ZAMBANKER

DECEMBER, 2022 EDITION

Bank of Zambia

A BANK OF ZAMBIA JOURNAL

INSIDE THIS ISSUE

- BoZ, PARTNERS TO PILOT CGS TO CUSHION MSMES
- PROJECTED ECONOMIC GROWTH AN IMPORTANT START
- DRIVERS OF GROWTH IN ZAMBIA

www.boz.zm

Regional Office
Buteko Avenue,
P. O. Box71511, Ndola, Zambia.
Tel: (+260) 212 399600
E-mail: info@boz.zm
Website: www.boz.zm

Head Office
Bank Square, Cairo Road
P. O. Box30080, Lusaka, 10101, Zambia.
Tel: (+260) 211 399300
E-mail: info@boz.zm
Website: www.boz.zm

@BankofZambia

Bank of Zambia

Bank of Zambia

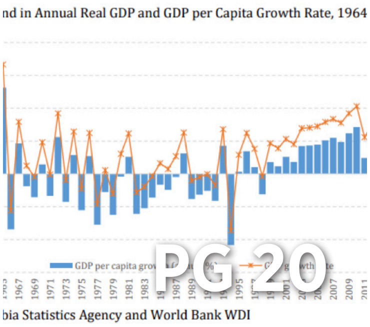
CONTENTS

SHETRADES TO EXPAND WOMEN'S PARTICIPATION IN TRADE

The International Trade Centre (ITC) and the Bank of Zambia have signed a Memorandum of Understanding to advance inclusive trade in Zambia. The partnership focuses on narrowing the gender-financing gap, which currently stands at 5.8 percentage points for formal financial inclusion, and unlocking new market and investment opportunities through strengthening the competitiveness of Zambian women-led businesses.

MPS STAND AS VALUED PARTNERS

Bank of Zambia Governor, Dr Denny Kalyalya says Members of Parliament (MPs) are valued partners to the Bank by virtue of their mandate to enact laws, debate and approve budgets and loans, shape and review development policies, and hold the Government accountable.

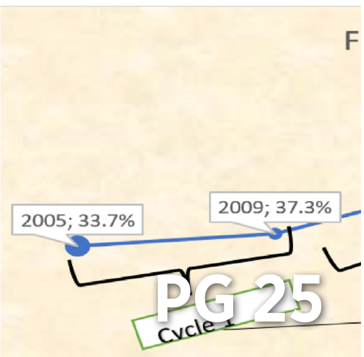


DRIVERS OF GROWTH IN ZAMBIA

The recent fluctuations in global economic growth have rejuvenated interest in understanding the key drivers of growth. Many developed and developing countries have continued to pursue economic growth as a cornerstone of economic transformation and improved standards of living.

KING CHARLES III BANKNOTES UNVEILED

The Bank of England has unveiled the design of the King Charles III banknotes. The portrait of The King will appear on existing designs of all four polymer banknotes (£5, £10, £20 and £50), with no other changes to the existing designs.



NATIONAL FINANCIAL INCLUSION STRATEGY

The Ministry of Finance and National Planning (MoFNP) with support of the World Bank is in the process of developing a second National Financial Inclusion Strategy (NFIS) as the current strategy will end on 31 December 2022.

BoZ, PARTNERS TO PILOT CGS TO CUSHION MSMEs

By Zambanker Reporter

The Bank of Zambia has partnered with the German Savings Banks Foundation for International Cooperation (DSIK) and the National Advisory Board on Impact Investment (NABII) to pilot the establishment of a credit guarantee scheme (CGS) in 2023, Deputy Governor-Operations, Dr Francis Chipimo has announced. Credit guarantee schemes (CGSs) are a common form of intervention to deliver public support for Micro, Small and Medium Enterprises (MSME's) access to finance.

Speaking during the graduation ceremony for the first cohort of the MSME Mentorship Programme in Lusaka, Dr Chipimo said the Central Bank is fully aware that access to finance, due to high and systematic collateral requirements, is one of the critical impediments to growth with respect to credit to MSMEs. He however, said CGS will reduce the expected default loss of banks on loan and increase bank lending to MSMEs.

He said credit guarantee schemes (CGSs) can play a catalysing role where the MSME financing gap is generally wide. Public sector involvement therefore becomes necessary to supply guarantee products in sufficient amounts. The idea is to reduce credit risk associated with lending to MSMEs by creating a risk sharing mechanism.

"Guarantees are usually provided against a fee, covered either by the borrower, the lender or both. In case of a default, the lender usually is obliged to proceed with the collection of the loan and share the proceeds with the guarantor. Credit guarantees allow the partial transfer of credit risk stemming from a loan or a portfolio of loans. In this respect, they show similarity to credit insurance products and credit default swaps. The 2023 pilot study

will focus on providing guarantees on loans to small- and medium-size enterprises (SMEs)," he said.

Meanwhile, Dr. Chipimo has acknowledged contributions by development partners such as the DSIK. Over the course of the years, (from 2013 to May 2022), interactive Business Games simulations developed by DSIK have been running and a total of 22,112 people have successfully been trained. These comprise participants in the microbusiness programme (12,212), farmers business programme (8,654); and the savings game programme (1,246).

In addition, the Bank and DSIK have provided support for the development of supplementary materials for the primary and secondary school financial education curriculum, as well as conducting outreach activities for the Financial Literacy Week and World Savings Day events.

The success of these Zambian programmes served as a Launchpad for the DSIK regional programmes in Malawi, Namibia and Zimbabwe.

"The mentorship programme we celebrate today is consistent with the broad partnership we have with DSIK. We applaud the fact that DSIK has successfully developed a Mentorship programme for MSMEs with Women's Entrepreneurship Access Centre (WEAC), the AGS Programme and MentorMe Africa. The Mentorship Programme's objective was to provide standards, principles and qualification tools for mentoring MSMEs in Zambia. After the pilot phase, the goal is to roll-out a programme that meets high academic and accreditation standards which will support the growth of MSMEs in Zambia," he said

The third area of activity that the Bank is engaged in to address the constraints MSMEs face is in generating information to assist more evidence based and innovative policy making. In this regard, the Bank of Zambia, in collaboration with the German Sparkassenstiftung in Southern Africa, Ministry of Small and Medium Enterprise Development, Ministry of Finance and National Planning, and the Zambia Statistics Agency, did conduct the MSME Finance Survey in June 2022.

The survey will help understand the following aspects about MSMEs: demographic profile, sources of start-up capital how they keep their records, the business environment and associated challenges, access to credit and associated challenges for the period 2017 to 2022, access to other financial products and services and access to the market for their products/services.

PROJECTED ECONOMIC GROWTH AN IMPORTANT START

By Zambanker Reporter

Dr Chipili

Mr Muhanga

The economy is projected to grow by 4.0 percent in 2023 and stay on the recovery path in the medium-term, Directors Economics and Financial Markets Departments, Dr Jonathan Chipili and Mr Isaac Muhanga have said. Making a presentation during the 9th Bank of Zambia Members of Parliament Seminar, the duo said the growth rate of 4.0 percent remains insufficient to meet Zambia's Vision 2030 goal of being a prosperous middle-income country, but is an important start.

They explained that the growth target is largely premised on the effectiveness of multiple support measures and reforms that Government is undertaking in various sectors, particularly mining, agriculture, manufacturing, and tourism.

They said Government has been pursuing fiscal consolidation and restoring macroeconomic stability through a combination of revenue mobilisation and expenditure rationalisation measures and reforms including undertaking a comprehensive set of Public Financial Management Reforms that comprise the enactment of the Public Debt Management Act No. 15 of 2022 and other measures announced in the 2023 Budget.

"Improvements in electricity supply, following the completion of the power generation units at Kafue Gorge Lower Hydropower Station, is expected to support growth. Key downside risks to the growth outlook include tighter global financial conditions, increases in commodity prices induced by the Russia-Ukraine conflict, lingering negative COVID19 pandemic effects and higher domestic maize prices due to short supply of staple grain in neighboring countries," they said.

They said, the Government targets to maintain international reserves above three (3) months of import cover in 2023. To achieve this, the Bank will continue with direct market purchases of foreign exchange, as conditions permit, and the local gold purchase programme. Expected donor inflows, announced in the Budget, are also expected to boost foreign exchange reserves.

Economic growth was sluggish in the first half of 2022. The economy grew by 2.4 percent and 3.5 percent in the first and second quarters, respectively compared with growth rates of 1.8 percent and 8.4 percent during the corresponding period in 2021. This was attributed to reduced performance in the construction, wholesale and retail trade, mining, and agriculture sectors. Real GDP was 3.1 percent in 2022. Lower output in agriculture was due to the late onset of the rains, drought, and flash floods in some parts of the country, during the 2021/22 farming season, as well as projected weaker performance in the mining and construction sectors explain the weaker growth.

The economy rebounded in 2021, with GDP growing at 4.6%, from a contraction of 2.8% in 2020. The recovery was driven by favourable performance in the agriculture, energy, construction, and Information and Communication Technology sectors, based on performance in the first three quarters of the year, high copper prices and post-election market confidence.

The economy fell into a recession due to the adverse impact of the COVID–19 pandemic in 2020. Real GDP contracted by an estimated 4.9%, after growing by 4.0% in 2018 and 1.9% in 2019. The contraction is the result of an unprecedented deterioration in all the key sectors of the economy. Manufacturing output fell sharply as supply chains were disrupted, while the service and tourism sectors were hurt as private consumption and investment weakened due to measures taken to contain the spread of COVID–19. Mining output, which declined initially due to falling global demand for copper.

Prior the COVID-19 pandemic outbreak, the economy was experiencing high inflation, widening fiscal deficits, unsustainable debt levels, low international reserves, and tight liquidity conditions.

Improvements in electricity supply, following the completion of the power generation units at Kafue Gorge Lower Hydropower Station, is expected to support growth.

BoZ WORKS AT ENHANCING INTRA-AFRICA TRADE AND INVESTMENT

The Bank of Zambia is working with African Export–Import Bank (Afreximbank) to facilitate for Zambian commercial banks to join the Pan African Payment & Settlement System (PAPSS). The PAPSS is operated by Afreximbank as a centralised financial market infrastructure, which will enable instant cross-border payments among the African Continental Free Trade Area (AfCFTA) member nations.

The BoZ signed the agreement for Zambia to join PAPSS on 31 December, 2022.

Afreximbank officially launched PAPSS on 13 January, 2022 after a pilot phase in the West African Monetary Zone (WAMZ) region. The system is designed to support integration of both national and regional payment systems across the continent. It facilitates instant payments in local currencies to support intra-African trade, facilitate economic and regional integration, as well as reduce costs and duration variability of cross-border payments.

PAPSS was launched by the Assembly of the African Union (AU), at its 12th Extra Ordinary Summit held in Niamey, Niger on July 7, 2019, and adopted it as a key instrument for the implementation of the African Continental Free Trade Agreement.

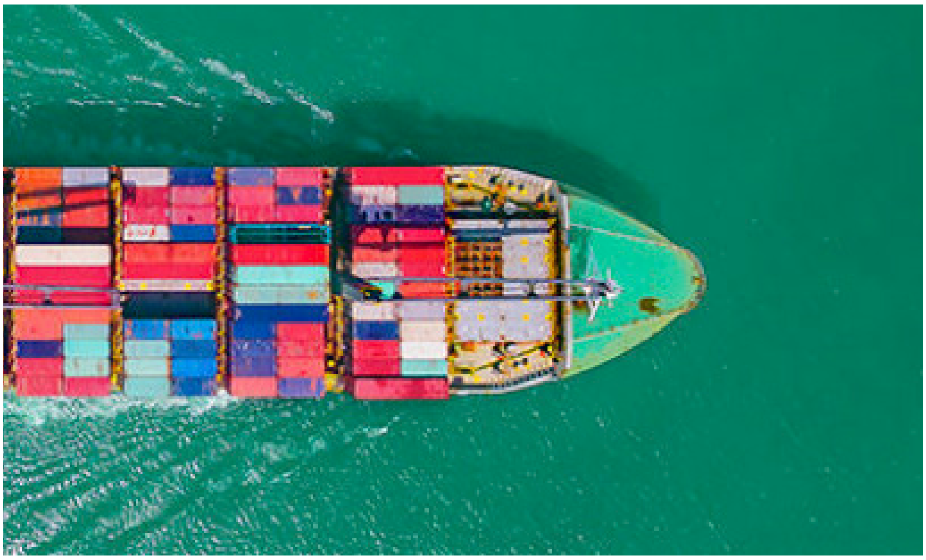
Zambia ratified the African Continent Free Trade Area in February 2021 to fulfil its commitment to enhancing trade among African countries. This aspiration is consistent with the objectives for establishing the African Continental Free Trade Area (AfCFTA) to improve intra-Africa trade and investment. This is intended to boost economic growth and development within the African continent.

To achieve a free trade area, there is a recognition for the need to have integrated cross border payment systems to facilitate payment mechanisms for trade within the continent. Against this backdrop, that Zambia welcomes the development of the PAPSS to facilitate instant cross border payment beyond the regional payment systems.

Once implemented, Zambia stands to benefit through the following ways:

- Increased reach and connection to other markets in Africa by enabling various stakeholders on the continent to trade with Zambia seamlessly. Thus facilitating for increased trade in Africa beyond the current regional set ups;
- Use of instant payment method across the continent. Faster and more efficient payments that will allow for quicker exchange of goods and services with countries beyond our region;
- Reduced need for hard currencies as payments will be made in local currencies by the trading partners. The need for hard currency (to pay for goods and services) is one of the key constraints to intra-African trade;
- The PAPSS is expected to result in reduced costs by cutting out correspondent banking, reduced liquidity requirements, reduced dependence on hard cash among others;
- The PAPSS is further expected to result in increased transparency and financial inclusion across the continent by formalising some of the informal trade that is prevalent across the continent;
- The country will further benefit from the PAPSS as it will support increased innovation and access to new markets across the continent.

Oversight of PAPSS will be provided by the PAPSS Governing Council (PGC) represented by Governors of Central Banks and the Payment System Oversight Committee ("Payment System Oversight Committee" or "PSOC"), a sub-committee of the PGC, with delegated powers from the PGC, represented by Heads of Payment System departments.



Source: Payment Systems Department

NEWS IN BRIEF

BoZ HOLDS POLICY RATE AT 9% TO PRESERVE ECONOMIC PERFORMANCE

The Monetary Policy Committee (MPC), at its November 21-22, 2022 Meeting, decided to maintain the Monetary Policy Rate at 9.0 percent, citing the continued downward trend in inflation. Over the forecast horizon, inflation is projected to maintain a downward trend and return to the target range of 6-8 percent in the first quarter of 2024.

The MPC noted progress made on debt restructuring under the G-20 Common Framework that paved way to the IMF approval of the Extended Credit Facility (ECF) in August, and has been followed up by active discussions with the Official Creditor Committee (OCC) as well as the Eurobond creditors. This is expected to lead to the conclusion of debt restructuring negotiations over the first half of 2023 with a significant positive impact on the budget, market sentiments, and mitigate some of the identified upside risks to the inflation outlook. These risks include tighter global financial conditions, adverse spillovers from the prolonged Russia-Ukraine conflict, and lingering COVID-19 effects. In arriving at its decision, the Committee also took into account sluggish growth and some vulnerabilities in the financial sector.

END OF YEAR ECONOMIC FORECASTS POSITIVE

The Zambian economic forecasts for the end of the year are all positive with real Gross Domestic Product (GDP) projected at between 3.1% and 3.5 % by the end of the fourth quarter of 2022, while inflation is projected to be down to between 8.2% and 9.0%. Market interest rate is projected to be stable by end of the 4th quarter of 2022.

This positive outlook for the economy presents a good opportunity for the financial sector to strengthen their capital positions and build capital buffers and countercyclical capital.

