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INVESTING IN GOVERNMENT SECURITIES

Government securities are debt instruments issued by the Government of the Republic of Zambia through the Bank of Zambia. These debt instruments are in the form of Treasury bills and Government bonds. Government securities can help achieve a variety of financial objectives for both individuals and corporates and serve as an alternative investment instrument to investors with varying investment horizons.

BENEFITS OF INVESTING IN GOVERNMENT SECURITIES

Government Securities offer a combination of benefits:

- Government securities are a safe and secure investment because the full faith and credit of the Zambian Government guarantees that interest and principal payments will be made when they fall due;
- Government securities have been dematerialised. All records are stored and processed electronically in the Central Securities Depository (CSD). This means that no physical certificate is issued for any Government security purchased. This feature makes Government securities safe and allows transactions in varying denominations.
- Government securities can be pledged as collateral for a loan obtained from a commercial bank or any other financial institution.
- The timely payment of interest and principal at maturity on Government securities is guaranteed by the full faith and credit of the Zambian Government.
- Since most Government securities cannot be called or redeemed before their final stated maturity date, an investor can lock in an interest rate for the full term of the security.
- Government securities are liquid and transferable.

For more information related to the latest yield rates in the primary market, visit the Bank of Zambia website on www.boz.zm. You are also free to reach us as follows:

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P O Box 30080 LUSAKA Tel: **+260 211 399399/399343**
or via e-mail at **government.securities@boz.zm**

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2021 ECONOMIC HIGHLIGHTS

Preliminary data indicate that Zambia exported more goods and services than it imported by US $1.5 billion during the first half of 2021 compared to US $1.0 billion during the same period in 2020.

KWACHA DENOMINATED CREDIT TO THE PRIVATE SECTOR EXPANDS BY 35.9%

Kwacha denominated credit to the private sector continued to expand, growing by 35.9 percent in September, year-on-year, from 33.8 percent in June, 2021.

SMES UNDER MICROSCOPIC VIEW

The Bank of Zambia is planning to undertake a survey on micro-small-and medium enterprises that will enhance financial services and policy interventions for the sector.

FINANCIAL INCLUSION OFFERS SUBSTANTIAL BUSINESS OPPORTUNITIES

The growing importance of financial inclusion provides an opportunity for financial institutions and businesses to grow the economy, eradicate poverty and reduce inequalities.

BoZ FOSTERS GREEN FINANCE FOR SUSTAINABLE DEVELOPMENT

The Bank of Zambia has put in place a team to develop Green Loans Guidelines by December 31, 2022.

DESIGN PRODUCTS FOR AGRIC SECTOR – FARMERS UNION

The Mkushi Farmers Union has appealed to the Central Bank to encourage Financial Services Providers (FSPs) to design financial products specific to the agriculture sector.

INTERNATIONAL RESERVES RISE TO US$2.8BN FROM US$1.2BN

By Zambanker Reporter

Zambia's Gross International Reserves (GIR) rose significantly to US$2.8 billion at end 2021 from US$1.2 billion at end-December 2020. This followed the receipt of US$1.4 billion in Special Drawing Rights (SDRs) Allocation from the International Monetary Fund (IMF) and market purchases by the Bank of Zambia.

Meanwhile, the Kwacha appreciated on a year-to-date basis due to the change in policy environment and positive sentiments regarding the economic prospects of the country. Speaking during his end of year staff address, Bank of Zambia Governor, Dr Denny Kalyalya explained that improved foreign exchange supply as mines benefit from high copper prices, as well as foreign investor interest in Government paper and the Staff Level Agreement for an IMF Extended Credit Facility contributed to the appreciation of the local currency.

In the Government Securities Market, Dr Kalyalya stated that yields significantly reduced due to the increase in appetite for Zambian Government securities. He said the positive economic developments and the upgrade of the local currency issuer default credit rating in April this year from CC to CCC played an important role in restoring investor interest in Government paper. In comparison, the average yields rates for Government Bonds and Treasury Bills declined to 22.8 percent and 10.0 percent at end-November 2021 from 32.0 percent and 22.7 percent at end December 2020 respectively.

The Governor added that the Bank will continue promoting the growth of digital financial services going forward, in line with its Strategic Plan. He said the adoption of digital financial services is needed now more than ever, especially in the midst of the Covid-19 pandemic as it has potential to transform people's lives while minimising the spread of the pandemic.

"In order to support innovation in the payments sector, we have issued Regulatory Sandbox Guidelines aimed at promoting innovative products and services that have the potential to increase financial inclusion and benefit customers," he said.

The Governor thanked staff for their devoted service and urged them to look into the new year with a renewed sense of hope, confidence and optimism.

"While the future outlook presents challenges on many fronts, we should draw from our best aptitudes and attitudes and all the resources at our disposal to surmount these challenges. Also, key to making our Bank future ready is to unlock the full potential of automation and digitalisation in all key processes of our value delivery chain," he said.

He encouraged staff to patriotically observe the five golden rules of fight COVID-19: (1. Staying at home as much as possible and avoid large crowds, 2, Washing hands with soap or use of alcohol-based sanitizer, 3 Maintaining Social distance, 4 Seeking medical attention, 5 Masking Up) and getting vaccinated as well as help disseminate COVID-19 information to stop the virus spreading.

"Receiving a COVID-19 vaccine is a safe way to build protection against the disease. COVID-19 can have serious, life-threatening complications and there is no way to know how it will affect you. Therefore, COVID-19 vaccinations can help protect you and your family by teaching your body to fight the virus without having to experience sickness or putting yourself at increased risk of severe illness. Vaccination can also prevent regret and fear that someone you love will die from COVID-19," he said.

MUSOKOTWANE APPOINTS NEW BoZ BOARD

By Zambanker Reporter

The reconstituted BoZ Board

Finance and National Planning Minister, Dr Minister Situmbeko Musokotwane has appointed six (6) members to become part of the reconstituted Board of Directors of the Bank of Zambia. These are: Ms. Pamela Kasese Bwalya, Mr. Caesar Cheelo, Ms. Sarah Sally Tembo, Dr. Patricia Nchimunya Shansonga-Kamanga, Professor Douglas Kunda and Mr. Shebo Nalishebo. Directors of the Board are appointed for a period of three years and are eligible to be reappointed for another three years. These appointments bring the total number of Board Members to eight as provided in the Bank of Zambia Act - two of whom are Dr Denny Kalyalya, Governor of the Bank of Zambia and Chairman of the Board as provided for under 13 (1) (a) of the Act; and, Mr Felix Nkulukusa, Secretary to the Treasury, Board member in accordance with Section 13 (3) of the Act.

The Board has four standing committees. These are: Audit and Finance (AFC); Appointments and Remuneration (ARC) and the Governance and Risk (GRC). The roles and functions of the Committees are defined in their respective Charters and they meet at least once a quarter. In addition, the Board has a Monetary Policy Advisory Committee (MPAC) to facilitate consultation, promote transparency and provide advice to the Bank on monetary policy issues. This Committee meets bi-annually to approve the two half-yearly Monetary Policy Statements.

The Vice Chairperson is elected by the Board.

Board Member Profiles

Ms. Pamela Kasese Bwalya

Ms. Pamela Kasese Bwalya is an Economist serving as Chief Executive Officer of the Millennium Project Completion Agency. She has previously served as Deputy Director in the Economic Management Department of the Ministry of Finance and National Planning where she led the Macroeconomic Policy Unit responsible for macroeconomic policy formulation, analysis, and management.

Her accomplishments include: coordination of the implementation and monitoring of the International Monetary Fund (IMF) supported Poverty Reduction and Growth Facility (PRGF) Programme; a key role played in the successful conclusion of negotiations of the World Bank Economic Growth and Credit facility Budget Loan; and effective involvement in the negotiations for Zambia's debt relief under the HIPC

Ms. Pamela Kasese Bwalya

completion point by providing the technical input to the Minister of Finance after which Zambia received 100 percent debt cancellation from Paris Club members and multilateral institutions.
Until her appointment to the Board, Ms. Bwalya was a member of the Bank of Zambia Monetary Policy Advisory Committee. She continues to serve as a Board member of the National Alpha Programme in Zambia.

She holds a Master of Economics from the University of Stellenbosch, South Africa and a Bachelor of Economics from the University of Zambia.

Ms. Kasese- Bwalya is the Vice Chairperson of the Board.

Mr. Caesar Cheelo
Mr. Caesar Cheelo, an Economist, is an Associate Executive Director and Research Fellow at the Southern African Institute for Policy and Research (SAIPAR) where he serves on two editorial Boards of SAIPAR peer review journals. He is a Research Economist in the Trade and Customs Division of the Common Market for Eastern and Southern Africa (COMESA) Secretariat.

Mr. Cheelo is a seasoned researcher, policy analyst, advisor, trainer, scholar, and business developer. He has 20 years of experience in providing strategic advice to government ministries and agencies, bilateral donors, regional and multilateral bodies including several UN agencies, civil society organisations and private sector entities. He has previously served as a Senior Research Fellow at the Zambia Institute for Policy Analysis and Research, a Macroeconomist at the COMESA Secretariat, and a Lecturer and Researcher in the Department of Economics at the University of Zambia. He is also a Board Member on the Rural Electrification Authority (REA) Board of Directors.

He holds a Master of Arts in Economics from the University of Nairobi, Kenya and a Bachelor of Arts in Economics from the University of Zambia.

Mr. Cheelo is the Chairperson of the Governance and Risk Committee of the Bank of Zambia Board.

Ms. Sarah Sally Tembo Ross
Ms. Sarah Sally Tembo Ross is an Audit Specialist with 15 years of professional experience in public audit and over 21 years in the private sector. She has served as Deputy Auditor General - Corporate Services, and Controlling Officer for the Government of Zambia. She oversaw the development and implementation of quality control interventions to facilitate the production of consistent and high-quality outputs of the Auditor General's Report. Prior to this, Ms. Ross worked closely with the African Organisation for Supreme Audit Institutions - English Speaking Countries (AFROSAL-E) within the areas of Quality Assurance, Management Development, and Public Financial Management. Ms. Ross also has extensive banking experience.

She has served on the Board of the Zambia Institute of Mass Communication Education Trust and as Chairperson of the Audit, Risk and Governance Committee. She was also a member of the Audit, Risk and Compliance Committee for the Health Professions Council of Zambia (HPCZ). Ms. Ross holds an MA in Business Administration from Edinburgh Business School Heriot-Watt University in Scotland, United Kingdom and a BA in Economics and Business Administration from the University of Zambia. She is a Fellow of the Association of Certified Chartered Accountants from Zambia Centre for Accountancy Studies.

Ms. Ross is the Chairperson of the Audit and Finance Committee.

Dr. Patricia N. Shansonga-Kamanga
Dr. Patricia Nchimunya Shansonga-Kamanga is a lawyer who heads the Department of Law at the Copperbelt University. She has vast work experience in government, private


Mr Caesar Cheelo


Ms Sarah Sally Tembo Ross


Dr Patricia Nchimunya Shansonga-Kamanga

sector and academia with expertise in Business Law, Company Law, Contract, Employment and Labour Laws, Commercial Law, Conveyancing, Litigation, International Commercial Arbitration, Banking Law, Mediation, Family and Domestic Law, Human Resource Management and Research Methods, amongst others.

Previously, Dr. Shansonga-Kamanga has served as Assistant Senior State Advocate in the Ministry of Legal Affairs - now Ministry of Justice, legal advisor for the Ministry of Works & Supply and the Ministry of Mines, and Head of Business Administration and Marketing Department at the Copperbelt University. She has sat on various boards, senate, and appointments and promotions committees and has acted as Dean of Students at the Copperbelt University. She was part of a group of consultants that successfully created a model for job creation in Zambia. As a Law lecturer, she is engaged in research and in supervising students at both PhD and Masters level. Dr. Shansonga-Kamanga has provided pro bono legal work for vulnerable women under the auspices of the Legal Aid Clinic. Prior to this, she practiced law under the style of P.S Kamanga and Company and worked for the Ministry of Legal Affairs and Mbaluku Sikazwe and Company.

She holds a PhD in International Commercial Arbitration and an LLM Degree from the University of Edinburgh in Scotland. She also holds an LLB Degree from the University of Zambia. Dr. Shansonga-Kamanga is a solicitor of the Supreme Court of England and Wales and an Advocate of the High Court for Zambia. Professionally, she is a member of the Law Association of Zambia and the Law Society of England and Wales.

Dr. Shansonga-Kamanga is the Chairperson of the Appointments and Remuneration committee

Prof. Douglas Kunda

Prof. Douglas Kunda is a Systems Specialist serving as Vice Chancellor at the ZCAS University. He holds a Doctor of Philosophy (PhD) in Computer Science from the University of York, United Kingdom. He is a Fellow of the ICT Association of Zambia (ICTAZ). He has over 20 years of experience in administrative and financial management having served as Acting Vice Chancellor, Acting Deputy Vice-Chancellor, Associate Professor in Software Engineering and ICT, Founding Dean for School of Science, Engineering and Technology at Mulungushi University; Director at Centre for ICT Education; Project Manager/ Director for the Integrated Financial Management Information Systems (IFMIS) Project; and Chief Planning and Management Officer at Zambia Environmental Management Agency, formerly Environmental Council of Zambia.

Previously, Prof. Kunda served as a member of the Audit and Finance Committee, and the Governance and Risk Committee of the Bank of Zambia Board of Directors. He supervised the development, management and implementation of the Integrated Financial Management Information Systems (IFMIS) Project for the Ministry of Finance and National Planning to facilitate strategic management of public financial resources.

Mr. Shebo Nalishebo

Mr. Shebo Nalishebo is a Statistician, Public Finance Researcher and Policy Analyst with 20 years of experience in economic and social statistics, econometrics and public finance. As principal statistician and head of the National Accounts Statistics Branch at the Zambia Statistics Agency, Mr Nalishebo was responsible for computing gross domestic product and led Zambia's first economic census used to benchmark and rebase the national accounts.

As a Research Fellow in Public Finance at the Zambia Institute for Policy Analysis and Research, he led several studies on Zambia's public debt, budget and expenditure analyses and tax policy research. He also co-developed the MicroZAMOD, a tax-benefit microsimulation model. Currently as an independent consultant, he has conducted research and policy analysis for government institutions (incl. Ministry of Finance and National Planning, Ministry of Education), international organisations (incl. UNICEF, UNECA, World Bank, WFP and GIZ) and civil society organisations (incl. CSPR, JCTR). Works include public expenditure reviews for social protection and education, strengthening capacity in tax reforms and ex-ante tax policy impact analysis, a public debt audit, as well as the development of an income assessment tool to on-board self-employed clients on the National Health Insurance Scheme.

He holds a Master of Science in Statistics from the University of Manchester, United Kingdom (dissertation: modelling financial data using ARCH-type models), and a Bachelor of Science in Mathematics and Statistics from the University of Zambia. He also holds post-graduate qualifications in national accounts from InWEnt, Germany and Official Economic Statistics from United Nations Statistical Institute for Asia and the Pacific, Japan.

Professor Douglas Kunda

Mr. Shebo Nalishebo

2022 NATIONAL BUDGET EXCERPTS

By Zambanker Reporter

Minister of Finance and National Planning, Hon. Dr Situmbeko Musokotwane

Government proposes to spend K173.0 billion in 2022 equivalent to 37.1 percent of GDP. Of this amount, revenues and grants are K100.7 billion representing 21.6 percent of GDP. The gross financing of K72.3 billion, which translates to a budget deficit of 6.7 percent of GDP, will be raised from external and domestic sources, including a drawdown on the Special Drawing Rights.

