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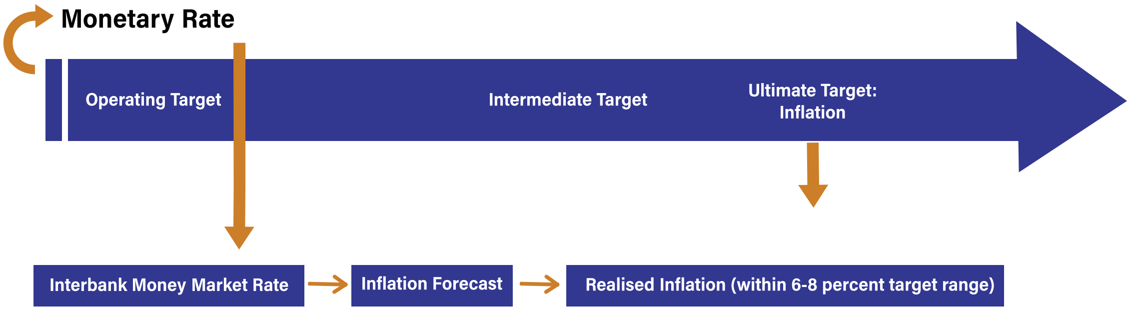
MONETARY POLICY FRAMEWORK



MPC Policy Rate Decision-Making

- If inflation is forecast to persistently rise above the target, the Policy Rate may be adjusted upward.
- If projections show a temporary rise in inflation (i.e. transitory), the Policy Rate may not be raised - high inflation may be accommodated.
- If inflation is projected to persistently decline, the Policy Rate may be lowered.
- Besides inflation forecasts, growth and financial stability, judgement is used in arriving at the interest rate decision.

Macroeconomic conditions considered

Where we are coming from:

- COVID-19 pandemic
- High oil and food prices (Russia-Ukraine war)
- High inflationary pressures
- High external debt

Where the economy is currently:

- External debt restructuring
- Climate change (flash floods, dry spells)
- Tight global financial conditions
- Capital flow reversal
- Geo-political tensions

Where the economy is going in the near future:

- Gradual growth in real GDP
- Higher food and energy prices due to the prolonged Russia-Ukraine War
- Global financial market volatility
- Sluggish global economic recovery

CONTENTS

ZAMBIA SECURES DEBT RESTRUCTURING AGREEMENT WITH OFFICIAL CREDITORS COMMITTEE

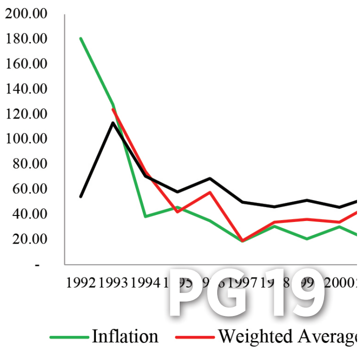
On the 22nd of June, Zambia reached an agreement on a comprehensive debt treatment with its Official Creditors under the G20 Common Framework. This landmark achievement is a significant step towards restoring Zambia's long-term debt sustainability.

MONETARY POLICY COMMITTEE OUTCOME

The Monetary Policy Committee, at its May 15-16, 2023, Meeting, raised the Monetary Policy Rate by 25 basis points to 9.50 percent. The decision was informed by the projection that inflation will continue to be above the target band of 6 – 8 percent over the forecast horizon. The Committee also took into account fragile growth, and vulnerabilities and risks in the financial sector.

WOMEN'S FUNDING BUSINESS EXPANSION GUIDE ON CARDS

She Trades Zambia has partnered with the Bank of Zambia to produce a Women's Guide to Funding Business Expansion, a resource for women business owners to identify the proper funding for business growth. The guide aims to empower women business owners in Zambia by assisting them in identifying suitable funding options. It focusses on addressing the barriers that women face when accessing capital, presenting a comprehensive range of financial products and services, and offering practical advice to get funding.

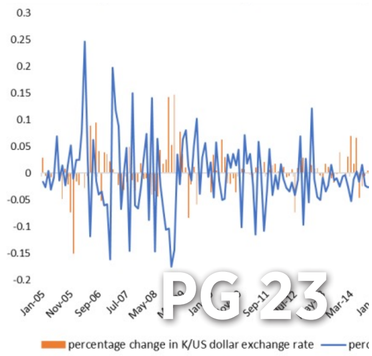


ZAMBIA'S EXPERIENCE WITH INTEREST RATE CAPS

Zambia liberalised interest rates in 1993. The period following the liberalisation of interest rates was characterised by a volatile macroeconomic environment. However, by the start of a new millennium in 2000, relative macroeconomic stability was achieved and was evidenced by: positive real GDP growth rates and rising per capita incomes; falling inflation and interest rates; favourable external sector performance; and stability and growth in the financial sector.

IMPACT OF INVESTOR SENTIMENTS ON THE NOMINAL EXCHANGE RATE

Traditionally, studies indicate that economic fundamentals have been some of the main drivers of the exchange rate in Zambia that include copper prices, domestic productivity, short-term interest rate on government securities, money supply, price differentials and trade openness. However, in the recent past, movements in the nominal Kwacha/US dollar exchange rate appear to be inconsistent with the traditional economic fundamentals.



PERFORMANCE OF THE TARGETED MEDIUM-TERM REFINANCING FACILITY

The BoZ provided credit tenors of up to five years at a fixed rate linked to the Monetary Policy Rate (MPR).

The funds were provided against eligible collateral with a 12-month grace period on interest payments, while the principal amount was to be paid in one bullet at maturity.

In terms of utilisation of the TMTRF, the response showed that the intended purpose was achieved.

Introduction

This article presents an update on the status of the Targeted Medium-Term Refinancing Facility (TMTRF) as at 31 December 2022, although the status of principal and interest repayments will be for the most recent position as at 30 June 2023.

The TMTRF, which had an initial K10.0 billion allocation when it was introduced in April 2020, was designed to strengthen and enhance the resilience of the financial system. This was in response to the threat to financial stability posed by continued deterioration of macroeconomic conditions between 2019 and 2021, exacerbated by the COVID-19 pandemic outbreak in December 2019.

The TMTRF was made available to eligible Financial Service Providers (FSPs), whose role was to provide credit to non-financial enterprises and households to improve liquidity in the financial sector and help drive the growth and diversification of the economy. Priority was to provide funds to sectors identified in the Seventh National Development Plan (7NDP) as the key drivers that would stimulate private sector led growth. These sectors included Agriculture, Manufacturing, Energy, and Tourism. A certain portion of the TMTRF was, however, reserved to support other sectors, including households, which could have otherwise been viable without the outbreak of the COVID-19 pandemic. Initially, 60 percent of the support was targeted for the agriculture, manufacturing, tourism, and energy sectors, while 40 percent was to support other sectors. However, this segregation was later discontinued to ensure flexibility in disbursements-based on sectors most impacted by the COVID-19 pandemic.

Under the TMTRF, the Bank of Zambia (BoZ or Bank) provided credit tenors of up to five years at a fixed rate linked to the Monetary Policy Rate (MPR). Additional incentives were provided for those FSPs that targeted priority sectors as identified in the 7NDP. The funds were provided against eligible collateral with a 12-month grace period on interest payments, while the principal amount was to be paid in one bullet at maturity.

In 2022, the Bank conducted thematic asset quality reviews of the banks and non-bank financial institutions (NBFIs) for the period 2019 to 2021. The objectives of the review were to, among others, assess the performance of facilities granted under the TMTRF and establish financial service providers' compliance with the Terms and Conditions of the TMTRF.

The thematic review revealed that banks and NBFIs were largely compliant with the Terms and Conditions of the TMTRF. In addition, it was observed that most FSPs passed on the benefits to borrowers through reductions in interest rates, increased tenors and moratoriums on interest and/or principal.

In terms of utilisation of the TMTRF, the response showed that the intended purpose was achieved. As per the design of the Facility, the Manufacturing and Agriculture, as priority sectors, benefited the most albeit with minimal intermediation to Tourism and Energy sectors. In addition, most banks scaled-down lending to the SME segment despite high demand due to the perceived high inherent risk.

1. Performance of the TMTRF

1.1 Applications

A total of 61 applications valued at K12.91 billion had been received from 34 FSPs. These comprised 26 applications valued at K9.44 billion from 15 commercial banks and 35 applications from 19 NBFIs valued at K3.48 billion. (Table 1). Of the 61 applications, 42 were approved, 9 declined on grounds of not meeting the set criteria, 4 were withdrawn, on account of insufficient collateral, 2 lapsed as the offers expired beyond the 14-days validity period of formally accepting the offer, 2 applications were received after the fund had been fully allocated, 1 offer was declined by the FSP and another one was withdrawn.

Table 1: Advances Applied for (value in K' million)

Category	Number of FSPs	Number of Applications	Value
Banks	15	26	9,438.34
Non-Banks	19	35	3,475.70
Total	**34**	**61**	**12,914.04**

1.2 Approvals

A total of K10.00 billion was approved comprising 21 applications from 11 banks valued at K7.61 billion and 21 applications from 11 NBFIs with a total amount of about K2.39 billion. This

Table 2: Approved Advances (Value in K' millions)

Category	Number of FSPs	Number of Applications	Value	Approval Percentage*
Banks	11	21	7,610.60	80.6
Non-Banks	11	21	2,389.39	68.7
Total	**22**	**42**	**9,999.99**	**77.4**

*Amount approved as a percentage of applications received.

represented 77.4 percent of the total value of the applications received (Table 2).

1.3 Disbursements

Regarding disbursement, as at end-December 2022, a total of K9.96 billion had been disbursed to both banks and NBFIs valued at K7.57 billion and K2.39 billion, respectively (Table 3). The amounts represented a 99.6 percent disbursement rate out of the approved amounts. A total of 85,101 customers benefited from these disbursements. From the total approved TMTRF allocation of K7.61 billion to the banking sector, the Bank of Zambia cancelled the undrawn balances amounting to K0.04 billion due to the inability by banks to utilise the balances.

1.3.1 Analysis of Beneficiaries

A total of 85,101 customers benefited from these disbursements. Individuals and households had the largest number of beneficiaries i.e 55,571, followed by wholesale and retail trade accounting for 15,511 beneficiaries. Agriculture sector accounted for 3,382 beneficiaries and 'other sectors'

Table 3: Disbursed Advances

Category	Number of FSPs	Value in K' millions	Disbursed Percentage	Number of Customers
Banks	11	7,571.38	99.5	8,522
Non-Banks	11	2,389.39	100.0	76,579
Total	**22**	**9,960.77**	**99.6**	**85,101**

accounted for 10,637 beneficiaries. Below is a detailed breakdown of beneficiaries by sector and type of institution.

1.3.2 New Loans and Restructured Facilities

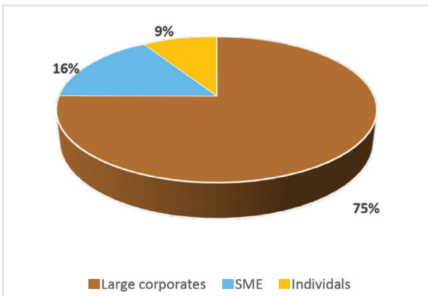
Out of the K7.57 billion disbursed, K2.69 billion which represented 35.5 percent of total disbursements to commercial banks were new loans, while K4.88 billion or 64.5 percent were restructured loans. Regarding the NBFIs, K1.71 billion which represented circa 71.7 percent of the total of K2.39 billion disbursed were new loans, while the remaining K0.69 billion representing 28.3 percent were restructured loans.

Therefore, total new credit amounting to K4.40 billion was extended to the real sector and potentially improved the subdued economic activity.

1.3.3 Customer Type

In terms of customer type, large corporates received 75.1 percent (K5.69 billion) of total disbursements to commercial banks, followed by SMEs2 which received 15.9 percent (K1.21 billion) and individuals and households which received 9.0 percent (K0.67 billion) (Chart 2).

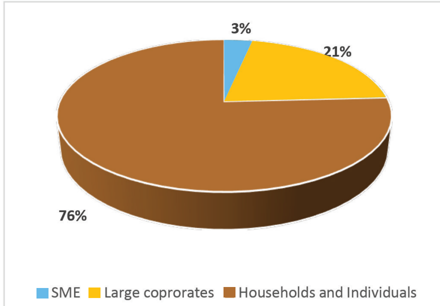
Chart 2: Disbursements by Customer Type –Banks



Regarding the K2.39 billion disbursed to NBFIs, individuals and households received 75.8 percent (K1.81 billion) followed by large corporates which received 21.0 percent (K0.50 billion) and SMEs which received 3.2 percent (K0.08 billion) (Chart 3).

