renewableenergyworld.com

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in a shift to working from home where financial firms' employees are outside of corporate settings, an environment which is less controlled. Threats of phishing attacks, malware and phone based scams spike said the report in part. "This calls for institutions to look to providers of strong authentication, secure connectivity, distributed access and managed security monitoring to help them extend private networking environments securely".

In his part 1 of 3 cyber security series published on 9 April 2020, Brandon Smith, Financial Crimes, Defense and Intelligence Director at Financial Networks Analytics, a UK based analytics firm stated that current compliance methods relying on centralised rules-based transaction monitoring are plagued with false-positive results. "Suspicious activity reports are generated from a vast minority of compliance cases, and the end user (Law enforcement agencies) rate of use is somewhere between unknown and abysmal" added Smith. He concluded and I agree that "it's time to move from the traditionally held position in the compliance industry that we are not here to find the bad guy, the money launderer. We are here to be in compliance" and adopt solutions for compliance programs that approach the "finding the bad guy" and compliance objectives as equal priorities.

In the wake of these Covid-19 resultant risks and regulatory measures, consultants and service providers have advised checklists and solutions that may be helpful during the pandemic that may also change the focus of those in risk and compliance beyond the Covid-19 pandemic. Deloitte for example, in its March 2020 publication on Covid-19 potential implications for banking and capital markets sectors – maintaining business and operational resilience summarises actions that risk practitioners should be considering. According to Deloitte, questions such as: does current environment warrant an update in internal models; how should any potential changes to counterparty credit worthiness be addressed in existing contracts; and how can risk controls regarding conduct risk be upheld in an alternative work environment should be asked by risk practitioners.

Should financial firms rethink risk, controls and business continuity plans?

First, despite regulators' statements of flexibility and forbearance, financial firms should not neglect compliance obligations or allow a backlog of compliance issues. This is because the inevitable is not going to disappear after the Covid-19.

Second, most if not all risk management frameworks and BCPs are premised on disasters that prevent or limit access to physical premises or technology platforms, very few if any anticipate a situation where employees are not available to perform their functions. Notably, key personnel risk is common in private equity transactions but risk practitioners in all financial firms ought to start thinking about key personnel risk. This implies that for employees responsible for key enterprise and compliance risk functions, there are two or more other employees who can step in if the primary individual becomes ill. Financial firms should start to think and understand that they need back-up for everything, not just physical premises and technology systems.

Third, there is need to start thinking about bringing the same controls to homes of remote workers as they have in the offices for financial firms to continue to be vigilant about risk, record keeping and data privacy. In his blog post of 17 March 2020 on Trading Floors, FIs Eye Record-Keeping Contingencies Amid Covid-19, Chris Wooten, Executive Vice President of Surveillance Group, Nice Vertical Market, explains that all communication need to be captured and analysed and that there are capabilities on cloud that can be utilised to do that. "If someone is going to do something wrong, it is human nature that they will talk about it or brag about it before or after they did it and that's why analysing those communication across a broad number of work channels is critical" added Wooten.

Fourth, pre Covid-19 BCPs did not account for pandemics and this will have to change going forward. Based on literature and past flu-like pandemics, we cannot continue to treat a pandemic in future like any other black tail event. Therefore, there is need to accommodate this possibility in the BCPs. Most importantly, financial firms need to prepare for all employees working remotely by investing in technology that can accommodate an entire workforce that is working remotely.

Fifth, Mariana Shafr, Regulatory Advisor with communications compliance and archiving provider, Smarsh, suggests that risk and compliance executives review policies and procedures, assess the risk and compliance implications of changed work processes, update policies for new work model to include processes relating to Microsoft teams and Zoom and continue to capture both customer and employee communication records making sure to adhere to confidentiality and privacy rules.

Last but not the least, Covid -19 has the potential to permanently change people's priorities on what is important. Budgeting for what is essential and keeping more resources in precautionary reserves may just become the new normal. Financial firms may, therefore, be presented with both a challenge and an opportunity. A challenge to mitigate the potential flight to liquidity and the opportunity to develop new products to meet the new emerging need for precautionary reserves. Prioritising precautionary reserves, should it happen, has the potential to affect financial inclusion and literacy programs as well as investments in certain asset classes. Tourism sector on the other hand may become a stranded asset as people may change the way they view travel leading to heightened credit risk for financial service providers that are exposed to this sector. There may be increased operational risks as the long-term effects of covid -19 on people who recover from it are still unknown and may affect the health of employees.

In summary, like Albert Camus a French writer once said in his speech when receiving the Nobel Prize in literature in 1987, "Each generation doubtless feels called upon to reform the world. Mine knows that it will not reform it, but its task is perhaps even greater. It consists in preventing the world from destroying itself". These words are relevant to the fight against devastating effects of Covid-19 and hence the need to stop business as usual and rethink risk, controls and BCPs.

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Adapting to the changing operating environment

Dr Simwayi

By Dr MUSONDA SIMWAYI

The changing operating environment, especially one brought about by the COVID-19, has brought fresh memories of negotiating street traffic in India and Kenya. These memories affirm the importance of thinking and acting flexibly. The mere unpredictability and diversity of life on the road demands a lot of flexibility. In India, vehicles come in all shapes and sizes and travel at a range of speed. Pedestrians and animals compete with cars, trucks, buses, cycles and scooters. The terrain is of varying quality and topography. Most of the roads, like in Zambia, are undergoing repairs and expansions. Surprisingly, a linear and orderly approach to driving in such an environment would lead to accidents. The only way to survive is, ironically, to accept the unpredictability of other road users and respond by being similarly adaptable, in both thoughts and actions.