The Honourable Minister of Finance and National Planning, Dr. Situmbeko Musokotwane, MP, presented a K173.0 billion budget to the National Assembly on Friday the 29th of October 2021 with the theme "Growth, Jobs and Taking Development Closer to the People".

The Government plans to achieve the following macroeconomic objectives for 2022:

- Attain a real GDP growth rate of at least 3.5 percent;
- Reduce inflation to single digits by end 2022 and within the target band of 6-8 percent by mid-2023;
- Limit international reserves to at least 3 months of import cover;
- Increase domestic revenue to not less than 21.0 percent of GDP;
- Reduce the fiscal deficit to no more than 6.7 percent of GDP; and
- Limit domestic borrowing to no more than 5.2 percent of GDP.

The strategy to achieve these objectives will be founded on four thematic areas as outlined in the Presidential Address delivered on the Official Opening of the First Session of the Thirteenth National Assembly. The Address provided the policy direction for the development of the Eighth National Development Plan and the 2022 Budget. The four thematic areas are:

a. a) Economic Transformation and Job Creation;
b. b) Human and Social Development;
c. c) Environmental Sustainability; and
d. d) Good Governance Environment.

Monetary Sector

- Government is committed to lowering the cost of living for our people by reducing the current high level of inflation. In this regard, the Bank of Zambia will take necessary action to bring inflation down to the target band of 6-8 percent by mid-2023 at the latest. Further, implementation of monetary policy will continue to rely on the forward-looking framework anchored on the Monetary Policy Rate. This will take into account subdued economic activity and existing vulnerabilities in the financial system.
- The country has made significant progress in financial inclusion. The level of financial inclusion amongst adults increased to 6.6 million or 69.4 percent in 2020 from 4.8 million or 59.3 percent in 2015. This was largely driven by a surge in the use of digital financial services, particularly mobile money, to 58.4 percent in 2020 from 14.0 percent in 2015. Despite the progress made towards enhancing financial inclusion, 2.9 million or 30.6 percent of adults remain financially excluded with women, the rural based population, as well as Small and Medium Scale Enterprises being the most challenged. In this regard, Government will upscale the implementation of the National Financial Inclusion Strategy 2017-2022 aimed at enhancing financial inclusion in collaboration with various stakeholders.

External Sector Policies

Government will maintain a flexible exchange rate regime. To this effect, it will promote measures that support the stability of the exchange rate. These include stepping up the accumulation of international reserves to create a buffer to cushion the economy against external shocks, fast-tracking the diversification of exports through export-led industrialisation and promotion of viable foreign direct investment.

POLICY RATE ADJUSTED UPWARDS TO STEER INFLATION TO SINGLE DIGITS

By Zambanker Reporter

The Bank of Zambia has raised the Monetary Policy Rate by 50 basis points to 9.0 percent from 8.5 per cent to help steer inflation to single digits in 2022 and bring it within the 6-8 percent target range by mid-2023 as stated in the 2022 Budget Address.

Speaking during the 4th quarter media briefing held on 24th November, 2021, Bank Governor, Dr Denny Kalyalya explained that although inflation is projected to decelerate sharply over the forecast horizon, it will still be above the upper bound of the 6-8 percent target range. The upside risks to the inflation outlook include the possible increase in fuel pump prices and electricity tariffs necessary to restore fiscal sustainability, as well as the predicted fourth wave of COVID-19, which could disrupt supply chains and trigger price increases. Further, effective implementation of fiscal reforms will significantly complement the achievement of a low and stable inflation objective.

Inflation rose further by 0.2 percentage points to an average of 23.7 percent in the third quarter. This was largely due to the rise in food inflation to 30.8 percent from 29.0 percent in the previous quarter owing to supply constraints, notably for meat and poultry products. On the other hand, non-food inflation declined to 15.6 percent from 17.2 percent, mainly as a result of the appreciation of the Kwacha against the US dollar. The impact of the appreciation of the Kwacha continued to exert downward pressure on prices leading to inflation declining to 21.1 percent in October from 22.1 percent in September.

"Inflation is projected to decelerate sharply over the next eight quarters on account of the dissipation of base effects, lagged impact of the appreciation of the Kwacha, and anticipated stronger fiscal consolidation. Nonetheless, it will remain above the upper bound of the 6-8 percent target range. In 2021, inflation is projected to average 22.6 percent, decline to 15.0 percent in 2022, and to 9.3 percent during the first three quarters of 2023," he said.

Meanwhile, the Governor said demand for Government securities, particularly bonds, remained strong, with subscription rates for bonds and Treasury bills rising to 278.3 percent and 138.0 percent from 163.0 percent and 100 percent in the previous quarter, respectively. Attractive high yields, positive sentiments following Government pronouncement to accelerate discussions for an IMF Programme, and the increase in domestic liquidity explained the strong demand. In addition to auctioned securities, Government issued other securities through private placements to pay for arrears to fuel and agricultural inputs suppliers. As a result, the stock of Government securities increased by 5.3 percent to K189.7 billion.

Non-resident investors holdings of Government securities rose by 12.4 percent to K49.2 billion, representing 25.9 percent of outstanding securities, with 97.8 percent of their holdings held in Government bonds. In October, the subscription rate for Treasury bills remained high, averaging 315.0 percent, while that for bonds fell to 89.0 percent, reflecting reduced participation by non-resident investors in the Government bond auctions.

On the other hand, overnight interbank rate declined to 8.10 percent in September from 8.60 percent in June. The slight decline in the interbank rate was influenced by the improved liquidity flow to the banking system, largely dominated by net Government spending, payments for maturing Government securities, and Bank of Zambia market liquidity support through the Targeted Medium-Term Refinancing Facility (TMTRF). To contain the interbank rate in the Monetary Policy Rate Corridor of 7.5 – 9.5 percent, the Bank undertook contractionary open market operations.

The composite yield rate on Government bonds fell sharply to 24.8 percent in September from 31.6 percent in June. The Treasury bills composite yield rate also declined, though moderately to 18.0 percent from 21.9 percent over the same period. The 180-day deposit rate marginally declined to 9.2 percent from 9.8 percent. However, commercial banks' nominal average lending rates, at 25.9 percent, remained broadly unchanged in September.

The weighted average yield rate on Treasury bills and Government bonds declined further to 14.2 percent and 23.9 percent, respectively in October.

The upside risks to the inflation outlook include the possible increase in electricity tariffs.

INFLATION RATE CLOSES YEAR AT 16.4 %

By Zambanker Reporter

Zambia's annual inflation rate closed the year at 16.4 percent from 21.5 percent recorded at the beginning of the year. The slowdown is attributed to favourable price movements in both food and non-food items.

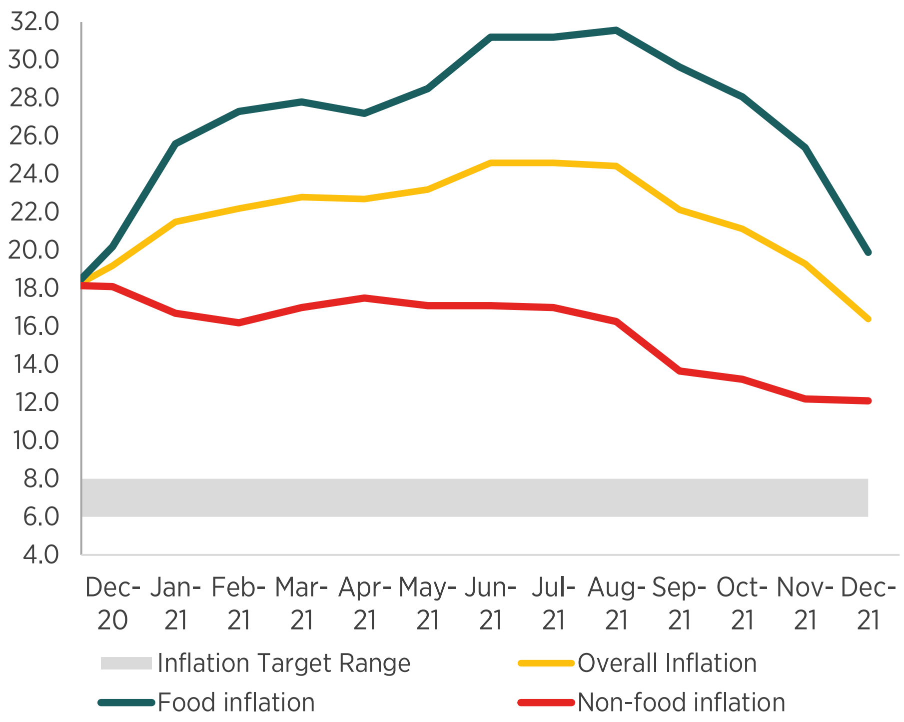
Annual food inflation declined by 5.5 percentage points 19.9 percent compared to 25.4 percent recorded in November 2021.This decrease was mainly attributed to price movements in food items such as cereals; fish; vegetables, coffee and baking powder.

The annual non-food inflation for December 2021 was recorded at 12.1 percent from 12.2 percent in November 2021. The decrease in inflation was mainly attributed to price movements of non-food items such as glassware, tableware and household utensils.

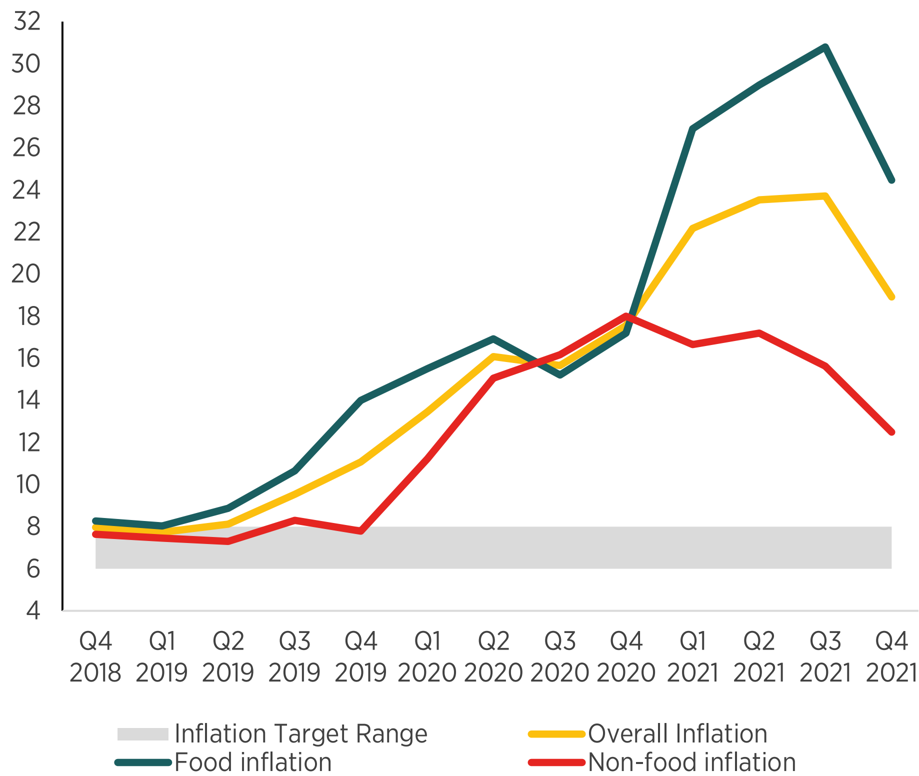
Meanwhile, the cumulative total trade for the period January to November 2021 was K331.0 billion while that of 2020 for the same period was K215.6 billion, representing a 53.6 percent increase. The total value of exports via all modes of transport for the period January to November 2021 was K202.2 billion. Road transport accounted for K113.5 billion representing 56.1 percent, Rail transport was second at K17.7 billion (8.8 percent) and Air transport was third accounting for K3.9 billion (1.9 percent). Other modes of transport accounted for K67.1 billion (33.2 percent).

In terms of volume, the total volume of exports for the period January to November 2021 was 7.2 million mt, of which Road transport accounted for 5.0 million mt, representing 69.3 percent. Rail transport accounted for 114.6 thousand mt, representing 1.6 percent, Air transport accounted for 4.6 thousand mt (0.1 percent), while other modes accounted for 2.1 million mt (29.0 percent).

Inflation and its Components (In level, Percent)



Inflation and its Components (In level, Percent)



The total value of Imports via all modes of transport for the period January to November 2021 was K128.8 billion. Road transport was the highest at K69.1 billion representing 53.7 percent share, followed by Air transport at K11.2 billion (8.7 percent). Rail transport was third at K1.4 billion accounting for 1.1 percent of the total import bill. Other modes of transport accounted for K47.1 billion (36.6 percent).

In terms of volumes, a total of 4.7 million mt of imports was recorded for the period January to November 2021, of which Road transport accounted for 2.6 million mt, representing the highest share at 55.7 percent, followed by Rail transport which accounted for 180.0 thousand mt, representing a share of 3.8 percent. Air Transport was third accounting for 10.3 thousand mt (0.2 percent), while other modes accounted for 1.9 million mt (40.2 percent).

Zambia recorded a trade surplus of K7.2 billion in November 2021 compared to a surplus of K5.3 billion in October 2021; representing a 34.4 percent increase. Exports mainly comprising domestically produced goods, increased by 18.4 percent to K18.9 billion in November 2021 from K16.0 billion in October 2021. This was mainly on account of a 19.4, 17.4, 7.6 and 5.0 percent increase in export earnings from Intermediate goods, Consumer goods, Raw materials and Capital goods, respectively. Imports increased by 10.4 percent to K11.8 billion in November 2021 from K10.6 billion in October 2021. This was mainly as a result of a 8.4, 40.1, 10.7 and 5.3 percent increase in import bills of Capital goods, Raw materials, Intermediate goods and Consumer goods, respectively.

Source: Zambia Statistics Agency

DIFFERENCE BETWEEN NEW ISSUE AND RE-ISSUE (RE-OPENED BONDS)

By Finzi Mwezani

We take a look at the difference between a New Issue and a Re-Issued bond which is often referred to as a Re-Opened bond. A New Issue is an instrument that has been issued to the market for the first time with unique features that are different from any other instrument issued before. A new issue will have a new identifier usually an ISIN (International Securities Identification Number). On the other hand, for a Re-Issue, the issuer offers an already existing instrument to the market. The strategy of re-opening an already existing instrument is aimed at increasing the volume of the outstanding amount on that instrument thereby increasing the liquidity on the particular instrument. This is particularly important for the secondary market as it increases trading activity on the instrument. The bigger the volume and the more the number of investors holding a bond, and the more the bond is traded, hence making it more attractive to investors.

The Government of the Republic of Zambia (GRZ) through the Ministry of Finance selected the 3-, 5- and 10- year bonds as benchmark bonds that have been offered over the years for Re-Issues. Benchmark bonds are bonds whose yield rates are used as reference rates to price off assets with similar cash flows and tenors. By re-opening the benchmark bonds, the Government creates critical volume on these benchmarks thereby encouraging more trading of these instruments. Increased buying and selling of these instruments in the secondary market is an important activity in discovering the market price of these tenors which are ultimately used as reference rates for assets with similar maturities.