The benefits passed on to ultimate beneficiaries included a combination of low interest rates and moratoriums. After accessing funds under the TMTRF, the benefits commercial banks passed onto their customers included interest rate reductions averaging 6.8

Chart 3: Disbursements by Customer Type – NBFIs



percent with interest rates reducing from an average of about 24.9 percent to an average of about 18.0 percent. Comparably, the NBFIs passed on an average benefit of about 13.6 percent to their customers with interest rates reducing from an average of about 45.7 percent to an average interest rate of about 32.2 percent after accessing the TMTRF.

In terms of moratorium, the grace period ranged from 2 months to 3 years. The moratorium was applied to either the repayment of the principal amount only or to payment of accrued interest only. In some cases, the moratorium applied to both the principal and interest amounts.

1.3.4 Sectorial Distribution of Disbursements

Analysis of funds disbursed through commercial banks indicated that, the manufacturing sector received the largest share at 19.3 percent (K1,922.59 million) followed by agriculture sector at 16.6 percent (K1,654.69 million). The energy and tourism sectors accounted for 2.7 percent (K273.53 million) and 1.3 percent (K134.30 million), respectively. The rest of the funds were distributed to the real estate sector at 6.5 percent (K643.06 million), wholesale and retail trade at 5.7 percent (K568.44 million), individuals and households at 18.5 percent (K1,841.91 million) and 'other' sectors accounted for 29.3 percent (K2,922.48 million). See table on page 6 for a detailed breakdown of the sectorial distribution of funds disbursed through commercial banks and NFBIs.

Table 4 Sectorial Distribution of Disbursements – Commercial Banks and NBFIs

Sector	Disbursed to Banks (K' million)	%		Disbursed to NBFIs (K' million)	%		Total Disbursements (K' million)	%
Agriculture	1,610.30	21.3		44.39	1.9		1,654.69	16.6
Communication	201.50	2.7		0.25	0.0		201.75	2.0
Community Services	9.80	0.1		1.84	0.1		11.64	0.1
Construction	63.00	0.8		500.79	21.0		563.79	5.7
Education	82.90	1.1		126.47	5.3		209.37	2.1
Energy	267.90	3.5		5.63	0.2		273.53	2.7
Healthcare	0.10	0.0		0.53	0.0		0.63	0.0
Individuals and households	661.00	8.7		1180.91	49.4		1,841.91	18.5
Manufacturing	1,922.00	25.4		0.59	0.0		1,922.59	19.3
Mining and quarrying	76.70	1.0		43.81	1.8		120.51	1.2
Non-bank financial institutions	12.70	0.2		0.00	-		12.70	0.1
Real estate	632.80	8.4		10.26	0.4		643.06	6.5
Tourism	116.50	1.5		17.80	0.7		134.30	1.3
Transport	208.30	2.8		40.83	1.7		249.13	2.5
Wholesale and Retail Trade	514.70	6.8		53.74	2.2		568.44	5.7
Other	1,191.40	15.7		361.56	15.1		1,552.96	15.6
Total Disbursement	**7,571.40**			**2,389.39**			**9,961.00**	

Source: Bank Supervision Department

DHI VICTIMS LOSEOUT 91.8% OF INITIAL INVESTMENTS

A case example is of a money circulation scheme named **Destiny Helpers International (DHI)**

By Thulani Musonda

In 2020/2021, the Drug Enforcement Commission carried out an investigation into the activities of Destiny Helpers International (DHI), a company registered in Zambia, and found that it was illegally offering financial services contrary to the provisions of the Banking and Financial Services Act, 2017. The matter was taken to court and subsequently, on 10 August 2022, judgment was passed and the properties of DHI were forfeited to the State for onward transmission to the affected victims. The Bank of Zambia was appointed to facilitate the refund of the defrauded victims using proceeds of the seized properties.

The total value of the seized properties, largely funds held in various commercial bank accounts, was K1,464,244.80. On the other hand, the total value of claims received from the defrauded victims countrywide amounted to K17,924,510.00. This translated in a payout ratio of 8.2 percent to each DHI victim. The table below shows values paid out to different victims, based on the amounts they had invested in DHI. This signified that they lost out 91.8 percent of their initial investments.

Payout Scenarios for DHI Victims

DESCRIPTION	AMOUNT INVESTED IN DHI BY VICTIM (ZMK)	AMOUNT PAID OUT VICTIM BY BOZ (ZMK) WITH PAYOUT RATIO OF 8.2%
Victim 1	65,000.00	3,995.59
Victim 2	42,000.00	2,581.76
Victim 3	19,000.00	1,167.94
Victim 4	18,500.00	1,137.21
Victim 5	14,000.00	860.59
Victim 6	10,000.00	614.71
Victim 7	6,000.00	368.82
Victim 8	5,000.00	307.35
Victim 9	4,000.00	245.88
Victim 10	3,500.00	215.15
Victim 11	3,000.00	184.41
Victim 12	1,300.00	79.91
Victim 13	1,000.00	61.47
Victim 14	700.00	43.03
Victim 15	600.00	36.88
Victim 16	400.00	24.59
Victim 17	360.00	22.13
Victim 18	300.00	18.44
Victim 19	200.00	12.29
Victim 20	100.00	6.15

About Money Circulation Schemes

Money Circulation Schemes, popularly known as "Ponzi schemes" are a type of fraudulent investment plan in which payment of the return on investment is dependent on the investment from subsequent investors to pay the initial investors. It's a widely known fact that the higher the return on an investment, the higher the risk one would have to take. Hence, every legitimate business carries some degree of risk. However, money circulation schemes promise the opposite. Promoters of these schemes normally lure people into making an investment by offering them a higher return on their investment, at low risk, than they would ordinarily get from a legitimate business.

Money circulation schemes tend to attract new investments at an exponentially fast rate and inevitably collapse when the payouts to investors exceed the ability to lure further contributors. At that point, most investors lose their money, although early investors, including the promotors of the scheme may have realised high returns or simply diverted the funds to other investments outside the scheme.

Why Individuals Invest in Money Circulation Schemes

While the general view about individuals that fall in the trap of investing in money circulation schemes is that they are "greedy" and simply want to get rich quickly, an analysis of the characteristics of the victims of in our case example showed that:

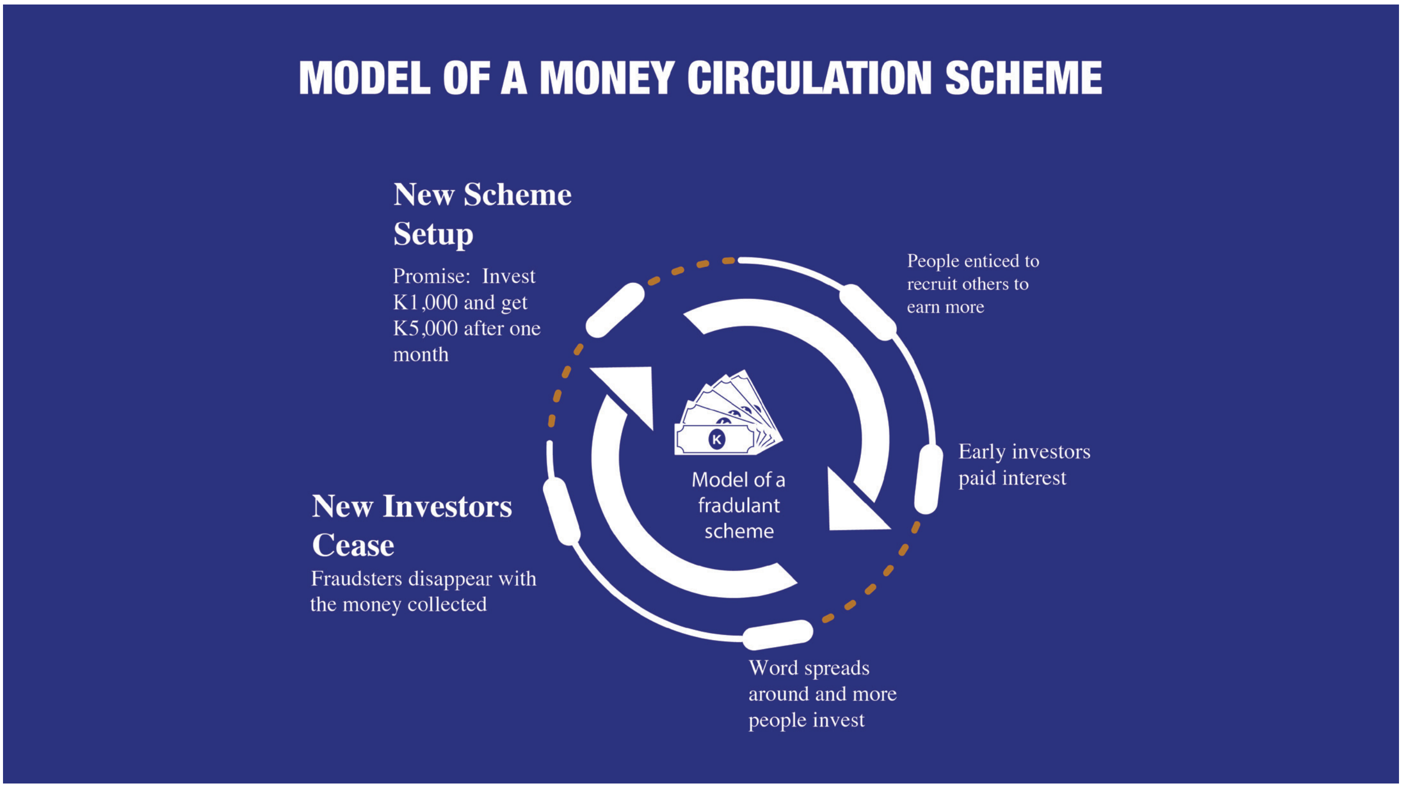
(i) The promoters of money circulation scheme normally target individuals from a group or community sharing a common affinity, such as ethnicity, religion, or profession, hoping to exploit mutual bonds of trust. In that way, these schemes have lured innocent and unsuspecting individuals of all levels of income and wealth;

(ii) While some potential individuals may be aware and have full understanding of the risks involved in taking such investment ventures, the majority will simply join without any understanding of what they are signing up to. An analysis of general profiles of victims of such schemes showed that some of the victims were very elderly (above 65 years) lured into the investment by either trusted family members or church leaders; and

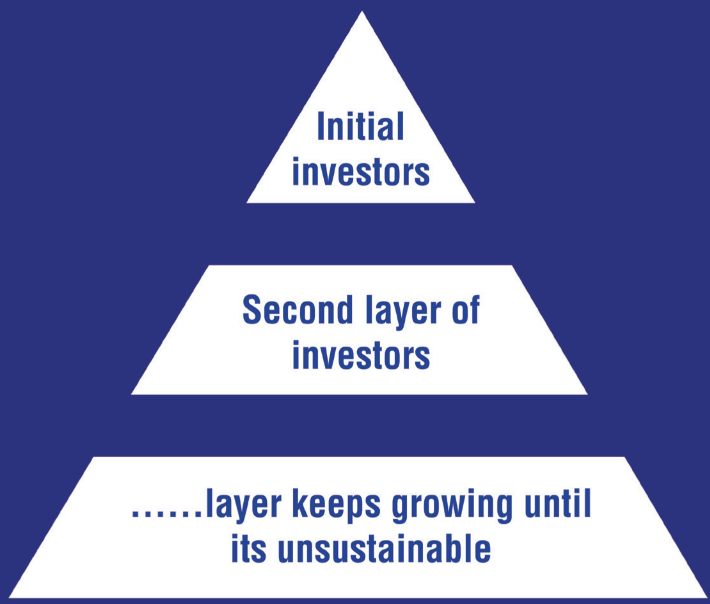
(iii) Lack of awareness of legitimate low risk financial investment options such as fixed deposit accounts, Government Securities and Unit Trusts leave individuals with no option but to channel their funds to aggressively sold investment plans such as money circulation schemes. Financial service providers that are duly registered and licensed by the Bank of Zambia and Securities and Exchange Commission, therefore, have a big role to play in raising public awareness of legitimate financial products that individuals can invest in.

Ways of identifying a Money Circulation Scheme

Money circulation schemes are ever evolving and becoming more sophisticated. They are sometimes packaged in the guise of helping individuals that are struggling financially. However, in whichever form they may take, what is key is for one to be aware of the 5 key features of a money circulation scheme shown in the figure below, in order to avoid falling into the trap.



The investors are deceived that participating in an investment opportunity will earn a guaranteed return on investment. As the number of investors grows and the supply of potential new investors dwindles, there is not enough money to pay off promised returns and cover investors who try to cash out.



Legislation on Money Circulation Schemes

Section 6 (2) of the Banking and Financial Services Act, 2017 prohibits body corporates from providing financial services without a license from the Bank of Zambia. Members of the public should, therefore, be wary of institutions that provide such services without evidence of a license. The Bank of Zambia provides on its website, https://www.boz.zm/, an up-to-date list of all the registered financial service providers for members of the public to be aware of legitimate institutions.