The analogy of driving in India, where most drivers act in a disorderly manner, demonstrates the prevailing operating environment and the challenges brought by the coronavirus pandemic. Our operating environments can change any time from bad to good or vice versa. Hence the importance of flexibility for both makers and implementers of decisions in organisations cannot be overemphasised. Like those drivers in India, there is need to act in a non-linear way and work outside the box. If organisations and individuals don't adapt to the new environments, they will become irrelevant. More often than not, this volatility and unpredictability enables flexible thinking and actions.

In order to remain relevant in the changing environments, organisations and individuals ought to think and act flexibly. There are a number of ways to achieve this:

1. Think the unthinkable- Traditional and cookie-cutter solutions to new and complex challenges will not work. We must challenge many ingrained beliefs and traditional ways of doing things such as rigid committees and archaic policies. A well-known medical practitioner Dr Mohan Kumar, for instance, questioned a convention of the medical industry of a patient visiting a doctor, when it can be the other way around. That radical question led him to consider a solution that allows doctors to consult patients without either party having to travel. Another example is that of Mr Harish Hande, an entrepreneur, who dared to think the unthinkable and succeeded. He founded the Sola Electric Light Company (SELCO) in 1995 which provided solar energy to rural poor people of India and debunked the sustainable technologies.

To some people it remains unthinkable that in the next ten years or so, a good number of financial institutions will go out of business or be rendered irrelevant by new competition, advancement in technology and changing customer behaviours. The unthinkable thing for central banks now is to start preparing for these developments. For example, central banks may start preparing for 100% outsourcing of support functions. There are strong signals that the future of fiat money is under threat and that there could be a global currency without a sovereign issuer. The unthinkable in this respect is to equip ourselves with skills and competencies to manage a cashless economy and the emergence of cryptocurrencies. Unfortunately, to many this looks farfetched. How about a completely disarmed state police and proper investment in robust Electronic Security Systems for proper security monitoring and crime management? Huge investments in firearms and related equipment are not making economic sense when criminals have revised their strategies. They are stealing using electronic means rather than physical ones. I have consistently argued for serious investments in solutions to fight cyber-crime. These might not make sense now but this is what adaptability is all about.

2. Rethinking long term planning- while long term planning is critical to effective accomplishment of organisational objectives and mandates, these must be done in light of prevailing social and economic circumstances which are constantly changing. The Bank of Zambia has just put in place the 2020-2023 Strategic Plan, however most of the 2020 benchmarks will not be achieved due to the prevailing situation. Hence, it is vital to experiment along the way and show willingness to try multiple options, rather than adopting one approach at the start and sticking to it thereafter. The case in point here is the

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recent announcement by the Finance Minister, Dr Bwalya Ng'andu that the 2020 National Budget would be revised in view of the adverse effects of the coronavirus pandemic. In this regard, flexible short term plans are recommended.

3. Act with speed and agility- A culture of agility is ideal for new threats and opportunities. By acting speedily and embracing agility, organisations can deal with unanticipated challenges faster and seize unexpected opportunities. Currently Financial Technologies (Fintechs), have brought about the unbundling of the core functions of financial institutions. A lot of non-traditional financial institutions are having a large share of the financial industry. This situation is both a threat and an opportunity which requires agility.

Unfortunately, a lot of entities, especially public organisations are slow to adapt mainly on account of fixed mindsets. These mindsets often come from structured internal processes and, unfortunately, past successes which breed complacency and sow seeds of failure. The danger of relying, solely, on past successes is that it blinds organisations to the fact that every challenge is unique and requires a different approach for success. As a result, organisations when faced with new challenges tend to reapply "tried and successful" solutions rather than develop new ones. In sum, many individuals and organisations become victims of their own previous success.

FinTech4U in Zambia

First Results of the intensive Capacity Building Programme

By MALI KAMBANDU

In January 2020, five fintechs enrolled in the FinTech4U Accelerator Programme to improve their service or product offering delivered through digital financial services (DFS). By partnering together, UN Capital Development Fund and BongoHive provided extensive technical assistance in areas such as product development, partnerships formulation and facilitated regulator workshops with Bank of Zambia (BoZ), the Securities and Exchange Commission (SEC) and Zambia Information Communication and Technology Authority (ZICTA) to assist the fintechs better manage regulatory requirements. The three-month accelerator programme classes ended in April 2020 with the five fintechs learning and growing a great deal from the programme.

The FinTech founders in the first cohort dug into the depth of getting to know their customers better and assessing if their proposed solutions would deliver the perceived value. The structure of the programme helped do this with components such as:

- Critiquing the fintechs' business models to ensure they had the most appropriate value proposition;
- Weekly training sessions with a focus on product offerings, customer journey mapping, data analysis and governance;
- Sessions with industry experts in the fields of tax, accounting

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Acting Manager – Designation Mr Jack Dumingu, Kilyelyani Kanjo - Digital Country Lead, UNCDF and Manager – Payment Systems - Research and Development Mr Jimmy Couvaras at a FinTech4U Accelerator Programme in Lusaka.

and legal advisory to ensure the start-ups were building towards investment readiness.

The fintechs realised that they had not undertaken all of these processes as they began their businesses; the opportunity to do so with high-calibre experts at their disposal was invaluable and enabled them to adjust their value proposition or seek additional guidance to address any areas where they did not perform or score well.

"The Accelerator Programme has allowed for a lot of self-introspection and has given our team the courage to question our solution design and problem fit. Through the various lessons and one-on-ones, we have been able to focus on the aspects of our core business that were not fine-tuned," said Esther Kanduza of Digital PayGo, an interoperable digital payments platform.

In addition, the weekly sessions enabled the fintechs to closely track their performance and course-correct as needed if the data revealed shortcomings in meeting targets.