The price of a bond is calculated by discounting all its future cash flows, or in other words, by finding the sum total of the present value of all the future cash flows. Typically, a coupon bond pays coupons periodically and a final nominal amount at the end of term. The sum of the present values of all the coupon payments and the final nominal amount is the bond price or cost of purchasing the bond. This is called the Clean Price of the bond. All New-Issues are priced at the clean price as all future cash flows begin accumulating from the issue date. For instance, an investor that purchases a New Issue of a GRZ bond will receive the first coupon 6 months after purchasing it. However, for a Re-Issue or Re-Opened, the investor purchases an instrument that is already running. The Government might decide to Re-Open a bond in December 2021 that was first issued in November 2021. An investor buying this bond will receive a full coupon after 5 months because it would have already accumulated 1 month of coupon. Since the Government will pay the investor a full 6 month coupon, the investor will have to pay for the 1 month portion that she will receive in 5 months' time. This portion is called accumulated coupon before purchase or accrued coupon. This accrued portion plus the sum total of all discounted future cash flows is collectively called the Dirty Price. The dirty price is just the clean price plus the accrued coupon. Since a new issue does not have accrued coupon, its dirty price is just the same as its clean price.

It is for this reason that the prices on the benchmark bonds will be different for different auction dates even though the yield rates remain unchanged.

Please note that the yields/prices for Government securities rise or fall depending on market conditions. For professional advice, kindly consult a Financial Advisor.

GOVERNMENT SECURITIES OPERATIONS FOR 4TH QUARTER 2021

The following is a summary of Government Securities operations in Q4 2021.

Treasury Bills (T-bills)

A total of K9.80 billion at cost was invited in Q4 2021 over 7 T-bills auctions. A total of K11.61 billion was received (at cost) representing an average subscription rate of 122.60% down from an average subscription rate of 138.20% recorded in Q3 2021. Out of the K11.61 billion cost received, K9.23 billion was allocated representing an uptake rate of 94.20% down from 95.10% average uptake rate recorded in Q3 2021.

Key observations on yield rate movements in Q4 2021

- The yield rate on the 91 Days tenor closed the year at 9.5000% compared to 11.5000% as at end of Q3 representing a quarter–on-quarter drop of 200 basis points.
- The yield rate on the 182 Days tenor as at end of Q4 2021 dropped by 385 basis points to 9.6500% from 13.4999% as at end of Q3 2021.
- The 273 Days yield rate fall to 12.9999% as at end of Q4 2021 from 14.9999% as at end of Q3 2021 representing a drop of 200 basis points.
- The yield rate on the 364 Days tenor as at end of Q4 2021 dropped by 100 basis points to 15.0000% from 16.0000% as at end of Q3 2021.

Government Bonds (GRZ bonds)

The Bank of Zambia conducted 3 Government bond auctions in the

4th Quarter of 2021 looking to raise a total of K4. 50 billion at cost. A total of K9.10 billion cash was received representing a subscription rate of 202.20% down from 368.50% received in Q3. Of the K9.10 billion received, a total of K5.20 billion was allocated representing an uptake rate of 115.60% down from 125.30% uptake rate in Q3.

Key observations on Govt bond yield rate movements in Q4 2021

- The Government bond yields continued to drop in Q4 across all tenors.
- The 2-year yield closed the year at 17.9999% from 19.9500% recorded as at end of Q3 2021. This represents a quarter-on-quarter drop of 195 basis points.
- The yield rate on the 3-year tenor dropped from 20.9500% as at the end of Q3 to close the year at 19.0000% representing a quarter-on-quarter drop of 195 basis points.
- The 5- year yield rate declined by basis 5 points from 22.0000% at end of Q3 2021 to 21.9500% at end of Q4 2021.
- The yield rate on the 7-year tenor dropped by 49 basis points from 23.4900% as at end of Q3 to 23.0000% at the end of Q4.
- A 191 basis point drop was recorded on the 10-year yield rate from 26.0000% as at end of Q3 2021 to 24.0900% as at end of Q42021.
- There was a 50 basis point drop on the 15-year yield rate movement to 26.0000% as at end of Q4 2021 from 26.5000% as at end of Q3 2021.
- The end of quarter Bonds Weighted Average Yield Rate (WAYR) fell by 200 basis points from 23.8838% at end of Q3 of 2021 to 21.8749% as at end of Q4 of 2021.

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

Treasury bill Yields, Q4 2021

	Last Q3 auction	Q4 T-bill Results per auction						
	19/2021	20/2021	21/2021	22/2021	23/2021	24/2021	25/2021	26/2021
	27-Sep-21	7-Oct-21	21-Oct-21	4-Nov-21	18-Nov-21	2-Dec-21	16-Dec-21	30-Dec-21
91 Days	11.5000	10.0000	9.7999	9.7999	9.5000	9.4000	9.5000	9.5000
182 Days	13.4999	10.9999	9.9998	9.4999	9.4999	9.4990	9.6500	9.6500
273 Days	14.9999	12.9999	11.0001	10.8436	10.0001	9.9500	9.9500	12.9999
364 Days	16.0000	13.9985	13.5001	12.0000	12.0000	13.4500	15.0000	15.0000
Weighted Average Yield Rate (WAYR)	**14.2677**	**12.8364**	**11.6632**	**10.8282**	**11.4915**	**12.3383**	**13.1252**	**13.6204**

Government Bond Yields Q3 2021

	Q3 2021			Q4 2021		
	07/2021	08/2021	09/2021	10/2021	11/2021	12/2021
	23-Jul-21	27-Aug-21	17-Sep-21	29-Oct-21	26-Nov-21	27-Dec-21
2 years	29.9000	23.0000	19.9500	19.9500	19.0000	17.9900
3 years	31.4900	24.0000	20.9500	20.9500	20.0000	19.0000
5 years	32.9900	25.0000	22.0000	23.5000	23.0000	21.9500
7 years	30.1000	26.0000	23.4900	24.4900	24.4400	23.0000
10 years	31.0000	26.9900	26.0000	25.7400	25.2400	24.0900
15 years	32.9000	27.7400	26.5000	25.8000	26.0000	26.0000
Weighted Average Yield Rate	**31.7074**	**25.7329**	**23.8838**	**23.0632**	**22.8149**	**21.8749**

2021 ECONOMIC HIGHLIGHTS

By Zambanker Reporter

Zambia exported more than it imported

Preliminary data indicate that Zambia exported more goods and services than it imported by US $1.5 billion during the first half of 2021 compared to US $1.0 billion during the same period in 2020. This was largely due to the increase in the value of copper exports. Exports amounted to US $5.1 billion and were dominated by copper which contributed US $4.0 billion to total exports.

Zambia reaches IMF staff-level agreement

The IMF team reached a staff-level agreement with the Zambian authorities on a three-year programme that would be supported by an arrangement under the Extended Credit Facility (ECF) in the amount of about SDR 980 million or $1.4 billion. This agreement is based on the authorities' plans to undertake bold and ambitious economic reforms to help restore macroeconomic stability and provide the foundation for an inclusive economic recovery. The staff-level agreement is subject to IMF Management and Executive Board approval and receipt of the necessary financing assurances.

National Budget Performance

The overall Budget performance was unfavourable. This was on account of higher than planned expenditure despite revenue exceeding the target. Over the first nine months of 2021, Government revenues and grants amounted to K77.0 billion against the target of K51.1 billion, giving a positive variance of 50.7 percent. **The positive performance was mainly attributed to a dividend receipt from the Bank of Zambia, higher collections from mineral royalty and corporate income tax from mining firms.** The improved collections from the mining sector were mainly driven by higher copper prices and the depreciation of the Kwacha against the United States dollar.

Monetary and Financial Performance

- Prices of consumer goods and services were on an upward trend in the first ten months of 2021. Inflation averaged 22.9 percent compared to 15.2 percent over the same period in 2020. This was beyond the target of keeping inflation between 6 and 8 percent. The rise in inflation was largely due to the sustained increase in food prices induced by constrained supply of meat, fish and vegetables as well as the depreciation of the Kwacha.
- The banking sector remained resilient despite the economic challenges caused by the COVID-19 pandemic. The sector was well capitalised, supported by stable profitability as well as prudential measures taken by the Bank of Zambia to safeguard financial stability in the wake of COVID-19.
- The ratio of non-performing loans to total loans, at 7.7 percent at end August 2021, was below the maximum prudential threshold of 10.0 percent from 11.6 percent at end-December 2020. The restructuring of distressed credit facilities for businesses severely impacted by the COVID-19 pandemic, through the Targeted Medium-Term Refinancing Facility, supported the improvement in loan performance. In contrast, the non-bank financial institutions sector continues to face challenges, with the ratio of non-performing loans to total loans rising to 23.1 percent in August 2021 from 20.4 percent in December 2020. This was above the prudential maximum benchmark of 10.0 percent. The unfavourable performance was largely due to poor underwriting procedures and delayed remittance of third-party payments on civil servants salary-backed loans. Government has since cleared all outstanding third-party payments to non-bank financial institutions.

Source: 2022 National Budget presentation

KWACHA DENOMINATED CREDIT TO THE PRIVATE SECTOR EXPANDS BY 35.9%

WHILE GROWTH IN CREDIT TO GOVERNMENT AND MONEY SUPPLY SLOW DOWN

By Zambanker Reporter

Kwacha denominated credit to the private sector continued to expand, growing by 35.9 percent in September, year-on-year, from 33.8 percent in June, 2021, Bank of Zambia Governor, Dr Denny Kalyalya has said. Speaking during the 4th quarter MPC announcement at the Central Bank, Dr Kalyalya explained that this was driven by conversions from foreign currency to Kwacha loans, further disbursements from the TMTRF and drawdowns on overdraft facilities mainly to meet working capital needs. In contrast, due to conversions to Kwacha loans, foreign currency credit to the private sector contracted further by 30.8 percent over the same period.

He said domestic credit to Government on the other hand continued to slow down, expanding by 26.1 percent in September, year-on-year, compared to 48.3 percent in June as the uptake of Government securities by domestic players reduced.

"Over the same period, money supply growth substantially declined, growing by 11.2 percent from 48.3 percent due to the reduction in foreign currency deposits, valuation effects arising from the appreciation of the Kwacha, and the slowdown in domestic credit," he said.

He stated that the emergence of the third wave of COVID-19 and uncertainty regarding the aftermath of the General Elections led to subdued economic activity. Output, volume of sales, domestic sales, profitability, and

inventories were adversely impacted according to the Bank of Zambia Survey of Business Opinions and Expectations. Similarly, the Stanbic Purchasing Manager's Index (PMI) also signalled a weak business environment for the private sector. However, in October the PMI showed a strong improvement in business conditions.

He added that growth is expected to rise to 3.5 percent and 3.7 percent, in 2022 and 2023, respectively. "This will be underpinned by strong performance in finance and insurance, information and communication, wholesale and retail trade, as well as mining sectors. The new waves of COVID-19, amidst the low vaccination rate, are a key downside risk to the growth outlook," he said.

The Governor explained that the fiscal deficit is expected to narrow to 10.4 percent of gross domestic product (GDP) in 2021 from an outturn of 14.2 percent in 2020 [1]. This is mainly due to strong revenue collections from the mining sector and a dividend payment from the Bank of Zambia. A further decline in the deficit to 6.7 percent of GDP is expected in 2022, largely underpinned by significant reduction in spending on subsidies and capital projects.

"Adhering to domestic financing plans will contribute to reducing borrowing costs for the private sector and support economic growth. Securing a funded International Monetary Fund (IMF) Programme is also key to minimising the adverse effects of domestic financing on the credit market and management of external debt to sustainable levels," he said.

However, there are some risks to the fiscal outlook. Key among them is failure to fully implement the announced fiscal consolidation measures and possible emergence of new waves of COVID-19, which could stifle economic growth and constrain revenue mobilisation.

[1] *2022 National Budget Speech*

Bank *of* Zambia

MONETARY POLICY COMMITTEE MEETINGS CALENDAR FOR 2022

	Date of Meeting	Press Briefing & Release of Monetary Policy Statement
1.	Monday – Tuesday, 14-15 February 2022 (Q4 2021)	Wednesday, 16 Feb 2022
2.	Monday – Tuesday, 16-17 May 2022 (Q1 2022)	Wednesday, 18 May 2022
3.	Monday – Tuesday, 15-16 August 2022 (Q2 2022)	Wednesday, 17 Aug 2022
4.	Monday – Tuesday, 14-15 November 2022 (Q3 2022)	Wednesday, 16 Nov 2022

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SMES UNDER MICROSCOPIC VIEW

By Zambanker Reporter

Picture courtesy of Financial Sector Deepening Zambia

The Bank of Zambia is planning to undertake a survey on micro-small- and medium enterprises that will enhance financial services and policy interventions for the sector. In a speech read on his behalf by Director Non-Bank Financial Institutions Supervision Department-Ms Freda Tamba during the World's Savings Day and Financial Literacy Awards ceremony, Deputy Governor-Operations, Dr Francis Chipimo said the Central Bank has a vested interest in ensuring that the financial sector is innovative, responsive to demand for financial services and that it supports Zambia's economic growth journey, while maintaining stability.

He stated that it is essential, that the financial sector continues to expand its portfolio of products and services by leveraging reforms, digital innovations and targeted outreach. He said one of the ways to achieve this is through the use of statistical data and surveys to support both evidence-based policies and the development of financial services.

"Surveys such as the State of Digital Financial Services in Zambia, the Finscope 2020 Zambia Survey and a recent Child and Youth Diagnostic Survey help to provide insights into factors that drive the access to and usage of financial services. They also assess people's behavioural patterns in financial decisions and barriers that need to be overcome. Financial institutions and regulators therefore benefit from the recommendations contained in these surveys," he said.

This year's World's Savings Day theme "Sustainable Finance: Savings are Diverse. We are united in responsibility" spreads the message that there are various forms of savings (i.e. Government securities, savings accounts, investments e.tc) in the financial sector leading to the same result of sustainable finance and economic development. It also recognises the importance of sustainability if the country is to achieve its set goals and the need to act together.

The Bank of Zambia has previously collaborated with various cooperating partners in undertaking similar surveys to inform decision. These include the Ministry of Finance, the Zambia Statistical Agency, Pensions and Insurance Authority, Securities and Exchange Commission, United Nations Capital Development Fund, the Rural Finance Expansion Programme, Financial Sector Deepening Zambia, German Sparkassenstiftung (DSIK), FinMark Trust, Bankers Association of Zambia, and the Association of Microfinance Institutions of Zambia.

In 2006, the Government articulated the Vision 2030 for Zambia to become a prosperous middle-income nation by 2030. The realisation of this vision is founded on seven (7) basic principles of - sustainable development; upholding democratic principles; respect for human rights; fostering family values; a positive attitude to work; peaceful coexistence; and upholding good traditional values. The contribution of the financial sector towards the attainment of Vision 2030 and its underlying principles is being done through the implementation of the National Financial Sector Development Policy, the National Financial Inclusion Strategy, the Rural Finance Policy and Strategy, the Capital Markets Development Plan and the National Strategy on Financial Education.

Dr Chipimo advised that it is important for children, youths and adults to be aware that these financial sector strategies aim to broaden the types of financial services in the banking, capital markets, microfinance, insurance and pensions sectors. They also aim to promote financial inclusion by increasing access to, and usage of a broad range of affordable financial products and services in the form of savings, credit, payment, insurance, investment and mobile banking services.

"Apart from these national strategies, we are assured that through the primary and secondary school curricula, children and youths are learning concepts of personal, household and business financial management in subjects such as social studies, expressive arts, physical education, business studies and civic education," he said.