The approval of the much anticipated USD 1.3 billion Extended Credit Facility (ECF) by the International Monetary Fund (IMF) will also go a long way in creating fiscal space for increased social spending with a view to aiding poverty reduction. It is expected that this will in turn stimulate economic activity from which FSPs stand to play a critical role through financial intermediation especially provision of credit to the private sector.

NATIONAL STRATEGY ON FINANCIAL EDUCATION

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 through the revised primary and secondary school curricula. Recently, a significant milestone was achieved when supplementary financial education materials for learners and teachers in the lower and upper secondary schools were published with the support of Financial Sector Deepening Zambia. The Curriculum Development Centre contributed to the publication of these materials.

ZAMBIA CELEBRATES WORLD SAVINGS DAY

Zambia joined the international community in commemorating the World Savings Day on 31 October 2022. This event is celebrated every year to stress the importance of savings for individuals. The campaigns are primarily aimed at creating awareness amongst children, youth and adults on the need to acquire knowledge, skills, attitudes and behaviours on personal financial management. 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 our citizens, and enable them to contribute to national development through improved productivity as well as job and wealth creation.

This year's theme focuses on preparing for the future, continuing with the 2021 theme "Sustainable Finance: Savings are globally diverse, we are united in responsibility."

NATIONAL FINANCIAL INCLUSION STRATEGY

The Ministry of Finance and National Planning (MoFNP) with support of the World Bank is in the process of developing a second National Financial Inclusion Strategy (NFIS) as the current strategy will end on 31 December 2022.

The World Bank conducted a mission that ran from 31 October to 4 November 2022 to obtain stakeholder feedback on the implementation, challenges, and opportunities of the NFIS. Following this exercise, a completion report and the first draft of the second NFIS is expected to be completed in the first quarter of 2023.

EXCHANGE RATE PERFORMANCE

By Zambanker Reporter

Director Financial Markets Department, Mr Isaac Muhanga has said the foreign exchange market has experienced pressure which has led to strong movements in the exchange rate over the past two years. Speaking during the 2022 Bank of Zambia Members of Parliament Seminar, Mr Muhanga explained that pressure to depreciate emanated from pronounced fiscal imbalances, lumpy demand from the agriculture and energy sectors in the face of low supply.
The risks facing the foreign exchange market include:

1. Declining copper prices which are currently about US$7,500 per tonne will negatively impact the export sector inflows, especially mining.

2. Increasing global interest rates and the consequential strengthening of the US dollar in the international market leading to reduced foreign investors participation in Government securities market.

3. Persistently high demand from the energy sector and seasonal demand from the agriculture sector.

4. Declining global demand related to the Russia-Ukraine conflict resulting in reduced economic activities as prices on some commodities such as grain increase tremendously while on some such as copper reduce.

5. Domestic supply structure dominated by the mining sector while demand is fairly diverse.

With regards non-resident portfolio investors, Director Muhanga indicated that portfolio investors provide liquidity to the FX market, but are far more sensitive to the changing economic environment. 'For example, non-resident holdings of Government securities sharply increased over the last two years, reaching a high of K54.8 billion, representing 28% of the total outstanding stock. Rapid movements in this activity causes volatility in exchange rate.'

He explained that defense actions taken against exchange rate volatility include replenishing reserves through increased purchases of foreign exchange from banks, mineral royalty revenues and corporate tax payments directly deposited at BoZ, adding refined gold to the reserves portfolio and increasing the Bank of Zambia's oversight on the foreign exchange market with the view of strengthening the effectiveness of the central bank's operations in this space as per section 5 Part 3 of the Bank of Zambia Act of 2022.

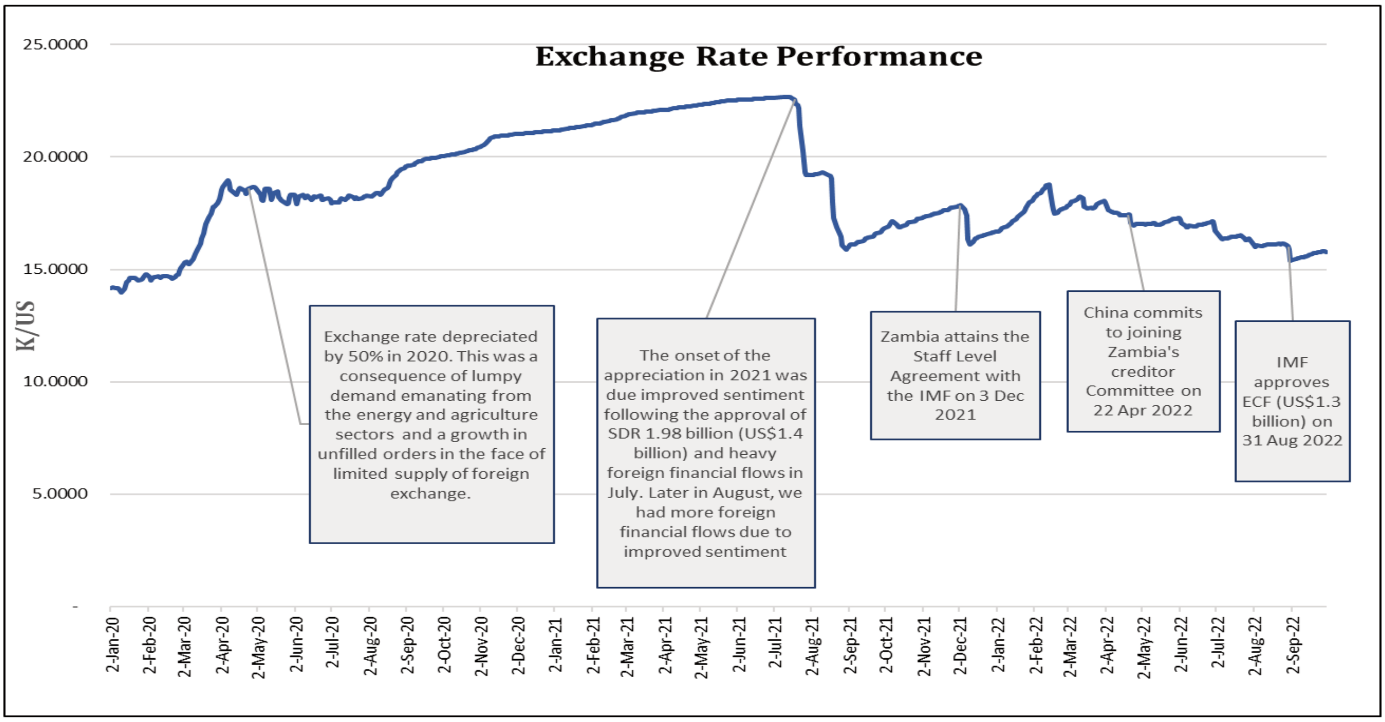
"This implies enhanced monitoring of balance of payments, enhanced data capture of activities of stakeholders in the foreign exchange market for market stability and regulatory purposes but these defense structures are not resilient enough to economic shocks! Sustainable macroeconomic policies, particularly improved national debt profile is critical as well as increased and diversified export earnings are critical," he said.

In June 2020 ZRA, in collaboration with BoZ, introduced a requirement for mining companies to remit all their tax obligation to BoZ in USD. The intention was to enhance the process of reserves accumulation overtime. The receipt of mining tax receipts has been used by BoZ to compliment foreign exchange supply in moments of high demand pressures.

IMF SDR Allocations in 2021 boosted Gross FX Reserves position. The reserves position has been kept stable by direct purchases from market and inflows of tax revenue directly deposited with BoZ.
The foreign exchange market is an integral part of the financial markets and has a far-reaching influence on the activities of the economy. The pursuit of a stable exchange rate is thus critical because its performance affects :
Inflation, the country's ability to service debt and business planning. Overtime, the market has been affected by imbalances between demand and supply , sentiments (negative and positive) as well as developments in the external environment.

The foreign exchange market is managed on a day-to-day basis by analysing the factors that affect the demand and supply conditions in the market in order to identify the potential and existing risks and opportunities. After which a strategy to sell or buy foreign exchange or stay out of the market is then devised. All such transactions are carried out through commercial banks who are the Authorised Dealers. All Authorised Dealers are subject to a set of rules and regulations which are designed for broad purpose of achieving a stable foreign exchange market.

Declining copper prices negatively impact export sector inflows


Exchange Rate Performance
25.0000
20.0000
15.0000
10.0000
5.0000
K/US
Exchange rate depreciated by 50% in 2020. This was a consequence of lumpy demand emanating from the energy and agriculture sectors and a growth in unfilled orders in the face of limited supply of foreign exchange.
The onset of the appreciation in 2021 was due improved sentiment following the approval of SDR 1.98 billion (US$1.4 billion) and heavy foreign financial flows in July. Later in August, we had more foreign financial flows due to improved sentiment
Zambia attains the Staff Level Agreement with the IMF on 3 Dec 2021
China commits to joining Zambia's creditor Committee on 22 Apr 2022
IMF approves ECF (US$1.3 billion) on 31 Aug 2022
2-Jan-20
2-Feb-20
2-Mar-20
2-Apr-20
2-May-20
2-Jun-20
2-Jul-20
2-Aug-20
2-Sep-20
2-Oct-20
2-Nov-20
2-Dec-20
2-Jan-21
2-Feb-21
2-Mar-21
2-Apr-21
2-May-21
2-Jun-21
2-Jul-21
2-Aug-21
2-Sep-21
2-Oct-21
2-Nov-21
2-Dec-21
2-Jan-22
2-Feb-22
2-Mar-22
2-Apr-22
2-May-22
2-Jun-22
2-Jul-22
2-Aug-22
2-Sep-22


28.00
26.00
24.00
22.00
20.00
18.00
16.00
14.00
12.00
10.00
1.40
1.30
1.20
1.10
1.00
0.90
0.80
0.70
0.60
0.50
1-Oct-21
16-Oct-21
31-Oct-21
15-Nov-21
30-Nov-21
15-Dec-21
30-Dec-21
14-Jan-22
29-Jan-22
13-Feb-22
28-Feb-22
15-Mar-22
30-Mar-22
14-Apr-22
29-Apr-22
14-May-22
29-May-22
13-Jun-22
28-Jun-22
13-Jul-22
28-Jul-22
12-Aug-22
27-Aug-22
11-Sep-22
26-Sep-22
11-Oct-22
USD/ZMW
GBP/ZMW
EUR/ZMW
ZAR/ZMW (RHS)

SKIP CASH PAYMENTS, GO CASHLESS

By Masauso Phiri

In promoting an oversight of Digital Financial Services (DFS) and the associated safeguards, the Bank of Zambia (BoZ) has launched the Go Cashless Campaign, a collaborative framework meant to promote a coordinated approach to scaling up the usage of Digital Financial Services in Zambia.

Speaking during a virtual launch, BoZ Governor Dr Denny Kalyalya said benefits of DFS include proper management of household income, ability to build assets, increased social security, reduced vulnerability, and creation of job opportunities, adding that by having access to appropriate financial services and products, individuals can achieve positive outcomes that improve their livelihoods.

This year's campaign will continue to be under the theme 'Go Cashless' which was adopted last year. The theme is anchored on the need for consumers to adopt digital means of accessing and using financial services in a safe and secure manner.

Dr Kalyalya stated that on the journey towards a more financially included society, digital technology and DFS have played a transformative role by enabling access and usage of financial services through digital means.

He cited that the FinScope Survey of 2020 revealed that DFS, more specifically mobile money, was the major contributor to the increased financial inclusion in Zambia, the FinScope Survey of 2020 showed that overall financial inclusion of the adult population increased to 69.4% from 59.3% in 2015.

Some of the specific activities conducted by the Bank and key stakeholders towards financial inclusion include the following:

- The Bank of Zambia launched the Strategic Plan for the period 2020 – 2023, which has included financial inclusion as one of its key strategic pillars, in addition to financial stability.

- The Government, through the Ministry of Finance and National Planning, with support from the World Bank Group and other partners, developed the National Financial Inclusion Strategy. This important strategic document presents actions and objectives that the industry will need to collaboratively work on to increase the usage of financial services by the unbanked and underserved population in the country. The Bank has been instrumental in both the development and implementation of the strategy, under which significant achievements have been recorded thus far.

- The most recent and key development is the implementation of the National Financial Switch (NFS). The NFS has interconnected the various financial service providers in Zambia i.e. the commercial banks, non-bank financial institutions, and payment service providers, including mobile money and Financial Technology (FinTechs) firms. The NFS facilitates processing of Automated Teller Machine, Point of Sale and instant mobile payments across the various financial service providers. Instant mobile payments went live on the NFS in April 2020.

- With the instant mobile payments, one can now send money to another person (P2P) in real time using his or her phone or other mobile devices. You can also send money across wallets, bank accounts, wallet to bank, and bank to wallet instantly. The beneficiary receives the funds almost immediately and at any time of the day i.e. 24/7. You can send money from your bank account or mobile wallet from anywhere if you have your phone and network coverage. There is no need to look for a physical branch, agent or ATM. One can even deposit into a bank account from a Fintech Agent for those banks that have activated this facility on the NFS.

Meanwhile, the Governor stressed that as people migrate towards Digital Financial Services, it is important that they are aware of some key safeguards to enable them use the services in a safe and secure manner, thus the Bank is calling on all relevant stakeholders to work in a collaborative manner to address emerging risks. He said the mobile phone has, today, become a tool that not only facilitates communication but is also a means of accessing financial services, this entails that anyone can now save, invest, and obtain credit/loan or insure their valuable assets and property from literally anywhere and at any time.

Dr Kalyalya disclosed that following the launch of the campaign, the Bank and its partners will embark on a number of activities such as radio and television programmes, which have been lined up for the promotion of Digital Financial Services and the associated safeguards.

"The campaign team will commence roadshows in selected locations across the country where it will have engagements with members of the public. This is in addition to other activities that will be done through digital media and social media channels," he disclosed.

The Governor has since commended various stakeholders such as

the Zambia Information and Communications Technology Authority (ZICTA), the United Nations Capital Development Fund (UNCDF), Financial Sector Deepening Zambia (FSDZ), the Bankers Association of Zambia (BAZ), and the Payment Association of Zambia (PAYZ) for their collaborative efforts and positive contributions towards the growth of Digital Financial Services.

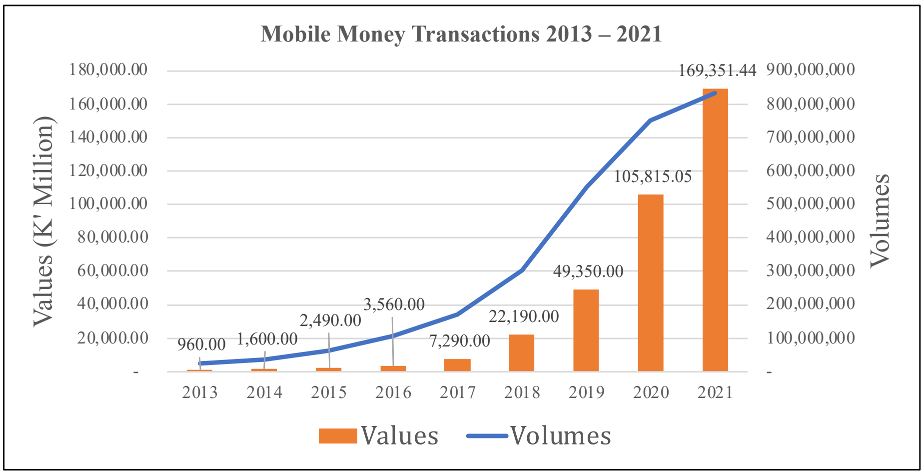
“May I recognise the role that the respective financial service providers continue to play in the industry, without whom delivery of services would not be possible. However, I hasten to challenge financial service providers and other stakeholders to take up the opportunity to join the ‘Go Cashless’ campaign in order to continue providing DFS that are customer centric and meet the ever-changing needs of consumers,” he noted.