A key element of FinTech4U was the exposure fintechs gained, not just to technical knowledge, but to potential strategic partners or investors who can open doors and opportunities for the fintechs. "We have been able to leverage this linkage to pursue partnerships that will help us improve our value proposition and offering to our target customer base," said a representative of EduPay, a credit provider offering micro-loans to parents of school-going children.

By nature, fintechs are highly specialised and sector-specific in their product and service offerings. However, they are often regulated in the same manner as traditional financial service providers (FSPs) which can hinder their growth and success during FinTech4U, the start-ups had the opportunity to address their regulatory needs. As a financial service provider using technology, these businesses fall under various regulators and have many policies that apply to their business. It is easy for young companies, often without in-house legal personnel, to omit various government directives or they find it difficult to access support from the relevant regulator's office mandated to supervise their business. FinTech4U provided an opportunity to fintechs to better understand the regulation governing their business. In addition, the Accelerator Programme provided an opportunity for regulators and fintechs to begin finding ways of overcoming restrictive regulation to allow for a more agile DFS industry in Zambia that serves the people and allows for growth of this sector. The Accelerator Programme saw the start of this work, and though results will not be visible for many months to come, both UNCDF and BongoHive aim to keep collaborating with regulators to support and facilitate these adaptations.

The Accelerator Programme, though run over three months, provides after-training support to the fintechs for an additional three months. "It takes a few months after the Accelerator Programme for start-ups to become a bit stronger in their business models and operations before their business really starts taking root and gaining traction in the industry. This is what we expect to see with our five fintechs," said Simunza Muyangana, BongoHive Founder and Director of Entrepreneurship. "As start-ups, the fintechs face a number of challenges, many of which we have tried to help solve in FinTech4U. The diversity in the challenges the fintechs are addressing, even now with the COVID-19 pandemic

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FinTech4U in Zambia

Partcipants during the FinTech4U Accelerator programme

blowing against their sails, exposes how fragile our society is without financial security."

In March, the last month of the Accelerator Programme, Zambia recorded its first cases of coronavirus and the country began to practice the recommended preventive measures, such as social distancing, to curb the spread of the virus. Reactions to the pandemic spread – businesses began to streamline or reduce their operations, Bank of Zambia strongly encouraged using digital methods to run transactions and schools closed three weeks earlier than expected. These measures impacted FinTech4U as all classes and meetings had to be conducted virtually. In addition, the start-ups were affected individually. While those running payment platforms, such as Digital PayGo and Mangwee mobile wallet, were afforded a new opportunity with the increase in digital transactions, others such as EduPay were adversely affected. With schools closed and parents not presently needing to meet school requirements, the start-up had to think of how to manoeuvre through the crisis in order to continue operating.

Another FinTech, Bwino, who offers emergency loans for medical expenses to low-income earners used the opportunity to pivot into providing pharmaceutical-related services.

> The diversity in the challenges the fintechs are addressing, even now with the COVID-19 pandemic blowing against their sails, exposes how fragile our society is without financial security."

With the on-going pandemic and Zambia's industries constantly adjusting to changes, it's unclear how long it will be before the fintechs begin recording month-on-month success in their businesses. In the coming week, UNCDF and BongoHive will undertake debrief sessions with each FinTech to fully capture their individual experiences and lessons, to inform the next version of the programme. With this cohort complete, and with many lessons and insights revealed, UNCDF and BongoHive will begin planning the next cohort of the FinTech4U Accelerator Programme. The second cohort, with another five fintechs, is planned to begin in July and a call for applications will be announced soon.

Mali Kambandu is Knowledge Management and Communications at UN Capital Development Fund.

Financial Health: A step beyond Financial Inclusion

Mr Sichone

By GODWIN SICHONE

The last decade has seen developing countries make significant strides in including formerly financially excluded populations, mostly driven by the rapid growth in digital financial services. While this has been the case, especially the financial access dimension, which has grown exponentially, the usage and quality dimensions of financial inclusion still remain a challenge for some countries.

In Zambia, for example, data from the sex-disaggregated data baseline survey conducted under the Alliance for Financial Inclusion project showed that out of the 9.2 million e-money accounts in 2018, only 1.5 million or 16% were active. Consequently, more focus should now be towards ensuring that financial products and services are affordable and of good quality to spur greater usage.

There is another aspect, beyond financial inclusion, that is increasingly receiving a lot of attention from financial sector development experts and policy makers; financial health. Although most indicators of financial inclusion show significant progress, they do not tell us about our ability to navigate our financial lives or withstand financial shocks. Establishing our financial health status is therefore useful.

The Bank of Zambia and its partners will this year attempt to measure the financial health of Zambia's adult population through the FinScope survey.

What is Financial Health?

According to the United States based Center for Financial Services Innovation (CFSI), *financial health is achieved when an individual's day-to-day financial system functions well and increases the likelihood of financial resilience and opportunity.*[1]

From this definition, one would expect that financial inclusion should always lead to a financially healthy population. However, this is not always the case. For some individuals, the very fact that they can access loans, get goods and services on hire purchase and other forms of credit has led to them living beyond their means or like they say, punching beyond their weight. In addition, with savings groups and other forms of informal credit now readily available, without proper checklists to ascertain the credit worthiness of an individual, this has led some individuals to accumulate huge debt burdens, from both formal and informal sources. While formal financial institutions would love to know the true extent of an individual's debt burden, there is no way of capturing an individual's level of informal credit. Informal lenders, on the other hand, don't really care whether an individual has lines of credit from formal financial institutions or not.

There are also people who do not have huge debt burdens, but spend indiscriminately with no expenditure plan, do not save enough, and with no life assurance. Such individuals are unknowingly vulnerable and face a very high risk of going into a financial crisis in the event of a shock and chances of recovery in the event of such a shock are slim.