Additionally, Section 157 of the Banking and Financial Services Act, 2017 prohibits persons from conducting or participating in a money circulation scheme. The Act further prohibits a person from issuing a notice, circular, prospectus, proposal or any other document inviting the public to subscribe to a money circulation scheme and a breach of this provision is a convictable offence. Members of the public are therefore encouraged to desist from such activities as the they also stand to lose out all or a significant potion of their investment.

Reporting of suspected fraudulent money circulation schemes

The Bank of Zambia, in collaboration with other financial regulatory authorities and law enforcement agencies are desirous to protect the public from falling in the trap of investing their funds in fraudulent investment schemes. Therefore, if any member of the public is unsure or has a concern about an investment, or think they have encountered fraud, they are encouraged to contact either one of the following for guidance:

The Bank of Zambia

- +260 211 399300 / 0971 270090 / 096 3884820

The Securities and Exchange Commission

- +260 211 227 012 / 222 368 / 222 369

The Drug Enforcement Commission

- +260 211255114

The Zambia Police Service

- +260 979 810007 / 0950 180007 / 0969 180008

The author is Senior Analyst in the Non-Bank Financial Institutions Supervision Department

CLIMATE CHANGE AS AN ECONOMIC OPPORTUNITY FOR ZAMBIA

By Masauso Phiri

Mr. Phiri

The Bank of Zambia (BoZ) is in the process of developing regulatory and supervisory tools to foster sustainable practices in the financial sector which will have wider environmental implications beyond the sector.

Speaking during the Carbon Markets Capacity Building workshop whose theme was "Accelerating Success for Women, SMEs, and Youth in Carbon Markets: Paving the way for Women, SMEs, and Youth in Carbon Markets," Director Bank Supervision, Ms Gladys Chiwele said the unique role that financial service providers play places them at the centre of promoting such initiatives through financing of various projects in the economy.

She said the Bank of Zambia welcomes capacity building for carbon markets since this is one of the markets that the Bank is facilitating to develop through the Green Loans Guidelines 2023 which have been shared with all stakeholders for their comments and inputs. This is a clear demonstration that the prospects for economic growth in Zambia are sound.

Carbon markets have increasingly emerged as indispensable tools in the collective efforts to combat climate change and achieve sustainable development. By pricing carbon emissions, these markets provide economic incentives for companies to reduce their greenhouse gas emissions. In doing so, they promote sound environmental stewardship while simultaneously unlocking economic opportunities. The workshop was organised by the Zambia Industrial Commercial Bank Zambia Limited.

The "carbon market" is, in reality, a diverse set of systems that are regulated in different jurisdictions for trading green house gas pollution rights. These rights – called allowances or permits — are the commodity that is globally traded and give the bearer the right to emit an equivalent amount of CO_2 emissions. Carbon credits are similar to permits, but are fundamentally different in that they are generated over time, (i.e., once a project gets implemented and the reductions are audited). In many markets, these carbon credits can be used in lieu of allowances for compliance to targets that have been placed on industrial facilities or sovereign countries.

Ms Chiwele explained that the link between carbon markets and the economy is significant in that the transition to a low-carbon economy not only helps mitigate climate change but also creates new avenues for growth, innovation, and investment.

In the realm of financial markets, carbon markets have gained increasing prominence. They create a new asset class that opens up opportunities for investors, financial institutions, and intermediaries. The integration of environmental considerations into financial decision-

making is essential for sustainable investing. By channelling capital towards low-carbon projects and promoting green finance, carbon markets help mobilise resources towards activities that have positive environmental impacts, while also generating financial returns.

“The pricing of carbon emissions creates market-based mechanisms for incentivising businesses to adopt cleaner technologies, invest in renewable energy as well as enhancing energy efficiency. It also presents vast business opportunities that can be exploited by entrepreneurs and foster the involvement of youths, women, and small and medium-sized enterprises (SMEs) who are ordinarily excluded from most economic activities,” she said.

She stated that SMEs drive innovation, create jobs, and foster inclusive economic growth although they often face challenges in accessing financial markets and navigating the complexities of carbon markets.

“It is imperative therefore that we provide them with the necessary support, including access to finance, technical assistance, and capacity-building programmes. By doing so, we empower SMEs to seize the opportunities presented by carbon markets, unlocking their potential as engines of sustainable economic growth,” she said.

She explained that the inclusion of women in carbon markets is a critical aspect of the Central Bank’s journey towards sustainability and gender equality because women bring unique perspectives and talents to the development agenda, and it is crucial that we create an enabling environment that promotes their active participation, leadership, and access to finance. “The active participation of women in carbon markets has potential to empower them economically and enhance the effectiveness and resilience of the country’s climate actions,” she said.

She also observed that the youth represent a powerful force for change and innovation. Their fresh perspectives, technological capabilities, and inherent drive to create a better future represent an invaluable asset. Moreover, empowering young people to actively engage in carbon markets does not only help to harness their creativity and ambition but also fosters the sustainability of their efforts in the long run. By involving them and capacitating them now, we pave the way for a generation that is equipped to navigate and exploit the opportunities that come with the evolution of the carbon market landscape.

The author is Communications Clerk in the Executive Department

COMBATING FINANCIAL CRIMES REMAINS KEY - CHIPIMO

- BoZ is committed to better cross-agency working and a closer dialogue with industry

By Zambanker Reporter

Deputy Governor-Operations, Dr Francis Chipimo has called for strengthened collaboration among key stakeholders to effectively combat anti-money laundering, countering the financing of terrorism and proliferation (AML/CFTP) and information sharing. Addressing a Fraud Symposium organised by Stanbic Bank Zambia Limited in Lusaka, Dr Chipimo said the urgency of addressing AML/CFTP through substantive partnerships and the application of best practices cannot be overstated.

The Bank of Zambia's role in the fight against financial crime is driven by its mandate as the competent authority responsible for ensuring the effective monitoring of financial service providers' compliance with their AML/CFTP obligations. It is against this background that the Bank has signed a number of Memoranda of Understanding (MoUs) with both local and foreign authorities to foster closer collaboration and sharing of information.

Domestically, the Bank of Zambia works closely with other financial sector regulators such as the Securities and Exchange Commission and the Pensions and Insurance Authority based on the existing tripartite MoU. This is because the financial sector is the first in the line of defense and therefore, requires concerted effort by all regulators to prevent the abuse of the sector by criminal elements. More specifically, the role of the Bank of Zambia is to protect and preserve the integrity of the financial system and ensure the safety and soundness of individual entities it regulates.

He added that the Bank of Zambia, in its capacity as a licensing authority has put in place a rigorous licensing process which ensures that only 'fit and proper' persons are allowed to own and manage financial institutions. On an ongoing basis, the Bank of Zambia requires all reporting entities to comply with AML/CFTP national requirements, laws and regulations. These regulations include specific requirements such as customer due diligence, transaction monitoring and reporting obligations on suspicious transactions and activities. Others are coordination and cooperation as

well as record keeping and obtaining beneficial ownership information.

"We enforce compliance to AML/CFTP measures through onsite supervision and examinations of regulated entities. Through these on-site examinations, financial service providers that are non-compliant with the AML/CFT requirements are sanctioned and required to put in place remedial measures for the identified breaches," he said.

Further, the Bank of Zambia performs targeted/thematic AML/CFTP examinations on specific concerns observed in individual institutions as and when necessary. The Bank of Zambia also conveys the supervisory expectations to financial service providers through the Banking and Financial Services Corporate Governance Directives 2016 and the Bank of Zambia Anti Money Laundering Directives 2017. Similarly, the Bank of Zambia holds workshops, trainings and meetings with the various stakeholders.

Dr Chipimo described the move by Stanbic Bank Zambia Limited to host the Fraud forum as testimony of the need by all stakeholders to continuously expend efforts towards creating a resilient financial sector against the risks posed by financial crimes. 'The Bank of Zambia is, therefore, delighted that your bank is hosting this forum.'

NEWS IN BRIEF

ZAMBIA'S MEDIUM TERM BUDGET PLAN (MTBP) PROJECTS AN AVERAGE ECONOMIC GROWTH OF 4.7% BETWEEN 2024-2026

The Ministry of Finance and National Planning released the 2024-2026 Medium Term Budget Plan, which outlines key actions to stimulate Zambia's economic growth on June 23, 2023. Over the 2024 – 2026 medium term Government's economic policies will focus on stimulating economic growth through restoration of macroeconomic stability, attaining debt and fiscal sustainability, facilitating a conducive environment for private sector participation, and improving livelihoods, especially for the poor and vulnerable. Key economic policies include full and effective implementation of the Comprehensive Agricultural Transformation Support Programme (CATSP) to capitalise on the country's comparative advantage in agriculture, as well as the development and operationalisation of the Public Investment Management Information System (PIMIS) as a platform for enhancing efficiency in the appraisal and management of public investment projects.

ZAMBIA SECURES DEBT RESTRUCTURING AGREEMENT WITH OFFICIAL CREDITORS COMMITTEE

On the 22nd of June, Zambia reached an agreement on a comprehensive debt treatment with its Official Creditors under the G20 Common Framework. This landmark achievement is a significant step towards restoring Zambia's long-term debt sustainability.

The agreement covers about $USD 6.3 billion in outstanding debt Zambia owes to its official bilateral creditors and delivers close to a 40% reduction of the country's debt burden.

MONETARY POLICY COMMITTEE OUTCOME

The Monetary Policy Committee, at its May 15-16, 2023, Meeting, raised the Monetary Policy Rate by 25 basis points to 9.50 percent. The decision was informed by the projection that inflation will continue to be above the target band of 6 – 8 percent over the forecast horizon . The Committee also took into account fragile growth, and vulnerabilities and risks in the financial sector.

Continued delays in external debt restructuring negotiations, tighter global financial conditions, higher maize prices due to the anticipated lower production amid strong regional demand, as well as the impact of the prolonged Russia-Ukraine conflict on food and energy prices remain key risks to inflation outlook.

Observed budgetary discipline and continued implementation of fiscal consolidation measures and broader economic reforms outlined in the Eighth National Development Plan (8NDP) will remain important anchors in achieving lower inflation and macroeconomic stability.

DIRECTION OF TRADE

Total export earnings fell by 3.9 percent to US$2.8 billion in the first quarter of 2023 relative to a year ago. This was due to the reduction in copper export earnings which fell by 20.4 percent to US$2.2 billion, reflecting lower export volumes.

A decline in copper output amid low ore grade, operational challenges, and routine closures for maintenance at some mines accounted for the reduction in export volumes. Nonetheless, non-traditional exports (NTEs) grew by 45.9 percent to about US$1 billion. The increase was broad-based, largely driven by sustained strong demand in the Democratic Republic of Congo and Namibia. Key contributors to the growth in NTEs were plastics, salt sulphur lime and cement, and mineral fuels and oils mainly electricity.

Major export destinations were Switzerland, Democratic Republic of Congo, China, Singapore, and South Africa.

Meanwhile, merchandise imports were 33.6 percent higher, at US$2.5 billion, in the first quarter of 2023 than a year ago. The increase was broad-based, reflecting improvements in domestic economic activity. Imports from the top five source countries accounted for 59.0 percent, with South Africa being the largest contributor, at 22.8 percent.

WOMEN'S FUNDING BUSINESS EXPANSION
GUIDE ON CARDS

By Zambanker Reporter

She Trades Zambia has partnered with the Bank of Zambia to produce a Women's Guide to Funding Business Expansion, a resource for women business owners to identify the proper funding for business growth. The guide aims to empower women business owners in Zambia by assisting them in identifying suitable funding options. It focusses on addressing the barriers that women face when accessing capital, presenting a comprehensive range of financial products and services, and offering practical advice to get funding.

Speaking during the She Trade Summit on Powering Business and Investment Opportunities for Women, Deputy Governor-Administration, Mr Rekha Mhango said it is important to note that the guide is not exhaustive, but is a very good starting point, which stakeholders can build on.

The Guide highlights the following:

- The difficulties women face in obtaining the desired and needed funding;
- The different types of funding that are available, and how to identify what is most appropriate for their business;
- How to apply for finance and what financial products and services are currently available in Zambia, both for women-owned businesses, and for the general population; and
- Recommendations on what business owners and funders can do in order to improve the success of funding processes.

Ms Mhango called for increased collaboration between financial institutions, intermediaries, women

in business and all stakeholders to address the gaps and current impediments that slow down the process to access capital.

"I acknowledge with gratitude that a lot of progress has been made so far in smoothening the path to secure funding for women and applaud the partnership of She-Trades and the Bank of Zambia. But there is still so much more progress to be made and opportunities to be sought, and this is the time for that," she said.

she said investing in women's economic empowerment creates a direct path towards gender equality, poverty eradication and inclusive economic growth.

"We all understand the enormous contributions women make to our economies, whether in business, on farms, as entrepreneurs or employees, and in our homes. Unfortunately, women-led businesses are often underfunded and tend to struggle to obtain capital which they need to succeed. The importance of the provision of funding, business development and a variety of other services that help women reach their entrepreneurial goals can therefore not be overstated," she said.