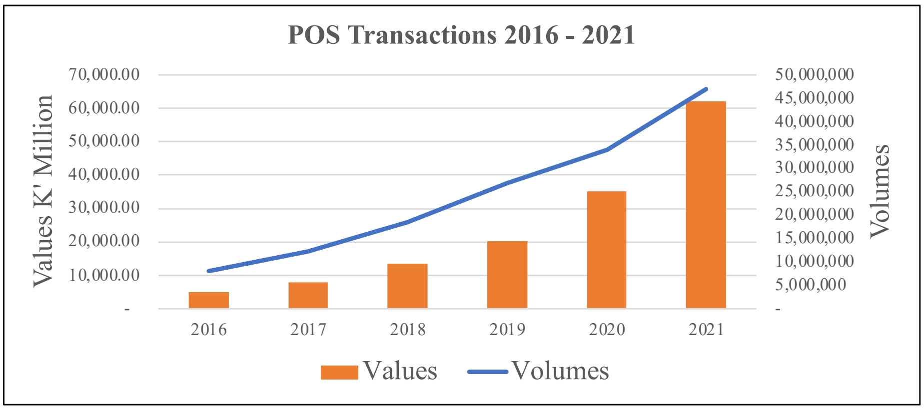
The BoZ chief has urged members of the public to be more cautious as they use these digital means, stating that financial service providers must also ensure that their customers do not fall prey to fraudsters who target innocent consumers by using deceptive methods of obtaining sensitive data that allow them to access customer funds.

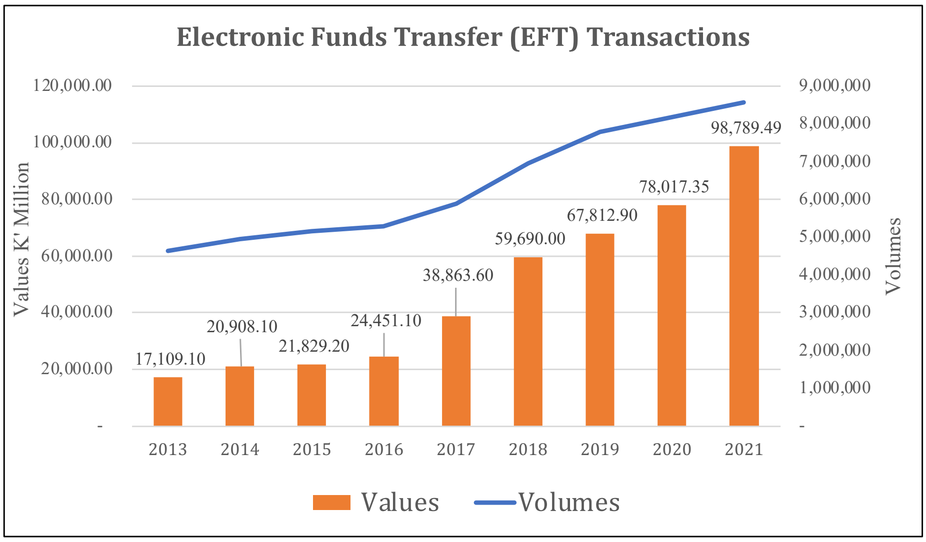
“This campaign is not only for stakeholders mentioned above, but for all of us who must also join this campaign by sharing vital information on how to avoid being defrauded, for together, we can achieve a lot more in securing the national payment system,” he added.

PERFORMANCE OF DIGITAL FINANCIAL SERVICE MARKET

The Digital Financial Service (DFS) market has recorded steady growth over the years. Digital payment channels are being preferred by the public compared to some paper-based channels such as cheques. This growth is on account of the number of benefits that DFSs provide. This increase has been more notable during the COVID-19 pandemic.







Benefits of Digital Financial Services:

- Convenience – able to transact from the convenience of the house or office.
- Faster in completing transactions – transactions are completed immediately or within a short time frame.
- Easier account management – provide visibility of the account and ability to manage accounts or wallets. Account/Wallet balance can be monitored online from any location where respective network is available.
- Increased reach and closer to the people – you can now send to remote areas in almost all the districts in Zambia.
- Wide acceptance – one can use mobile money to pay for various goods and services. Acceptance of electronic payment methods by seller has been increasing. For example, one can pay for bills such as electricity, school fees, transportation, salaries, tax, bulk payments, medical bills, loan repayments and insurance premiums among others.
- Reduces person to person contact – reduces the chances of you contracting diseases (e.g. corona virus) as you are able to access financial service from your home. So stay home and use DFS.

Source: Payment Systems Department

SHETRADES TO EXPAND WOMEN'S PARTICIPATION IN TRADE

By Zambanker Reporter

The International Trade Centre (ITC), through the SheTrade programme and the Bank of Zambia have signed a Memorandum of Understanding to advance inclusive trade in Zambia. The partnership focuses on narrowing the gender-financing gap, which currently stands at 5.8 percentage points for formal financial inclusion and unlocking new market and investment opportunities through strengthening the competitiveness of Zambian women-led businesses.

And Deputy Governor-Administration, Ms Rekha Mhango says the Central Bank intends to enhance and strengthen its engagement with various partners to identify scalable models that can be replicated to increase the opportunities for women-owned businesses through engagement with SME's and Savings Group Associations.

Speaking at the signing ceremony, the Deputy Governor said the Bank will seek to contribute to increasing formal financial inclusion in Zambia, through the exchange of mutually beneficial information, capacity building, advocacy and the promotion of linkages to formal Financial Service Providers through these partnerships.

To maximise on the impact of this work, the Bank has prioritised programmes that target full participation of the financial sector.

"The purpose of the SheTrades Zambia programme is to increase the participation of women-led businesses in trade by improving their competitiveness and strengthening their market and investment linkages. The project seeks to enable Zambian women to benefit from economic participation, focusing on agricultural and textiles & apparel value chains" she said.

Within the framework of the International Trade Centre's SheTrades Initiative, the project will work with key public and private stakeholders to address issues that are inhibiting Zambian women from fulfilling their economic potential.

To this end, the Bank shall be engaging and encouraging the financial sector towards a more deliberate approach to women's SMEs through their trade associations and savings groups so as to address the various challenges that face women, such as rigid institutional rules, access to finance, low rates of business education, financial literacy and risk aversion in order to increase the opportunities for women-owned businesses.

Ms Mhango said the Bank is delighted to partner with the International Trade Centre 'SheTrades' programme, whose aim is to contribute to the achievement of the goals of the United Nations 2030 Agenda for Sustainable Development, such as to generate sustainable incomes and livelihoods especially for poor households. This is to be achieved by connecting enterprises to regional and global markets.

Funded by EIF and ITC, the project will leverage the expertise and networks of ITC SheTrades and EIF to promote the economic empowerment of women entrepreneurs. The project will be implemented in collaboration with the Ministry of Trade, Commerce and Industry, and the Zambia Development Agency (ZDA) as well as making use of networks of institutional and private sector partners such as the Zambia Federation of Associations of Women in Business (ZFAWIB), Access Bank Zambia, DHL Zambia and Stanbic Bank.

MPs STAND AS VALUED PARTNERS

By Zambanker Reporter

Bank of Zambia Governor, Dr Denny Kalyalya says Members of Parliament (MPs) are valued partners to the Bank by virtue of their mandate to enact laws, debate and approve budgets and loans, shape and review development policies, and hold the Government accountable.

Speaking during the 9th Bank of Zambia Members of Parliament Seminar in Livingstone, Dr Kalyalya said continued engagement between the Bank and Parliament has the potential of boosting trust and improving flow of information between the two institutions.

The seminars entail three main aspects, notably, enhancing the Bank's accountability and transparency, strengthening Parliamentarian legislative and oversight functions, and providing an opportunity for the two institutions to share thoughts on legislative changes.

"We are alive to the huge responsibility placed on us by being granted operational autonomy by the Republican Constitution. Therefore, the information shared and the ensuing discussions at this platform enables the Bank to demonstrate its transparency," he said.

The Seminars expose MPs to first-hand information regarding how the Bank executes its mandate, which involves, among other things, collecting and analysing huge amounts of data and information about developments at the global and domestic levels as well as formulating and implementing monetary and supervisory policies, enriches their understanding of these and other issues that have a bearing on how they make laws and exercise their oversight function.

The discussions were centred around the following topics: an overview of the Bank of Zambia and its functions; recent macroeconomic developments; developments in the payment systems and issues around financial inclusion; cybersecurity and economic development; and the role of Bank of Zambia in combating money laundering.

Meanwhile, Acting Clerk of the National Assembly of Zambia, Mr Roy Ngulube, thanked the Bank for once again, organising a Seminar for Members of Parliament, aimed at ensuring that Members are well-informed about macroeconomic and financial sector developments, as well as providing general information on the operations of the Bank.

Mr Ngulube said the Seminar fit perfectly into the capacity enhancement mandate of the National Assembly of Zambia. He said the National Assembly places a premium on enhancing capacity and equipping Members of Parliament with necessary information and skills for them to be effective legislators.

He said this engagement between the legislators and the Central Bank, at such a critical time when the economy was undergoing restructuring, will provide the Members with up-to-date economic information and trends, through various expert presentations.

He called on the Bank to arrange more similar engagements in the interest of the economic well-being of the country.

ZAMBIA'S ECONOMIC PROSPECTS FROM THE FDI PERSPECTIVE

By Emmanuel Chokwe

There is consensus among development practitioners that foreign direct investment (FDI) is an essential driver of economic development. In an economy with foreign trade and capital flows like Zambia, national savings which comprises of private and Government savings are complimented by capital inflows from non-residents. FDI constitutes the most dominant case of private capital liabilities (or inflows) for Zambia. Thus, the private and national savings of the country in addition to foreign capital inflows together constitute the total savings of an economy which, by definition, always equals national investment.

The foreign component of total savings is critically important especially in emerging and developing countries where domestically mobilised savings are small and insufficient to finance investments in productive sectors of the economy. Emerging evidence especially in the newly industrialised nations in South-East Asia give credence to the important role of FDI to national development.

In addition to fueling domestic economic development, FDI is a key driver of international economic integration. It can provide financial stability, encourage the transfer of technology and know-how, promote products and market integration thereby enhancing the social-economic wellbeing of societies. Under the right policy environment, FDI can serve as an important vehicle for local enterprise development and is an important source of capital for host and source economies.

FDI is defined as "a category of cross-border investment made by a resident entity in one economy (the direct investor) with the objective of establishing a lasting interest in an enterprise (the direct investment enterprise) that is resident in an economy other than that of the direct investor". Unlike portfolio, financial derivatives and "other" investors, direct investors exert a significant degree of influence over the management of its direct investment enterprise(s). Significant degree of influence is technically taken as 10 percent or more of shareholding. The coming into power of the current administration has seen renewed impetus to promoting private investment. The key national economic planning documents have emphasised the role of private sector led economic recovery and prosperity. But how is the private sector responding to the new policy direction of the Government? What are the main concerns of the private sector in Zambia?

In Zambia, statistics on FDI and other types of foreign investments are compiled by the Balance of Payments Statistical Committee (BOPSC) led by the Bank of Zambia which is the secretariat, Zambia Statistics Agency, Zambia Development Agency and other member institutions. To achieve its objectives, the BOPSC conducts the private capital flows and investor perceptions ("PCF") survey. The survey summarises the magnitude, type, sources, and direction of the private sector foreign capital as well as investor perceptions on the investment climate in Zambia.

This year's PCF survey dissemination workshop was held on December 21, 2022 at Mulungunshi International Conference Centre, where Governor was guest of honor.

Preliminary findings revealed that the stock of private sector foreign liabilities went up in 2021 by 4.9 percent to US$21.4 billion primarily due to valuation effects on equity in the mining sector. FDI continued to account for the largest share of private sector foreign liabilities stock at 80.3%. Private sector liabilities and FDI in particular is heavily skewed towards a few source countries and economic sectors. In this regard, Canada, China, Switzerland and the Netherlands were the main source countries while mining accounted for the majority of FDI.

In terms of flows, net foreign liability outflows were higher in 2021, at US$345.8 million, than US$45.4 million in 2020. Loan repayments in the mining sector to fellow enterprises and loan repayments to non-affiliated enterprises in the ICT and electricity sectors accounted for the outturn. FDI outflows were US$122.1 million in 2021 against inflows of US$245.2 million in 2020 due to debt repayments which outweighed retained earnings in the mining sector. This notwithstanding, net inflows were recorded by deposit-taking corporations, ICT, manufacturing as well as wholesale and retail trade due to retained earnings.

On the perception of the investment climate in Zambia, the respondents overall satisfaction significantly improved, giving a net-promoter score of 40.5 percent from -21.6 percent in 2021. Respondents from the manufacturing and services sectors were the most satisfied. Peace and security, market potential, good infrastructure and political stability were cited as the main factors to re-invest in Zambia. To further promote investment, investors recommended among others improved efficiency of public service, reduced bureaucracy as well as development of a stable and sustainable tax system.

In terms of outlook, the percentage of investors intending to expand businesses increased while those planning to scale down reduced.

The key takeaways message from this year's preliminary results of the PCF survey is that foreign capital inflows especially FDI continue to be subdued. For last year, debt repayments by mining companies were responsible for a net FDI outflow from the country. However, the past several years have seen sustained subdued FDI inflows into the country. A combination of factors including tax policy in the mining sector, international economy dynamics as well as depletion of ore grade have played a role. Further data analytics reveal that rather than new equity capital injections, accumulated retained earnings is the major source of FDI flows into Zambia. This is a unique and critical dynamic with far reaching policy implications if the country is to attract and retain FDI. Firstly, this implies that FDI into the country is largely brownfield and expansion of existing projects plays an important role. Secondly, profitability of current investors drives FDI flows into Zambia. In this regard, tax and other investment policies need to respond more to the needs of current and potential investors. This is especially relevant given that FDI flows to Zambia and Africa in general continue to lag other regions by far.

Africa only accounted for a paltry 5.2 percent of total global FDI flows in 2021 which was also concentrated in just a few economies. Zambia therefore needs targeted policy measures to attract and retain more foreign investment. Some of these policies have been ably elucidated by investors who were surveyed in the 2022 PCF survey.

On the bright side, a notable shift in investor sentiment was observed in this year's PCF survey. The net promoter score (NPS) or percentage of satisfied investors shot to 40.5 percent from a net dissatisfaction of 21.6 percent in 2020. While the NPS remains low, it clearly demonstrates a rebound in investor confidence in the investment climate in Zambia. Government tax policy and other investment policies have evidently played a role in this apparent shift in investor sentiment. Government can therefore leverage on this renewed momentum to create an environment where existing and new foreign investments can thrive and lead to the much-desired socio-economic development.

Source: The author is Acting Senior Economist – Private Capital Flows

HIGHLIGHTS OF KEY MACROECONOMIC DEVELOPMENTS IN 2022

Inflationary pressures

Inflationary pressures receded in 2022. Inflation declined to 9.7 percent in June and remained in single digits and stood at 9.9 percent in December. The decline in inflation has largely been driven by the appreciation of the Kwacha against the US dollar, dissipation of shocks to prices of fish, meat, and poultry products as well as the seasonal increase in the supply of vegetables and fruits.

Inflation is projected to maintain a downward trend and return to the 6-8 percent target range in the first quarter of 2024. The key upside risks to the inflation outlook include tighter global financial conditions, adverse effects of the prolonged Russia-Ukraine conflict (including on copper prices), lingering Covid-19 effects, higher maize prices (driven by heightened regional demand), and possible increases in electricity tariffs following the publication of the Cost-of-Service Study.