Measuring Financial Health

How financially healthy is our adult population (or are we as individuals)? This article discusses the framework for measuring financial health.

The framework for measuring financial health has four (4) components: expenditure, saving, borrowing and planning. These components actually summarise our financial lives. Each of the components has eight (8) indicators that are used to ascertain one's financial health status.[2]

For each indicator, CFSI proposes three (3) colour codes, that is, green, yellow and red. If an individual's response is coded green, for a particular indicator, it depicts behavior that can propel the individual to greater financial health. Yellow shows behavior that neither moves them significantly towards nor away from greater financial health, while red shows behavior that can prevent them from achieving greater financial health.

Indicators of Financial Health

To measure the indicators in the framework, eight (8) questions are asked. **Do you....?**

[1]Center for Financial Services Innovation, 2015. Understanding and Improving Consumer Financial Health in America. Chicago.
[2]Center for Financial Services Innovation (CFSI). 2016. Eight Ways to Measure Financial Health. Chicago.

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Financial Health: A step beyond Financial Inclusion

1. Spend less than your income, on a monthly basis?

Ability to do this on a monthly basis shows an individual's ability to build savings and to be resilient in the wake of unexpected events. On the scorecard, green means expenditure is less than income; yellow means expenditure is equal to income; and red means expenditure is greater than income.

2. Pay high priority bills on time and in full?

High priority bills are those that have less flexibility and more severe consequences if left unpaid, such as rentals. On the scorecard, green means the individual pays all bills on time and/or in full. Yellow means most bills are paid on time and/or in full, while red means only some of the bills are paid on time and/or in full.

3. Have sufficient liquid savings?

This is important for coping with an unexpected expense such as car repair, major health issue, a sudden drop in income or job loss. Individuals in green are those that have planned monthly savings, those that use the savings principle: Income – Saving = Expenditure. Those in yellow save whatever is left over at the end of the month: Income – Expenditure = Saving. People in red don't really save. They have no regular savings plan and usually spend about as much as, or more than their income.

4. Have sufficient long-term savings or assets?

Having sufficient long-term savings is necessary to achieve financial security and take advantage of opportunities such as investing in fixed assets or education. This indicator, like the 3rd one, is not easy to measure. One proxy for measuring this indicator in surveys is to ask the respondent if, when they think about saving money for the future, they think of the next 5 years or longer (green), next year (yellow), or the next few weeks or months (red).

5. Have a sustainable debt load?

Having a manageable debt load reduces chances of an individual becoming over-indebted, which may lead to further financial difficulties. In proportion to one's income, they are green if debt is less than 36%, yellow if it ranges from 36%-43% and in red if it's more than 43%.

6. Have a good credit score?

Credit scores shed light on an individual's ability to access low-cost credit and their propensity to pay it back. On the scorecard, individuals are classified as green if their credit score is excellent, good or prime; yellow if it's fair or nonprime; and red if it's poor or subprime.

7. Have appropriate insurance?

Having appropriate insurance allows individuals to be resilient in the face of unexpected expenses, such as the death of a loved one or a medical emergency. So one is classified as green if they have coverage for assets and potential shocks; yellow if the cover is only for some assets and/or shocks and red if they have no coverage at all. Note that some individuals may be covered through the head of household or other family member. This counts.

8. Plan ahead for expenses?

Planning ahead for expenses indicates that individuals are future-oriented and interested in improving their financial situation. Those in green have monthly budgets, always plan ahead for large unexpected irregular payments and set long term financial goals. Individuals who fall short of budgeting monthly and have not fully set long term financial goals are classified as yellow. Those that have no monthly budgets, do not plan for large unexpected irregular payments and have not set long term financial goals are considered to be in red.

Based on the indicators, individuals are grouped in three (3) categories. First, the financially healthy, which includes those who are spending, saving, borrowing, and planning in a way that will allow them to be resilient and pursue opportunities over time. The second category is for individuals who are financially coping, meaning they are struggling with some, but not all aspects of their financial lives. Category three is for those who are financially vulnerable. These are considered to be struggling with all, or nearly all aspects of their financial lives and are therefore at a very high risk of going into a financial crisis from which they might fail to recover.

As consumers, we need to know that the spending, saving, borrowing, and planning decisions we make today can either help us build towards achieving resilience and our ability to pursue opportunities, which is our long term goal, or can prevent us from achieving the same. So at individual level, let us examine ourselves by answering the eight questions. If your status is green for a particular indicator, keep doing what you have been doing. If it's yellow, there is still room for improvement. If, however, you're in red, you need to take drastic measures to change the situation.

Conclusion

It is clear that at individual level, we always need to know our financial health status in order to take measures to maintain or improve, depending on the status. I hope by now, you know yours.

At institutional level, it is also very important for financial service providers to know the financial health status of potential borrowers and individuals who already have credit lines. Some of these indicators can be computed using data that is already available with financial institutions. Employers also need to know the status of their employees. Poor financial health more often results in financial stress and can affect the productivity of employees.

Financial education, combined with the availability of high quality and affordable financial products and services undoubtedly helps consumers make better financial decisions, maintain control over their finances, and plan for the future. Therefore, Government, financial sector regulators and financial service providers and other stakeholders should not relent in their efforts to provide financial education.

The Author is Assistant Manager Research, Monitoring and Evaluation in the Non-Bank Financial Supervision Department.