UPDATE ON CENTRAL BANK DIGITAL CURRENCY RESEARCH

By Milimo Munsanje

Ms. Munsanje

The Bank of Zambia continues its research with a view of coming up with a decision on whether to implement a Central Bank Digital Currency (CBDC) or not. Speaking during the MPC Announcement and Media Briefing in response to a query, Bank Governor, Dr Denny Kalyalya explained that the development and implementation of CBDCs is still in its early stages, but that there is a growing interest in this technology from central banks around the world.

CBDC is a digital or virtual currency that is issued by a central bank and is equivalent to physical cash. He said there are several ways that CBDCs could be implemented, with one possibility being that CBDCs could be issued directly to individuals and businesses. Another possibility is that CBDCs could be issued to financial institutions, which would then be responsible for distributing them to individuals and businesses.

"CBDCs have the potential to have a significant impact on the way we pay for goods and services and improve the efficiency and security of the financial system," he said.

From the Bank's perspective, some of the potential benefits of introducing CBDCs include:

i. **Increased efficiency**: CBDCs could make payments faster and more efficient. Would especially be beneficial for cross-border payments, which are currently slow and expensive in most cases.

ii. **Reduced fraud: CBDCs** could help to reduce fraud and other financial crimes. This is because CBDCs could be designed to be more secure than traditional payment methods.

iii. **Improved financial inclusion:** CBDCs could help to improve financial inclusion by making it easier for people who do not have access to traditional banking services to participate in the economy. CBDCs could be issued to individuals' wallets like cash and thereby create a financial history that could assist them access financial services even though they were not originally in the formal financial sector.

He said the Bank is also cognisant of potential risks and fears that may arise from the up take of CBDCs.

These include:

i. **Increased surveillance:** Beliefs that CBDCs could make it easier for Governments to track and monitor people's financial transactions.

ii. **Cyberattacks:** CBDCs could be vulnerable to cyberattacks, given that CBDCs are digital assets, and they could be hacked or stolen just like any other digital asset.

iii. **Centralisation:** Depending on the design of a CBDC, these could lead to increased centralisation of the financial system.

The author is Communications Clerk in Executive Department

BoZ, BOT CONDUCT JOINT CURRENCY SENSITISATION PROGRAMME

By Kasha Kangalu

Mr. Kangalu

The Bank of Tanzania (BoT) and Bank of Zambia (BoZ) conducted a joint currency awareness and sensitisation programme at the Nakonde/Tunduma border from 17th to 21st April 2023. The programme was aimed at increasing awareness on the Memorandum of Understanding between BoT and BoZ on currency convertibility and repatriation, obtaining feedback from key stakeholders on challenges faced with the implementation of the MoU, and sensitising the public on the importance of recognising and handling the Tanzania Shilling and Zambian Kwacha correctly.

The programme was conducted through a series of training sessions, workshops, radio interviews and phone - in programmes, social media posts, distribution of brochures, fliers and posters, and direct public engagements. The training sessions were conducted by a joint team of BoT and BoZ expert trainers who provided insights into the two types of currencies, their security features, how to recognise and how to handle them. Various discussions were held stressing the importance on the success of the MoU as a means of enhancing and facilitating trade along the Nakonde/Tunduma border. The workshops were interactive and involved activities such as currency identification, exchange rate dynamics, and presentations detailing in-depth analysis of the various banknote security features.

In Nakonde, the Technical Committee had a series of direct public engagements with various stakeholders at Main Market, TAZARA Market and Zambia Black Market. They were also hosted by Chete FM on a live radio programme.

In Tunduma, the team were hosted for a live radio programme at NLC FM. The interview covered various aspects of the MoU and security features of

the two banknote families. A town hall meeting was also held with the Tunduma business community at Casce High Class Hall. They also held public engagements at Kisimani Market in Tunduma. This is the largest goods market in the area, and the central hub for informal currency exchange at the Nakonde/Tunduma border.

The Bank of Zambia and the Bank of Tanzania signed a Memorandum of Understanding on Currency Convertibility and Repatriation on 21 September, 2018. The establishment of MoUs between the two central banks is an initiative that was born in the 2000s out of the Meetings of the Committee of Central Bank Governors of the Southern African Development Community (SADC - CCBG). Since then, a number of countries have set up such arrangements with each other. The Bank of Zambia has an MoU with the Bank of Mozambique. Similarly, the Bank of Tanzania has similar arrangements with its neighbours from the East African Community.

To come up with this MoU, the Joint Technical Committee held its first meeting on September 11, 2017 at the Bank of Tanzania, Mbeya Branch, where a lot of preparatory work was done, including an on-site visit to the border. The Committee established that informal trading of foreign currencies at this border was widespread, resulting in the proliferation of informal money changers. This is despite the presence of registered financial institutions, which at that time included, six banks and three bureaux de change in Tunduma and three banks and seven bureaux de change in Nakonde. The informal trading of foreign currencies is conducted mainly through the Zambian Kwacha, Tanzanian Shilling, and the United States dollar. This is because of inconvertibility between the Zambian Kwacha and the Tanzanian Shilling. Convertibility would therefore only occur via the US dollar using the informal money changers. The exchange rates obtaining among informal money changers are highly volatile due to supply and demand conditions for the US dollar as well as speculative behaviour among informal money changers.

This practice led to the re-emergence of parallel exchange rates, thereby negatively affecting the efficiency of trade at this border. This also led to a practice where traders and travellers cross the border without declaring foreign currency in their possession. These activities undermined efforts by the authorities in both countries to enhance tax collection.

The author is Assistant Manager-Currency Operations in the Banking and Currency Management Department

LICENSING STATUS FOR THE PERIOD 1 JUNE 2022 TO 30 JUNE 2023

By Charity Mwenya

Licence Approvals

Name	Category	Date Approved by Registrar	Date Licence Issued
1. Orbit Bureau de Change Limited	Bureau de change	29 September 2022	20 February 2023
2. ZED- Fin Financial Services Limited	Financial Business	29 March 2023	19 May 2023

Licence Cancellations

Name	Category	Date of Cancellation	Reason for Cancellation
1. Laxmi Bureau de Change Limited	Bureau de change	20 September 2022	Failure to comply with the provisions of the law.
2. Unimoni Bureau de Change Limited	Bureau de change	31 October 2022	Voluntary surrender of licence.
3. Wumi Bureau de Change Limited	Bureau de change	2 December 2022	Failure to comply with the provisions of the law.
4. Sigma Financial Services Limited	Non-Deposit taking Microfinance Institution	11 January 2023	Voluntary surrender of licence.
5. Saints Bureau de Change Limited	Bureau de change	23 January 2023	Failure to comply with the provisions of the law.
6. Esna Bureau de Change Limited	Bureau de change	23 March 2023	Failure to comply with the provisions of the law.
7. Big Deal Bureau de change Limited	Bureau de change	23 March 2023	Failure to comply with the provisions of the law.
8. Easy Cash Financial Services Limited	Non-Deposit taking Microfinance Institution	23 March 2023	Failure to comply with the provisions of the law.
9. F S Bureau de Change Limited	Bureau de change	5 May 2023	Voluntary surrender of licence.
10. ACE FX Bureau de Change Limited	Bureau de change	27 June 2023	Failure to comply with the provisions of the law.

ZAMBIA'S EXPERIENCE WITH INTEREST RATE CAPS

By Joseph Munyoro

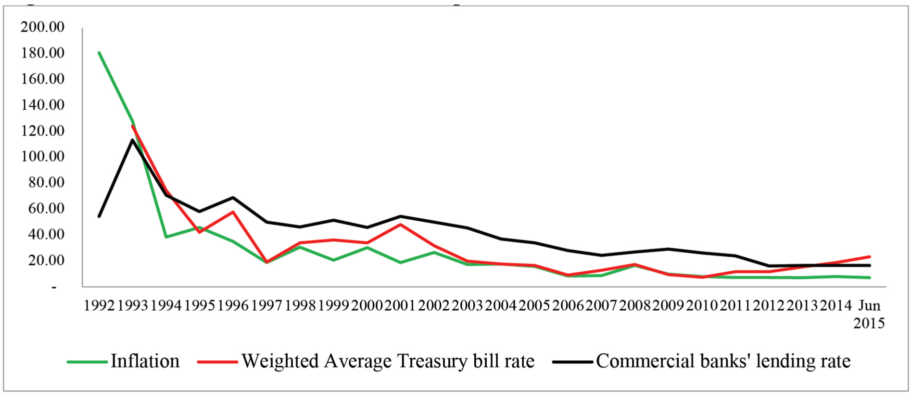
Mr. Munyoro

Zambia liberalised interest rates in 1993. The period following the liberalisation of interest rates was characterised by a volatile macroeconomic environment. However, by the start of a new millennium in 2000, relative macroeconomic stability was achieved and was evidenced by:

- Positive real GDP growth rates and rising per capita incomes;
- Falling inflation and interest rates;
- Favourable external sector performance; and
- Stability and growth in the financial sector.

Commercial bank lending rates were on a declining trend. For instance, commercial bank lending rates dropped from 27.9 percent at end-December 2006 to 16.2 percent at end-December 2012 (Figure 1).

Figure 1: Inflation and Interest Rate Development



Despite the general downward trend in interest rates, the public exerted a lot of pressure on the Bank of Zambia (BoZ) to cause commercial banks and other non-bank financial institutions to further reduce their lending rates. The pressure was, to some extent, driven by the lending rates that applied to borrowers such as the micro, small and medium-sized enterprises (MSMEs) and individuals and households that had remained relatively high despite the general downward trend. The interest rates for these borrowers ranged from 30 percent to about 80 percent per annum and were considered exorbitant. This view, however, ignored two important facts. Firstly, the average loan size obtained by these borrowers was relatively small and therefore translated into a higher proportion of the fixed loan origination costs per loan. Secondly, these borrowers had historically higher credit default rates that gave rise to a higher credit risk premium. A combination of these two factors naturally resulted into higher interest rates for these borrowers.

Nonetheless, between 2010 and 2011, the BoZ engaged commercial banks to understand the factors that were contributing to the perceived high level of interest rates in Zambia. They cited the high statutory reserve and core liquid asset requirements and the high corporate tax rate for banks and other financial institutions, as the major contributors to the high lending interest rates.

In a bid to see interest rates drop further to assuage public pressure, the BoZ reduced the statutory reserve ratio from 8 percent to 5 percent and the core liquid asset ratio from 9 percent to 6 percent in November 2011. In addition, the Government reduced the income tax rate applicable to banks and other financial institutions from 40 percent to 35 percent in 2012. Despite these significant measures by both the BoZ and the Government, commercial banks responded by reducing lending interest rates marginally. They raised a new argument explaining that the cost of doing business in Zambia had remained high and as such could not allow them to reduce interest rates further.

Dissatisfied with the arguments by the commercial banks, the BoZ imposed caps on lending rates in January 2013. The caps were also later extended to non-bank financial institutions. The objective of the interest rate caps was to help reduce the cost of borrowing and, by so doing, increase access to credit, particularly by MSMEs. These borrowers were considered critical to spurring economic growth and creating employment.

The BoZ imposed a cap on the margins that commercial banks could put on the BoZ Monetary Policy Rate, which in April 2012, had become the official base rate upon which credit-related pricing was anchored. The newly introduced interest rate cap was to apply to loans granted after 2 January 2013, while existing loans were allowed to run their course on their existing terms, unless the borrowers decided to refinance them.

The Mechanics of the Interest Rate Cap

$$\boxed{Eff(R)_{Max} = MPR + (F \times Margin)}$$

The formula for the maximum effective lending rate for commercial banks was:

Where:

Eff(R)Max was the maximum effective annual lending interest rate;

MPR was the BoZ Monetary Policy Rate;

F was the factor to correct any misalignment between the Monetary Policy Rate and the actual cost of funds or indeed to bring the interest rate cap into alignment with market fundamentals; and

Margin was maxim interest margin determined by the BoZ.

In the above formula, it was expected that the Monetary Policy Rate would act as a proxy market interest rate for bank funding through its interaction with the overnight interbank rate and thus would capture the liquidity cost of the lending bank. The Margin was estimated to be the composite of the credit risk premium, the cost of capital and a reasonable profit margin. The BoZ set the Margin at 9 percent based on the commercial banks average margins as provided to the BoZ in response to a survey that was conducted on all commercial banks in 2012. However, it was not reviewed during the whole period the interest rate caps were in force.

The BoZ introduced a 'Factor' into the interest rate formula that was applied on the Margin to align the maximum interest rate to fundamental changes in the macro-economic environment, including changes in the constituents of the Margin and the funding costs that were not reflected in the Monetary Policy Rate. This adjustment was important in instances where the actual cost of funds was way above the Monetary Policy Rate.