Gross international reserves

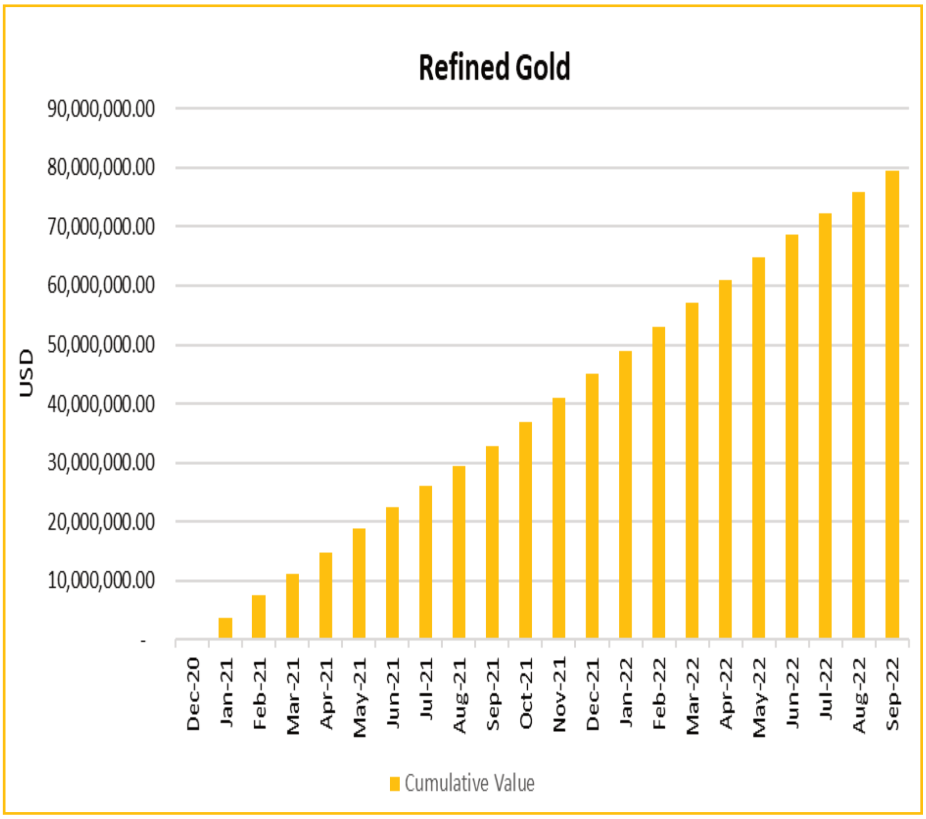
Gross international reserves increased to about US$3.0 billion at end-October 2022 from US$2.8 billion recorded at end-December 2021. This followed receipt of US$547 million and US$182 million from the World Bank and IMF, respectively. The World Bank disbursements comprise emergency health support, budget support through Development Policy Operation and other facilities under the Zambia Macroeconomic Stability, Growth and Competitiveness Programme. The IMF disbursed the first of the seven tranches in the first week of September 2022 following approval of an Extended Credit Facility (ECF) arrangement by the IMF Executive Board on August 31, 2022.

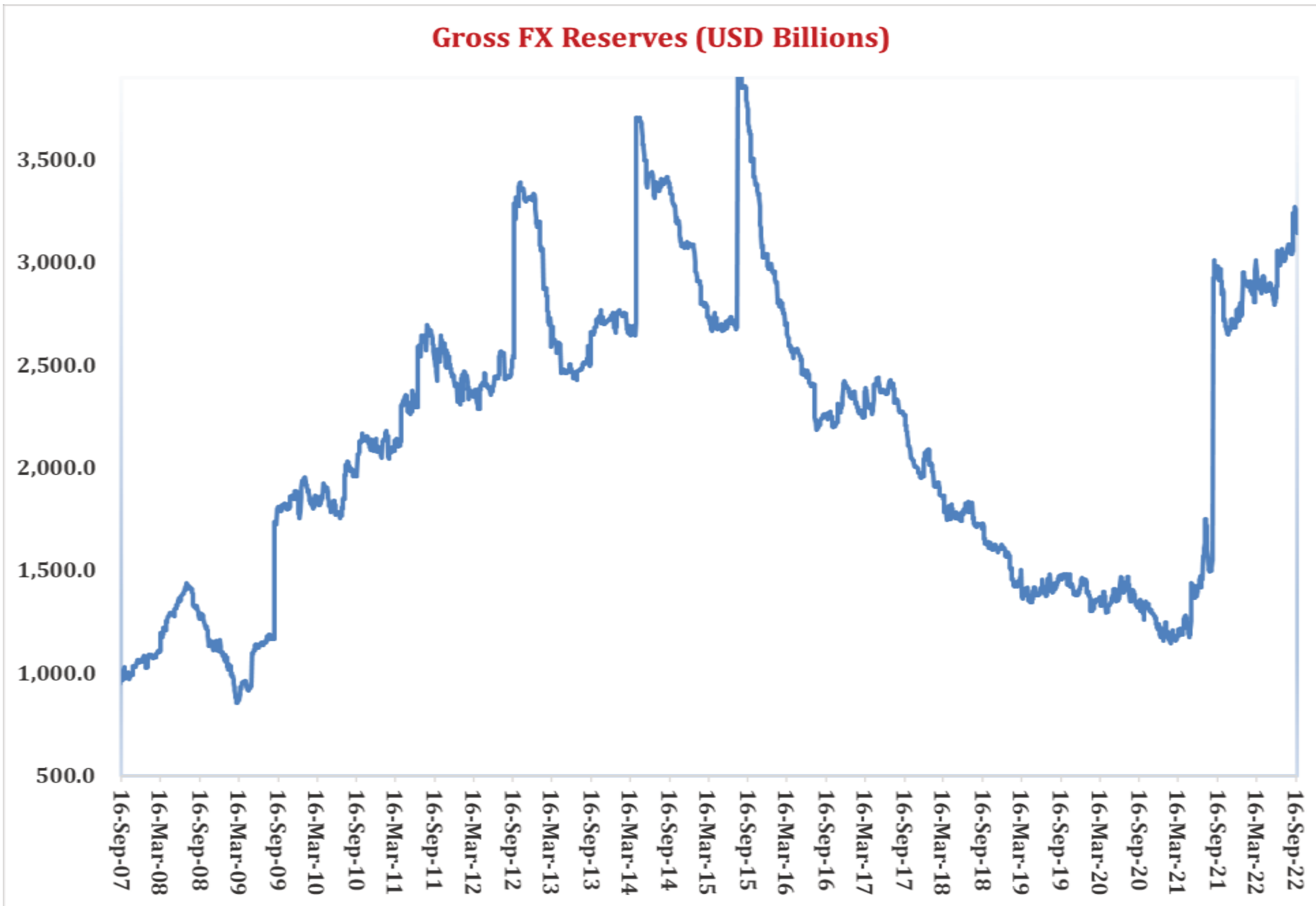
The ECF is aimed at restoring macroeconomic stability and provide a foundation for inclusive economic recovery. It has also paved way for debt restructuring under the G20 Common Framework in order to pull the country out of debt distress and restore debt sustainability. In this regard, the Government embarked on debt restructuring discussions with all its creditors, except multilateral institutions. Based on the IMF Debt Sustainability Analysis, the country needs about US$8.4 billion in debt relief over the Programme period (2022 – 2025) in order to reduce the risk of debt distress to moderate. Following financing assurances by official creditors in July, negotiations with official creditors and Eurobond holders have commenced. The expectation is to conclude discussions and sign the Memorandum of Understanding with creditors before the end of first half of 2023.

Conclusion of the negotiations on debt restructuring is expected to have a positive impact on the budget and market sentiments as well as mitigate some identified inflation risks in the medium-term and thereby contribute to lower inflation.

Foreign Exchange Market Developments

The Kwacha appreciated against the US dollar in the first half of 2022 up until end of Quarter 3, on account of adequate inflows of foreign exchange from the mining sector earlier in the year due to favourable copper prices (highest being over US$ 10,000 per tonne in March and April).
The local currency was further supported by positive investor sentiments following the approval of the ECF at the end of August 2022. However, depreciation pressures on the Kwacha began to mount in





Source: Bank of Zambia

the fourth quarter as demand for foreign exchange heightened amid constrained supply. Demand was driven by import requirements for agricultural inputs and petroleum products while supply was constrained by lower copper prices and production challenges. Supply of foreign exchange was further dampened by a moderation in in-flows from non-resident investors in Government securities on account of tighter global financial conditions and uncertainty ahead of the outcome of debt restructuring negotiations.

Financial Inclusion

The Bank has continued to implement programmes aimed at expanding access to a broad range of financial services. By September 2022, the BoZ had identified rural health facilities that were ready to be used by financial services providers or their agents as financial access points. These rural financial access points will be used to extend financial services to all the Districts in the country so that the level of financial inclusion in rural areas can rise from 55.9 percent towards the 84.4 percent level for urban areas.

Working together with the World Bank, the Women Entrepreneurs Finance Initiative pilot programme was launched in July 2022 to support the growth of 1,000 women-led SMEs in Zambia by catalysing access to finance and improving the credit worthiness of women entrepreneurs. The programme will also provide technical assistance to financial service providers regarding designing and piloting movable asset-based lending products. Alongside these efforts, the financial literacy component of the small-scale entrepreneurship project had, by December 2022, trained 22,112 participants in microbusiness, farming business, and savings game.

In June 2022, the Bank collaborated with the Ministry of Small and Medium Enterprises Development, the Ministry of Finance and National Planning, and the Zambia Statistics Agency to conduct the MSME Finance Survey. The report of the Survey will inform the formulation of targeted interventions to address the identified challenges faced by MSMEs.

Bank of Zambia Act

On 29th July 2022 the Bank of Zambia Act, No. 5 of 2022, was enacted into law. Repealing and replacing the Bank of Zambia Act of 1996, the new Act has provided for the operational autonomy of the Bank as stipulated in the Constitution. The Act also provides for additional functions of the Bank. Among other provisions, it establishes and provides for the functions of the Monetary Policy Committee and the Financial Stability Committee.

Source: Governor end of year staff address

WHAT'S TRENDING?
NEWS FROM AROUND THE WORLD

King Charles III Banknotes Unveiled

The Bank of England has unveiled the design of the King Charles III banknotes. The portrait of The King will appear on existing designs of all four polymer banknotes (£5, £10, £20 and £50), with no other changes to the existing designs.

The King's image will appear on the front of the banknotes, as well as in cameo in the see-through security window.

The new notes are expected to enter circulation by mid-2024. All polymer banknotes carrying a portrait of HM Queen Elizabeth II remain legal tender, and the public can continue to use these as normal. In line with guidance from the Royal Household, to minimise the environmental and financial impact of this change, new notes will only be printed to replace worn banknotes and to meet any overall increase in demand for banknotes. Notes featuring HM Queen Elizabeth II and King Charles III will therefore co-circulate. Source: Bank of England

Energy crunch drives up global metals prices

Copper prices closed in on a 10-year high as industrial metals from zinc to aluminium rallied on growing concerns that the global energy crunch would hit production. The copper price rose above $10,000 a tonne (week ending October 14, 2022) as traders gathered in London for LME Week, the metal industry's annual event, while zinc rose as much as 10 per cent to hit a near 15-year high.

Industrial metals are benefiting from robust demand and supply disruptions due to rapid rises in the prices of gas and coal, which is increasing costs for mines and refiners from Chile to China. Power cuts in China have also affected the production of aluminium. "The first in-person LME Week post-pandemic is finishing with a final crescendo," said Colin Hamilton, analyst at BMO Capital Markets. Zinc is used to rust-proof steel while aluminium is used in everything from cars to drinks cans. Such supply shortages are outweighing concerns about global economic growth or a potential rise in interest rates, according to analysts. Inventories of physical copper on the London Metal Exchange fell to their lowest levels since 1974 this week, according to Kingdom Futures, in a sign of strong demand. Goldman Sachs said in a recent report that metal stocks could reach an all-time low by the end of the year and "deplete entirely" by the second quarter of next year. Inventories of copper at LME-registered warehouses not already earmarked for delivery stand at just 14,150 tonnes, down from more than 200,000 tonnes as recently as September. To put that figure in perspective, about 25m tonnes of refined copper is consumed annually. *Source: Financial Times*

Nigeria's Central Bank Raises Cash Withdrawal Limits After Public Outcry

The Central Bank of Nigeria (CBN) has raised the maximum weekly limit for cash withdrawals after a public uproar over the caps it announced. The new limit is five times higher than the initial cap for individuals and ten times more for companies. The bank announced the limits to rein in excess cash and promote cashless payments, but critics say it could stifle millions of small businesses.
The revised Central Bank withdrawal limits were announced in a circular released by the bank Wednesday 21 December, 2022. The limit for individual withdrawals was raised from $225 to $1,125, while the limit for corporate entities was raised from $1,100 to $11,000.

Under the directive, any withdrawal above the set limits must be approved in advance in writing by the financial institution from where the withdrawal is to be made. The CBN also lowered its processing fee for withdrawals above set limits. The new cash withdrawal limits take effect January 9, 2023 *Source: Voice of America*

DRIVERS OF GROWTH IN ZAMBIA: ROLE OF EXTERNAL DEMAND, FDI AND CREDIT TO THE PRIVATE SECTOR

Dr Dale Mudenda

Dr Wilson Phiri

Ms Mwika Mwenechanya

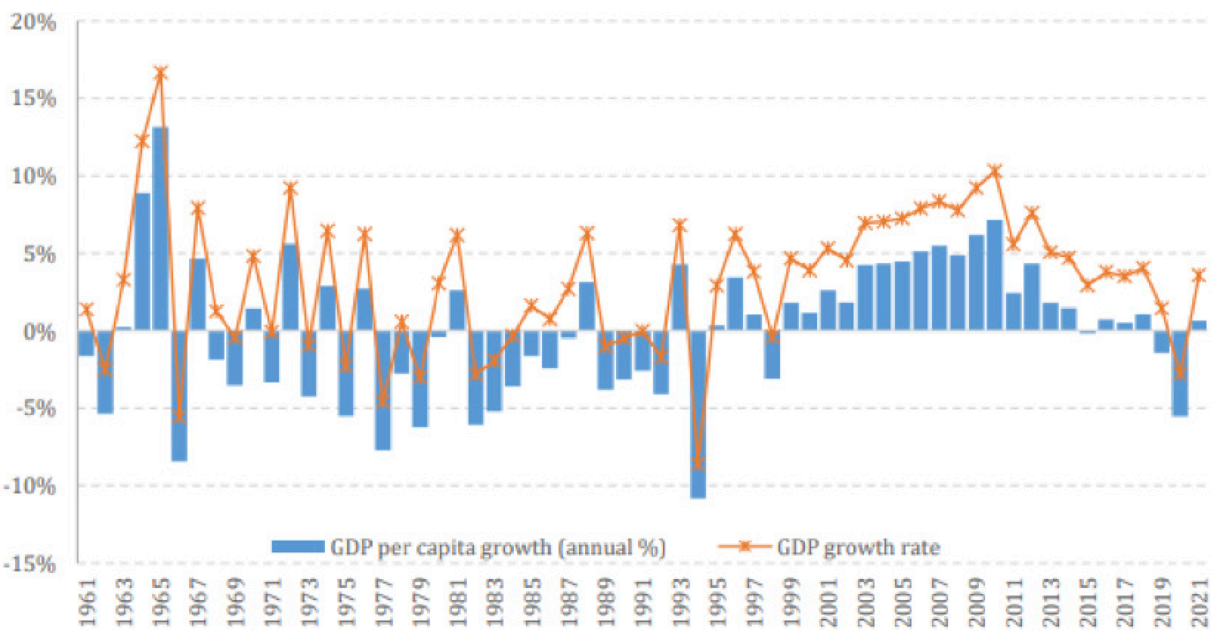
Mr Evance Jeri

The recent fluctuations in global economic growth have rejuvenated interest in understanding the key drivers of growth. Many developed and developing countries have continued to pursue economic growth as a cornerstone of economic transformation and improved standards of living. In developing countries, especially in Africa, economic growth is considered an essential condition for economic development, poverty alleviation and reducing income inequalities (Ferdinand et al. 2015; Anyanwu, 2014). Economic growth has remained one of the key indicators used to assess the performance of an economy.