Frequently Asked Questions on the K10 billion Stimulus Package


Ms Mwanza

By BESNAT MWANZA

The Zambian economy has been facing significant macroeconomic challenges as reflected in low growth, high fiscal deficits, rising inflation and debt service obligations as well as low international reserves. The outbreak of COVID-19 pandemic has worsened the situation as it is already having an adverse impact on the economy through the closure of businesses and restrictions on important trade routes as countries fight the spread of the pandemic.

Without compensating policy action, the decline in economic activity and the drop in incomes for businesses and households will also impact the financial sector through rising non-performing loans and this may compromise financial system stability.

The Bank of Zambia has therefore introduced a Targeted Medium-Term Refinancing Facility to enable Financial Service Providers (FSPs) to support businesses and households that are being impacted by COVID-19.

Following the introduction of this facility, a number of questions have been asked seeking clarification on how this facility will be implemented.

1. What is this facility?

The Targeted Medium-Term Refinancing Facility (TMTRF) is a facility which allows Financial Service Providers (FSPs) (commercial banks and non-bank financial institutions) under the supervision of the Bank, to access funds from the Bank of Zambia for on-lending to businesses and households.

The TMTRF will prioritize key sectors identified in the 7th National Development Plan, notably, agriculture, manufacturing, tourism and energy. Sixty (60) percent of the funds will go to these sectors while forty (40) percent will be reserved for ALL other sectors and households.

2. Is the facility free?

The facility is not free. The Bank of Zambia (BoZ) is lending funds to Financial Service Providers (FSPs) who, when they borrow from BoZ, are obliged to on-lend this to businesses and households.

3. How much money is available under the facility?

The facility has an initial amount of K10 billion and tenors of five (5) years for targeted sectors (agriculture, manufacturing, tourism and energy) and three (3) years for other sectors including households.

FSPs will access this facility from BoZ at 12.5%. This interest rate is arrived at by taking the current Monetary Policy Rate (MPR) of 11.5% and adding 1 percentage point. Further, FSPs will have a one-year grace period (moratorium) for both principal and interest payments on the facility. This facility became available for access by FSPs on April 15, 2020.

4. How can Households and Businesses access this facility?

Business and individuals can access the Facility through their FSPs. Businesses and households interested in accessing this facility must therefore do so through their FSPs.

5. Which Business and Households can access this facility?

Everyone is entitled to the fund on the facility through their respective FSP. However, priority is to support sectors that will propel economic recovery and stimulate private sector led growth. Sectors identified in the 7NDP as priority are agriculture, manufacturing, energy and tourism and these will receive 60% of the fund on the facility. The rest of the sectors including mining shall access the remaining 40%.

6. Which FSPs are eligible to borrow from BoZ under this facility?

FSPs that are licensed and supervised by BoZ are eligible to participate. The FSPs must meet minimum criteria which are set out in the Terms and Conditions (T's & C's). These are available on the BoZ website (www.boz.zm).

7. At what rate will the funds be available?

FSPs will determine the interest rates at which the funds will be on-lent to their clients. However, FSPs are obliged to pass on the benefits of lower interest rates, fixed interest rates and the possibility of a payment holiday to their clients. BoZ will check on the benefits being passed on

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prior to the disbursement of funds. Further, BoZ has provided additional incentives to FSPs which lend to their clients at no more than 5 percentage points above the cost of funds from BoZ. If FSPs borrow the funds at 12.5% from BoZ and lend to clients at no more than 17.5%, then they have access to more funds from the facility.

8. Will BoZ fine a FSP that breaches the terms and conditions set out?

The Bank has put in place mechanisms to ensure adherence to the set terms and conditions. Firstly, access to the funds on the Facility by any FSP is subject to the terms and conditions as provided for under section 2.4. All FSP are subject to regular reporting to the Bank and this is in addition to the Bank's continuous surveillance through on-site and off-site inspections. Failure to report appropriately shall result in sanctions as guided under section 14 and the imposition of such sanctions is without prejudice to the Bank's use of its regulatory powers as provided for in the Bank of Zambia Act and Banking and Financial Services Act.

9. How will BoZ ensure benefits on the facility trickle down to intended beneficiaries?

It is one of the requirements stipulated under the terms and conditions of the Facility that FSPs should demonstrate how the benefits obtained on the Facility are passed on to their clients. The Bank will regularly monitor performance and any FSPs that fail to comply will be subject to mandatory repayment as provided for under section 13. With regard to interest rates, the Bank has provided incentives for FSPs that offer lower interest rates to their clients.

10. Will SMEs be discriminated or prevented from accessing the facility?

There are FSPs that specifically service SMEs that are eligible to participate in the Facility. SMEs can therefore benefit from the facility particularly through the FSPs that already serve small and micro enterprises. However, because these funds are a loan, SMEs need to fulfil some minimum criteria required by FSPs.

The Author is Acting Assistant Director - Communications.

Staff tutored on 2019-Coronavirus

By ZAMBANKER REPORTER

The novel Coronavirus outbreak which started in Wuhan City in China has no specific treatment or vaccine. Patients who are symptomatic receive supportive treatment such as oxygen therapy, pain and fever relief as well as antibiotics if they fall very ill. Infectious Diseases Specialist at the Zambia National Public Health Institute (ZNPHI) Dr Paul Zulu said this when he made a presentation to staff during a novel Coronavirus (Covid – 19) sensitisation exercise in the BoZ Auditorium.

Staff who attended the Coronavirus (2019 – nCov) sensitisation exercise in the auditorium.

Staff asking questions during the Coronavirus (2019 – nCov) sensitisation exercise in the auditorium.

Dr Zulu informed staff that the source of Covid – 19 was not yet known but what was known was that the virus spreads through coughing and sneezing. The symptoms include fever, headache, sore throat, cough and shortness of breath. In more severe cases, infection can cause pneumonia, respiratory failure, organ failure and even death.