He added that progress has been made in developing supplementary financial education materials for learners and teachers in a project being led by the Ministry of Finance and Ministry of Education. This project is being supported by the German Government through GIZ, the Curriculum Development Centre, Bank of Zambia, Pensions and Insurance Authority, Securities and Exchange Commission, Zambia Revenue Authority, German Sparkassenstiftung (DSIK), and Financial Sector Deepening Zambia.

As part of the implementation of the National Strategy for Financial Education, the World Savings Day has officially been observed in Zambia at National level. In addition, since 2014, the Financial Literacy Working Group which is a grouping of representatives from the financial sector mandated to drive the national campaign, resolved to host the Financial Literacy Awards as the official commemorative activity of the country each World Savings Day.

Zambia joined the international community in commemorating the World Savings Day on 31 October 2021. This event is celebrated every year to stress the importance of savings for individuals and modern economies alike. It has been regarded as a particularly successful measure of spreading awareness on the importance of saving and to educate people on how to save.

These campaigns are mostly aimed at creating awareness amongst children, youth and adults on the need to acquire the knowledge, skills, attitudes and behaviors on personal financial management and entrepreneurship. This is critical if they are to have the confidence and motivation to make sound financial decisions and use appropriate financial services. This is also expected to improve the financial well-being, health and resilience of citizens, and enable them contribute to national development through improved productivity as well as job and wealth creation.

Dr Francis Chipimo

Picture courtesy of Body Dessert Skincare

FINANCIAL INCLUSION OFFERS SUBSTANTIAL BUSINESS OPPORTUNITIES

By Zambanker Reporter

Deputy Governor-Administration, Ms Rekha Mhango has said the growing importance of financial inclusion provides an opportunity for financial institutions and businesses to grow the economy, eradicate poverty and reduce inequalities. Speaking during the New Faces, News Voices roundtable discussion, Ms Mhango said the Central Bank has focused on financial inclusion to advance economic empowerment and drive progress on gender equality.

The Bank of Zambia has integrated financial inclusion in successive cycles of its Strategic Plans from 2009 to date (3 cycles). These plans have also been augmented by the Banking and Financial Services Act, 2017, the National Payment Systems Act, 2007 and other regulations that support financial inclusion. The Bank has also devised the Financial Inclusion Strategy whose goal is "to contribute to an enabling environment to increase financial inclusion" to enhance provision of financial services to unbanked and vulnerable segments of the population that do not have transaction accounts; promoting greater use of digital, credit and other tailored financial services among people as well as micro, small and medium enterprises (MSMEs) that have accounts.

The Bank of Zambia's 2020-2023 Strategic Plan, which is themed 'Building an Inclusive and Resilient Financial Sector' focuses on two main areas, namely, Financial Stability and Financial Inclusion. The measures adopted for the Financial Inclusion Pillar focus on promoting formal financial inclusion and closing the gender gap. These measures include: increasing the penetration of rural finance; strengthening access to finance for children and youth; enhancing SME finance through risk-sharing mechanisms such as credit guarantees; promoting inclusive green finance; ramping up dissemination of financial inclusion information about activities in Zambia; gender mainstreaming both internally and externally in the financial sector. This will involve the use of the FAMOS toolkit and partnerships with women's associations and other representative organisations to foster an enabling environment for women – led SMEs; and promoting the use of Digital Financial Services (DFS).

She stated that the Bank recognises that addressing the needs of women and women-led SMEs access to financial services is critical to financial inclusion and that formulating workable strategies to realise their full economic potential and contribute to and benefit from national economic growth is a priority.

"Several notable aspects of our strategic initiatives on Digital Financial Services are that it includes: increasing the number of retail merchants and enterprises that can use point-of-sale devices, online and mobile payments platforms to trade and receive payments for customers. Increasing the threshold of transaction volumes that can be conducted on mobile money business accounts; and making these mobile money and payments products interoperable across networks. This is expected to make it more convenient and cheaper for people to access financial services," she said.

The Deputy Governor added that the transactional histories on DFS are creating financial and credit profiles for users, including business enterprises and SMES, which can overcome some of the documentation barriers required to obtain credit for business.

Mrs Mhango said these attributes are particularly important for women-SMEs to enable them to scale their business onto e-commerce and digital financial services platforms, as well as courier services. They also meet the findings of the Zambia WeFi survey report on the demand for expansion of digital financial services among women entrepreneurs given the convenience, mobility, efficiency and safety that these platforms provide. The necessity of these platforms was further highlighted by the pandemic where physical trading activities were constrained on account of public health measures.

Ms Rekha Mhango

There are several policy tools and financial sector initiatives that the Bank is implementing to ensure women and women-led SMEs are not left behind. These include: the Targeted Medium Term Refinancing Facility; the National Financial Inclusion Strategy and the National Strategy on Financial Education for Zambia; the Bank of Zambia Gender Policy and Gender Strategy; endorsement of the Alliance for Financial Inclusion (AFI) Denarau Action Plan of Women's Financial Inclusion and a commitment to facilitate a 50% reduction of the gender gap for formal financial services; the integration of the Female and Male Operated Enterprises (FAMOS) gender assessment toolkit in the onsite supervision and capacity building programmes for banks, microfinance institutions and payments systems providers.

Others are the Digital Financial services (DFS) data reporting and analytical platform through which sex-disaggregated data reports are submitted by financial services providers to the Bank of Zambia; Financial Education and SME programmes conducted in partnership with the German Foundation for International Cooperation, and other partners in the gender programmes; the Credit Market Monitoring Programme (CMMP); the integration of recommendations of the WEFI Zambia Women - led SMEs report across these initiatives; and the Moveable Property (Security Interest) Act, together with the Electronic Collateral Registry held at the Patents and Companies Registration Agency (PACRA) which provides for the use of Movable Property for Collateral.

The Bank of Zambia has adopted several mechanisms to track the progress and impact of its strategic initiatives, and other national financial inclusion programmes. Prominent among these are the Finscope Zambia surveys, which are conducted every five years, with the latest being the Finscope 2020 Zambia survey.

BoZ FOSTERS GREEN FINANCE FOR SUSTAINABLE DEVELOPMENT

By Zambanker Reporter

The Bank of Zambia has put in place a team to develop Green Loans Guidelines by December 31, 2022. The Guidelines will be driven by the principles of controlling physical and transitional risks thereby ensuring financial sector stability and financial inclusion, which are the two pillars of the Bank's 2020-2023 Strategic Plan. The Guidelines will cover all regulated entities under the Banking and Financial Services and National Payment Systems Acts. Green finance includes all lending and investment and any structured financial activity that contributes to climate mitigation, climate adaptation and resilience, and ensures a better environmental outcome.

Speaking during the National Advisory Board for Impact Investment (NABII) first impact investment summit, Bank Governor Dr Denny Kalyalya said the Central Bank is committed to developing inclusive Green Finance Guidelines, whose scope is intended to cover an enabling environment for - regulatory and policy support; institutional capacity building; monetary policy; financial stability; prudential supervision; financial and data infrastructure; digital financial services; financing instruments, products, services and disclosures for financial institutions; gender; financial literacy; and consumer protection.

He said that a Tripartite Green Finance Mainstreaming Working Group (TGFMWG) had been constituted and mandated to - develop financial sector regulations aimed at greening the financial sector in Zambia. Members of the Working Group are drawn from the Bank of Zambia, the Pension and Insurance Authority as well as the Securities Exchange Commission.

Dr Kalyalya added that the Bank is also working with research entities such as the Zambia Institute for Policy Analysis and Research (ZIPAR) to get a better understanding of the concept of climate change and environmental risks affecting the financial sector, and to among other outcomes, support strategies in the green finance agenda.

"To further inform the process of developing green finance guidelines, the Bank has strategic partners who have been providing technical assistance through advisory services, developing green finance knowledge products and capacity building training activities since 2019 to date. These include - the Alliance for Financial Inclusion, the Toronto Centre of Canada, the Ministry of Lands and Natural Resources, the Ministry of Green Economy, the United Nations Biodiversity Finance Initiative (BIOFIN), the Zambia NDC focal person", he said.

He said the Bank will continue collaborating with the regulatory and supervisory bodies in the financial sector, technical assistance partners; and the Ministries of Finance and National Development and Green Economy to - mainstream best practices and recommendations in relevant financial regulations; encourage financial innovation; and create an enabling regulatory environment for unlocking green and responsible investments for projects that will be identified as key vehicles for economic recovery and growth.

The Governor said that the Bank will engage in a project to enhance availability of green financial statistical data through a tagging system. This is aimed at tracking and assessing the progress made in mainstreaming finance towards sustainable (environmentally friendly) projects.

Green Loans Guidelines or Green Loans Regulations are important to the banking and non-banks financial institutions in the sense that these regulations shall be designed to support a coordinated approach towards transitioning to a lower -carbon emitting and climate -resilient economy. Further, climate change risks shall be incorporated as part of the Bank's risk-based supervisory approach within the existing assessments of each bank's credit, market, operational, legal, reputational and strategic risks, taking account of the materiality of climate change risk within each existing risk category.

DESIGN PRODUCTS FOR AGRIC SECTOR – FARMERS UNION

By Lombe Mulanda

The Mkushi Farmers Union has appealed to the Central Bank to encourage Financial Services Providers (FSPs) to design financial products specific to the agriculture sector. Speaking when Bank of Zambia staff paid a courtesy call on him, Mkushi Farmers Union Chairperson, Mr Mikros Marffy said this will give farmers relief in terms of the cost of borrowing and the payback period.

Regional Office staff undertook a visit to the Mkushi Farm Block to observe macroeconomic developments that had ensued since 2015 and their impact on the macroeconomy. The team examined the social and economic impact of investments made by the farms to ascertain their contribution to social economic development on communities in the farm block.

Other areas of interest included; assessing the adherence of the farm block to the green technologies to determine the sustainability of the farming activities and assessing the impact of COVID-19 on the projects to establish the social cost influence on attaining the output potential of the region.

Mr Marffy informed the team that the Mkushi farm block had continued to be the breadbasket of the country and has potential to extend its prowess to the entire SADC region with appropriate Government incentives and support. He said the farm block had over USD 150 million investments on aggregate into dams, center pivots and other equipment to improve its productive efficiency. However, COVID-19 having had affected global trade flows adversely hit the block in terms of cost and availability of inputs and most importantly the demand for the produce. Notwithstanding, most of the farmers in the block had accessed COVID-19 relief funds with the hope of leveraging their losses during the period.

"The Mkushi farm block has had robust green technology programmes that has seen over 120 hectares of trees being planted, use of min-till technology to have minimum disturbance to the soil structure as well as resorting to the use of multching technology to mitigate water wastage. Augmenting this development was a shift from chemical to organic fertilisers, encouraging farmers to undertake crop diversification with a mix between drought-prone and drought-resistant crops as well as training farm workers in environmentally sustainable farming methods," he said.

He added that COVID-19 has had an economic effect through the supply and cost of farm inputs. Additionally, the elevated cost of living and finance and exchange rate depreciation coupled with a reduction in demand via the income channel has had a negative impact on the farm block's output. Consequently, the output has shrunk significantly which had a negative impact on the cost of commodities considering the weight that the farm block contributes to the macroeconomy.

The findings were that farming activities in the block had dwindled during the period 2015 to 2021 on account of COVID-19 that had affected global trade flows adversely and hit the block in terms of cost and availability of inputs. More so demand for produce also weakened constraining further productive capacity of the farm block.

Team members from the Bank included Messrs. Elvin Sindala, Lombe Mulanda and Jackson Kampamba.

KATEPA TO LEAD AFI WORKING GROUP

By Zambanker Reporter

Ms Maria Katepa

Manager-Operations, Payment Systems Department, Ms Maria Katepa has been appointed Co- Chair 2 for the Alliance for Financial Inclusion Data Working Group (FIDWG). The Bank of Zambia is earmarked to take over the leadership position of FIDWG for the period 2023/2024.

The FIDWG is dedicated to promoting and sharing information on the topic of financial inclusion measurement among AFI members. Its works include developing common frameworks for measuring financial inclusion, sharing lessons learned on target setting, survey methodologies and analysis. The group leverages current progress and learning from AFI members and practitioners around the world and largely collaborates with the other six working groups to support them with data requirements.

Currently the group is working on identifying the key inclusive green finance (IGF) data needs and sources of data linked to the IGF related policies. It is also working with the Small & Medium Enterprises Finance Working Group (SMEFWG) to identify SME finance data needs.

Zambia like many other countries has embraced data as a powerful tool for supporting evidence based decisions. At institutional level, the Bank has embraced data as a tool to drive usage and equality in the use of financial services by all members of society especially the financially excluded such as women, youth and Refugees. Data is therefore critical for monitoring and tracking progress and will also facilitate for appropriate interventions and legislative reforms aimed at addressing inequalities in access and usage of formal financial services.

By being a member of the AFI network, the Bank has benefited from peer learning initiatives on best practices for defining, collecting, application and measurement of data. The Bank also continues to build capacity for the production and use of sex disaggregated data. In this regard, through the AFI network, the Bank has developed a Framework and Templates for collecting supply side sex disaggregated data on access and usage of financial services from regulated financial institutions that will soon be published by AFI. The templates including indicators relating to sex of the customers will aide evidence-based policy formulation, which ultimately are expected to contribute towards bridging the formal financial inclusion gender gap.

Ms Katepa joined the FIDWG and Gender subgroup in 2017 as a primary member representing the Bank of Zambia. As a member of FIDWG, Ms Katepa has contributed immensely to the AFI network through her professional skills, active participation and advocacy on Financial Inclusion Policies.

In 2020, Ms Katepa was a recipient of the AFI working Group Recognition for professional and personal contributions within the network. Some of her works include speaker roles at AFI events, facilitating for peer learning for other central banks and contributing towards the development of the Zambia Case Study-Towards Enabling Women's Financial Inclusion through Data.

At the Bank of Zambia, Ms Katepa is a member of the Project Team in the establishment and implementation of a framework for collecting and analysing sex disaggregated data, whose overall goal is to contribute to bridging the gender financial inclusion gap by increasing formal financial inclusion in women through the collection and analysis of sex-disaggregated data.

Ms Katepa is also a member of the SME finance Data Subgroup, a team that is spearheading the development of a policy framework on MSME Data Indicators and collection.

WHAT'S TRENDING?

NEWS FROM AROUND THE WORLD

Inflation: Seven reasons why the cost of living is going up around the world

LONDON - From buying groceries to heating our homes, the cost of living is rising sharply - not just in the UK but around the world. Global inflation - the rate at which prices rise - is at its highest since 2008. Here are some of the reasons why.

Rising energy and petrol prices
Oil prices slumped at the start of the pandemic, but demand has rocketed back since, and this week they hit a seven-year high.
In the US gasoline currently costs an average of $3.31 a gallon - up from $2.385 a gallon a year ago. It's a similar story in the UK and the EU. The price of gas has also shot up. Demand from Asia has driven up prices, along with a cold winter in Europe last year, which depleted gas reserves.

Goods shortages
The price of many everyday consumer goods jumped during the pandemic. Consumers stuck at home during lockdown last year splashed out on household goods and home improvements because they couldn't go to restaurants or on holiday. Manufacturers in places such as Asia - many of which faced shutdowns due to Covid restrictions – have struggled to keep up with demand since then. It's led to shortages of materials such as plastic, concrete and steel, driving up prices. Timber cost as much as 80 percent more than usual in 2021 in the UK and reached more than twice its typical price in the US. Major US retailers Nike and Costco have put up their prices because of higher supply chain costs. And there's a shortage of microchips, which are vital components in cars, computers and other household goods.