The importance of sustained economic growth has motivated an extensive body of theoretical research such as neoclassical growth models (Solow, 1956; Swan, 1956) and endogenous growth theories (Romer, 1990) which have provided the proximate causes of economic growth. At the same time, empirical literature has attempted to test the implications of economic growth theories and to determine the key drivers of economic growth across countries and regions (Loannidis and Bruns, 2020; Crespo-Cuaresma et al. 2009; Baro, 1991). These studies have found more than 145 factors that range from human capital (Ranis and Stewart, 2000), demographic (Sala-i-Martin, 2004), institutional quality (Saima et al, 2014) to geography and trade (Frankel and Romer, 1999) as proximate causes of economic growth.

The multiplicity of the determinants of economic growth continue to spur interest in identifying factors that foster it in specific countries or regions to shed light on the sustainability of growth rates.

Figure 1: Trend in Annual Real GDP and GDP per Capita Growth Rate, 1964 -2021



Source: Zambia Statistics Agency and World Bank WDI

For example, Sachs and Warner (1997), Ndulu and O'Connel (1999), Harttgen, et al. (2013); McMillan, et al. (2014), Anyanwu (2014) and Rodrik (2018) have examined the proximate sources of growth in sub-Sahara African countries. Many of these studies have arrived at different conclusions. Further, there is little research on national level drivers of economic growth to inform policies (Anyanwu, 2014). Yet, such research can both broaden the understanding of the causes of growth and country specific context to inform policy. This study extends this analysis to Zambia, a landlocked country in sub–Saharan Africa.

Zambia's long-term vision is to move towards becoming a middle-income country by 2030. To achieve this, the country has, since 1964, implemented various policies aimed at fostering economic growth (Chansa et al., 2019; Chirwa and Odhiambo, 2017; Musonda and Adams, 1997). Figure 1 shows that the growth trend has been volatile, with periods of impressive and weak growth. The economy grew rapidly in the period 1964 to 1975. However, it could not sustain the initial average growth rate of 5.4 percent between 1964 and 1970 with a peak of 16.5 percent in 1965, albeit from low levels. The next decade coincided with exogenous shocks related to high increases in the price of oil and the fall in copper prices. Subsequently, growth stagnated and deteriorated to an average of 1.2 percent in the 1980s all through to the 1990s. In 1991, the Government initiated economic reforms to transform the centrally planned economy into a market oriented one. The reforms did not yield immediate growth results as it further deteriorated to an average of -0.2 percent per annum between 1991 and 1995. The deterioration was on account of declines of output in mining which was compounded by the fall in output in the manufacturing and utilities subsectors. Subdued copper prices and the associated poor performance of the mining sector prior to privatisation of major mines contributed to this outturn.

Since 2000, the country has recorded one of the fastest economic growth rates in Africa. In the period 2000 to 2005, real gross domestic product (GDP) averaged 4.6 percent before increasing to 6.4 percent between 2006 and 2014. Increased investments in mining following the privatisation of mines, favourable copper prices, private sector-led growth strategy and prudent macroeconomic management supported growth during the period. Because of the impressive growth, Zambia was considered one of the success stories in sub Saharan Africa having achieved amongst the fastest growth rates. In 2011, the World Bank reclassified the country from a low-income country to a lower-middle income country (World Bank, 2017).

Table 1 presents the average sector level growth rates for the period 1970 to 2020. The robust and consistent growth rates after 2000 is shared by all sectors of the economy. Growth has been greatest in the construction, financial services, transport and manufacturing sectors.

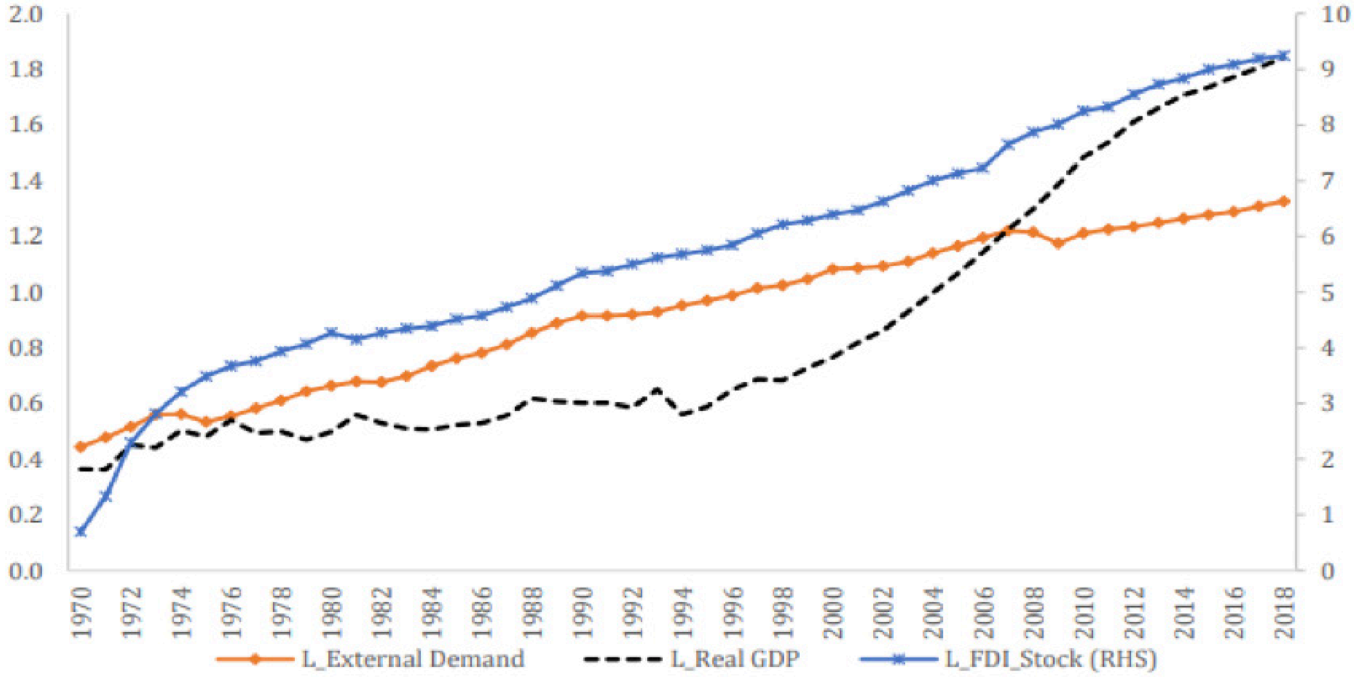
However, maintaining the impressive growth of the early 2000s became a challenge by 2014. Economic growth slowed down while inflation, fiscal deficits and public debt increased. Real economic growth dropped to 3.0 percent in 2016 and 1.4 percent in 2019 from an average of 6.2 percent between 2011 and 2015. The drop in growth is attributed to a number of factors that include external shocks, climate related challenges that weighed on electricity generation, crowding out of the private sector and limited linkages of the infrastructure developments projects with local supply chains. The country continues to grapple with challenges of significant levels of widening income inequality (with Gini coefficient rising from 0.57 in 2002/03 to 0.69 in 2015), high poverty levels (54.0 percent) and unemployment compounded by underemployment (LCMS, 2015). The high growth rate since 2000 has often fallen short of the targeted 7-10 percent required to transform Zambia into a middle-income country by 2030.

Several studies have been undertaken to analyse the determinants of economic growth in Zambia. For example, Mukupa et al. (2013) use foreign direct investment (FDI), gross national income per capita and construction to explain growth in Zambia. Chirwa and Odhiambo (2019) take a time series approach to examine the effect of 11 selected macroeconomic factors that include investment, real GDP per capita, FDI, population growth, government consumption, human capital stock, trade, aid and the real exchange rates while Mwenda and Mutoti (2011) examine the role of financial development on growth. Saungweme and Adhiambo (2020) examine the impact of external debt on economic growth. Mulungu and Ng'ombe (2017) use a growth accounting approach to explore the sectoral growth patterns in Zambia. Harttgen et al. (2015) and Young (2012) include Zambia in cross-sectional studies investigating the determinants of growth.

Despite the emerging literature on growth in Zambian, the role of external and internal demand has remained unexplored. The role of external demand in determining economic growth is undoubtedly important for trade dependent economies like Zambia in the face of increased globalisation. The impact of domestic demand, which distinguishes the impact of domestic capital from foreign capital, has not been explored. Further, the distinction of sector drivers of growth has not been explored. A closer look at data suggests that Zambia recorded impressive growth during periods when it practiced an outward-oriented economic policy with high foreign direct investment, and export earnings supported by strong growth in demand from major export markets (Figure 2).

This raises the following empirical questions: Is the observed growth trend in Zambia due to strong external or domestic demand conditions? Does foreign capital drive growth at a higher pace than domestic capital?

Figure 2: Zambia's Real GDP, External Demand and Foreign Direct Investment (Natural Log), 1970 -2018



Source: Zambia Statistics Agency, UN Stats, World Bank and Bank of Zambia

Do these factors impact growth in the mining and non mining sectors differently? This paper therefore examines the role of external demand, foreign direct investment and domestic credit to the private sector in driving growth in Zambia and contrasts the role of these factors in driving sector level - mining and non-mining sector output growth. The study is critical as it seeks to provide insights into the factors driving growth and provide policy implications. This is essential for creating jobs and reducing poverty.

The empirical findings in this paper show that external demand, FDI and domestic credit to the private sector are important drivers of overall growth in Zambia. External demand and FDI have much higher impact on growth in the non-mining than in the mining sector. In addition, deviation of growth from long-run equilibrium persists much longer in the mining than the non-mining sector. Therefore, policy response targeted at exploiting the potential in export-led growth and diversification strategy, promoting foreign investment into the non-mining sector, mobilising complimentary domestic investment and creating a conducive investment climate that minimises policy uncertainty are critical to spur growth.

Conclusion

Using the vector error correction model, this paper investigated the role of external demand, foreign direct investment and domestic credit to the private sector in driving economic growth in Zambia over the period 1970–2019. It also distinguished how these, and other factors impact growth in mining and non-mining sectors. The results show that external demand, foreign direct investment and domestic credit to the private sector are important drivers of growth in Zambia. At the sector level, external demand and FDI have a much stronger impact on growth in the non-mining than in the mining sector. This result suggests that the Zambian economy is more outward-oriented, making the retention and improvement in external competitiveness and economic diversification ever more important as policy options to support growth and cushion the economy against external shocks. Policy makers should exploit potential of growing the economy through export-led growth and diversification strategies. Promoting foreign investment into the non-mining sector while mobilising complimentary domestic investment and creating a conducive investment climate that minimises policy uncertainty are critical to spur growth.

This is an excerpt from the BoZ Working Paper series, which describe research in progress by the author(s) and are published to elicit comments and to encourage debate. The views expressed in the BoZ Working Paper Series are those of the author(s) and do not necessarily represent the position of the Bank of Zambia.

FREQUENTLY ASKED QUESTIONS ON INFLATION

Ms Besnat Mwanza - Assistant Director Communications

What is Inflation?

Inflation is the speed at which prices are increasing over time, usually over a twelve-month period. These are prices of a specific set of goods and services consumed by a cross section of consumers about 439 in total. Therefore, you will find a wide range of products like the price of brand-new vehicle, hammermill charge, roller meal, matches, wheel barrow and even alcoholic beverages to mention a few. Therefore, if inflation is 10% in January 2023, it means prices of this set of consumer goods have increased by 10 percent between January 2022 and January 2023. It does not mean that all the products increased at 10 percent. There may be products whose prices increased by more than 10 percent while some other products may have reduced, others may be unchanged. When you take into account all these different price movements, you get the inflation rate which in this example is 10 percent. High inflation means higher speed at which prices increase and lower inflation means a lower speed at which prices increase. The Bank of Zambia targets that prices (inflation) should rise between 6-8 percent every 12 months for the economy to be functioning well.

How does it affect ordinary the man on the street?

If inflation is too high, prices of most goods are increasing at a fast pace. In cases where inflation is very high (hyper-inflation) prices of goods and services may be changing several times within a day. Imagine going to buy bread at 08:00 hours for K20, and by 09:30 hours of the same day, the same loaf costs K21.50, by 13:00 hours it reaches K22.4 and by the end of the day it is at K23. This example is the consequence of high inflation. If inflation is low, say 6 percent, then the ordinary man can plan to purchase a loaf of bread going at K20 today for roughly the same price in a few months' time. In a year's time, the same loaf of bread may cost roughly K10.6 (i.e a six percent increase over 12 months). The benefits of low inflation are that in general, prices are fairly stable and do not increase rapidly. A stable price environment makes it easy to allow for planning by both businesses and consumers and preserves purchasing power of consumers.

How does the Bank of Zambia influence inflation?

Inflation is largely influenced by the amount of money people and businesses have to spend in the economy. If there is excess spending power more than the economy can produce, then prices will rise faster (high inflation) due to excess demand. Therefore, to influence the amount of demand in the economy, the BoZ uses the interest rates. By raising interest rates, the amount of money that individuals and businesses can borrow reduces. This then reduces the amount of demand in the economy and reduces the excess demand to normal levels that match the productive capacity of the economy in line with the inflation target e.g. 6-8 percent. The reverse is also true. If inflation is too low, this also causes another problem because it means there is absence of spending power in the economy and less economic activity. In the worst case where inflation is negative (deflation) prices are reducing over time. Continued reduction in prices happens when businesses lay off workers in mass so that they can reduce the costs of production in order to be able to sale at a reduced price to meet consumer's reduced spending power. In short, very low inflation rates are associated with high and rising unemployment levels. When this happens, the economy is contracting as opposed to growing. Therefore, some inflation is good for the economy, not too high and not too low which in Zambia is defined between 6- 8 percent.

Is inflation directly linked to the cost of living?

Yes, the two are related but are defined differently. The cost of living measures what you pay to maintain an overall lifestyle while inflation is the speed at which prices in the consumer basket are increasing over time. Usually, what one person considers an essential commodity in their lifestyle will differ from person to person. Take for instance someone who regards hunting to be an essential part of their lifestyle. A sustained increase in hunting license fees may increase that person's cost of living but because this service is not in the consumer basket, it will have no impact on the inflation rate and by extension, it will not affect the cost of living for non-hunters. Another example is where one person considers cheese to be an essential commodity for their breakfast while another prefers peanut butter (both of these products are in the consumer basket). If the price of cheese increases while the price of peanut butter remains unchanged, inflation may also increase and so will the cost of living for the cheese consumer, but the cost of living will not change for the peanut butter consumer.

WORD SEARCH

R	E	S	I	L	I	E	N	T	S	G	T	D	Z	S	G	T	A	I
G	B	G	C	H	D	Z	A	F	T	J	Z	A	F	D	C	B	A	N
H	P	R	O	J	E	C	T	Z	A	B	C	D	O	Z	Y	X	M	C
R	X	Y	Z	M	G	W	D	Z	A	R	V	G	R	O	W	T	H	L
R	C	B	A	A	N	Z	A	X	Y	D	T	Y	E	Z	X	V	V	U
Z	S	M	W	Z	A	X	Z	Y	B	E	Z	A	C	X	B	V	Z	S
A	N	C	H	O	R	X	Z	F	S	C	Z	X	A	G	H	I	O	I
F	W	V	U	T	S	R	Q	P	O	L	F	G	S	D	C	B	A	V
Z	Q	E	D	G	F	S	T	A	B	I	L	I	T	Y	V	G	D	E
Z	X	V	W	P	O	Z	X	B	Q	N	Z	A	Q	Z	Z	M	Q	Z
E	M	O	N	E	Y	B	Q	W	Z	E	X	V	B	D	T	Z	X	Z
W	Q	W	E	R	T	Y	U	I	O	P	K	J	F	P	A	X	Z	M
G	Z	X	C	S	F	G	J	K	B	K	X	Z	A	A	R	X	Q	X
D	D	G	K	D	Z	T	H	O	R	I	Z	O	N	X	G	I	S	Y
L	D	S	F	X	H	K	L	O	P	X	Z	D	Y	X	E	G	C	Z
Z	I	N	D	E	X	M	N	F	O	V	M	A	W	Z	T	Z	Z	E
R	K	Z	A	S	K	W	L	T	A	A	D	O	M	E	S	T	I	C

ANCHOR	**RANGE**	**FORECAST**	**HORIZON**
RISKS	**PRICE**	**DOMESTIC**	**TARGET**
INDEX	**STABILITY**	**EMONEY**	**GROWTH**
INCLUSIVE	**DECLINE**	**RESILIENT**	**PROJECT**

BoZ IMPLEMENTS THE FINANCIAL INCLUSION INDEX

By Kennedy Mukuka

Financial inclusion is the second pillar in the Bank of Zambia (BoZ/Bank) Strategic Plan 2020 to 2023. The Bank defines financial inclusion in the context of the National Financial Inclusion Strategy (NFIS) which states that it is "Access to and informed usage of a broad range of quality and affordable savings, credit, payment, insurance, and investment products and services that meet the needs of individuals and businesses". One strategic deliverable of the Non-Bank Financial Institutions Supervision Department was to develop the BoZ Financial Inclusion Index (FII) which is a composite measure that aggregates information on various financial inclusion dimensions of access and usage. The index was approved for use by the Supervisory Policy Committee on 6 October 2022.