Dr Zulu stated that primers for coronavirus were not available in-country and Africa Centre for Disease Control (CDC) was providing diagnostic capacity in three referral laboratories in South Africa, Uganda and Senegal.

The Health Specialist highlighted that suspected cases were those who presented severe acute respiratory infections with a history of fever and cough and any of the following: those who had undertaken a trip to China in the last 14 days prior to symptom onset, had close physical contact with a confirmed case of Covid – 19 infection, visited a healthcare facility in a country where hospital confirmed Covid – 19 infections had been reported or were healthcare workers working in an environment where patients with severe acute respiratory infections were being cared for.

'Frequent hand hygiene and wearing of facial masks are key steps of prevention,' Dr Zulu said. He implored staff to perform hand hygiene after potential contact with respiratory secretions and self-isolate where necessary.

Staff were encouraged to wash hands with soap and running water when hands were visibly dirty and to use an alcohol-based hand cleanser whenever hands were not visibly dirty. 'Avoid unprotected contact with sick people including spitting in public, touching one's eyes, nose or mouth and with live farm or wild animals,' he added.

Dr Zulu also said that traveller screening had been enhanced at all ports of entry by conducting travel history and symptom screening as well as temperature checks on all passengers. He added that the Ministry of Health had also engaged various stakeholders to coordinate response efforts.

The Health expert informed staff that ZNPHI was intensifying sensitisation campaigns and that the exercise undertaken at the Bank was one way of sending out the message to the people. He hoped staff would help in sharing this information with people they come in contact with as a way of spreading the message.

He, however, confirmed that training and orientation of national, provincial and district rapid response teams on the novel coronavirus and preventive measures had already started. Development, printing and dissemination of information, education and communication material on Covid – 19 including clinical guidelines were underway.

Bank of Zambia Online

Central banks worldwide have over the last two decades shifted towards greater transparency, with varying levels of success. With this shift has come an elevation of the communication function. The Bank of Zambia has been no exception.

Ms Mwilu

By LWANGA MWILU

The role of communication is closely tied to the Bank of Zambia's mandate and critical to the attainment of such objectives as transparency, which in turn strengthen accountability and credibility. Further, communication facilitates the dissemination of information on and explanation of the Bank's operations and policies, two-way communication with the various stakeholders, and consumer education, which in turn protects members of the public.

Communication also plays a significant role in monetary policy, the Bank's primary objective, ensuring the decision is disseminated in real-time and across different platforms for optimal reach. This access to information contributes to greater public appreciation of the rationales behind the policy decision, targets, forecasts and outlook.

Delivering communication at a level reflective of a modern and dynamic central bank requires constant evolution of strategy. One outcome of this strategy has been the addition of social media to the Bank's communication avenues.

Social Media

The Bank has a presence on Facebook, Twitter, YouTube and Flickr. These platforms are used as extra avenues to meet the information needs of our various external stakeholders. The platforms provide enhanced interactivity and the option to sometimes present information in a less formal way. Internally, we use Yammer to complement the intranet and email as well as achieve more interactive communication.

Further, we have acquired live streaming equipment to enhance our ability to broadcast key Bank events such as our flagship, the quarterly Monetary Policy Committee Announcement and Press Briefing. With Livestream, we are able to disseminate information in real-time and beyond geographical borders.

i. Benefits

Below are some of the benefits we derive from our use of social media:

- We are able to communicate and receive feedback in real-time. This two-way interaction has proved to be a useful source of feedback that, in turn, informs our day-to-day strategy. This regular interface with members of the public also allows us to identify any information gaps as well as appreciate how we can communicate better.
- We are able to reach some stakeholders that would otherwise be unreachable, including those that would otherwise find engaging the Bank intimidating.
- We receive a lot of alerts from members of the public, including on suspicious financial activity such as Ponzi schemes.
- Our platforms are recognised as a reliable and timely source of Bank news by both local and international media and experts, as well as members of the public. This is mutually beneficial because we achieve our objective of disseminating information and our stakeholders' information needs are met.
- We are able to report stories in full, thereby reducing the risk of being misquoted/ quoted out of context and other forms of misrepresentation.
- Through monitoring of news and commentary and 'social listening', we are able to spot misinformation/ fake news and decide on the action (e.g. issue statement to counter claims, demand retraction, ignore etc) in good time. This is critical to the protection of the Bank's image and reputation. Left unchecked, fake news aimed at undermining the Bank and its credibility can potentially have far-reaching negative consequences.

ii. Lessons/Looking ahead

As Communicators, we are aware that making information available to the public does not necessarily equal making it accessible. This is because as a subject matter, economics is not always easily understood by the larger part of the general public.

This reality, therefore, underpins our strategy going forward to present the same information at different levels of detail and complexity. The aim is to have different 'layers' of communication each tailored to a different target audience. For example, we currently live-tweet a summary of the monetary policy decision as first 'layer' for the lay audience then share the full statement and Governor's presentation as second 'layer' for experts and others able to understand.

With no ability to segment our social media followers, all layers reach the entire audience and inevitably, some feel overwhelmed by what is essentially jargon to them.

One of the plans going forward is to simplify information further and enhance the use of infographics as well as present it in a way that is relatable to the average follower's lived reality e.g. instead of ending at "inflation", we break it down to "price rises".

Enhanced comprehension of our messages can potentially enhance the trust with which members of the public receive our communication and policy positions.

Connect with us and share with your networks: @BankofZambia

The author is Manager-e-Communications in the Board Services Department.

SOCIAL MEDIA SECURITY

Now more than ever, consumers spend increasing amounts of time on the internet. With every social media account you sign up for, every picture you post, and status you update, you are sharing information about yourself with the world. How can you be proactive to stay safe online? Be Cyber Smart and take these simple steps to connect with confidence and safely navigate the social media world.