The Factor was initially set at 1 but was not reviewed except once in May 2014 when it was raised to 1.78 but soon after dropped to 1. The delay or reluctance in reviewing the Factor led to significant misalignment between the maximum lending rate and economic fundamentals as discussed in the next section of this article.

With the Monetary Policy Rate standing at 9.25 percent in December 2012, the BoZ issued CB Circular No. 25/2012 on 21 December 2012 that informed commercial banks that their maximum effective annual lending rate was 18.25 percent with effect from 2 January 2013. This rate was calculated as shown in Table 1.

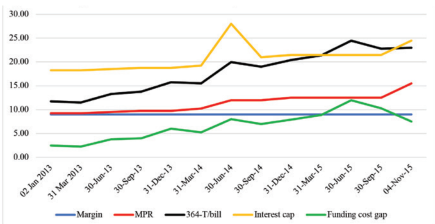
Table 1: Calculation of Maximum Lending Rate

Factor (A)	Margin (B)	Policy Rate (C)	Maximum Lending Rate (AXB)+C
1.0	9.0	9.25%	18.25%

Misalignment of the Interest Rate Cap

Although the maximum effective lending rate modestly increased by 6.25 percentage points from 18.25 percent at the beginning of January 2013 to 24.50 percent by the end of October 2015 (Figure 2), commercial banks' funding costs rose faster, as liquidity conditions tightened in line with the rising yield rates on Government securities and mounting inflationary pressures.

Figure 2: Misalignment of the Interest Rate Cap



In view of the slow rise in the Monetary Policy Rate, it lost its property as the proxy for the commercial banks' cost of funds. Instead, a relevant proxy became the yield rate on the 364-day Treasury bill. In the review period, the yield rate on this Treasury bill rose by 11.75 percentage points from 11.25 percent at the beginning of January 2013 to 23.00 percent at the end of October 2015. As a result of the slow adjustment of Monetary Policy Rate, the gap between the Treasury bill yield rate and the Monetary Policy Rate (the then proxy for the funding cost gap) rose from 2.49 percentage points at the beginning of January 2013 to 11.97 percentage points by end-June 2015 before it dropped to 7.50 percentage points by the end of October 2015. Due to the slow adjustment of the maximum effective annual lending rate, the yield rate on the 364-day Treasury bill exceeded the interest rate cap by end-June 2015 when the yield rate rose to 24.47 percent while the interest rate cap was at 21.50 percent. This event was a stunning example of how the interest rate caps had distorted the structure of interest rates resulting into a negative premium on lending rates.

Adaptation Mechanisms

Faced with the almost impossible situation of operating sustainably in an environment of binding interest rate caps, some financial service providers started to charge higher fees and, in some instances, introduced new fees that were not part of the formula for calculating the maximum effective annual lending rate. All these efforts were designed to enable them compensate for lost interest income and, by so doing, improve their chances of remaining in business. These adaptation mechanisms, however, led to opacity in the pricing of credit. Whereas the effective cost of credit increased, the increase was not reflected in the maximum lending rate.

Adverse Effects of the Interest Rate Caps

The interest rate caps had adverse impacts on the financial sector and the wider economy. Some of the specific adverse impacts are discussed below.

Crowding Out the Private Sector

As a direct consequence of the imposition of the interest rate caps, growth in credit to the private sector generally slowed down while investments in Government securities more than doubled in the immediate period following the implementation of the caps. The growth rate in credit declined sharply to 13.1 percent in 2013 from 36.4 percent in 2012 while

	Dec-2012	Dec-2013	Dec-2014	Dec-2015
Credit (K' millions)	15,902	17,984	22,335	24,054
Growth rate (%)	36.4	13.1	24.2	15.3
Government securities (K' millions)	7,227	9,427	9,187	10,451
Growth rate (%)	8.8	30.4	(2.5)	20.2

investments in Government securities increased by 30.4 percent compared to 8.8 percent in 2012. In this regard, the interest rate caps had the effect of crowding out the private sector in regard to the flow of credit.
Although credit growth picked up to 24.2 percent in 2014, it remained below the level that was recorded in 2012. In fact, it slowed down again to 15.3 percent during first half of 2015 while investments in Government securities recorded a growth rate of 20.2 percent (Table 2).

Table 2: Growth Rates of Credit and Investments in Government Securities

	Dec-2012	Dec-2013	Dec-2014	Dec-2015
Credit (K' millions)	15,902	17,984	22,335	24,054
Growth rate (%)	36.4	13.1	24.2	15.3
Government securities (K' millions)	7,227	9,427	9,187	10,451
Growth rate (%)	8.8	30.4	(2.5)	20.2

Drop in Credit to Micro, Small and Medium Enterprises

One of the rationales for the introduction of the interest rate caps was that they would make credit more accessible to MSMEs by making it more affordable. However, the reality was different. While credit to MSMEs had grown by almost 80 percent between 2011 and 2012, it dropped to less than 10 percent following the introduction of the interest rate cap. Commercial banks generally reduced lending, particularly away from higher risk borrowers, such as MSMEs. This situation was at variance with the Government objective of increasing financial inclusion and credit to this credit end-user category.
Operational Constraint on Enterprise Lending Microfinance Institutions
After the introduction of the interest rate caps, several enterprise-lending microfinance institutions (MFIs) that were previously profitable recorded losses, and for those that were already recording losses, their losses increased. Consequently, four MFIs that were either loss-making or operating with marginal profits before the introduction of interest rate caps found it difficult to continue operating and thus exited the financial sector. By the first half of 2015, seven of the eight enterprise-lending MFIs that were still operating were posting losses (Table 3).

Table 3: Performance of Enterprise Lending MFIs

Microfinance Institution	**2012**	**2013**	**2014**	**H1 2015**
Microfinance Institution 1	1,528	(7,534)	(5,238)	(4,571)
Microfinance Institution 2	3,969	6,821	3,229	(1,371)
Microfinance Institution 3	2,139	1,269	(462)	105
Microfinance Institution 4	(2,454)	(2,702)	(3,559)	(1,337)
Microfinance Institution 5	(1,320)	(4,094)	(2,139)	(715)
Microfinance Institution 6	72	(3,013)	(5,762)	(1,576)
Microfinance Institution 7	3	134	(840)	(476)
Microfinance Institution 8	(127)	(2,016)	(8,320)	(2,713)
Total	**3,810**	**(11,135)**	**(23,091)**	**(12,654)**

The losses principally arose from the shrinkage in the interest margin as funding costs rose faster than the interest rate cap.

Removal of the Interest Rate Caps and Implementation of Consumer Protection Measures

Confronted with mounting and irrefutable evidence of the adverse impacts of the interest rate caps, the BoZ removed the interest rate caps on 4 November 2015 and turned its attention to strengthening consumer protection with the following goals:

- Creating transparency in loan pricing so that borrowers could have full knowledge of the terms and conditions of borrowing and the effective cost of borrowing;
- Ensuring fair treatment of borrowers by credit providers through detecting and addressing instances of deceptive advertising and aggressive and abusive loan collection methods;
- Establishing effective recourse mechanisms to ensure customer complaints were resolved promptly and fairly.

To this end, the Banking and Financial Services Act was amended in 2017 by, among others, creating a separate chapter that contained consumer protection measures. The BoZ also issued a Directive on the Prohibition of Unwarranted Charges and Fees in 2018. This prohibition was prompted by complaints from the public on high and, in some cases, unwarranted bank charges that threatened to undermine the strategic objective of the BoZ on financial inclusion.

Below is a list of the charges the BoZ considered unwarranted:

- Charge for over-the-counter cash deposit;
- Charge on a basic savings account;
- Charge for reactivating a bank account; and
- Charge for balance and other account inquiries.

In addition to prohibiting charges and fees that were deemed unwarranted, the BoZ also started to regulate specific charges and fees on banking transactions.

Conclusion

Evidence in the aftermath of the introduction of the interest rate caps showed that the stated policy objectives of the caps were not achieved. Particularly, it was observed that:

1. The effective cost of credit increased through new and higher credit-related fees;
2. The presence of interest rate caps, in an environment of rising yield rates on Government securities, created a distortion in the structure of interest rates with a negative premium on lending rates, leading to disintermediation as lending to the private sector became unattractive;
3. Growth in private sector credit generally slowed down while investments in Government securities more than doubled; and
4. Some MFIs ceased operations while others closed some branches thereby restricting their outreach with adverse impact on access to credit by low-income segments.

In summary, however tempting they may appear to be, interest rate caps are disruptive and should not be considered as a tool for addressing structural challenges that give rise to the phenomenon of high interest rates.

The author is Assistant Director Financial Analysis, Non-Bank Financial Institutions Supervision Department.

WHAT'S TRENDING
NEWS FROM AROUND THE WORLD

European Central Bank raises rates by 25 basis points, sees higher inflation ahead

Key Points

- The European Central Bank on Thursday announced a new rate increase of 25 basis points, taking its main rate to 3.5%.
- The bank has raised rates since July 2022 in an attempt to bring down record-high inflation across the region. The latest inflation reading showed prices cooling down at a faster-than-expected pace, with headline inflation coming in at 6.1% in May.
- Despite the recent slowing in inflation, the ECB actually raised its headline and core expectations for this and next year. It now expects headline inflation at 5.4% this year, at 3% in 2024 and at 2.2% in 2025.

The European Central Bank on Thursday, June 15, 2023 announced it is taking its main rate up by 25 basis points to 3.5%, diverging from a U.S. Federal Reserve decision to pause its own hikes on Wednesday.

The central bank has raised rates since July 2022 in an attempt to bring down record-high inflation across the region. The latest inflation reading showed prices cooling down at a faster-than-expected pace, with headline inflation coming in at 6.1% in May and core inflation — which excludes volatile items — at 5.3%. This remains well above the ECB's target of 2% headline inflation.

While markets widely expected Thursday's decision, investors argue that a lot of uncertainty remains about what the ECB might do beyond the summer.

"The Governing Council's future decisions will ensure that the key ECB interest rates will be brought to levels sufficiently restrictive to achieve a timely return of inflation to the 2% medium-term target and will be kept at those levels for as long as necessary," the ECB said in a statement.

Despite the recent cooling in inflation, the ECB actually raised its headline and core expectations for this and next year. It now expects headline inflation at 5.4% this year, at 3% in 2024 and at 2.2% in 2025.

The ECB also turned more negative about growth in the coming years, revising down its growth numbers to 0.9% this year and to 1.5% in 2024. An estimate done three months ago pointed to a GDP rate of 1% this year and of 1.6% in 2024.

The euro turned higher against the U.S. dollar, while European bond yields rose off the back of the announcement.

'We are not thinking about pausing'

The latest ECB announcement followed a Wednesday decision stateside from the Federal Reserve to leave rates unchanged. Chairman Jerome Powell said policymakers needed more information to determine next steps, but the central bank projected another two quarter percentage point moves later in the year.

In a press briefing following the decision, ECB President Christine Lagarde said, "We are not thinking about pausing."

"Are we done? Have we finished the journey? No, we are not at the destination," she said, pointing to at least another potential rate hike in July.

The European Central Bank lifted interest rates by another quarter-point and announced a worsening economic outlook.

Lagarde also said that the central bank is not "satisfied" with the

inflation outlook. However, she wanted to preempt further decisions, adding that "the terminal rate is something we [will] know when we get there."

Market players have been wondering whether the ECB will end this rate-hiking cycle when its deposit rate is at 3.75 or 4%.

Data released earlier this month showed the 20-member area entered a technical recession in the first quarter of this year. Gross domestic product came in at -0.1% for the three-month period to March, after a 0.1% contraction in the last quarter of 2022.

Poor economic performance might limit the ECB's ability to increase rates further to rein in inflation. ECB officials have nevertheless previously suggested that it is more important to bring down prices than to avoid an economic slowdown.

Source: CNBC

IMPACT OF INVESTOR SENTIMENTS ON THE NOMINAL EXCHANGE RATE

By Cosam Chanda

Mr. Chanda

Introduction

Traditionally, studies indicate that economic fundamentals have been some of the main drivers of the exchange rate in Zambia that include copper prices, domestic productivity, short-term interest rate on government securities, money supply, price differentials and trade openness (Mungule, 2004; Chikumbi, 2017; Chipili, 2019). Evidence has shown the importance of copper price developments in the Kwacha/US nominal exchange rate dynamics (Chikumbi, 2017; Chipili, 2019). Chikumbi (2017) argues that, historically, the performance of the Kwacha against the US dollar and other major currencies has broadly followed the behavior of copper prices. This is mainly ascribed to the dependence on copper for foreign exchange earnings. Copper mining in Zambia is the major source of foreign exchange as copper exports generated about 70 percent of total export earnings (Chipili, 2019).