Shipping costs
Global shipping companies - which move goods around the world – have been overwhelmed by surging demand after the pandemic. It's meant retailers have had to pay a lot more to get those goods into stores. As a result, prices have been passed on to consumers. Sending a single 40ft container from Asia to Europe currently costs $17,000 - more than 10 times than the year before, when it was $1, 500. It's been accompanied by a rise in air freight fees and made worse by a lorry driver shortage in Europe. Transport bottlenecks appeared to be easing in December, with the US starting to get on top of record congestion at its ports. But Omicron and the emergence of future Covid variants could reverse these gains.

Rising wages
Many people quit the workforce or changed jobs during the pandemic. In the US, April saw more than four million people quit their jobs, according to the Department of Labor – the biggest spike on record. As a result, firms are having problems recruiting staff such as drivers, food processors and restaurant waiters. A survey of 50 major US retailers by research firm Korn Ferry found that 94 percent were having trouble filling empty roles. As a result companies are having to put up wages or offer signing-on bonuses to attract and retain staff. McDonald's and Amazon are offering hiring bonuses ranging from $200 to $1,000. Those extra employer costs are again being passed on to consumers. Global clothing brand Next have blamed planned price rises for 2022 partly on climbing wage costs.

Climate impact
Extreme weather in many parts of the world has contributed to inflation. Global oil supplies took a hit from hurricanes Ida and Nicholas passing through the Gulf of Mexico and damaging US oil infrastructure. And problems meeting the demand for microchips were worsened after a fierce winter storm closed major factories in Texas last year. The cost of coffee has also jumped after Brazil, the world's largest producer, had a poor harvest following its most severe drought in almost a century.

Trade barriers
More costly imports are also contributing to higher prices. New post-Brexit trading rules are estimated to have reduced imports from the EU to the UK by about a quarter in the first half of 2021.

-BBC

IMF warns developing countries of ‘economic turbulence’ due to slow world economic growth

Emerging economies should gird for possible rough times as the US Federal Reserve prepares to raise interest rates and world economic growth slows because of the Omicron variant of Covid-19. The International Monetary Fund, which is scheduled to release updated economic forecasts on January 25, said that for now, global economic recovery from the ravages of the pandemic should continue this year and next. But "risks to growth remain elevated by the stubbornly resurgent pandemic," IMF Economists Stephan Danninger, Kenneth Kang and Helene Poirson wrote in a blog post.

The highly contagious Omicron strain has spread like wildfire around the world since mid-December, causing record numbers of new Covid cases in the latest wave of the global health crisis. Omicron, which seems to cause less severe disease than previous strains of the coronavirus, is causing countries to reinstitute health measures that hamper economic growth.

"Given the risk that this could coincide with faster Fed tightening, emerging economies should prepare for potential bouts of economic turbulence," the economists said, as these countries are also confronting elevated inflation and substantially higher public debt. The Fed has signaled that it would raise key interest rates sooner and more aggressively than it had planned in order to counter rampant inflation in the US that is hitting US households and consumption – the engine of economic growth in America. Higher interest rates mean financing costs for some emerging economies with dollar-denominated debt will rise.

These countries are already lagging in the global economic recovery and thus less able to absorb added expenditure. "While dollar borrowing costs remain low for many, concerns about domestic inflation and stable foreign funding led several emerging markets last year, including Brazil, Russia, and South Africa, to start raising interest rates," the IMF said.

Quicker Fed rate hikes could rattle financial markets and cause tighter financial conditions on a global scale, the blog says. The risk is there will be a slowing of demand and trade in the US, as well as capital flight and a depreciation of the dollar in markets of emerging countries. The IMF recommended that emerging economy nations "tailor their response based on their circumstances and vulnerabilities."

And central banks that are raising interest rates to fight inflation should engage in "clear and consistent communication" so people better understand the need for price stability, the international lender said.

-Agence France-Presse (AFP)

UNCDF launches Lenga mobile app to accelerate digital financial education in Rwanda

Through the Expanding Financial Access and Digital and Financial Literacy (REFAD) Programme in Rwanda, the United Nations Capital Development Fund (UNCDF) and its implementing partners have officially launched the Lenga digital financial literacy mobile application

The application was launched on December 9, 2021 at Kigali Serena Hotel and is targeting Rwandans who wish to build skills in creating savings plans, drawing a budget, understanding different types of savings groups, comparing financial services, and deciding whether to borrow.

- The New Times Rwanda

Regional Coordinator Markus Tacke (left) and Project Manager in Zambia Reinhold Hoernle (right) during the launch event

DSIK LAUNCHES ONLINE PLATFORMS

Deutsche Sparkassenstiftung für internationale Kooperation (DSIK) (formerly known as: Savings Banks Foundation for international Cooperation – SBFIC) has started a new regional project in Southern Africa, focusing on the Promotion of Small-Scale Entrepreneurship in Southern Africa. The Project is headquartered in Lusaka, Zambia and present in Malawi, Namibia and Zimbabwe. The location of the regional office in Lusaka is befitting considering the significant relationship that has formed over the years. The financial inclusion relationship between Zambia and Germany dates back to 2012 when the first representative of the Sparkassenstiftung was welcomed and housed at the Bank of Zambia. This was under SBFIC and has been the primary location for all activities in the region over the same period.

The Government of the Republic of Zambia implemented the Financial Sector Development Plans (FSDP) from 2004 – 2009 to address weaknesses in the regulatory and legal framework as well as to broaden and strengthen the financial sector. In view of various outstanding issues from the initial FSDP and other challenges arising from the 2008/09 global financial crisis, the Government approved an extension of the plan for a further three-years. The FSDP phase II was approved in January 2010, and run until June 2015, subsequent to which a permanent unit was established to coordinate and implement the financial inclusion strategy at the Bank of Zambia.
It is against this background, that the Bank of Zambia (BoZ) and Savings Banks Foundation for international Cooperation – SBFIC (now DSIK) agreed on the partnership project "Strengthening of Financial Education in Zambia". The overall strategic objective of the co-operation was to "provide fundamental knowledge on financial services and thus improve its use". The partnership sought to contribute to alleviating poverty by enabling more people to participate in economic activities by having (intellectual and physical) access to finance".

The orientation phase of the partnership project was successfully performed between May and October 2014. Then the first project phase ran from November 2014 until 31 October 2017. In November 2017, the two parties renewed their commitment to the Financial Education Strategy and assigned a Memorandum of Understanding (MOU) that would cover the period up to December 2020. It was during the last phase of the project that DSIK recognised the need to consolidate its activities and areas of impact, by establishing a regional presence, having been conducting similar activities in Malawi and Namibia.

On 1st July 2021, in the midst of so much uncertainty in the world due to the Covid-19 pandemic, a new curtain of hope was unveiled by the new Regional Project Director Mr. Markus Tacke with support from Mr Reinhold Hoernle and Ms Angela Njunju-Miyoba from the DSIK- Zambia office Team, signalling a new horizon. The launch of a regional office introduced a pivoted focus on the promotion of small-scale entrepreneurs in the region from having primarily focused on financial education during project inception. Harnessing the power of technology and the limitation of travel, the virtual launch was attended by over one hundred (100) participants from invited partner institutions, colleagues, and stakeholders from over eight countries. The virtual launch event introduced the online presence of the project by providing a walk through the website (www.sparkassenstiftung-southernafrica.org) and Facebook page (https://www.facebook.com/German-Sparkassenstiftung-Southern-Africa).

The objectives of the launch were to introduce the new phase of the project with its emphasis on the promotion of small-scale entrepreneurship in Southern Africa with the expanded reach of the regional office, build visibility in all four project countries (Malawi, Namibia, Zambia, and Zimbabwe), financial education awareness, attract and engage with new partners/donors, create awareness on activities carried out by German Sparkassenstiftung Southern Africa and globally, as well as to ensure general communication and interaction with the public.

A first of its kind at the regional office, the event was a success. The key event staff speakers were the Directors of Sparkassenstiftung Zambia Limited, Ms Angela Njunju-Miyoba and Mr Reinhold Hoernle who is also the Representative Coordinator. Other key speakers were:

- Ms Freda Tamba- Director Non-Bank Financial Institutions Supervision, representing Bank of Zambia, who are a key partner of the project in Zambia. She praised the fruitful and well-established cooperation with the Sparkassenstiftung.
- Mrs Nambula Kachumi from the Zambian Women's Entrepreneurship Access Centre (WEAC) who stressed that through Sparkassenstiftung, her organisation was able to better tackle gender barriers to entrepreneurship.
- Mrs Maureen Sumbwe from Zambia Federation of Associations of Women in Business (ZFAWIB) and
- Sister Grace Fundafunda and Mr Jonathan Jere from Youth Alive Zambia.

Under www.sparkassenstiftung-southernafrica.org , the team presents itself, past and current activities with informative videos and in-depth materials. The core product of Sparkassenstiftung, the Business Games made by German Sparkassenstiftung are now available on the website and have become an international brand for an innovative and interactive learning experience that is expected to positively impact Southern Africa.

In this regard the Sparkassenstiftung Southern Africa project invites current and potential partners, through its social media platform, to leave feedback, stay updated and get in touch at any time. The Facebook page as well as the website have received an increase in followers and visitors. However, success is not only measured by click numbers. The entire team, and especially the local employees, have gained a variety of new skills, such as content management, and tasks. The team will thrive to be creative and informative in future and keep you posted through their website and Facebook channel – we encourage you to visit the website and hopefully post your 'like' soon.

Article courtesy of DSIK

Now online: Team members of DSIK in Zambia: front left to right: Natasha Zulu, Reinhold Hoernle; Back row left to right: Chambata Mbizule, Natasha Muyatwa, Natasha Ndashe and Hannah Redders

CLIMATE RISK: A MATTER OF CONCERN TO ZAMBIA

By Nason Kapako

Climate change[1] is real and should be a matter of concern to Zambia and the world over. The overwhelming evidence of the devastating effects of global warming suggests that it's a growing threat to humanity. Sadly, humanity bears the blame in as much as it bears the brunt of climate change. According to the United Nations (UN), greenhouse gas (GHG) emissions have been propagated by human activity since the 1800s.The earth is now about 1.1°C warmer[2] than in the preindustrial age and the effects of global warming are dire. There are numerous reports on how extreme weather conditions like floods, droughts, storms, wildfires, and extreme temperatures have been linked to global warming. Over the last few decades, Zambia has experienced most of these extreme weather events, albeit at varying degrees.

Man-made

While they indicate that there are natural causes to climate change like variations in the solar cycle, scientists have confirmed that burning fossil fuels like coal, oil and gas has been the primary causer. These GHG emissions include carbon dioxide and methane. Carbon dioxide largely comes from activities like combustion of fuels in cars and planes, burning coal for heating homes, electricity generation or industrial production, and deforestation. Methane is usually emitted from agricultural activity like livestock farming, and garbage dump sites.

Although every country contributes to climate change, a few countries like China, the United States, and India are responsible for more carbon dioxide emissions than others. For example, data collected from the Emissions Database for Global Atmospheric Research (EDGAR)[3] suggests that the top 10 countries accounted for about 68% of the total emissions in 2020 (Table 1). They generate more than 2 times the emissions from the rest of the world. At 7.5 metric tons, Zambia's contribution to the total global emissions is a paltry 0.02%. But it's affected to the same degree as several countries on earth.

Table 1: Selected countries CO2 emissions from fossil fuel combustion in metric tons

Country	2010	2020	2020 % World Total	Cumulative2020 % of Word Total
China	9,296.49	11,680.42	32.48	32.48
United States	5,571.87	4,535.30	12.61	45.09
India	1,752.35	2,411.73	6.71	51.80
Russia	1,733.51	1,674.23	4.66	56.46
Japan	1,221.47	1,061.77	2.95	59.41
Iran	575.31	690.24	1.92	61.33
Germany	818.07	636.88	1.77	63.10
South Korea	598.90	621.47	1.73	64.83
Saudi Arabia	487.93	588.81	1.64	66.47
Indonesia	402.92	568.27	1.58	68.05
:	:	:	:	:
Zambia	2.29	7.50	0.02	

Source: EDGAR

Potential ramifications

Zambia is as vulnerable to climate risk as other countries across the globe.

Climate change has the potential to affect peoples' health and safety, damage property and infrastructure, subdue food production and energy generation, and disrupt supply chains and economic activity.

With climate risk growing, Zambia is increasingly exposed to extensive flooding going forward. This can have a negative impact on people's health and safety, housing, education, work and infrastructure like roads and bridges. For instance, the flooding experienced in January 2022 displaced an estimated 15,000 people from 3,500 households in Namwala and Choma districts of Southern Province. Road access was restricted in some parts of both districts which made delivery of food and essential supplies challenging. In March 2020,

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[1] *Climate change refers to long-term shifts in temperatures and weather patterns. These shifts may be natural, such as through variations in the solar cycle. But since the 1800s, human activities have been the main driver of climate change, primarily due to burning fossil fuels like coal, oil and gas-United Nations (UN).*

[2] *https://climate.gov*

[3] *https://edgar.jrc.ec.europa.eu/report_2021*

the Disasters Charter reported that heavy rainfall left about 8,000 homes flooded and more than 80,000 people displaced in Lunga District of Luapula Province[4]. About 5 local schools were extensively damaged and closed. With climate risk at its highest level, more individuals would be displaced, the damage to property and infrastructure would be more extensive and more government spending would be required for relief and remedial programs. Furthermore, with extreme floods, more people would be susceptible to water-borne diseases like cholera.

Zambia's food security is also at risk should extreme droughts and floods occur. Both droughts and floods could materially drag food production and trigger an acute famine. This is especially so for rainfed annual crops like maize, the country's staple food. Already grappling with late rains in the 2021/22 farming season, Zambia faces heightened risk of a famine even though the country has a carryover stock[5] from the previous season. The stock could be depleted in the short-term should it experience inadequate rainfall and production falls below capacity for both human and industrial consumption. Besides constraining food production and inducing a shortage, this would push food prices higher and fuel inflation.

About 80% of the electricity generated is hydro based. With its heavy dependence on hydroelectricity to power industries, businesses and households, Zambia will remain vulnerable to variations in rainfall for the foreseeable future. Dry spells would trigger water shortages at the reservoirs of hydropower plants and stifle power supply. The drought in 2015/16 and the eventual deficiencies in electricity supply are a grim reminder of how devastating and far-reaching a power crisis could be.

Declining business activity, lower industrial output, higher costs and consumer prices are threats the country would contend with should this development recur.
Extreme floods have the potential to cause supply chain disruptions and weigh on business activity through damages to infrastructure and food shortages. Flooding can cause damage to key infrastructure like roads and bridges which can lead to some parts of the country being cut-off and delivery of inputs derailed. Economic activity could also be disrupted through power outages and non-accessibility to industries and retail outlets.

That said, climate change threatens to significantly degrade Zambia's social environment, and undermine its poverty alleviation and economic development efforts. Undoubtedly, there is need for policy makers to double down on programmes to mitigate as well as adapt to climate change.

Mitigate and adapt

Having highlighted risks associated with climate change, and the implications they have on Zambia's socio-economic system, it's clear that the country needs to build its resilience to climate shocks. In as much as there is need to mitigate the identified risks, the country needs to expediate the implementation of programs that will help it adapt to climate change.