* **Remember, there is no "delete" button on the internet.**
  Share with care, because even if you delete a post or picture from your profile seconds after posting it, chances are someone still saw it.

* **Update your privacy settings.**
  Set the privacy and security settings to your comfort level for information sharing.

* **Connect only with people you trust.**
  While some social networks might seem safer for connecting because of the limited personal information shared through them, keep your connections to people you know and trust.

* **Limit what information you post on social media.**

NEW FACES

By ZAMBANKER REPORTER

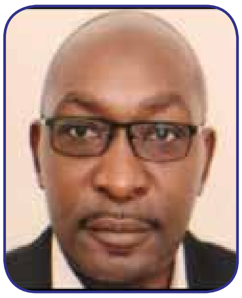
The Bank of Zambia has recruited seven members of staff in the first quarter of 2020.

Departments that benefited from the recruitment are Procurement and Maintenance Services (PMS), Bank Supervision, Security and Economics.

Procurement and Maintenance Services (PMS) Department received one new member of staff in the name of Mr Isaac Mushibwe. Mr Mushibwe joined the PMS team in the transport section on 2nd January, 2020 as a Transport Services Officer. He holds an Advanced Diploma in Automotive Engineering and an Advanced International Diploma in Chartered Institute of Logistics and Transport. Mr Mushibwe worked for NAPSA as a Transport Supervisor before joining the Bank. He is a member of the Chartered Institute of Logistics and Transport (CILT).

Bank Supervision Department received four new employees. The names are Ms Velika Sakala Mpundu, Mr Liywali Mukelebai, Dr Oswald Kombe Mungule and Mr Chimuka Mweetwa.

Ms Velika Sakala Mpundu joined the Bank on 3rd February, 2020 as a Senior Analyst - Research and Regulatory Policy. She holds an MBA in Finance from the Copperbelt University and is a Fellow of Association of Chartered Certified Accountants (ACCA) and Zambia Institute of Certified Accountants (ZICA). Ms Mpundu also holds a Risk Management Certificate in Financial Services from the Institute of Risk Management of UK and she is a Certified Anti Money Laundering Specialist with the Association of Certified Anti-Money Laundering Specialist (ACAMS) of USA. She has a College Certificate in Accountancy from Chingola Accountancy Training College. Ms Mpundu worked for the Pensions and Insurance Authority (PIA) as Manager - Market Conduct in the Insurance Supervision Department before joining the Bank. She had also worked for the Office of the Auditor General as Senior Auditor (Performance and Environmental Audits), PRIDE Zambia as Head - Internal Audit Department, Citibank Zambia Ltd as Head - Cash Management Operations and Grant Thornton as Semi Senior Auditor. She is a member of ACCA, ZICA, ACAMS and also a member of the Zambia Institute of Directors (IOD).



Mr Liywali Mukelebai joined the Supervision team on 3rd February, 2020 as a Senior Analyst – Liquidations. He holds an MBA from Maastricht School of Management of Netherlands (MsM) jointly offered with Eastern and Southern African Management Institute (ESAMI) of Tanzania, a Bachelor of Arts degree in Public Administration from the University of Zambia and a Post Graduate Diploma in Lecturing and Teaching Methodology from the University of Lusaka. Before joining the Bank, he worked for Patents and Companies Registration Agency (PACRA) as an Inspector of Companies. He is a member of the Zambia Institute of Human Resources Management.

Dr Oswald Kombe Mungule joined the Bank on 3rd February, 2020 as a Senior Analyst - Research and Regulatory Policy. He holds a PhD in Economics from the WITS University in South Africa, an MBA in Finance from the University of Akron, OH, USA, a Master of Arts degree in Economics from the

University of Malawi and a Bachelor of Arts degree from the University of Zambia. Before joining the Bank, he worked for the National Economic Advisory Council as Deputy CEO - Principal Policy Analyst and before that for the Copperbelt University of Zambia as Lecturer 1, among other institutions. Dr Mungule is an Executive member of the Economics Association of Zambia.

Mr Chimuka Mweetwa also joined the Supervisors on 3rd February, 2020 as a Senior Analyst – Liquidations. He holds a Master of Arts degree in Business Administration (MBA) from the University of Zambia, Master of Arts degree in Finance and Economics from the University of Lusaka and a Bachelor of Arts degree in Business Administration from the Copperbelt University. He was a Commercial Manager at Patents and Companies Registration Agency (PACRA) before joining the Bank. He is a member of the Economics Association of Zambia.

Security Division received one new employee in the name of Mr Isaiah Mwalusaka who joined the Bank on 2nd March, 2020 as an Assistant Manager – Electronic Security. He holds a Bachelor of Science degree in Computing from the University of Greenwich and has an Information Technology Infrastructure Library (ITIL) Foundation Certification from AXELOS. He worked for NATSAVE as an ICT Support Officer before joining the Bank. He is a member of the Information and Communication Technology Association of Zambia

Mr Kiza Moses Mbozi joined Economics Department on 10th March, 2020 as a Senior Analyst – ICT. He holds a Master of Science degree in Information Systems and Management from Greenwich, Bachelor of Science degree in Computer Science from

the University of Zambia and a Certificate in Systems Management from JICA among other certificates. He worked for Patents and Companies Registration Agency (PACRA) as a Systems Analyst Business Applications before joining the Bank. He had also worked for ZAMTEL as an E-Business Coordinator for Oracle EBS and for Ultimate Technology Limited as Senior Systems Architect for Infor SunSystems. He is a member of the Engineering Institute of Zambia (EIZ) and the Information and Communication Technology Association of Zambia (ICTAZ).