However, in the recent past, movements in the nominal Kwacha/US dollar exchange rate appear to be inconsistent with the traditional economic fundamentals. For example, there are instances when the Kwacha has depreciated despite increases in copper prices. The correlation between the nominal exchange rate and copper price moved from strong to weak based on the Pearson correlation coefficient for two samples: Jan 2005 to Dec 2015 and Jan 2016 to Dec 2019 . Chipili (2019) presented similar evidence of limited impact of the copper price on the Zambian economy over the period 1994-2012 in the short run. This has conformed to the “exchange rate disconnect puzzle”, a case where major macroeconomic fundamentals fall short in explaining exchange rate movements (Obstfeld and Rogoff, 2000; Chitre, 2018). Phiri et al. (2021) argues that the poor performance of macroeconomic fundamentals in such cases arises from the inability of macro-based models to adequately capture dynamic expectations, especially at short horizons.

Objective of the study

This study attempted to investigate the role of investor sentiments on movements in the nominal Kwacha exchange rate. Instead of relying on economic fundamentals or order flows, which only explain exchange rate movements at short horizons, the study focuses on the role of investor sentiments in exchange rate dynamics both in short- and long-run in Zambia. The impact of market sentiments on the exchange rate is mostly short-term (Rao 2014; Plakandaras et al., 2015; Phiri et al., 2021). However, Menkhoff and Rebitzky (2008) highlight that sentiments play a key role in predicting exchange rate movements at longer horizons. This is mainly on the back of investor sentiments alignment with fundamentals of the exchange rate. Therefore, to fill the gap in literature on whether sentiments may have impact on exchange rate dynamics beyond the short-run, the paper employs a vector auto regression model (VECM) to analyze long-run and short-run causality between sentiment and the nominal exchange rate. Understanding the link between the aforementioned variables is critical for policy makers as fluctuations in the nominal exchange rate has a significant impact on price stability in Zambia. Roger, Smith and Morrissey (2017) present evidence of significant pass-through from the exchange rate to consumer prices in Zambia similar to Chipili (2021) and Zgambo and Chileshe (2014).

Measure of Investor sentiments

Investor sentiments can be measured by direct or indirect approaches. Direct measures rely on information gained through surveys, seeking information from individuals regarding their feelings about the variable of interest and economic conditions. Conversely, indirect measures are based on financial and economic variables that depict investor mindset (Khan and Ahmad, 2018). Likewise, market sentiments in the foreign exchange market are measured using survey-based or market-based indicators (Yang, 2015). This study employed an indirect sentiment proxy derived from the Eurobond yield rate. This measure is broadly associated with investor reaction to macroeconomic news reflected in movements in the Eurobond yield rates.

Empirical Results

The paper found that negative investor sentiments may cause the Kwacha/US dollar nominal exchange rate to depreciate in the long-run. The study also found a correctly signed negative and statistically significant error correction term with coefficient of 0.12. This means that when the nominal exchange rate deviates from its long-run equilibrium due to changes in investor sentiments, the exchange rate moves towards restoration of equilibrium 12 percent each period (a month in this case). The study employed a dummy to control for events (power shortages, deterioration in fiscal and trade profiles amid low foreign exchange liquidity) between September 2015 and April 2016. The dummy was found to be significant with a coefficient of 0.30. This means that the aforementioned events might have contributed to the Kwacha/ US dollar nominal exchange rate depreciation within the sample period. In the short-run, it was found that investor sentiments and broad money had a positive relationship with nominal exchange rate contemporaneously. At first lag, past nominal exchange rate values were the main influences of exchange rate dynamics in the short-run. Despite impacting on the nominal exchange rate, investor sentiments were found to contribute the least to exchange rate variations both in the short- and long- run. The biggest proportion of variation in the nominal exchange rate was explained by its own past values. Evidence revealed in this study showing that investor sentiments matter in the Kwacha/US dollar nominal exchange rate dynamics is likely to have implications on the conduct of monetary policy.

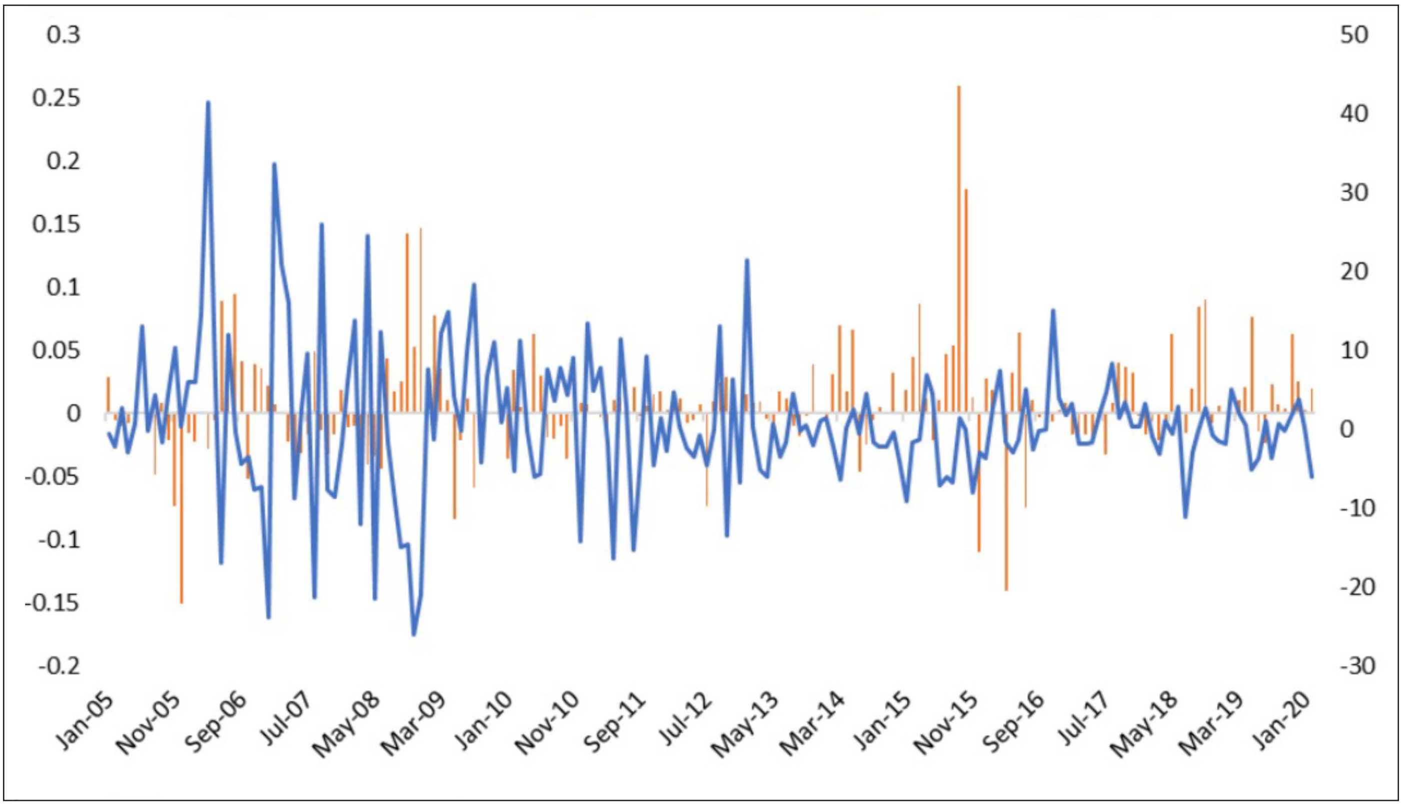
Policy Recommendations

Given the evidence presented, the study recommends the need to mainstream communication management on economic developments to the public as part of policy strategy. Communication has increasingly become a key part of economic management, especially in monetary policy as it has a major impact on financial markets (Picault, Pinter and Renault, 2020). There are global developments that a country might not have full control of, for instance general global growth worries, but can communicate on measure to address such developments. Nonetheless, within the control of countries are idiosyncrasies to an economy, which if combined with global development may sour investor sentiments more. Thus, to help brighten sentiments in the case of Zambia amid continued worries of fiscal consolidation in the face of high debt levels and relatively low levels of foreign reserves, there is need for continuous sound and joint economic management between the monetary and fiscal authorities. This may help improve credit ratings and ultimately reflected better via positively inclined investor sentiments.

Limitations of the study

The study has some limitation in its approach. The study used a proxy for investor sentiments, which is an indirect measure. This was due to unavailable sentiment survey measures for the desired period of study. Rupande, Muguto, and Muzindutsi (2019) also highlighted similar limitation.

A full copy of the study is available on https://www.boz.zm/



percentage change in K/US dollar exchange rate   percentage change in copper prices (RHS)

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THE SECURED TRANSACTION FRAMEWORK FOR MOVEABLE ASSETS-KEY MILESTONES

By Thulani Musonda

Ms. Musonda

Collateral Registries play a key role in increasing access to formal credit by Micro, Small and Medium Enterprises (MSMEs) to enable them grow their business. MSMEs in Zambia represent about 70.0 percent of the country's Gross Domestic Product, 88.0 percent of employment and contributes 97.0 percent of all businesses in the economy. However, most of these MSMEs lack conventional forms of collateral, such as landed property, but tend to have movable assets like livestock, farming equipment and household items to offer as collateral. FSPs are generally inclined to accepting immovable assets such as land and real estate as collateral because their value does not easily depreciate, and they are easier to dispose of in the event of default due to their higher Collateral Value to Loan exposure ratio. Additionally, immovable assets have always been supported by a collateral registry, the Land and Deeds Registry, where FSPs and other interested parties in an asset register their security interests. On the other hand, until 2016, there was no collateral registry system for registration of security interest in a movable asset in Zambia making such types of assets not desirable by FSPs for collateral.

Against this background, the Bank of Zambia (BoZ) in collaboration with the International Finance Corporation/ World Bank (IFC) and the Patents and Companies Registration Agency (PACRA) embarked on an ambitious journey in 2014, to transform the credit infrastructure landscape in Zambia by developing and implementing a secured transaction framework for movable assets. The collaborative efforts focused on two major areas namely:

i. Drafting of the secured transactions legal framework relating to security interests in movable property; and

ii. The establishment of the registry for security interests in movable property.

KEY MILSTONES

Development of the Movable Property (Security Interest Act) 2016

As a first step to developing a secured transaction framework for movable assets in Zambia, an appropriate legal and regulatory framework was developed. This culminated in the enactment of the Movable Property (Security Interest) Act (Security Interest Act) in April 2016. The main objective of the Security Interest Act is to encourage FSPs to accept movable property and diversify the nature of movable assets to be used as collateral in order to increase access to formal finance by MSMEs. Additionally, the Act seeks to make movable property a reliable form of collateral.

The Establishment of the Movable Property Registry System

Following the enactment of the Security Interest Act, the Collateral Registry known as the Movable Property Registry System (MPRS) was established and officially launched in 2017. The MPRS is a central database that records security interests in movable assets pledged as collateral. With the MPRS now in place, FSPs are encouraged to consider movable assets as collateral as it covers third party interests in movable asset and stipulates who has priority security interest over the same asset. The system is operated by the Collateral Registry Office within PACRA, and all particulars of security interests as submitted through a financing statement during registration, are kept by the Registry.

Market Study on the Movable Asset Based Lending, 2018

In 2018, the IFC conducted a market study on Zambia, which provided a detailed assessment of the movable asset-based lending industry and identified the factors that constrained the expected performance of the MPRS. The results of the survey showed that despite the improvement in the legal framework surrounding movable assets and the establishment of the MPRS, the willingness by FSPs to accept movable assets as collateral and the expected use of the MPRS was still very low. According to the survey, over the 3 years since the launch of the MPRS, there was a downward trend in the use of the registry. In 2017 there were 2254 new registrations, while in 2018 there were 1672, and in 2019 there were 773 new registrations. This constituted a registration rate reduction of 26.0 percent from 2017 to 2018 and a rate reduction of 54.0 percent from 2018 to 2019.The average transaction volume has also decreased from 187 monthly transactions in 2017 to 139 in 2018, and only 71 in 2019.

Some of the constraints that were cited in the survey report included high collateral registry fees, lack of awareness of the registry system by stakeholders and lack of integration of the system with other registration systems to promote efficiency in the registration process. In order to increase the willingness by FSPs to utilise the MPRS, the IFC made the following recommendations:

(i) A revision of the Collateral Registry Fee Structure;

(ii) An integration of the MPRS with other registration systems such as the Road Transport and Safety Agency (RTSA) system considering that motor vehicles were the most preferred forms of movable assets by FSPs ; and

(iii) Developing and Strengthening Capacity Building and Awareness Programmes in order to improve awareness by FSPs and the consumers of credit themselves on the benefits of using the MPRS.

Based on the above recommendations, the following has been achieved:

(i) In January 2023, the PACRA reduced user fees for registration of movable assets in the MPRS and a new Statutory Instrument was issued; and

(ii) The MPRS was integrated with the Road Traffic and Safety Agency System in June 2023; and

(iii) Several capacity building and awareness programmes were countrywide by BoZ and PACRA to encourage FSPs and consumers of credit to use the MPRS.