At the 26th United Nations Climate Change Conference of the Parties (COP26) in 2021, countries generally committed to reduce GHG emissions to net zero by 2050 to limit the rise in

Table 2: Key indicators for energy transition metals

Metal	Exchange Traded	Energy Transition Usage				Production (2020, $billion)
		Renewable	Network	Battery	Hydrogen	
Copper	✓	✓	✓	✓		123.0
Aluminium	✓	✓	✓	✓	✓	107.0
Nickel	✓	✓		✓	✓	28.0
Zinc	✓	✓				28.0
Lead	✓	✓		✓	✓	26.0
Silver	✓	✓				13.0
Manganese	No	✓		✓	✓	25.0
Chromium	Recent	✓				19.0
Silicon	No	✓				14.0
Moly-bdenum	Recent	✓			✓	5.0
Cobalt	Recent			✓		4.1
Lithium	Recent			✓		1.8
Vanadium	No			✓		1.3
Graphite	No			✓		1.3

Sources: IEA(2021); World Bank (2020b); and IMF Staff calculations
Note: The column "Production" is the value of refined and unrefined mining production

[4] https://disasterscharter.org
[5] *In a press statement issued on 1 October 2021, the Minister of Green Economy and Environment stated that the country was projected produce 3.6 million metric tons of maize, in addition to the carry over stock of 840,000 from the previous season. This suggested that the country would have a surplus of over 1.5 million tons.*

global temperature to 1.5^{O}C. To achieve this goal, their pledges included abandoning coal, cutting methane emissions, ending deforestation and net zero emissions. Zambia agreed to adhere to all these pledges, and specifically made a commitment "to reduce greenhouse gas emissions by 25% based on the 2010 levels by 2030 using a combination of our own domestic resources and other support." With reference to the 2010 data from EDGAR, Zambia's emissions must drop by a minimum of 0.6 metric tons over the next 8 years.

Building resilience to climate change entails shifting away from high-GHG technologies and systems to those with low or zero emissions like renewable energy. Undoubtedly, at the top of the list for Zambia should be speeding up the transition from hydropower generation to solar energy and other renewable sources. Investments have been made in this space so far, but they are not enough to reduce its dependence on hydro-electricity generation. The good news, according to the International Monetary Fund (IMF), is that the cost of adopting low-emission technologies has been declining which makes them more competitive. This should encourage increased government and private investments in the sector. Increased investments in low-carbon technologies and processes should help create more jobs and promote the transfer of labour away from high-carbon technologies.

The global push to transition to low-emission technologies like renewable energy and electric vehicles is boosting the demand for industrial metals. Copper, nickel, cobalt and manganese are among the energy transition metals (see Table 2). As all these metals are among Zambia's exports, the country's treasury stands to be boosted by the expected increase in demand. Income generated from higher exports could help build fiscal buffers and resilience to climate risk.

Other ways Zambia can limit its vulnerability to climate risk could include widespread investments in large-scale irrigation systems to wean farmers off their dependence on rainfed agriculture.

In sum, mitigating and adapting to climate change will require a lot of resources and steadfast leadership. The creation of the Ministry of Green Economy and Environment by the new administration is a step in the right direction. The new ministry is expected to provide policy direction as well as implement regulations that will promote environmental sustainability. But it has its work cut out. Transitioning to a green economy will not only require significant public and private investments, but also influencing the behaviour of households and firms to appreciate the value of going green. Mindset change takes time and effort. But adaptation is the only option on the table if we are to help prevent a global catastrophe.

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IMF LENDING:
WHAT YOU NEED TO KNOW

By
Silvia Siwale

Zambia has engaged in months of discussions and consultations with the IMF to agree on an economic and financial policy package that will help restore the country's debt sustainability, build a productive and resilient economy and sustain livelihoods.

Bank of Zambia Governor, Dr Denny Kalyalya recently told journalists during the fourth quarter media briefing that reaching the Staff Level Agreement (SLA) with the International Monetary Fund (IMF) is an important endorsement for the country's reform agenda, access to financial support to help anchor the country's reform agenda and probably most importantly, the SLA means the country can now meaningfully engage with the creditors to ensure comprehensive debt restructuring. A Staff-Level Agreement is an understanding between the IMF and the Government on the economic and financial policies and reforms which the Government will undertake over time. These are aimed at restoring price stability, bringing the debt situation under control and achieving higher inclusive growth.

IMF lending aims to give countries breathing room to implement adjustment policies which will restore conditions for a stable economy and sustainable growth in an orderly manner. The IMF's various lending instruments are tailored to different types of balance of payments needs as well as the specific circumstances of its diverse membership. For instance, a country facing a sudden drop in the prices of key exports may need financial assistance while implementing measures to strengthen the economy and widen its export base. A crisis brought about by excessive foreign borrowing is another common reason for governments to approach the IMF for financial support. The latter is the situation in which Zambia finds herself in today. Nonetheless, the Fund does not lend to highly indebted countries that are at the verge of defaulting. It is in this regard that, more importantly, debt restructuring is agreed with the creditors before Zambia's case is considered for a possible economic programme by the IMF Executive Board.

The SLA in this vein is an important success towards accessing the extended credit facility (ECF) from the IMF because it paves the way for debt restructuring negotiations with Zambia's creditors. Creditors need information from an independent body on the assessment of Zambia's economic conditions in light of the debt burden the country is carrying and the way out of that predicament that will support economic growth and service the debt without choking the country.

The main issue and genesis of the Zambian current situation is the fiscal shock of 2013 when fiscal deficit increased to 6.0 percent of GDP from less than 3.0 percent. Failure to implement fiscal consolidation to reduce the deficit to a sustainable level of not more than 3.0 percent in the subsequent years led to the increase in public debt. Both domestic debt (mostly accumulation of arrears to suppliers) and foreign debt increased rapidly and led to the decline in domestic liquidity.

Foreign debt service did not only lead to the decline in Zambia's dollar liquidity with the stock of foreign reserves falling but also drained the Kwacha liquidity. In a foreign debt service transaction, Government gives BoZ the Kwacha and the Bank in turn makes foreign exchange available for servicing the debt. The Kwacha provided to BoZ by the Government is then sterilised thereby constraining the economy of the Kwacha liquidity to the extent of the amount involved in the debt service. On the domestic debt front, failure to pay suppliers also constrains liquidity injection. Government expenditure is one of the major influences on liquidity position in the economy.

Partly as a result of the liquidity challenges, the economy started slackening thereby adversely affecting the debt and fiscal situation further. This is in addition to other macroeconomic and financial variables such as the exchange rate, inflation, interest rates, and stock of non-performing loans, for example, leading to the erosion of real incomes, losses by some businesses, and other factors that cause human misery. To avert further economic crisis and therefore safeguard livelihoods, the Government needed to get on an IMF programme to help resolve the crisis.

In the absence of IMF financing, the adjustment process for the country could be more abrupt and difficult. For example, if investors are unwilling to provide new financing, the country would have no choice but to adjust often through a painful compression of government spending, imports and economic activity. IMF financing, therefore, facilitates a more gradual and carefully considered adjustment. As IMF lending is usually accompanied by a set of corrective policy actions, it also provides a seal of approval that appropriate policies are taking place.

Source: BoZ/MoF

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THE LEGAL STRUCTURE OF THE BRETTON WOODS INSTITUTIONS: THE CASE OF THE IMF

By Lungisani Zulu

Early December, 2021, the International Monetary Fund announced that they had reached a staff-level agreement with the authorities of Zambia on a three-year program supported by an arrangement under the Extended Credit Facility (ECF) in the amount of about SDR 980 million or $1.4 billion.

As before the said announcement, since then, the debate rages on about the merits and demerits of the country getting into an IMF programme. Proponents point out the positive impact of an IMF programme including unlocking new money, attracting international finance and goodwill as well as benefits of its technical assistance while opponents point out the well-known 'conditionalities' which are infamous for inducing 'suffering', creation of moral hazard where countries begin pursuing unsustainable budgets because they believe the world community, led by the IMF, would come to their rescue. Others accuse the international lender of either doing too much or too little in economies they support, an impossible balancing act.

However, this article is not aimed at adding to that debate, rather, it points out the legal structure of the Bretton Woods Institutions, the IMF and World Bank, but beginning with the IMF in this first part. A subsequent paper will deal with the World Bank. They are called Bretton Woods Institutions because they were conceived at the famed United Nations Bretton Woods Conference in New Hampshire, United States in 1944.

The IMF was conceived by the 44 countries in attendance who sought to build a framework for international economic cooperation and avoid repeating the competitive currency devaluations that contributed to the Great Depression of the 1930s. The IMF's primary mission is to ensure the stability of the international monetary system—the system of exchange rates and international payments that enables countries and their citizens to transact with each other.

The Articles of Agreement of the International Monetary Fund are the constitutive documents of the IMF and were adopted on July 22, 1944. They were originally accepted by 29 countries and since then have been signed and ratified by a total of 190 Member countries, Zambia being one such member. As the charter of the organisation, the Articles lay out the Fund's purposes, which include the promotion of 'international monetary cooperation through a permanent institution which provides the machinery for consultation and collaboration on international monetary problems'. The Articles also establish the mandate of the Organization and its members' rights and obligations, its governance structure and roles of its organs, and lays out various rules of operations including those related to the conduct of its operations and transactions regarding the Special Drawing Rights.

The key functions of the IMF are the surveillance of the international monetary system and the monitoring of members' economic and financial policies, the provision of Fund resources to member countries in need, and the delivery of technical assistance and financial services. The Articles are complemented by the By-laws of the Fund adopted by the Board of Governors, themselves being supplemented by the Rules and Regulations adopted by the Executive Board.

With respect to the governance structure, the Board of Governors of the IMF is the highest decision-making body and consists of one governor and one alternate governor for each member country. The governor is appointed by the member country the governor of the central bank or the minister of finance. All powers of the IMF are vested in the Board of Governors.

The IMF Board of Governors is advised by two ministerial committees, the International Monetary and Financial Committee (IMFC) and the Development Committee. The IMFC has 24 members, drawn from the pool of 190 governors. The IMFC meets twice a year, during the Spring and Annual Meetings. The Committee discusses matters of common concern affecting the global economy and also advises the IMF on the direction its work. At the end of the Meetings, the Committee issues a joint communiqué summarising its views. These communiqués provide guidance for the IMF's work program during the six months leading up to the next Spring or Annual Meetings. There is no formal voting at the IMFC, which operates by consensus.

The Development Committee is a joint committee, tasked with advising the Boards of Governors of the IMF and the World Bank on issues related to economic development in emerging and developing countries. It represents the full membership of the IMF and the World Bank and mainly serves as a forum for building intergovernmental consensus on critical development issues.

The IMF's 24-member Executive Board conducts the daily business of the IMF and exercises the powers delegated to it by the Board of Governors, as well as those powers conferred on it by the Articles of Agreement.

The Board discusses all aspects of the Fund's work, from the IMF staff's annual health checks of member countries' economies to policy issues relevant to the global economy. The Board normally makes decisions based on consensus, but sometimes formal votes are taken.

In terms of loans, there are three more widely implemented facilities by which the IMF can lend its money. A Stand-By Arrangement (SBA) offers financing of a short-term balance of payments, usually between 12 to 24 months, but no more than 36 months. The Extended Fund Facility (EFF) is a medium-term arrangement by which countries can borrow a certain amount of money, typically over four to 10 years. The EFF aims to address structural problems within the macroeconomy that are causing chronic balance of payment inequities. The structural problems are addressed through financial and tax sector reform and the privatisation of public enterprises.

The third main facility offered by the IMF is known as the Extended Credit Facility. The Extended Credit Facility (ECF) provides financial assistance to countries with protracted balance of payments problems. The ECF was created under the Poverty Reduction and Growth Trust (PRGT) as part of a broader reform to make the Fund's financial support more flexible and better tailored to the diverse needs of low-income countries (LICs), including in times of crisis. The ECF is the Fund's main tool for providing medium-term support to low income countries like Zambia. Like the newly announced programme, Zambia's last Fund programme was an Extended Credit Facility which was approved on 4th June, 2008 and expired on 29th June, 2011 having drawn down the full allocation of SDR 220.1 million.

Though debate will continue to rage on the desirability of an IMF programme and its merits, and this is a good thing, as the IMF will no doubt continue to seek ways to improve how it does business to continue to be relevant to its members, it is hoped that the article sheds light and puts context to what this IMF is.

The Author is Senior Legal Counsel in the Bank Secretariat Department

UNDERSTANDING FINTECH PART 1

Mr Kennedy Mukuka

What is the history of Fintech?

Fintech short for Financial Technology refers to the combination of technology and finance to enhance traditional methods of delivering financial services. It does not refer to the replacement of traditional banking as envisaged by others. This is because Fintech can be traced as far back as 1918 when the Federal Reserve in the USA developed the Fedwire which enabled electronic funds transfer to member banks and the roll-out of the universal credit card in 1950 by Diner's Club Inc.

In 1967 Barclays Bank installed the first Automated Teller Machine (ATM) in Enfield, North London. After this, other technologies followed such as the NASDAQ which was the first digital stock exchange (1971), introduction of digital banking platforms (1990s) and the first online payment system by PayPal in 1998. The advent of the 21st century saw an explosion of Fintech with the blockchain technology propelling Bitcoin, and other cryptocurrencies in 2009. This was followed by many other technologies such as mobile phone-based money transfers, digital banking, mobile wallets, artificial intelligence, and robotic process automation. Fintech continues to grow and according to a Survey conducted by the World Bank in 2020, the Global Covid-19 FinTech Market Rapid Assessment Study, Fintech in Sub-Sahara Africa had increased by 21 percent from 2019, same as North America while in the Middle East and North Africa it increased by 40 percent.

What is Fintech?

Fintech is the emerging industry that is using modern software and infrastructure in automating, modernising, and improving the delivery of financial services.

Therefore, Fintech applications compete with traditional methods of delivering financial products/services. This definition means that Fintech spans customers activity online to access financial, insurance and/ or investment services, applications that allow customers to conduct transactions, tools that enable Financial Service Providers (FSPs) to make financial lending decisions, and investors' research on their portfolios. Fintech companies, therefore, include both the established and start-up companies all competing to replace or enhance the use of financial services.

Examples of Fintech in Zambia

Trending Fintech examples include mobile payments and transfers available to anyone that owns a mobile phone sim card in Zambia on any of the three Mobile Network Operators (MNOs), Airtel, MTN and Zamtel or Zoona subscribers; digital lending; investments such as Patumba and Insurance such as the mobile Absa Life Insurance.

Other Fintech examples include, crowdfunding platforms, Regtech, blockchain, Artificial Intelligence (AI) and Machine Learning (ML), big data and deep data analytics, robotic process automation, Internet of Things (IoTs), digital money, and Exchange Traded Funds (ETFs) platforms.

What are the benefits of Fintech?