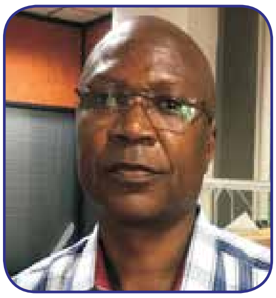
The Zambanker wishes the new employees all the best in their appointments.

By ZAMBANKER REPORTER

SEPARATIONS

Seven (7) members of staff have separated from the Bank through statutory early Retirement, Voluntary Early Separation (VES) and resignation in the first quarter of 2020.

Three of the seven former employees who separated from the Bank were from Security Division and one each from Regional Office, Non-Bank Financial Institutions Supervision (NBFIS), Information and Communication Technology (ICT) and Board Services Departments.



Those who left Security Division are Mr Clement Sumwaumwa who separated from the Bank through statutory early retirement on 12th January, 2020 after working for 29 years. He was a Security Officer – Operations at the time of his separation. Mr Sumwaumwa joined the Bank on 1st December, 1991.

Dr Maybin Masando worked as an Assistant Manager – Physical Security in the Security Division at the time of his separation. He separated from the Bank through VSS on 25th February, 2020 after working for 16 years. He joined the Bank on 19th January, 2004.

Mr Ackim Mweemba worked as a Command and Control Officer in Security Division at the time of his separation. He separated from the Bank through VSS on 31st March, 2020 after working for close to 23 years. He joined the Bank on 14th April, 1997.

Non-Bank Financial Institutions Supervision (NBFIS) lost one member of staff in the period under review in the name of Mr Marvin Ilunga. Mr Ilunga separated from the Bank on 14th January, 2020 through statutory early retirement after working for 24 years. He worked as an Assistant Manager – Programmes at the time of his separation. He joined the Bank on 22nd January, 1996.

Mrs Mirriam Lupindula separated from the Bank through VSS on 31st January, 2020 after working for 16 years. She worked as a Manager - Board and Protocol in the Board Services Department at the time of her separation. She joined the Bank on 1st December, 2003.

ICT Department lost one employee in the name of Mr Christopher Mwale. Mr Mwale resigned from the Bank on 26th February, 2020 after working for 5 months. He was a Manager – ICT Security and Compliance at the time of his separation. He joined the Bank on 24th September, 2019.

Mrs Misozi Mapala Chileshe separated from the Bank on 20th March, 2020 after working for over 34 years. She was an Assistant Manager - Currency Processing at Regional Office at the time of her separation. She joined the Bank on 16th September, 1985.

Bank of Zambia

MEASURES TO MITIGATE THE SPREAD OF COVID -19 PANDEMIC

In an effort to mitigate the transmission of COVID-19 (Coronavirus), the Bank of Zambia has taken measures to minimise the movement of people into its premises. Members of the public are therefore advised to visit the Bank only when it is absolutely necessary and after securing an appointment.

The Bank of Zambia can be contacted on the following numbers during normal working hours from 08:00hrs to 16:30hrs:

1.	Bank Supervision Department	0211399334
2.	Bank of Zambia – Regional Office, Ndola	0212399600
3.	Banking, Currency and Payment Systems Department	0211399319
4.	Board Services Department	0211399325
5.	Financial Markets Department	0211399399 0211399343
6.	Non-Bank Financial Institutions Supervision Department	0211399312
7.	Procurement and Maintenance Department	0211 399371
8.	Switch Board	0211399300
9.	BoZ Cellphone numbers	0971 270120/0963 885580/0963 884820

This restriction will not apply to Government Departments that collect revenue as well as entities that transact with banking division.

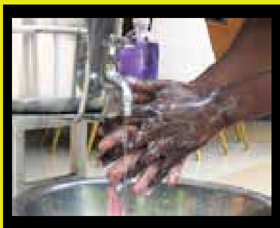
Stay safe and practice social distancing.

Issued by

The Communications Division
Bank of Zambia
Bank Square
Email: info@boz.zm
Twitter: @BankOfZambia
Facebook: @BankOfZambia
LUSAKA

24th March, 2020

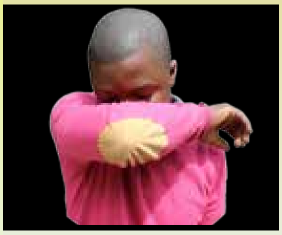
PROTECT YOURSELF FROM CORONAVIRUS DISEASE 2019 (COVID-19)



Wash your hands regularly with soap and water or use alcohol based hand rub

Avoid close contact with anyone with cold or flu-like symptoms

Cook meat, eggs and other animal products thoroughly before eating



Cover your nose and mouth with flexed elbow or tissue when coughing or sneezing and throw tissue in a bin

Avoid unprotected contact with live farm or wild animals

For More Information, Contact the Call Centre on:

0974 493 553 | 0953 898 941 | 0964 638 726

TOLL FREE LINE:

909

Republic of Zambia MINISTRY OF HEALTH

ZNPHI

World Health Organization

UKaid

THE WORLD BANK IBRD • IDA | WORLD BANK GROUP

Stay Safe.
Go Cashless.

Bank of Zambia

Follow the Ministry of Health Guidelines on COVID-19.
Observe at least 1-meter social distancing at the ATM or branch. Wash your hands or use an alcohol based sanitiser before and afterwards.

Deposit cash into your bank account or mobile money account to ensure your funds are safe.

Pay bills, shop, receive and send money conveniently from the comfort of your home.

Enjoy 24/7 transactions using mobile money, mobile banking or internet banking. Anytime, anywhere.

Use your debit card to make payments on a point-of-sale and with online merchants. You don't get charged to use your debit card at POS so use it for your shopping

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