Conference with Financial Service Providers on the utilisations of the MPRS June 2023

Additionally, the BoZ, in collaboration with the IFC and PACRA held a conference in June 2023 on the utilisation of the MPRS. The conference was targeted at FSPs and aimed at presenting the key milestones achieved by Zambia in the utilisation of the MPRS and obtaining stakeholder views on how its use could be enhanced. As this conference was consultative in nature, the FSPs had an opportunity to present the challenges that were deterring them from using the MPRS. The main issues raised included the following:

(i) Lack of Awareness – The FSPs indicated that there was lack of awareness of the MPRS, how it can be used and its benefits by their members of staff. In this regard, Bank of Zambia was also encouraged to work with PACRA and hold more capacity building awareness programmes to enhance knowledge of FSPs of the benefits of using the MPRS; and

(ii) Lack of a legal instrument to mandate the use of the MPRS – FSPs cited lack of a legal instrument to mandate the use of the MPRS as one of the reasons why some FSPs where not considering its use and implored the BoZ to consider developing a legislation in this area.

Despite the huge milestones achieved in the development and implementation of the secured transactions framework for movable assets in Zambia, there still remains some inertia by the FSPs in utilising the MPRS. Engagements with the FSPs showed that the two key challenges they were facing were lack of awareness of the benefits of the use MPRS. In addition, the lack of clear legislation that compelled and mandated them to do so gave some players additional impetus not to embrace the system. Continuous capacity building and awareness of the benefits of using the MPRS by borrowers and FSPs therefore remains key.

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CO-CREATING GREEN FINANCE SOLUTIONS FOR MSMES THROUGH THE BIOFA PRACTIONER LABS

By Hope Mambwe, Oswald Mungule and Kabinda Kawesha

1. Background

Zambia is endowed with abundant natural resources and biodiversity manifested through its forests, woodlands, wetlands, rivers, flora, fauna, wildlife and agro-biodiversity. The importance of these natural resources lies mainly in their provision of benefits called 'ecosystem goods-and-services' ('ecosystem services) for national economic development and livelihoods, particularly in sectors such as agriculture, mining, forestry, fisheries, and tourism, in addition to supplying the population with fuel, raw materials, food, medicines and income. However, the expansion of economic activities, agriculture and settlement areas often has dire consequences on nature such as the overexploitation, loss, pollution and extinction of ecosystems .

To address this, the Government of Zambia has put in place policies, strategies and programmes to promote the conservation of the country's natural resources. One such strategy is Zambia's Second National Biodiversity Strategy and Action Plan 2015-2025 (NBSAP-2), which aims to among others, enable the implementation of international biodiversity conventions, raise public awareness and guide work on biodiversity conservation, and serve as a resource mobilisation tool.

2. Biodiversity Finance Accelerator (BioFA) Southern Africa

In line with the aspirations of the NBSAP-2, the Women Entrepreneurs Access Centre (WEAC) Zambia in collaboration with adelphi (Germany), and the Lilongwe University of Agriculture and Natural Resources (Malawi), undertook the implementation of the Biodiversity Finance Accelerator Southern Africa (BioFA) project in Malawi and Zambia, funded by the International Climate Initiative of the German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV).

Ms. Nambula Kachumi – Executive Director, WEAC

BioFA is an initiative that mobilizes biodiversity investments and scales biodiversity-positive entrepreneurship, thus contributing to the sustainable use, conservation, and restoration of ecosystems in Malawi and Zambia. In doing so, the project supports biodiversity-positive Micro, Small and Medium-Sized (MSMEs) enterprises; to access finance and invest in growth while training financial institutions and other ecosystem players in conservation finance to co-create innovative financing instruments.

The BioFA project targets biodiversity-positive MSMEs as it recognises their potential to contribute to biodiversity conservation through innovative market-based solutions. Biodiversity-positive MSMEs fall under the larger definition of green MSMEs that also comprise business models which actively contribute to climate change adaptation (and mitigation).

Biodiversity-positive and Climate Adaptation MSMEs can be defined as follows :

- Biodiversity-positive MSMEs generate profits via activities which conserve biodiversity, use biological resources sustainably and share the benefits arising from this use equitably. Their business models focus on sustainable agriculture, ecotourism, reforestation, invasive species management, provision of resource alternatives (e.g. waste-to-energy products such as eco-briquettes), and biodiversity-based products (e.g. honey).

- Climate Change Adaptation-MSMEs implement sustainable and climate resilient production methods that reduce vulnerability for themselves and the communities they operate in. They aim to reduce climate-change induced losses and increase resilience along value chains and provide market-based solutions that help communities adapt to the effects of climate change.

Hon. Elija Muchima – MP, Minister of Lands and Natural Resources, German Ambassador to Zambia Ms. Anne Wagner Mitchell, Ms. Freda Tamba- Director NBFIS BoZ, Ms. Nambula Kachumi – Executive Director, WEAC, launching the BioFA Finance Study Report.

In general, green MSMEs operate business models according to the Triple Bottom Line approach, striving for positive environmental and social impacts in addition to their financial performance.

3. Practitioner Labs on Green Finance for Climate Adaptation & Biodiversity

In order to facilitate the co-creation of innovative financing instruments for Green MSMEs, WEAC Zambia, adelphi and SEED – a global initiative to promote sustainable entrepreneurship hosted a workshop under the BioFA project titled the "Practitioner Labs on Green Finance for Climate Adaptation & Biodiversity" at Sarovar Neelkanth Hotel, Lusaka from 12th to 14th April 2023.

The workshop was characterized by a 2-day Technical Workshop, a celebration for 20 years anniversary of SEED and the launch of a Scoping Paper report on "Filling the Missing Middle Financing Gap Implemented by: Innovative financing for small and growing biodiversity enterprises in Zambia". The event was officiated by Hon. Elijah Muchima, MP Minister of Lands and Natural Resources, Ambassador Ms Anne Wagner-Mitchell the German Ambassador to Zambia and Ms Freda Tamba - Director Non-Bank Financial Institutions Supervision from Bank of Zambia. The workshop convener was Ms. Nambula Kachumi – WEAC Executive Director.

The workshop also comprised participants from line Ministries, financial sector regulators and associations, banks, research institutions, NGOs and biodiversity positive-MSMEs.

The objectives of the workshop were to:

- Define green finance for biodiversity and climate adaptation;
- Showcase case studies and exhibit goods and services of Green MSMEs;
- Unlock the value proposition of green finance for the banking sector, capital markets and other financial institutions;
- Co-create green finance solutions and refine tailored financial mechanisms to provide capital for local biodiversity and climate adaptation initiatives; and
- Foster networking and collaboration on green finance solutions.

The Practitioner Labs achieved these objectives by highlighting the existence of clusters of more than 3,000 Green MSMEs in Zambia. It also featured expert discussions and co-creation sessions to develop financial and non-financial solutions for the growth of Green MSMEs.

4. The Fit between the Practitioners Labs and the Bank of Zambia Green Finance Initiatives

The Bank of Zambia (BoZ) participated in the "Practitioner Labs on Green Finance for Climate Adaptation & Biodiversity" workshop by presenting opening remarks and presenting on the topics of inclusive green finance, risk management and green loans. The event was aligned with initiatives by BoZ to integrate green finance and environmental sustainability in its strategic activities, as well monetary, prudential regulatory, supervisory, financial inclusion and financial sector development policies. This also includes mainstreaming national policies on the environment, climate change, biodiversity and land conservation policies in the financial sector.
As such, BoZ is stimulating financial market developments towards risk management of climate-and-nature related financial risks, and innovations in the development and financing of green, biodiversity, sustainable finance and inclusive green finance products.

One of the instruments the Bank is developing are Green Loan Guidelines. These will among others, facilitate green and biodiversity financing; and environmental, social and governance (ESG) or sustainability reporting by regulated entities /FSPs. This is aimed at attracting future capital inflows into the economy, including biodiversity finance.

More specifically to MSMEs, the BoZ has conducted advocacy on Inclusive Green Finance (IGF) as a policy area that combines green finance and financial inclusion into financial services that enable MSMEs, low income and vulnerable groups (e.g. women, youth, rural areas) to mitigate, adapt, building resilience and recover from the impacts of climate change and environmental degradation.
At the same time, IGF recognizes that MSMEs can make a positive contribution to climate change mitigation and environmental

Ms Freda Tamba -Director NBFIS, BoZ Opening Remarks

conservation by improving their operations by – transitioning to the use of more efficient and renewable energy (solar, biogas), reducing energy consumption, reducing pollution, investing in green-and-low-carbon technologies, and improving waste management.

IGF achieves this by fostering a regulatory environment for financial institutions to design and expand the outreach of affordable conventional/ innovative products for MSMEs, small holder famers and vulnerable groups to use as adaptation strategies for climate change mitigation/adaptation as well as to respond to environmental risks/opportunities, including access to green technologies and renewable energy sources. These financial services can be particularly promoted for uses by Green MSMEs and other MSMEs located in geographic areas and economic sectors that are vulnerable to climate change or environmental degradation (e.g. agriculture, manufacturing, aquaculture, forestry, mining, tourism, and renewable energy) to ensure the areas become resilient and develop sustainably.

Examples of IGF financial and non-financial services include – savings, micro-credit, mobile money, insurance (e.g. crop insurance, climate risk insurance), green loans, climate finance, financial access points in rural areas e.g. for renovations, repairs, refurnishing, relocation, restocking inventory, working capital, replacing damaged equipment with new ones. Non-financial services include financial literacy, business development support services.

5. Key Take-aways from the Practitioner Labs

- Although green finance and biodiversity finance is a new concept, there is also already a high level of knowledge among different stakeholders. Challenges remain to raise more awareness around these topics.
- There is a high level of commitment among banks, intermediaries and others to be able to provide better services and products for (biodiversity) MSMEs.
- There was a great spirit of collaboration to co-create new finance solutions that improve the access to finance for biodiversity MSMEs.
- The Toolkit for Biodiversity / Climate Finance Solution Development enabled participants to distinguish eligible beneficiaries, define their key characteristics; and understand their needs and expectations in order to offer Green MSMES tailored, attractive solutions
- Financial and non-financial green finance solutions for Green MSMEs include loans, venture capital, angel investments, capacity building, technical assistance for finance institutions, innovative blended financing instruments, business development support and financial literacy training as part of accelerator programmes, etc.
- The workshop buttressed the concept of Inclusive Green Finance and green loans, and accorded participants the opportunity to test these concepts, alongside exercises on analysing green finance value chains, instruments and financing solutions.
- Financing for adaptation and environmental conservation makes MSMEs more resilient, better prepared for risks, decreases costs/losses, increases profits, enhances access to new markets and helps diversify their product portfolios.
- Financing for mitigation helps MSMEs save on operational costs, benefit from incentives, access new markets and contribute to low-carbon value chains.
- It is important to include Green MSMEs in the international and national debate on the conservation of biodiversity and climate change adaptation and mitigation as change agents in these fields. Green MSMEs should be recognised as key actors in the green economy transition and continue to receive financial and non-financial support from the public and private sectors .

In conclusion, the Practitioners Labs for Green Finance workshop lived up to the participants' expectations of providing a practical application of the BioFA initiative which aims to support biodiversity-positive MSMEs to access finance and invest in growth; and to also train financial institutions and other ecosystem players to co-create innovative financing instruments and non-financial services, including business development support for biodiversity MSMEs to contribute the sustainable use, conservation, and restoration of ecosystems in Zambia.

The authors are Biodiversity Expert at the Women's Entrepreneurship Access Centre(WEAC), Manager - Financial Sector Development in the Non-Bank Financial Institutions Supervision Department and Senior Analyst - Research & Regulatory Policy in the Bank Supervision espectively.

INNOVATIVE FINANCING FOR SMALL AND GROWING BIODIVERSITY ENTERPRISES IN ZAMBIA

Four innovative green finance prototypes were developed at the "Practitioner Labs on Green Finance for Climate Adaptation & Biodiversity", hosted from 12th to 14th April 2023 at Sarovar Neelkanth Hotel, Lusaka, by the Women's Entrepreneurship Access Centre (WEAC) Zambia, adelphi (Germany) and SEED – a global initiative to promote sustainable entrepreneurship. The prototypes were informed by the launch of a Scoping Paper on "**Filling the Missing Middle Financing Gap: Innovative financing for small and growing biodiversity enterprises in Zambia"**, which provides an overview of the biodiversity finance landscape in Zambia, with a specific focus on micro, small- and medium-sized enterprises (MSMEs).

The Practitioner Labs workshop and the scoping paper are part of the Biodiversity Finance Accelerator (BioFA) project, funded by the International Climate Initiative of the German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV). The project aims to scale biodiversity-friendly entrepreneurship in Zambia contributing to a sustainable use, conservation and restoration of natural ecosystems.