FINANCIAL INCLUSION INDEX AND WHY IT IS IMPORTANT

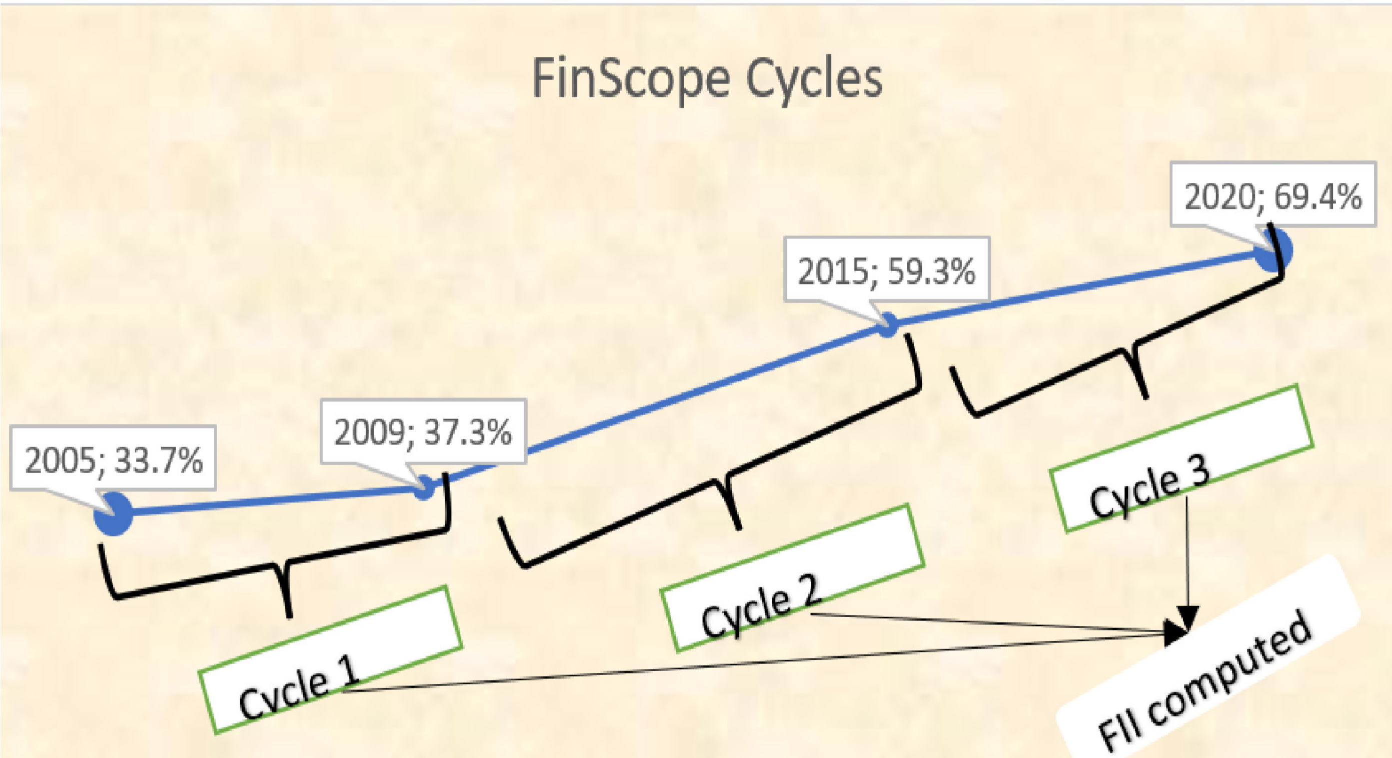
The FII is a tool for monitoring the progress of financial inclusion initiatives and assessing the state of financial inclusion. It achieves this by reducing indicators into a single comprehensive number to quantify and capture the state of financial inclusion at a given point in time. The index is important in helping to inform policy by providing a comprehensive view of the development of an inclusive financial system. It can be used to assess the impact of implemented financial inclusion activities and can also raise awareness to the public and stakeholders on the level of financial inclusion in a country.

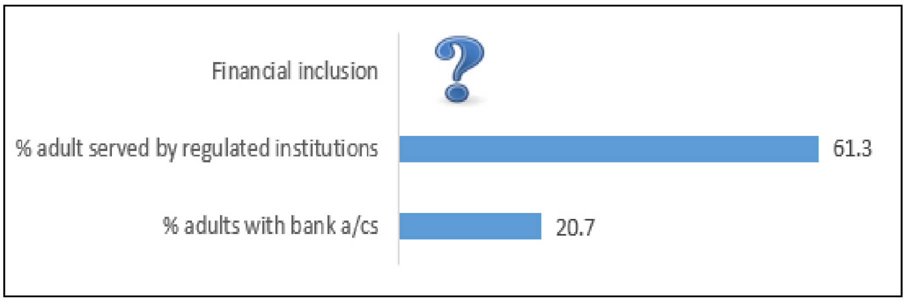
PROBLEMS SOLVED BY THE FII

1. **The Problem of Conducting Periodical Surveys**

It is difficult to ascertain the effectiveness and impact of various financial inclusion interventions aimed at increasing outreach of financial services because financial inclusion is not observable. A proper assessment requires a measurement of the level of financial inclusion at a defined point in time. In Zambia, the level of financial inclusion is measured every five years using a survey tool developed by FinMark Trust called Financial Scoping (FinScope). Undoubtedly, surveys are an expensive undertaking, therefore, it is important to have a tool that provides an indication of the level of financial inclusion to assess and identify bottlenecks in the different dimensions of financial inclusion during periods in between the FinScope surveys.

The FII provides a mechanism to have an indicative measure of financial inclusion in between the FinScope five-year cycles. Further, the FII would enable easy tracking of the progress of initiatives in the NFIS being implemented by the Bank as well as financial inclusion initiatives in the strategic plans.





2. **The Problem of determining financial inclusion from multiple indicators**

Financial inclusion is a multi-dimensional phenomenon and has many indicators of penetration, outreach, or quality of financial services in an economy. When considered separately, these indicators provide only partial information on the inclusiveness of the financial system. In isolation, these indicators are inadequate for assessing the level of financial inclusion. For instance, banked adults were 20.7 percent according to the FinScope 2020 Survey while adults served by regulated institutions were 61.3 percent. Considering only these two indicators, it becomes difficult to determine the level of financial inclusion in Zambia and the problem is compounded the more indicators we have. The level of financial inclusion is not 20.7 percent, 61.3 percent, or the sum of the two (82 percent).

3. **The Problem of the Multi-dimensionality of Financial Inclusion**

The multi-dimensionality of financial inclusions means that indicators and financial inclusion do not have direct or indirect correlations. This means that an increase or decrease in an indicator may not translate in a corresponding increase or decrease in the level of financial inclusion. For instance and considering all other things being equal, opening nine more bank branches in an urban area with 20 bank branches may have no impact on financial inclusion compared with opening an additional branch in a rural area with one bank branch. The 29 branches in an urban area may be serving mostly included adults while the two branches in the rural area may be serving mostly those that are excluded. Onboarding in urban areas will therefore be lower than rural areas.
As already indicated, the FII can solve these problems because it is able to produce a composite number out of the many indicators.

SELECTING THE MODEL FOR COMPUTING THE BoZ FII

During the development stage of the BoZ FII, research was conducted on the common methodologies used by various countries and multilateral organisations to compute such indices. Technical support was also obtained from the Alliance for Financial Inclusion (AFI), and the central banks of Philippines and Malaysia. The BoZ FII adopted the non-parametric method developed by Mandira Sarma in 2008 known as the Sarma Index over parametric methods such as Principal Component Analysis (PCA) or Common Factor Analysis (CFA). The strength of the Sarma index over PCA or CFA were that:

- Non-parametric methods measure the central tendency of the data with the median value without making assumptions that rely on statistical distributions within the data.
- It is a linear index that utilises the concept of the Cartesian coordinate system (plane that contains the x-and y-axes).
- It is simple and yet yields a composite measure of financial inclusion that satisfies the signalling property (i.e., it follows a unique optimal path to reach a higher value).
- It considers the multi-dimensionality of financial inclusion.
- It is amenable for comparison
- It has meaningful bounds which are plotted between 0 and 1in the Cartesian plane.

DETERMINING THE INDICATORS FOR COMPUTING THE BoZ FII

Another critical stage in the development of an index for computing financial inclusion is the determination of indicators that would be inputted in the selected model. This can be a difficult task due to the wide array of financial inclusion indicators which complicate the process of identifying the number and type of indicators to include or exclude in the model. To alleviate this challenge, financial inclusion indicators have been categorised into blocks called dimensions. There are mainly three types of financial inclusion dimensions namely, access, usage, and quality. The Bank has in the initial stages of the index opted to use the access and usage dimensions while the quality dimension would be added once a framework for collecting this data is implemented.

The access and usage dimensions adopted by the bank utilise the AFI core set of indicators which is a list of five indicators that are consistent across countries yet sufficiently flexible to meet country-specific needs for measuring financial inclusion. The access dimension refers to the ability to use formal financial services, (i.e., indicators on physical proximity and availability) while usage refers to actual uptake of financial services/ products (i.e., indicators on regularity, frequency and length of time used). The BoZ FII uses three access indicators and two usage indicators as depicted below.

The BoZ FII uses proxy indicators for the usage dimension because it is yet to establish a mechanism that captures the number of adults with at least one deposit or loan account.

Core Indicators for Computing the BoZ Financial Inclusion Index

Dimension	Indicator	Proxy Indicator	Composition of Indicator
Access	No. of access points/10,000 adults at a national level	-	No. of bank branches
			No. of NBFIs branches
			No. of ATMs
			No. of bank Agencies
			No. of POS
			No. of Active Mobile Money Agent Outlets
	% of districts with at least one access point	-	-
	% of total population living in districts with at least one access point	-	-
Usage	% of adults with at least one type of regulated deposit account	No. of deposit A/Cs per 10,000	No. of banks deposit accounts
			No. of MFIs deposit accounts
			No. of Active Mobile Money Accounts
	% of adults with at least one type of regulated loan account	No. of loan A/Cs per10,000	No. of banks loan accounts
			No. of MFIs loan accounts

The current framework is unable to filter multiple accounts held by a single individual in one FSP and across several FSPs.

COMPUTING AND INTERPRETING THE BoZ FII

The BoZ FII has been pre-set with constant parameters which are revised only when national targets change or significant movement that impact financial inclusion occur in the financial ecosystem. These parameters include the setting of the lower and upper limit for each indicator in the dimension. This enables elimination of outliers in the data, for instance, if the upper limit is 10, the model will limit the value to this number (10) for an indicator that records a value of 16.

Since there are a total of five indicators, three for access and two for usage, the model is assigned equal weights for indicators in each dimension. Therefore, the three indicators in the access dimension each have a weight of 0.3 while the two dimensions in the usage dimension each have a weight of 0.5. Therefore, the BoZ FII measures the distance between the actual level of financial inclusion "d" and the ideal, pre-defined level of financial inclusion "1". This implies that a smaller distance corresponds to a higher level of financial inclusion. To make the results of the index intuitively appealing, the index utilises the concept of inverse Euclidean distance so that it yields a higher result in percentage terms which corresponds to a higher level of financial inclusion.

Given that different dimensions are measured in different units; it is important that the distances are expressed in uniform terms through a process of normalisation that allows the results to be easily translated into percentage terms or decimals. Normalisation is achieved by dividing the inverse Euclidean distance by the Euclidean distance between the lowest values of the dimensions. The formular for the BoZ FII is therefore:

$$FII = 1 - \frac{\sqrt{(1-d_1)^2 + (1-d_2)^2 + \ldots + (1-d_n)^2}}{\sqrt{n}}$$

Based on the results on the computation, the generated index is interpreted using the three-tier-linear scale which splits indices from 0 – 0.33 (low level of financial inclusion), greater than 0.33 – 0.66 (medium level of financial inclusion) and greater than 0.66 to 1 (high level of financial inclusion) or 0 – 33%, greater than 33% - 66% and greater than 67% to 100%. For instance, an index value of 0.34 or 34% would indicate that Zambia is in the medium level of financial inclusion.

Three-Tier-Linear scale for Interpreting the Computed Indices

Range of Computed Index		Interpretation
$0 \leq FII \leq 0.33$	$0 \leq FII \leq 33\%$	Low level of financial inclusion
$0.33 < FII \leq 0.66$	$33\% < FII \leq 66\%$	Medium level of financial inclusion
$0.66 < FII \leq 1$	$66\% < FII \leq 100\%$	High level of financial inclusion

CONCLUSION

The BoZ FII is a step towards the development of internal capacity by the Bank to measure the trends in financial inclusion during the period in between the five- year cycle of conducting FinScope Surveys. This would also help assess the impact of policy interventions aimed at increasing financial inclusion. The index is scalable, therefore, allows for more relevant financial inclusion indicators and dimensions, e.g., for quality, to be added as data becomes available to improve the robustness of the index. Lastly, the computed index will be published on an annual basis by the BoZ through its website.

The author is Manager – Financial Sector Development in the Non - Bank Financial Institution Supervision Department.

DIGITAL FINANCIAL SERVICES – KEY RISK AREAS & TRENDING DEVELOPMENTS

By Moonga Chinika

Digital Financial Services (DFS) have emerged as a critical sub-sector at the fore of enabling financial inclusion. In order to ensure resilience in DFS service provision, the Bank of Zambia is exploring initiatives in supervisory technology.

In this article, I outline key emergent risks facing DFS as well as proposals to mitigate risks. Although the risks outlined below are not exhaustive, they provide a general overview of dangers associated with DFS.

1. WHAT IS DFS?

DFS comprises a broad range of financial services accessed and delivered through digital channels, including payments, credit, savings, remittances and insurance. It also includes mobile financial services. (www.afi-global.com)
Consumers can access DFS through multiple channels, including but not restricted to Unstructured Supplementary Service Data (USSD), smart phone applications (apps) and webpages providing ease of access through various device types, including the most basic of mobile handsets.

The availability of services affords convenience to customers who can make and receive payments anywhere they are located. Non the less, this convenience is also advantageous to fraudsters who have embraced DFS for their reprehensible intentions, aiming to defraud customers using social-engineering, hacking and other mechanisms to compromise targeted accounts or ewallets.

The implications of DFS based fraud are extensive and have the potential to erode confidence in the services themselves as well as the service providers.

2. KEY RISKS AFFECTING DFS

The key drivers of DFS based fraud are:

- Challenges with financial literacy by users;
- Incomplete onboarding of customers to platforms and inadequate training on services and products;
- Pre-registered SIM cards readily available in the market;
- Poor product and service designs which fraudsters can take advantage of and manipulate;
- Collusion among service provider staff;
- Inadequate service provider internal controls and;
- Inadequate knowledge of DFS based fraud typologies by law enforcement agencies and officers

The list above is not conclusive. As DFS is ever evolving, there will be new developments in the fraud landscape as well. However the issues highlighted above provide an adequate overview of the challenges being faced by both service providers and customers.