Some notable benefits of Fintech include:

- Lowered costs of accessing financial products/services by users – this has arisen from widely accessible technology at reduced costs such as open-source software, and cloud computing {e.g., Platform as a Service (PaaS) and Software as a Service (SaaS)} which have enabled small companies to develop solutions that were previously very costly.
- Emergence of targeted financial products/services – Fintech companies tend to specialise in a specific customer solution or niche market thereby eliminating the one size fits all type of financial solutions which tend to marginalise certain segments or groups. For instance, men and women, rural and urban dwellers, youths, and adults, and MSMEs may all require tailored financial solutions rather than a generic product/service. Further, specialisation is according small Fintech companies the opportunity to compete with the big corporations.
- Eliminating geographic distances – Technology, especially the internet and mobile telecommunication, has resulted in the development of borderless solutions which reduce or eliminate the cost of delivering financial solutions across multiple geographic locations. The financial solutions do not require the physical presence of the provider in every geographic location for users to access financial products/ services. This trait, alongside the lowered cost of product/service delivery, has been of particular importance in promoting financial inclusion. Therefore, fintech and financial inclusion are conjoint.

Are Fintech solutions and companies subject to regulation?

Irrespective of non-governmental selfregulation or informal regulation, any entity that offers a financial product/service and/or payment system solution in Zambia is subject to the regulation of any of the three financial sector regulators, BoZ (i.e. regulation and supervising of banks, non-banks, and payment systems), Pensions and Insurance Authority (i.e. regulation and supervision of pensions, pension schemes and insurance service providers) or the Securities and Exchange Commission (i.e. regulation of capital markets – licensing, registration and authorisation of financial intermediaries, issuers of debt, equity instruments and collective investment schemes). Therefore, any Fintech that wishes to operate in Zambia must conform to the relevant regulations under which the operations or financial solutions are to be licensed. Regulating the financial sector is important for the following reasons:

- It helps to create order and maintain confidence and a level playing field in the market because the rules provide reliability and assurance that they would be enforced. This attracts and provides confidence to customers, new entrants, and investors because the regulations assure similar application of rules for all market players, and that bad conduct will be punished.
- It limits systemic risk by providing security that the products/services are not a threat to individuals, third parties or the broader economy.
- Seeks to prevent criminals and terrorist groups from using the financial system.
- It provides a redress mechanism for consumers by limiting the loss and/risk they face from bad actors or unfair actions of financial service providers.

Cognisant of the need to abide to regulation to provide a financial service/product, Fintech companies and financial institutions have the option to test their products/services in a live environment, known as a regulatory sandbox, before fully deploying to the market. This option extends to Fintech companies that are yet to fully comply with the regulatory requirements for obtaining a license. The sandbox is a controlled environment and the BoZ at the end of the test duration decides whether the product/service should be rolled out to mainstream market or rejected. At this point, a Fintech company that had not met all regulatory requirements on entering the sandbox is required to satisfy all the licensing requirements.

Are all Fintech companies and financial institutions requiring entry into the sandbox required to apply to the BoZ?

Since there are three financial sector regulators in Zambia, the BoZ regulatory sandbox is open to financial institutions, Fintech companies, financial products/services over which the Bank has regulatory oversight. Such institutions are governed by either the Banking and Financial Services Act No. 7 of 2017 and/ or the National Systems Payment Act (2007). Look out for Part 2 of this article which will introduce key terminologies in Fintech such as alternative finance, challenger banks, collaborative economy, Neobanks, IaaS, PaaS, SaaS, Merchant aggregator, NFC, smart money, etc.

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FINTECH	Card acceptance
	Bills & recharge
	Credit rating
	Financial management
	Insurance
	Investment management
	Online lending & financing
	Markets & exchanges
	Mobile wallets
	Payment & transfer gateways
	Retail banking

Babs Ogundeyi, CEO at Kuda. Kuda Bank is one of Africa's biggest neobank.

NEOBANKS.
WHAT ARE THEY?

By Kateule Nakazwe

Imagine going online using your mobile phone or computer, signing up for a bank account, getting a debit card and making transactions with no paperwork and without having physical contact with the bank or a person from the bank.

A neobank is a bank that has no physical presence and exists predominantly online. The term 'Neobank' emerged in the United States in 2017. Today, over 200 neobanks exist around the world. Neobanks use 100% digital or online platforms such as applications or website to offer banking services to clients.

You're probably thinking, so how do neobanks differ from FinTechs? The difference is small because Neobanks are a subcategory of Fintech. Although FinTechs also leverage technology to offer financial services, they also maintain a brick-and-mortar physical presence, neobanks don't. FinTechs are regulated or chartered while neobanks are usually not, until they are big enough and offer enough services to be regulated.

Are neobanks safe? Yes. Neobanks are just as safe as any online business although the lack of regulation may be a concern to many. One must do his due diligence before engaging one. It is a customer's responsibility to be sure they select a bank that provides some form of deposit insurance, has login and PIN security settings and other security features. The bulk of neobank users are aged between 18-35 yrs and the reason for this is simple, young people are more trusting of technology and neobank offerings of zero fees on cards and account maintenance is attractive to this demographic. The COVID19 pandemic has also accelerated the need for contactless onboarding and transactions.

Existing predominantly online might not be attractive to everyone. Some clients might consider having no physical branch as a red flag. Speaking to a member of staff in person builds a level of rapport and trust that would be difficult to achieve the neobank way. Being able to see the building or speak to a staff member provides some clients with trust and assurance. Does Africa have the necessary infrastructure to embrace and grow neobanks? The answer to this question differs according to where you are in Africa. Each African country has varying degrees of infrastructure and frameworks that make it possible or challenging for neobanks to exist and thrive. For example, Nigeria has one of the most advanced environments to support neobanks and fintechs, some of these include:

- **High internet penetration**

Nigeria has the highest number of internet users in Africa which translates to a large client pool for neobanks. Customer adoption and onboarding clients is challenging for neobank operators in countries with low internet penetration and high digital illiteracy. The South African neobank, Tyme addressed this challenging by building a USSD platform to on-board users.

- **Centralised User Identification**

Nigeria through its Inter-Bank Settlement System allows for individuals to have a unique Bank Verification Number (BVN) which is accepted as a means of identification across ALL Nigerian Banks. The BVN offers Neobanks operating in Nigeria an easy and automated solution to on-board and verify users' identities for risk management.

Identity verification infrastructure is a major challenge for neobanks in Africa because most countries do not have a centralised system to help operators identify individuals and reduce the risk of fraud. According to the World Bank, majority of countries in Africa including Zambia, Tanzania and Malawi only register less than 30% births a year. Additionally, addressing infrastructure poses another challenge for neobanks to achieve a full digital experience. It is necessary for neobank operators to have accurate address/location information of their users not just as part of their KYC but for them to manage logistical decisions in delivery of debit cards. Poor addressing systems make it harder to coordinate such efforts smoothly. Further there is also a need for financial sector regulators to provide guidelines on how to navigate the regulatory landscape and provide policies to ensure neobanks are registered and regulated at the right time to enable them to scale. Neobanks in Africa do not have the funds nor capacity to replace traditional banking overnight, but they can partner with banks to help them expand into new markets. They can help traditional banks connect with previously unbanked users, serve consumers in niche and emerging markets. This can include businesses and entrepreneurs who need tools the bank currently does not offer. They can enable banks to serve customers in geographies where the bank does not have branches. They can help traditional banks connect with younger, more tech-savvy users. Neobanks can help bridge the gap between traditional banks' services and clients' changing needs and expectations in the digital age.

Zambia has started to see traditional banks push towards increasing digital customer interfacing. Standard Chartered Bank has in a period of 3 years managed to on-board clients using its mobile and website application, with the debit card being delivered to the user without them stepping into the branch.

The author is Assistant Manager - Media and Publications in the Executive Department

STRATEGIC PROJECTS THAT ARE TRANSFORMING THE BANK

By Namukulo Mwauluka

The Bank of Zambia Strategic Plan 2020-2023 was launched in December 2019 under the theme, building a resilient and inclusive financial sector. This plan has two focus areas namely financial stability and financial inclusion as a build up to the previous plans that focused on monetary policy.

The strategies within the plan are implemented mainly through projects and programmes to ensure structured delivery and attainment of the desired business benefits. The Bank's Project Management Office provides oversight of these projects. The 2020-23 Strategic Plan has several transformative projects which we shall briefly explore in this article.

Financial Stability

In the area of financial stability, the Bank has several strategic projects aimed at strengthening micro and macro prudential regulation and supervision. Microprudential supervision provides oversight at the level of the individual organisations that make up the financial system (firm-level oversight) while macroprudential supervision provides oversight over the entire financial sector (the financial system as a whole). These projects include:

i. The Supervisory Technology (SupTech) Project.

This project will implement a technology-based solution for the analysis of large volumes and high velocity supervision data. This will enable the Bank to undertake more data-intensive, risk-based supervision by capturing larger and richer datasets from various sources thereby enhancing the supervision process. Once implemented the Bank will have enhanced capabilities to supervise and provide oversight over regulated entities.

ii. The Market Infrastructure Resilience Programme.

Stability of systemically important financial market infrastructure is essential for a stable financial system. Under this programme the Bank will upgrade the Real Time Gross Settlement System (RTGS) and the Central Securities Depository (CSD). These upgrades will introduce greater resilience to failure in these systems to achieve greater system availability.

The programme will also see the Bank transitioning from the SWIFT MT messaging standard for financial data interchange to the ISO20022 Standard. This is an industry wide standard change which the Bank is managing in collaboration with all the stakeholders. These changes once implemented will provide greater flexibility and resilience of the RTGS and CSD.

iii. The Data Warehouse Project

Data is a key element in decision-making. The Bank therefore is implementing a data warehouse for the collection and management of data derived from various internal and external sources. The data warehouse is a computer-based system that will provide centralised storage for data collected by various systems including the SupTech. The centrally stored data will then be easily mined using business intelligence tools to inform decision making on supervisory and monetary policy.

iv. The Crisis Simulation System Project.

In the wake of the 2007-08 global financial crisis, the Bank is strengthening its Crisis Management and Resolution Framework to enhance crisis preparedness. This process will include implementing a technology-based system for crisis simulation. This system will enable the Bank to conducting crisis simulations in the financial system and establishing a model for determining the most cost-effective option for crisis resolution.

v. The Government Securities Online Application Platform Project.

The Bank recognises the need to simplify the process that individuals and other institutional investors go through to participate in Government Securities (Treasury Bills and Bonds). Individual and institutional investors only access the CSD through either a commercial bank or by manually applying directly to the Bank. This arrangement has proven costly and inefficient as the affected investors are required to obtain a letter of guarantee from their bankers at a cost. The Bank is addressing this challenge by creating a mobile and web-based platform through which investors will be able to participate electronically in the auction of Government securities. This is aimed at widening the participation in these auctions by simplifying the process.

Financial Inclusion

Under this focus area, the Bank will continue to leverage on Digital Financial Services (DFS) and partnerships with key stakeholder institutions to increase the percentage of Zambian citizens that have access to financial services. A key project under this area is aimed at monitoring the progress of financial inclusion. Financial inclusion is measured every five years through the FinScope Surveys. The 2020 FinScope survey was conducted as a project to easily manage stakeholder expectations and deliver the survey results on time. In addition to the FinScope survey, the Bank is developing a financial inclusion index that will measure the level of financial inclusion on an annual basis. These innovations will enable the Bank to scale up financial inclusion interventions such as promoting DFS and promoting partnerships to increase penetration of rural financing.

Conclusion

The projects listed above are but a sample of some of the key projects arising from the 2020-23 Strategic Plan. These projects once implemented, will transform the Bank by strengthening the focus areas of financial stability and financial inclusion. They will enhance the Bank's capabilities to ensure that the financial system remains stable and provide visibility of the level of financial inclusion on a more regular basis.

The Author is Project Management Specialist in the Strategy and Change Management Department

AN EXPOSITION OF BUSINESS CONTINUITY MANAGEMENT

By Andygean Luombe

Introduction

Business continuity is about preparing for disruptions before they occur as well as responding effectively when they occur. This helps to minimise adverse impacts of any incident on the organisation. One of the key elements required for an effective business continuity program is an approved Plan (or Business Continuity Plan i.e. BCP) to deal with difficult situations, so that an organisation can continue to function with as little disruption as possible. Whether it's a business, public or private sector organisation, there is need to know how to keep going under any circumstances.

According to ISO 22301: 2012 business continuity is the capability of the organisation to continue delivery of products or services at acceptable predefined levels following a disruptive incident.

Business continuity is therefore a key management discipline that builds and improves organisational resilience. It is a methodology that an organisation should adopt as part of its overall approach to managing risks and threats. Further, it identifies an organisation's priorities and prepares solutions to address disruptive threats.

The risk picture of likely threats disrupting business has darkened appreciably in recent times: cyber-attacks are on the precipitous rise; IT outages and the ongoing COVID-19 crisis shows no end in sight. Un- (or even under-) prepared companies, particularly small to medium-sized businesses stand to lose everything. Extreme weather events too have been a great cause of disruption in recent years, becoming less and less predictable with the apparent acceleration of climate change.

Adverse weather impacts are a fact of life and represent considerable risk for many organisations. Appropriate responses need to be developed by organisations thus affected.

These are just some of the many incidents that an organisation needs to consider and plan for.

In this regard, Business Continuity helps to recognise potential threats to an organisation and analyses what impact they may have on critical or key operations. It also provides a way to mitigate these threats by putting in place a robust framework which allows key functions of the business to continue even if the worst happens.

Business continuity management is a holistic management process for identifying potential threats to an organisation and the operational impacts those threats would pose. It helps to build a robust framework for organisational resilience, in compliance with regulations and prevailing business standards like ISO 22301.

That's typically where the business continuity plan comes in. A mainstay of the practice, business continuity plans are designed and executed to prepare organisations to maintain essential functions in the event of a disaster or other major disruptions.

For an effective business continuity management, there is need to have a programme in place. A **BCM programme** is absolutely essential for any organisation that seeks to develop and enhance organisational resilience.

The business continuity programme is put in place to implement the business continuity policy when the scope, governance and roles and responsibilities have been defined.

What is organisational resilience?

Organisational resilience is defined as: 'the ability of an organisation to absorb and adapt in a changing environment' - (Good Practice Guidelines 2018 Edition)

- It is a quality within an institution which allows it to manage crises and disruption to operations, resist sudden shocks and adapt to changes.
- It enables organisations to get to where they want to go (strategy) and do so in the manner they desire (reputation, preservation of value).

Components of Resilience

Improving resilience involves:

- Several planning stages;
- Management action, support and commitment,
- Encouraging buy-in from interested parties,
- Responding to competencies and skill requirements,
- Understanding business continuity requirements,
- Designing and implementing business continuity solutions that enables the institution to respond to an incident.
- Ongoing validation with the ultimate goal of continuous improvement of BCM capabilities.

Both the 11 September 2001 terror attacks and late 2000's financial crisis spurred upticks in the popularity of business continuity management systems (BCMS). After both crises, federal, state, and local governments even went so far as to put new statutes on the books, mandating a base-level of business resilience among organisations operating in their jurisdictions.

Establishment of the Bank of Zambia BCM Programme

The BCM Programme was set up in 2008 when the Board approved the establishment of the programme. The BCM Policy was considered and approved by the Board in the second quarter 2008. This was then aligned to the BCM Programme to ensure that the Bank had a sustainable well focused, understood and fit-for-purpose programme. The BCM was recognised as an integral management feature and critical treatment of the disruption risk within the Bank.

To a great extent, significant strides were made in this direction as a framework for BCM in information technology was already in place. Consistent with this progress, it was recommended that the disaster recovery and business continuity plans be enhanced and periodically subjected to sensitivity tests based on a variety of plausible scenarios to which the Bank may be vulnerable.