3. INITIATIVES AND ACTION PLANS

The Bank of Zambia has taken several steps to ensure that the DFS industry is effectively addressing the challenges it faces. The Bank has been instrumental in ensuring that customers are adequately and periodically educated on products and services.

Additional strides have been made through the issuance of the customer complaints guidelines as well as the mobile money agents directives. All initiatives are pursued in collaboration with other regulatory stakeholders, in order to ensure effectiveness as well as to minimise overlaps which would be counterproductive.

The Bank, through the Payment Systems Department (PSD), ensures that all applicants for designation to provide DFS go through a rigorous process prior to the launch of any DFS applicant's operations, as well as ongoing due diligence when new products and services are being launched, and post-launch oversight (both on and off-site).

The Bank is also actively collaborating with other regulatory stakeholders to coordinate efforts in the DFS space related to minimum requirements for Know Your Customer (KYC) policies and processes, customer complaints management and resolution as well as ensuring that all culprits related to pre-registered SIM cards are derisked and submitted to law enforcement agencies for prosecution.

Working Groups on effective collaboration and where necessary information sharing sessions with Law Enforcement Agencies (LEAs) and officers are periodically held for sharing of insights on new products and services and the corresponding fraud trends are provided to key partners and stakeholders.

4. BEST PRACTICE MITIGATIONS

The PSD Oversight Division has, through several inspections conducted, been able to observe several patterns and consistencies relevant to internal controls and fraud prevention/management functions within several organisations. Key findings from the inspections have been as follows:

a. **Training**: the importance of training cannot be over-emphasised. Ongoing training of staff, agents, partners as well as customers by all service providers has been shown to be effective at building and maintaining a culture of fraud risk preparedness and response alertness. This training should encompass fraud prevention, reporting and management, product and service usage guides and dos and don'ts. Most fraud scenarios are preventable where there is knowledge-sharing and adequate training policies in place.

b. **Processes:** effective and regularly updated processes and policies are critical to the assurance of fraud prevention as well as management. These can and should formally address product and service testing, go-live and where applicable the updating of services and products, as a new iteration of a service or an update of a mobile application, for example, could provide improved customer journeys, while at the same time exposing vulnerabilities that could be exploited by fraudsters.

c. **Culture:** a top-led culture that is averse to fraud and intolerant of related activities such as corruption, bribery or money laundering (ML) has been proven to be extremely effective. This is evidenced by statistics of fraud, the trends are higher for entities that do not have an effective organisational culture that is intolerant of fraud.

d. **Enforcement of SoD standards:** Segregation of Duties (SoD) is a fundamental control which limits potential for maker/checker lapses as well as abuse of authority, while concurrently enabling collaboration by different individuals with shared responsibility. This is useful for a financial service provider to prevent abuse of system access, approval rights and other functions. An example where this is useful in DFS is in the creation or registration of customers, agents, merchants and other account types. Another area where SoD is effective is in system access rights as well as performance of tasks which affect transactions such as e-money allocation or liquidation.

5. DEVELOPMENTS IN DFS AND FUTURE CONSIDERATIONS

DFS is key to ensuring financial inclusion, which will drive development and contribute to economic emancipation to billions of people worldwide currently without access to financial services. As the growth trajectory of DFS globally as well as nationally continues its upward trend, there is need for supervisory and regulatory pillars such as the Bank of Zambia to be proactive in regulating the sector as well as providing leadership on best practice for both market participants as well as their customers.

a. Supervisory Technology (SupTech)

Technological developments in the digitisation of reporting as well as regulatory processes is being pursued by regulatory bodies due to the increasing volumes of data generated by supervised entities. The use of technology would underpin off-site oversight and due diligence. Market surveillance, as well as micro and macro prudential oversight could be made easier through the use of analytics and data science to monitor key metrics as well as feeding into the Bank of Zambia's reporting framework for near-real time dashboards on the status of the industry.

b. Digital Identity, digital onboarding and KYC

In order to fulfil the mandate of the National Finacial Inclusion Strategy (NFIS), it is necessary that accessibility be enabled to provide access to multiple services and products without having to re-register for each and every service in order to promote convenience and financial inclusivity. With unique digital identities, customers could use their unique identifier; this would also increase effectiveness of controls to prevent abuse as well as manipulation of processes, e.g. pre-registration of SIM cards. These digital identities would then also form the foundation of a national KYC database.

c. Central bank digital currency

A Central Bank Digital Currency (CBDC) is an electronic form of fiat money managed and stored on digital computer systems. Establishing a CBDC can potentially promote financial inclusion, benefit distribution, tax collection and increase AML/CFT prevention efforts. However, there are some risks such as privacy concerns, as well as cross border anxieties and currency substitution of a local currency by a stronger foreign currency. CBDCs are being explored in several jurisdictions and the pros and cons are being weighed before consideration of formally adopting them.

6. CONCLUSION

DFS is an exciting field with significant potential to change lives and impact positively on development outcomes.

The author is Assistant Manager – Payment Systems Oversight in the Payments Systems Department

OPPORTUNITY FOR LENDING TO SMES: THE COLLATERAL REGISTRY SYSTEM

By Wise Banda

For most developing countries, access to finance remains a major challenge to the growth of small and medium enterprises (SMEs) and sole traders. This has resulted in the majority of them being excluded from accessing financial services, especially credit, which they need to make a positive contribution to the economy.

Cognisant of this need and to increase financial inclusion, and specifically, access to credit by excluded sections of the population, the Government of the Republic of Zambia through the Bank of Zambia (BoZ) in collaboration with the Patents and Companies Registration Agency (PACRA) and with support from the International Finance Corporation (IFC) of the World Bank Group, embarked on an exercise to improve the credit infrastructure in Zambia. This led to the development and implementation of the collateral registry system in Zambia.

Credit infrastructure is the set of laws and institutions that enable efficient and effective access to finance, enhance financial stability, and socially responsible economic growth through credit reporting, secured transactions & collateral registries; and insolvency & debt resolution.

What is the Moveable Property Registry System (MPRS)

The collateral registry system which is officially called (and used interchangeably with) the Moveable Property Registry System (MPRS) is an electronic, publicly accessible database for registering and searching security interest in moveable property. In other words, it is a register that records assets that have been pledged as collateral to any lender be it a bank, non-bank financial institution, money lender, individual or any other entity that may have an interest on the same property or asset. The system which is online based is managed and maintained by PACRA.

Legal Framework

The Moveable Property (Security Interest) Act No. 3 of 2016 was enacted into law on 6th April 2016. The Act seeks to promote the use of movable property as collateral in financial transactions and thereby ease access to credit, particularly by small and medium sized enterprises (SMEs). This Act provides for the establishment of the Collateral Registry for security interest in movable property housed at PACRA.

According to this Act, the lender should register the interest in the pledged collateral, referred to as 'security interest', with the collateral registry system. A security interest is a way of securing the payment of a debt (loan or credit) that gives the lender certain rights on assets used as collateral in case a borrower fails to pay. Alternatively, a security interest can be viewed as a declaration of interest or claim on an asset that has been pledged as security. This means that anyone can search the collateral register and if they find an item in which they have a legal claim on, proceed to register it on the system. Consequently, this assets or property cannot be sold or transferred to someone else without clearing these claims on it.

Types of assets that can be registered on the Collateral Registry System

There are a variety of assets that can be registered as assets. These include any item of value, both tangible and intangible that an individual or business owns. The types of assets that can be pledged as collateral under the MPRS have been simplified so as to allow anyone to access credit using the assets that they currently own. These include household goods, mobile gadgets, vehicles, trailers, crops, minerals, equipment, intellectual property, securities (treasury bills and bonds), negotiable instruments, receivables and documents of ownership such as bills of laden among others. Basically, any item of value that is moveable or any document that can demonstrate proof of ownership of a moveable asset can be registered on the system. It excludes fixed assets such as land and buildings and large items such as ships, aircrafts and aircraft engines.

By simplifying the types of items that can be registered as security, it is envisaged that more businesses and individuals especially in the informal sector can use them to access credit.

Benefits of the Collateral Registry System (MPRS)

Any person or institution can register or search for security interest in moveble property on the MPRS. The system provides an excellent business opportunity to offer financial services to the huge and untapped market in the informal sector. The MPRS acts as a risk management tool that bridges the information gap when lending to this segment by documenting collateral assets that can be used to secure lending to this sector.

Credit providers can use the moveable assets as collateral and register them on the system when they lend out money to people, check before they lend, and discharge the interest when loans are settled. Additionally, credit providers may also search on the MPRS to assess the worthiness of the pledged collateral.

Furthermore, collateral secured through MPRS ensures ease of enforcement in the event that the borrower fails to pay and provides priority of ranking in situations of multiple claims on the same property. The danger in a lender failing or neglecting to register a security interest on the system is that, should the same asset be used as collateral by another party and the subsequent lender registers interest on the collateral, the first lender's claim would lack priority despite being the first to lend against the asset. This is because, the asset being offered as collateral has not been previously registered on the system. Where more than one registration (perfected security interests) exists in an asset or pledged collateral, priority will be determined by the order of registration.

Furthermore, if the debtor defaults, the act provides authority for the lender to take possession, render the collateral unusable, dispose of the collateral or take any such action permitted under the Act or security agreement without the stress of going through court processes.

For individuals and other consumers, the system provides a platform to check if there is a security interest or claim registered on a moveable asset they intend to purchase. Buyers of previously owned property such as cars, televisions, laptops, furniture and other moveable property are required to check the collateral register before they buy.

Moreover, the MPRS is easy to use, accessible online anywhere, anytime and search results are immediate. Banks, some FSPs, money lenders, debt collectors and agents such as law firms are among the major users and have found this system particularly useful to facilitate loan recoveries due to its ease of enforcement.

Key take aways

In conclusion, despite all these benefits, many credit providers, individuals and small and medium enterprises are unaware of the opportunities that lie in using the moveable property registry system. Subsequently, the potential of this important credit infrastructure has not been fully exploited.

It is imperative for credit providers to not only register their security interests but also search the MPRS before lending to establish whether the asset being offered as collateral has not been previously used to secure a transaction.

The public is encouraged to utilise the system to ascertain whether no one else has a claim on a particular moveable asset they intend to buy.

With the limitless opportunities it provides, the collateral registry system can be a way to unlock credit to underserved segments such as the informal sector and small and medium enterprises and help them grow to contribute more to the economy.

The author is an Examiner in the Non-Bank Supervision Department

MENTORPRENEUR ZAMBIA™ GRADUATION

By Hannah Redders and Reinhold Hoernle

The German Savings Banks Foundation for International Cooperation (DSIK) started it's collaboration with the Bank of Zambia (BoZ) in 2012, whereby, after an inception phase, the two parties signed their first Memorandum of Understanding (MoU) in November 2014 to strengthen financial education in Zambia. Since then, DSIK has been one of BoZ's partners in the implementation of the National Strategy for Financial Education (NSFE-I 2012 – 2015, and NSFE-II 2019-2024). The DSIK is housed at BoZ in the Non-Bank Financial Institutions Supervision Department, and represented by Mr. Reinhold (Ray) Hoernle (Representative and Project Manager), Ms. Hannah Redders (Project Advisor) and Mr. Chambata Mbizule (Project Officer).

In January 2021 the focus of the DSIK-BoZ project was changed towards "Promotion of Small-scale Entrepreneurship in Zambia". The project activities include among others, the mentorship of micro, small and medium enterprises (MSMEs). In line, with this activity, DSIK and BoZ, together with local development partners comprising the Women's Entrepreneurship Access Center (WEAC), MentorMe Africa and Accelerated Growth for SMEs Programme (AGS) with support from the Embassy of Finland, developed the MENTORpreneur Zambia™ programme and handbook.

MENTORpreneur Zambia™

The design of the MENTORpreneur Zambia™ training programme is based on the needs of local MSMEs in Zambia. It was informed by a needs assessment and survey which revealed that MSMEs lack, among others, linkages and interfaces to purchase inputs, they lack market access and have a desire for access to finance. It was also found that there were gaps in the field of entrepreneurship education, as well as the lack of standards and principles that clarified definitions, behaviours and expectations of both sides in mentoring (mentor/mentee), specifically for MSMEs. Therefore, DSIK and its development partners designed MENTORpreneur Zambia™ in the local context of the private and public sector with the following features:

- The Mentorship Handbook, which offers over 40 pages of practical guidance for mentees and mentors, but also for organisations wishing to implement a mentorship programme in the future.
- The Market of Ideas, which is a platform for MSME mentees to present their ideas and products to potential buyers. In this way, the ecosystem supporting small-scale entrepreneurship in Zambia can be addressed holistically
- Business Pitching Sessions, which promote entrepreneurial thinking ("mindset") and teaches business skills at the same time. The pitching format provides a platform for participants in the programme to (1) showcase their skills, (2) practice their acquired progress in marketing their products and services in a short and clear method, and (3) make connections with potential buyers and market participants.

MENTORpreneur Zambia™ is open to entrepreneurs from all industries, provinces and sectors. To initiate the programme, 37 mentors were trained by DSIK in May 2022 after which the first cohort of MSMES were invited to apply as mentees for the training.

Out of an original 50 MSMEs, a total of 37 MSMEs successfully completed a 6-month pilot MENTORpreneur Zambia™ programme as mentees for the pilot phase which came to an end in December 2022.

The MENTORpreneur Zambia™ graduation

On account of these achievements, the 37 voluntary mentors and 37 mentees were invited to celebrate the completion of the first mentorship programme of its kind in Zambia and ceremoniously receive their certificates at a graduation ceremony in Lusaka on 9th December 2022.

The event was officiated by the Hon. Elias Mubanga (MP) Minister for SME-Development, Mr Kennedy Mumba the Acting Permanent Secretary for SME Development, Dr. Francis Chipimo the BoZ Deputy Governor-Operations, Ms. Freda Tamba the BoZ Director- Non-Bank Financial Institutions Supervision, and Ms. Nambual Kachumi WEAC Executive Director. In attendance was also Ms. Anne Wagner-Mitchell the German Ambassador, Mr Jan Koivu the Deputy Head of Mission from the Embassy of Finland, senior management staff from Atlas Mara and NATSAVE, representatives of the private sector, NGOs and incubator programmes such as Self-Help Africa and Bongohive.

In his speech, Minister Elias Mubanga took the opportunity to commend DSIK for the development of the programme, whose pilot phase officially came to an end on 9 December 2022. Among the not-yet-registered enterprises that participated in the programme, 38 % have registered their business in the last six months and more registrations are planned in the next twelve months. Given the political mandate to formalise small businesses and thus

Mentee - Tungamirai Mashamba is convinced that virtual reality (VR) technologies as well as the metaverse contribute to a better society. Here he shows guests how VR enables customers to discover new worlds with limitless possibilities

increase the tax base, this result is very good from the ministry's point of view.

According to the minister, the Zambian labour market is growing by about 350,000 young people every year, with little prospect of employment. Therefore, many try to make ends meet as micro-entrepreneurs. This is why the mentoring programme is starting at exactly the right place, as around a third of the mentees surveyed confirmed that they had hired new employees as a result of participating in MENTORpreneur Zambia™, and 84% of the mentees said they intended to hire new employees in the next twelve months. These figures from the pilot phase of MENTORpreneur Zambia™ testify to the creation of new jobs and the results support the celebratory occasion of the event. The next steps are now to identify local partners to adopt this newly developed programme and train them so that MENTORpreneur Zambia™ can be implemented on a larger scale across the country.

The MENTORpreneur Zambia™ Graduation ceremony also included several important activities such as the launch of the Mentorship Handbook, the Market of Ideas and Business Pitching. The Market of Ideas accorded guests an opportunity to get to know the products and services of the mentees on display, whilst for the pitching session, selected mentees had exactly three minutes to present to a jury a brief profile of their business, solicit financial support and also state how much equity they would contribute to their enterprises. The jury consisted of: Alexander Lawrence (Lusaka Chamber of Commerce and Industry), Freda Tamba (BoZ), Mali Kambandu-Nkhoma (UN Capital Development Fund (UNCDF), Teza Ngulube (Atlas Mara Bank) and Danny Lemba (Self-Help Africa).

Mentee - Don Fidelis Chulu II, founder of Fidanna Group Limited is ready to market his product as a pioneer in the production of baobab super fruit powder.

Excitement, joy and gratitude could be felt in the room filled with 120 people during the closing ceremony when the entrepreneurs presented their products, skills and services to the distinguished guests. The beneficiaries of the programme, i.e. mentors and mentees, shared with the project team their gratitude for the new contacts and opportunities they had made. A mentee Webby Chamyolo,CEO of Quasar Vision Technologies Limited located in Lusaka, Zambia was quoted stating that "It was exciting to see other startup companies make progress in their fields. The experience allowed me to learn more about the start-up environment and from others experiences. I also gained critical knowledge about my industry including partners through networking that I feel will be great assets for my company as I begin to expand.''

The graduation event therefore left a lasting positive impression on all guests and an unforgettable moment in the entrepreneurial careers of the mentors and mentees. In this regard, DSIK would like to express its gratitude for the more than 10 years of trustful partnership with the Bank of Zambia and the support received so far to bring the pilot phase of MENTORpreneur Zambia™ to a festive and dignified close.

The authors are employees of the German Sparkassenestiftung (DSIK)

DELIVERING THROUGH DISRUPTION - SERIES 1

By Daniel Chibesakunda and Tendai Luwabelwa

Daniel Chibesakunda

Tendai Luwabelwa

The automation of processes has increasingly led to various organisations being vulnerable to cyberattacks. Cyber-attacks are becoming more frequent, sophisticated and brazen with each passing year.

Financial market infrastructures (FMIs) are particularly at risk, and the financial industry consistently ranks as the most targeted industry.

As technology advances, the cyber landscape is increasingly becoming more complex, driven by innovations such as, cloud solutions, and the rise of the crypto universe which has created a safe haven for the hacker community to obscure unethical financial gain within this globally distributed block-chain technology. The sophistication, frequency and severity of cyberattacks targeting financial sector institutions in Zambia highlights the inevitability and the difficulty to completely protect the integrity of critical computer systems.

In this context, cyber-resilience offers an attractive complementary alternative to the existing cybersecurity paradigm.Cyber-resilience is defined as the capacity to withstand, recover from and adapt to the external shocks caused by cyber risks without disruptions to normal operations. One of its main benefits is that it enables complex organisations to prepare for adverse events.

Strengthening cyber resilience in the financial sector is a strategic priority for the Bank of Zambia. This is in assuring stability within the financial sector. The impact of a successful cyberattack has the potential to disrupt the provision of critical general public services, threaten market liquidity, and loss of financial resources for businesses and customers alike.

Closer to home, central banks are a gateway to systemic risk and financial instability premised on non-substitutability and interconnectedness. The impact of cyber-attacks on central banks can be severe, leading to eroded local and international financial sector confidence, data loss, failure of settlement systems and sector-wide disruptions. With cyber attackers realising that central banks are relatively softer targets, there is an urgent need for central banks to be cyber resilient.

Similarly, the supervisory and regulatory role of central bank is brought to the fore as the prevailing supervisory practices play an important role in contributing to the effectiveness of cyber resilience across the financial sector. Of significance is the establishment and implementation of a resilient framework for cyber risk supervision. Such supervisory activities thematically build resilience across several areas including (i) identification of the threat landscape, (ii) mapping of the cyber and financial network, (iii) creation of coherent regulation, (iv) conducting supervisory assessments, (iv) establishment of formal information sharing and reporting mechanisms, (vi) provision of adequate response and recovery, (vii) preparedness of supervisory agencies, and establishment of effective vetting processes for employees in the cyber space.

The cyber threat landscape

The threat landscape keeps evolving. The most prevalent cyber-attack affecting most organisations across the world is ransomware attacks. The year 2022 recorded the worst in ransomware attacks. Interestingly, there was a noted increase in organisations that provided ransomware as a service. These attacks were mostly conducted through phishing and social engineering.

The most common events that have contributed to the current threat landscape include:

i. The COVID-19 pandemic

The global lockdowns that started in 2020 introduced the concept of work-from-home (WFH). Organisations, including the Bank, adopted and implemented this approach to prevent the spread of the virus and to also save on illness related staff downtime. However, this dramatically increased the cyber attacking surface area of the organisations.

ii. The geo-political conflict

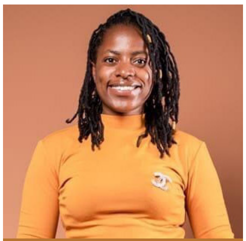
The rising conflict between states has resulted into an increase of the cyber threat landscape causing states to enter the cyber war front.

iii. The growing adoption of third-party vendors

Due to the lack of expertise and limited resources, most organisations outsource the support and maintenance of critical operations. This has resulted in an increase of third-party data breaches. Cyber criminals have taken advantage of this loophole focusing their efforts on extensive supply chain attacks. Hackers can obtain highly sensitive data with less work done by concentrating their attack on a

To page 37

MY JOURNEY WITH 'BoZ'



By Milimo Munsanje

Late in the day, on 17th February, 2022, I received a call that changed my life.
Caller: Good afternoon! Am I taking to Milimo Munsanje?
Me: Yes you are. How may I help you?
Caller: My name is Alick Banda, calling on behalf of the Bank of Zambia. We would like to request for your certified academic and professional certificates.
Me: I become apprehensive and asked what they were for. I wasn't sure whether this was legit or a scam.
Caller: He giggled and assured me that I had been selected to intern at the Bank.

I quickly got out of bed in my confused state, unsure whether to feel happy or anxious because I could not recall ever applying for internship at the Central Bank. I rushed to my mother and told her the seemingly good and overwhelming news at which she gave me a big huge. I have, at every opportunity, extensively discussed my career aspirations with my mother and I have told her the places I would like to work after graduating. We have discussed Zanaco, FNB, Stanbic, and every other bank we could think of. Throughout our discussions, my mother has always believed that I could do well in the financial sector and so she saw the call to intern as an answer to my prayers.

I had my academic papers certified and brought them to the Bank. The HR specialist checked them and thanked me for coming through. A month later I was called to do my security vetting among other things. I got a chance, in the 'recruitment' process to find out how I was chosen, and it turned out that my university made a recommendation. Curious to know who recommended me, I began calling my lecturers and eventually got hold of the 'one'. He mentioned that he had recommended a number of students, and that I was among those chosen.

Fast forward, I started work along with other new interns and staff members. We were all very excited. We were guided through the three-day induction sessions by different facilitators and on the fourth day, my co-worker and I were assigned to our respective units in the Communications Division, under the Executive Department.

The secondary orientation in my department was a process of learning and unlearning. For a person straight from university, the professional world can be quite intimidating. However, it has been comforting to be in an environment that has provided me with everything a new joiner could possibly ask for- a great brand name, proficient leaders, able guidance, and a team that is ever ready to help. The inclusive culture has also helped me blend in socially.

There has been a lot to take beyond my supervisor's professional expectations- the unwritten rules to surmise, office customs and traditions to get my head around and the list goes on. One of the things that made me uncomfortable was the ease with which people across age groups call each other on a first name basis on my floor. Growing up, I have always addressed grownups with deference, distance and formality. As such, I am trying very hard to move with the times but there are still some people I can't bring myself to call on a first name basis.

The Bank has been a great place to grow, both personally and professionally. It has provided me new challenges and learning opportunities. A combination of learning, on-the job training and the opportunity to work on many projects with a diverse group of people has helped me develop into an experienced person. I have never felt like I did not want to go to work because of some of the people at my workplace.

Working in the Bank's Communication Division has proven that this is the field I want to be in no matter where I go. It reminds me of paper work, an open door policy, playful work, and serious work, so it is a little bit of everything.

Some of the greatest highlights have been exposure to the Governors, a crop of fine and exposed staff who still remain down to earth through it all. I also get to learn a lot from everybody. Another highlight has been the opportunity to be in the same room as high-profile people and network with various inspirational individuals. And none of this would be possible if our seniors did not provide us with the opportunity to participate in such platforms and events.

My colleague and I have been given the freedom to grow and contribute our ideas to projects and other endeavors, which has made us feel valued and seen.
Our contracts expired four months down the line. However, we were called back a few months later and engaged on a six-month tenure as temporal staff. And here we are, both Masauso and I contributing to the Zambanker alongside the Zambanker reporter, whom I consider an excellent writer and coach.

What comes after this? Greater heights, accomplishment, success, and simply trusting the process. Remember to trust the process no matter how long it takes; it may be long, hard, and dark, but there is always light at the end of the tunnel.

The author is Communications Clerk in the Executive Department

WHEN WILLPOWER FAILS

By Zelipa Mitti

Willpower: *noun; control exerted to do something or restrain impulses*

Similar: *determination, strength of will, strength of character, firmness of purpose*

Willpower is considered as one of the most important components of achieving success in life. Used interchangeably with self-discipline or self-control, willpower is what helps us make enduring positive changes in our lives. It is an internal force driving us toward our goals despite challenges that inevitably occur on the way. Those who have mastered self-control are less likely to procrastinate, or make excuses, because they are focused on achieving their goals. According to psychologists, willpower can be defined as "the ability to delay gratification, resisting short-term temptations in order to meet long-term goals." It allows us to say no to that second glass of whiskey, to save instead of spend, and to study instead of mindlessly scrolling through social media.

Having said that, if willpower is the key to achieving our goals, why aren't we all doing so with ease? Why do so many people fail to keep their New Year's resolutions? Why do we give up on the improvements we want to make? Why don't we get the results we desire even when our intentions are good? Many self-help books have touted the philosophy that your ability to grow, change, or improve is purely based on your inner strength or determination. But what is often left out is how our environment affects our ability to develop into the people we want to be. Environment shapes human behaviour.

Willpower on any given day is like a battery. At the start, it is full and you are more likely to make decisions that are in your best interest. For instance, if you're trying to lose weight and you're presented with a slice of chocolate cake or a bowl of fruit, having willpower means you can control yourself and choose the fruit. But if you're offered chocolate cake over and over again because you remain in the same tempting environment, you might falter and end up disappointed with your stomach full of delicious cake. Your willpower and self - discipline are exhaustible resources that will fade over time because just like batteries, they run out.

"If we do not create and control our environment, our environment creates and controls us." - Marshall Goldsmith

Whether your goal is to quit smoking, study more, or spend less time on Facebook, willpower is a critical step towards achieving that outcome. However, some of the most popular theories of behaviour change suggest that willpower alone is not always enough to make a real and lasting change. Willpower plays a role, certainly, but it is not the only factor that impacts success. Bad habits repeat themselves again and again not because we don't want to change, but because we have the wrong system for change. According to the Stages of Change model, it is important to identify possible barriers to change, come up with a plan of action, and maintain the change. The question then becomes how can willpower be strengthened? If willpower is truly a limited resource, what can be done to conserve it? Start by asking yourself:

- Are there any actions I need to take to kick start my progress
- Are there any systems I can put into place which make it easier to resist temptation
- What habit when repeated consistently will bring me closer to my goals
- What is one small habit I can start today to strengthen my willpower muscle

Every day, we make decisions to resist impulses in the quest for a healthier, happier life. Avoiding temptation is one effective tactic for maintaining self-control. Don't buy foods you know you can not resist. If you're trying to save money, stay away from events where spending is the primary activity. Change your routines so that you're not tempted and prepare your environment to make future actions easier. The point is to reduce exposure to the environment that weakens your decision making. It is easier to avoid temptation than to resist it.

Another helpful tactic to support your willpower is planning your response to temptation before it happens. For example, if your goal is to reduce alcohol intake, tell yourself that if anyone offers you a drink, then you will ask for a Coke. If you are paying off debts tell yourself "I will pay 'so much' towards my debt every time I receive my salary". Having a plan in place ahead of time allows you to make healthier decisions in the moment and to be consistent without having to rely on your willpower.

A third tactic to implement when avoiding a bad habit is to design a way to see the benefits of good decision making. Keep a record of all the behaviours you want to establish or abandon and at the end of each day, mark which ones you succeeded with. You can record this on a piece of paper, in a journal, a calendar, or on your phone. Find a way to keep track of your habit and use it as motivation to keep going. When you forget to do a habit, make sure you get back on track immediately. Soon your habits

To page 37

From page 34

number of third and fourth-party providers.

On the other hand, harm caused by threats from insiders (employees) is more difficult to predict and assess due to their diverse motives (financial, psychological, political) and access to critical systems and data. The available statistics from financial sector incident reports indicate that this risk is on the increase.

Look out for Series 2 as we discuss what you can do to protect yourself and the Bank from cyber threats.

You have a part to play in cyber resilience by participating in cyber security awareness training to equip yourself with knowledge and avoid being a victim of social engineering or being phished. Remember it takes only one person to miss one single area that should be protected for the whole system to be comprised.

Source: IMF training
The authors are Acting Assistant Director in the ICT Department and Senior Analyst in the Bank Supervision Department respectively

From page 36

will become automatic because once a habit is formed, it is unlikely to be forgotten.

“The purpose of setting goals is to win the game. The purpose of building systems is to continue playing the game” - James Clear

Self-control and willpower greatly improve our success and ability to achieve goals. But because we are human, willpower on its own is bound to fail. If you are looking to turn your goals into actual results, continue strengthening your willpower but don't forget to also create a system for how you’re going to execute them. Having a simple set of rules for breaking bad behaviours and adopting good ones will compound into massive, positive change over time.

Source: The author is Web Editor in the Executive Department

SMALL STEPS TO RECOVERY FROM FINANCIAL DISTRESS (INDIVIDUALS AND HOUSEHOLDS)

By Kasalapo Lungu

1. Swallow your pride.

2. Discuss the distress with the major stakeholders (spouse and children). They may help you execute the recovery plan with ease.

3. Adjust life style (e.g from pure Juice to dilutable juice or to none at all). It’s a bumpy and not so desirable ride, but can help.

4. Cut fixed costs by at least 50% (e.g. reduce cost of rent to half the current rent by moving from high residential area to low residential area or cheaper, reduce school fees to half the current cost or even to free as the BOMA call it). Some people may “mwenamo” you but they don't pay your rent nor school fees.

5. Dismantle small nkongoles (debt). This may help maintain or restore your reputation.

6. Engage the big creditors to discuss new timelines for settlement. Honest conversation and honouring commitments can make the process easier.

7. Avoid acquiring more debt to settle existing debt. Acquiring more debt to settle existing debt may work if only you have capacity to generate enough cash in the short term.

With time, these small steps can help you recover from financial distress with less damage to your reputation in society.

Kuicefyafye, we can live to see another life of "party after party" post recovery.

PHOTO FOCUS

GOVERNOR'S MEETING WITH CHAIRPERSONS OF COMMERCIAL BANKS

Your pin is your secret.

Report strange requests to your service provider.

Bank of Zambia

Go Cashless

Relax. Go Cashless. It's Safe, Convenient and Secure.

Bank of Zambia

Tel: (+260) 211 399300 E-mail: info@boz.zm Website: www.boz.zm www.boz.zm

Regional Office
Buteko Avenue,
P. O. Box71511, Ndola, Zambia.
Tel: (+260) 212 399600
E-mail: info@boz.zm
Website: www.boz.zm

Head Office
Bank Square, Cairo Road
P. O. Box30080, Lusaka, 10101, Zambia.
Tel: (+260) 211 399300
E-mail: info@boz.zm
Website: www.boz.zm

@BankofZambia

Bank of Zambia

Bank *of* Zambia

Bank *of* Zambia