The need for working business continuity plans was formerly recognised and monitored at Board level as a means of ensuring that the Bank had the capacity and ability to respond and execute these plans in the event of severe business disruptions. As such each functional area needed to ensure that contingent arrangements were in place to allow continued execution of their functions.

It was further made a requirement for these plans to be subjected to a periodic review or update to ensure that they remained consistent with the Bank's operations and business strategies.

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PERSONALITY PROFILE

In this edition, we feature Taonga Chisamanga from the Information and Communications Technology (ICT) Department. Taonga is an Information Technology professional with over 10 years of experience with major strengths in cyber security, project management, and IT operations.

Taonga is Assistant Manager- Service Management responsible for IT service delivery, business resilience, and enforcing the use of ICT security policies, standards, and procedures in the Bank. He joined the Bank in 2019 as Technical Support Specialist. Prior to this role he worked at Standard Chartered Bank Zambia as Country Technical Specialist/ Business Information Security Officer overseeing and delivering numerous IT projects for seven years.

Zambanker: Tell us about your educational background and specialisation

TC: I have an MBA in International Business and a degree in Computer Science from the University of Greenwich. I have several certifications namely: Foundation Certificate in IT Service Management (ITILV4), Moody's Credit Skills Assessment Certification (CSA), Certified in Risk and Information Systems Control (CRISC), Certified Information Security Manager (CISM), Cisco Certified Network Professional (CCNP), Cisco Certified Network Associate Security (CCNAS), Cisco Certified Network Associate (CCNA). I am a member of the Information Systems Audit and Control Association (ISACA) and the Project Management Institute (PMI). I have excellent knowledge of IT processes regarding Information Security, Information Assurance, Business Risk Management, IT Solution Development, and significant commercial experience.

Zambanker: How do you explain ICT concepts to persons with limited tech skills?

TC: I avoid using jargon as much as possible and try to translate technical language into layman's terms however best I can. I also focus more on the end result and less on the how process. I also use analogies to illustrate a topic when giving presentations.

Zambanker: How do you keep your technology skills current?

TC: As technology is ever evolving, it is important for me as a tech professional to keep up with the latest trends to be able to solve problems and provide solutions. I therefore keep my skills up to date through continuous learning both on the job and through professional development activities such as seminars, webinars, and courses.

I also reserve time every day to dive into something new, whether it is a new piece of software, a new dev tool, new framework, or new operating system. As well as follow blogs, subscribe to newsletters, and follow industry leaders on social media, attend industry events, tap into my ICT networks and seek online courses and credentials. Other avenues include: reading about new developments, experimenting with personal projects and holding peer reviews.

Zambanker: How do you think technological advances have impacted your job?

TC: Technological advances are transforming the way we work, reducing the demand for some jobs while increasing the demand for others. Jobs that are not experiencing high growth are still undergoing rapid technological adoption, necessitating the acquisition of new skills to remain relevant. Automation, cloud computing, machine learning, and artificial intelligence have all had a significant impact on technology professions, resulting in high demand for the necessary IT skills.

Zambanker: Your job is very demanding. What is your approach to handling multiple tight deadlines?

TC: I start by writing down my deadlines and then prioritising my tasks. I arrange my schedule in such as way that I separate what is urgent from what is important and by also determining which tasks will take the most time, energy, and resources. This helps me monitor my progress towards meeting deadlines. I am however aware of my limits and try not to over commit because my services are required in multiple areas. Sometimes, I have to renegotiate new deadlines with both my supervisors and clients.

Zambanker: How has the outbreak of the Covid-19 pandemic affected your work as an ICT person?

TC: The demand for ICT services has risen since the outbreak of the COVID-19 pandemic and we have had to quickly adapt to the new environment to keep the operations of the Bank going. We learnt to cope with the changes quickly, rolling out several technologies simultaneously and providing users with the necessary tools for effective delivery of services. Initially, the stress levels increased with the demand for technology tools at their highest in the Bank but we were quick to adopt new technologies and processes during the first lockdown which helped alleviate the stresses that came with successive Covid-19 and remote working.

The pandemic provided a good learning experience with regards to organisational resilience. I believe we are now a more resilient organisation than we were before.

Zambanker: What skills or characteristics make someone an effective remote worker?

TC: To be an effective remote worker it is important from the onset to set some boundaries. The first step is to set up a separate workspace. In that space, you are at work, but you're at home outside of it. This generates a structure in your mind and for everyone around you.

One has to stay engaged at all times. Engaging with your coworkers and the Bank as a whole by asking questions is something you may have to force yourself to do. Having frequent conversations by phone, text, email, or video chats may be the only way to keep track of how your tasks and projects are progressing.

Get comfortable with technology tools to help you work better. You can develop digital collaboration abilities by familiarising yourself with common tools and software used to link remote employees, including applications for sharing work files such as OneDrive, OpenText ECM, and SharePoint.

The most important thing is to ensure one delivers. The biggest stumbling block for remote workers has been the underlying issue of trust. Your boss needs to know that you will deliver and perform, that you will stick to deadlines, and that you'll go above and beyond.

Zambanker: Tell us about a successful project that you were part of and are most proud of in the Bank?

TC: The Financial Scoping (Finscope) project that we undertook in 2020 in collaboration with our other financial institutions!! The objective of this project was to determine the levels of access to and use financial products and services by the adult population and provide policy information needed for the development of the financial landscape. My role was data analysis as well as training the data collectors on how to use an application called Computer Aided Personal Interview (CAPI).

Zambanker: How do you manage your work-life balance?

TC: I do not necessarily believe in work-life balance. What I believe in is having a good quality life which, for me means giving 100% to everything I do. I view quality of life from a multidimensional perspective, encompassing emotional, physical, material, and social well-being. I think that if one does not design and take charge of their life, someone else will do and the affected person may not like what the other person's idea of balance is.

Zambanker: How do your colleagues describe you?

TC: My coworkers characterise me as upbeat, lively, professional and always willing to help. A person who is constantly striving to go above and beyond to provide and deliver the best service. When we face a difficult challenge, my coworkers frequently compliment my positive attitude and problem-solving ability.

Zambanker: What activities interest you outside professional circles?

TC: I enjoy watching and playing rugby and soccer whenever I get the time, I also participate in a lot of marathons that take place within Lusaka. I usually spend my Sundays at Church participating in different activities.

Your last words to the Zambanker reader?

TC: With the way technology continues to advance at a rapid pace, digital skills have become an assumed skill that every employee should have. For anyone to navigate the current digital demands, professionals will need to look beyond the skills of today, towards the demands of tomorrow. We need to focus on upskilling and obtaining the knowledge to have a basic understanding of how technology works.

MODERNISING THE BANK OF ZAMBIA LIBRARY

By Kamyalile S. Chileshe

Accurate, timely and relevant information plays an important role in decision making, policy formulation and implementation. The Bank of Zambia Library is a repository of information and an agency of information transfer which, when effectively organised and properly supported, can provide technical, economic, financial and other relevant information required for decision making, research and personal development.

For the Library to effectively deliver services, there is need to understand needs of users so that future Library activities are aligned to user and institutional goals. In this regard, the Bank conducts periodic Library Information Needs Assessment Surveys to identify and understand the information needs of users. Knowledge about Library information needs of users are also critical to enhancing existing information management programmes and strategies or even developing new ones that will enhance information service delivery.

Findings from the survey conducted between August 24 - September 18, 2020 suggest that interest in a virtual library has grown considerably, with 54 percent of the respondents ready to fully embrace emerging virtual technology for their information needs. The Library on the other hand has embraced the idea by taking the lead in attempting to predict how patrons will use this medium and design necessary tools to meet the anticipated needs.

By identifying user information needs and keeping abreast with their changing needs, the development of a virtual library would enable users access resources remotely. These resources can be accessed anytime and anywhere by use of internet connections. The goal of developing a virtual library would be to acquire relevant electronic information resources that support the strategic direction and core functions of the Bank. By developing a virtual library, the Bank would increase access to and acquisition of inter-disciplinary and multi-format information resources that enable users to be efficient and effective as they undertake their work assignments or personal development goals.

There are several information sources that can be accessed by users through a virtual library such as ebooks, e-journals, magazines and peer reviewed scholarly papers. Other sources of information include various internet sites that offer open access documents and other libraries. The main information source used by respondents in the survey was internet sites specifically those that deal with scholarly papers, abstracts and electronic journals. Most electronic journals are accessible through subscription to databases such as Science Direct, Ebsco host, Emerald, Wiley and JSTOR which offer a wide range of peer reviewed journals. On the format of information resources, the majority (77.8%) of respondents in the survey preferred the electronic version and this showed the importance of developing a virtual library and procuring electronic resources that are easy to access.

Developing a virtual library has various benefits. One of the benefits of using electronic information resources is that they can be widely distributed and easily accessed on a variety of devices. This allows for simultaneous access by multiple users. Electronic information resources are easy to download from the internet onto a portable device so that the users can read electronic information resources from any place and at any time. This ensures a wide usage of the resources by various users. Some electronic information resources are available in changeable formats from audio to printable versions and enable users to interact and select their preferred format. Users are also able to customise the font size and color depending on what they prefer. Electronic information resources are searchable, enabling a user to search for topics or keywords for some resources such as eBooks and to directly skip to the required page. A virtual library will enable users that are working from home to access and use information resources at their own time and in their preferred location.

The traditional library should, however, continue to exist with a modified vibrant and inclusive environment. The physical library must be able to provide a quiet reading space for physical research and user learning. With a main feature of having a welcoming library environment that invites innovative and critical thinking areas for its users, the traditional library should provide personal comfort for the user's physical needs. Another feature would be having high internet speed and investing in technological devices that support and enable access to electronic books and resources. Maintaining a client centered virtual and digital environment within the library is vital in increasing usage of resources. These online collaborative environments could be used for knowledge sharing, online tutorials and innovation.

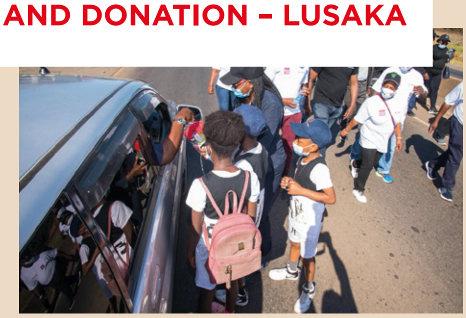
The conclusion from the survey is that the levels of satisfaction by Library users was average and there was need to improve these satisfaction levels. This can be partly achieved through enhanced user education, promotions and awareness programmes on new library resources provided via online library tutorials. Furthermore, in order to increase user satisfaction with library services, there is need to invest in a collection that stocks comprehensive, adequate, current and relevant information materials. Information needs and use vary from one user to another. Therefore, a Library should provide the right information from the right source to the right user and at the right time.

The author is Librarian in the Economics Department

2021
EVENTS RECAP

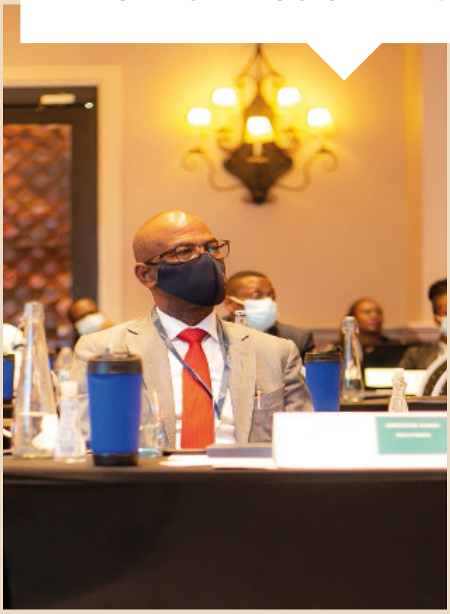
Q1 MPC ANNOUNCEMENT & MEDIA BRIEFING – LUSAKA

CHESHIRE HOMES FUNDRAISING WALK AND DONATION – LUSAKA



COVID-19 VACCINATION – LUSAKA

LEGAL SYMPOSIUM – LIVINGSTONE



MEDIA SEMINAR - KABWE

FAQ ON MONEY CIRCULATION/ PONZI SCHEMES/CRYPTO

INTRODUCTION

The Bank of Zambia has noted the prevalence of organisation that lure people to invest in investment options which promise high and unrealisable returns. As part of the continuous awareness efforts to members of the public, the Bank of Zambia wishes to share the following insights on frequently asked questions on money circulation schemes, Ponzi schemes and cryptocurrencies.

What is a Money Circulation Scheme?

A money circulation scheme is a plan, arrangement or understanding between two or more persons which involves the pooling and distribution of funds by recruitment of subscribers. The continuation of its existence and the realisation of any of its benefits substantially depend on the incremental recruitment of subscribers from the public for an unspecified period.

What is a Ponzi Scheme?

A Ponzi Scheme is a fraudulent investment operation that pays returns to its investors from their own money or the money paid by subsequent investors, rather than from profit earned by the individual or organisation running the operation. The scheme usually entices new investors by offering higher returns than other investments in the form of short-term returns that are either abnormally high or unusually consistent. Perpetuation of the high returns requires an ever-increasing flow of money from new investors to keep the scheme going. Hence, fraudsters focus on bringing in new people whose funds are used to pay the 'high returns' to investors.

Are Money Circulation and Ponzi Schemes Legal?

Money Circulation and Ponzi Schemes are prohibited under the Banking and Financial Services Act. The viability or continued existence of the schemes is dependent on the incremental recruitment of subscribers from the public. When new subscribers cannot be found, the schemes fail. The fraudsters syphon the money out of the scheme and disappear once the scheme reaches a certain threshold or size at which point all the people that invested in the scheme lose their money.

What should you look out for to avoid being defrauded through a Money Circulation or Ponzi Scheme?

You may look out for the following indicators to help you identify whether the investment activity is a money circulation or Ponzi scheme:

1. Promise of high returns with little or no risk – people are required to beware of promised high returns or profits with little or no risk. High returns typically have high risk.
2. Returns or profits paid within a short period of time – fraudsters in Ponzi scheme will normally pay out 'the high returns' at short intervals so as to attract new members.
3. Not licensed or regulated – people are required to make sure they check with the relevant authorities on whether the individual or firm offering the investment opportunity is licensed or regulated. People are encouraged to conduct financial transactions using licensed institutions.
4. Complex investment products – people are required to avoid investing in products that they do not understand or where they do not get complete information.
5. Lack of documents for review – people are required to be skeptical when excuses are given for not making available documents such as licenses, permits etc.
6. Difficulty with cashing out – look out if you do not receive your payment or when you have difficulties in getting your money back.
7. Information on the investment opportunity comes through a known person – fraudsters usually take advantage of groups (including religious grouping), family members, friends, leaders or prominent people knowingly or unknowingly to bring in new members or share information on the investment opportunity'.

What should I do if I notice people operating a Money Circulation or Ponzi Scheme?

Members of the public are urged to be cautious when presented with information on investment options with promise of high returns within a short period of time. Where it is suspected that the option is a scam, report to the police or relevant authorities to investigate. This noble action may save many other Zambians from being defrauded.

What is the position of the Bank of Zambia on Cryptocurrencies?

Cryptocurrencies are not legal tender in Zambia. Section 30 of the Bank of Zambia Act vests the right to issue notes and coins exclusively in the Bank of Zambia and to date, the Bank has not issued any form of cryptocurrency. BoZ does not oversee, supervise nor regulate the cryptocurrency landscape and all activities are therefore performed at owner's risk. Notwithstanding, the Bank will continue to monitor developments in this area.

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