Executive Summary

Zambia's richness in biodiversity and vibrant landscape of MSMEs present a significant opportunity for the country to meet its development objectives while reducing its impacts on the country's biodiversity and related impacts and risks. In particular, biodiversity MSMEs – offering products and services for biodiversity protection – are well-positioned to absorb and scale the environmental, social and economic impacts of global biodiversity finance flows in line with Zambia's biodiversity objectives.

However, biodiversity MSMEs are part of the "missing middle", which are not served adequately by commercial banks and are caught in a situation that restricts their access to finance. Financing barriers arise, for example, from high interest rates, very short repayment periods or the lack of support from larger funds that focus on high-growth companies and fail to address environmentally friendly entrepreneurship.

Challenges for (Biodiversity) MSME Financing

	For (Biodiversity) MSMEs	For Financiers and Funders
Ticket Size	Limited missing middle-scale investments or products available	Lack of tailored financial products to meet investment needs of (biodiversity) enterprises
Risk/ Return Profiles	Early-stage enterprises bear higher risks with lower returns, translating to high interest rates	Risk aversion with high return expectations for MSMEs
Collateral	Lack of collateral, sufficient track record or credit history with stricter borrowing requirements	Perception by banks as risky credit with difficult credit assessment & appraisal
Time Horizon	Longer time horizon for green-biodiversity investments to capitalise	Short-term orientation of lending & investment cycles hinders investment in growth
Biodiversity models	Lack of monetary indicators for returns on biodiversity business models	Lack of assessment frameworks for green-biodiversity business models
Impact at Scale	Internal & market barriers to measuring and scaling impacts	Low levels of biodiversity enterprises with convincing growth trajectory
Human Capital & Skills	Poor financial literacy & awareness of (biodiversity) finance opportunities	Limited resources to tailor technical assistance & financial products
Conducive Ecosystem	Limited skills or expertise with accounting, budgeting and planning capacity	Shallow pipeline for biodiversity enterprises, especially in remote areas

Particularly relevant to biodiversity / green enterprises

Through the BioFA project, biodiversity-positive MSMEs are supported to scale their business models. At the same time, other ecosystem actors are brought together to co-create innovative financing instruments for these MSMEs, thus furthering biodiversity protection and financing in Zambia.

Financing Biodiversity in Zambia
Given both the shortfall in available capital and limited pipelines for bankable projects, solutions are required that engage the public sector and build a role for the private sector, acknowledging the importance of MSMEs for biodiversity protection. Financial institutions and investors play a crucial role in leveraging biodiversity finance flows to achieve impacts at scale. Private and public sector actors have already progressed in developing policies, frameworks, and financing instruments to protect Zambia's biodiversity as the following examples show:

- Creation of multiple biodiversity/ green funds to deliver biodiversity finance in key sectors, including the Fisheries and Aquaculture Development Fund, Water Development Trust Fund, Forest Development Fund, Environmental Protection Fund.
- Development of fiscal incentives that promote biodiversity investments.
- Involvement with development finance institutions and multilateral development funds to mobilize finance towards relevant biodiversity projects and promote financial inclusion for MSMEs like the Green Climate Fund (GCF), Global Environment Facility (GEF), the African Guarantee Fund.

The private sector has supported financing for sustainable activities through commercial financial institutions and green bonds. The private sector has also been financing MSMEs across sectors, mainly through microfinance institutions (typically in agriculture and regardless of biodiversity impacts).

Leveraging finance for biodiversity MSMEs
Despite these milestones, challenges persist with increasing financial flows to market-driven biodiversity solutions in the private sector. These challenges include the shortfall of capital, collateral requirements, the time horizon for capitalization of biodiversity investments vs. the short-term orientation of financers and the lack of tailored financial products are especially true for MSMEs, which are the backbone of the Zambian economy and important in ensuring biodiversity protection and providing a livelihood, especially to youth, women, and rural communities, who are vulnerable to shocks in the economy.

Well-designed biodiversity solutions that reduce investors' risks, enhance their expected returns, or bridge existing infrastructure gaps can help to catalyze investments in biodiversity MSMEs.

Multi-stakeholder collaboration is key to developing tailored solutions that overcome challenges faced by both (biodiversity) MSMEs and financiers.

Developing biodiversity finance solutions
In identifying opportunities for innovation, the scoping paper:

1. Highlights the role of biodiversity MSMEs in protecting biodiversity;
2. Identifies the major financing challenges hindering these enterprises from achieving impacts at scale; and
3. Reviews the status of green-biodiversity finance and MSME finance and the role of various private and public sector actors in delivering tailored financial solutions to Zambia's biodiversity challenges.

The scoping paper closes with a brief introduction to action paths to develop biodiversity finance solutions for MSMEs during the Practitioner Labs Biodiversity Finance process in Zambia.

The report on the study can be accessed under https://biofa.info/system/files/documents/biodiversity_finance_study_-_zambia.pdf

FREQUENTLY ASKED QUESTIONS
MERIDIEN BANK LIMITED PAY-OUT

Why does the Bank of Zambia liquidation process take long?

- The liquidation process for banks involves the disposal of assets of the bank both locally and internationally
- Some matters involve lengthy Court cases during which time the assets cannot be disposed of to settle depositors
- So far, in all the bank liquidations, the amount of money available was not sufficient to pay depositors immediately or within a reasonably short period of time
- Under the circumstances, payments to depositors are tied to the disposal of assets as indicated above.

How much was raised from the MMBZ liquidation process and how many people does it cover?

- A total sum of K28,911,130.55 has been paid since December 1995 and September 2021 when the 6th dividend pay-out was made to depositors.
- The 7th Dividend pay-out is expected to clear all the remaining 15, 243 depositors and creditors. Slightly over K20.3 million is available for the current pay-out.
- This has been made possible due to the resolution of a major outstanding Court case which saw the release of a significant amount of money released to MMBZ.

Will the inflation factor be considered when paying out MMBZ claimants?
- A bank ceases to perform any functions under its license once it is placed in liquidation.
- This also means that it has no capacity to carry out any investments on the deposits it has at the time of liquidation.
- Although the funds of a liquidated bank are invested, the interest earned is usually applied towards the operational expenses of managing the liquidation process
- Therefore, depositors are not compensated for inflation when making the payments due to lack of capacity by liquidated banks to raise the necessary funds to compensate depositors for adjustments in inflation.

What will happen to Meridian Bio Bank Zambia (MMBO) depositors/administrators who have lost documentation?

- At a minimum, all claimants (depositors and creditors) are expected to provide identification documents to be verified against the records at the time of collecting their claims.
- In the case of claims on behalf of estates of the deceased, claimants will also be required to submit evidence of appointment as Administrators.

What will happen to the unclaimed MMBZ funds?

- Any unclaimed funds will be retained at the Bank of Zambia where claimants can make their claims through the Liquidations Manager's Office in Bank Supervision Department.

Will the Bank of Zambia make any payments online?

- All claims shall only be paid in person with no online payments to be made since this is a one-off payment and may pose practical challenges of identifying claimants electronically.

What will happen to holders of the Meridien Bank bonds?

- Claims in respect of the various bonds that were issued by MMBZ do not fall in the category of depositors and creditors to be paid under the 7th and final Dividend.
- The bonds were handled by Meridien Financial Services which was regulated by the Securities and Exchange Commission. Therefore, holders of any bonds associated with MMBZ are encouraged to engage the regulators of the capital market.

What was the main reason why MMBZ failed?

- Banks, like any other business, fail despite the good efforts and intentions of supervisors.
- Numerous reasons can cause banks to fail including deficient capital, lack of liquidity risk, poor corporate governance practices and weak risk management systems.

When and where will the payments/ claims be accessed?

- Depositors and creditors can access their claims through any Zanaco branch nearest to them.
- The dividend will be paid over a four month-period from 1 June to 30 September 2023.

What is the process for companies when collecting their claims?

- The process for companies or incorporated bodies will be slightly different from that of individuals.
- Founding documents of the legal entity will require to be provided together with a supporting board resolution for the person authorised to make the claim.
- In the event that the legal entity is still operational, the funds can also be remitted through the bank account provided the details are submitted with the claim.

THE 8 PHASES OF THE CYBER KILL CHAIN PROCESS

By Daniel Chibesakunda and Tendai Luwabelwa

Mr. Chibesakunda

Ms. Luwabelwa

In today's digital landscape, the rise of sophisticated cyber attacks has become a pressing concern for individuals, businesses, and governments alike. Cybercriminals are employing increasingly advanced techniques to breach systems, steal sensitive data, and disrupt critical operations. To counter these threats, cybersecurity professionals have developed various frameworks and strategies to understand, analyse, and mitigate cyber attacks. One such framework is the Cyber Kill Chain process, which breaks down an attack into eight distinct phases. Understanding these phases is crucial for developing effective defense strategies against advanced cyber threats.

Reconnaissance

The first phase of the Cyber Kill Chain process is reconnaissance. During this stage, attackers gather information about the target system or organisation. This information can include domain names, IP addresses, employee names, email addresses, and other publicly available data. Attackers leverage open-source intelligence, social media, and other online sources to gain insights into potential vulnerabilities. Organisations can defend against this phase by monitoring their online presence, limiting the exposure of sensitive information, and educating employees about the risks of oversharing on public platforms.

Weaponisation

In the weaponisation phase, attackers craft malicious payloads that will be used to exploit vulnerabilities within the target system. These payloads can be in the form of malware, viruses, or other malicious software. Typically, attackers use social engineering techniques, such as phishing emails, to deliver these payloads. To defend against weaponisation, organisations

should implement robust email security solutions, conduct regular employee training on identifying phishing attempts, and maintain up-to-date antivirus software.

Delivery
During the delivery phase, attackers deliver the weaponised payload to the target system. This can be achieved through various means, including email attachments, infected websites, or even physical media. Attackers often use techniques that exploit software vulnerabilities to ensure the payload's successful delivery. To counter this phase, organisations must stay vigilant about software updates, patch known vulnerabilities promptly, and implement network intrusion detection and prevention systems.

Exploitation
In the exploitation phase, attackers leverage the vulnerabilities within the target system to execute their malicious code. This allows them to gain a foothold in the system and establish a persistent presence. It's essential for organisations to regularly assess their systems for vulnerabilities, conduct penetration testing, and apply security patches promptly to mitigate the risk of exploitation.

Installation
Once attackers have exploited the system, they move on to the installation phase, wherein they install a backdoor or other forms of remote access malware. This backdoor provides them with ongoing access to the compromised system, allowing them to maintain control, exfiltrate data, and carry out further attacks. Organisations can defend against installation by implementing robust network segmentation, using advanced endpoint protection tools, and monitoring network traffic for suspicious activity.

Command and Control (C2)
During the command and control phase, attackers establish a communication channel between the compromised system and their own infrastructure. This communication channel allows them to send commands to the compromised system and receive stolen data. Detecting and disrupting these communication channels is crucial for defense. Employing network traffic analysis, intrusion detection systems, and firewall rules can help organisations identify and block unauthorised communication.

Actions on Objective
Once the attackers have established control and communication, they proceed to the actions on objective phase. This is where the initial goals of the attack are carried out, whether it's data theft, unauthorised access, or other malicious activities. Detecting and responding to these activities in real-time is vital. Implementing behavior-based detection mechanisms, user and entity behaviour analytics, and advanced security information and event management (SIEM) systems can assist organisations in identifying and stopping malicious actions.

Exfiltration
The final phase of the Cyber Kill Chain process is exfiltration, wherein attackers steal sensitive data or valuable information from the compromised system. This data can range from personal records to intellectual property. Organisations must focus on data protection, including encryption of sensitive data, monitoring outbound traffic for signs of data exfiltration, and implementing robust data loss prevention (DLP) mechanisms.

Conclusion
The Cyber Kill Chain process provides a comprehensive framework for understanding the stages of a cyber attack, from the initial reconnaissance to the final exfiltration of data. By breaking down the attack lifecycle into distinct phases, Organisations can develop targeted defense strategies to mitigate the risks associated with each phase. Implementing a combination of robust security measures, employee training, and advanced threat detection tools is essential for protecting systems and data from the ever-evolving landscape of cyber threats. As cybercriminals continue to advance their tactics, organisations must remain proactive in adapting their cybersecurity practices to ensure the safety and integrity of their digital assets.

The authors are Acting Assistant Director- ICT Department and Senior Analyst in the Bank Supervision Department respectively.

HELP AND REDRESS FOR FINANCIAL CONSUMERS

By Silvia Siwale

Ms. Siwale

Good complaint resolution can get consumers talking or messaging about an organisation for all the right reasons with the potential to influence customers in ways that advertising or promotions may never achieve, at a fraction of the cost.

The Bank of Zambia Governor, Dr Denny Kalyalya has always said Financial Service Providers (FSPs) that look after their customers and resolve their issues, earn their loyalty and are more likely to thrive in the financial services environment, while those that do not will have their customers take their business elsewhere.
In order to strengthen its complaints handling mechanism, the Bank of Zambia has put in place relevant principles, organisational setup and rules of procedures regarding the handling of complaints from members of the public who are, or feel, affected by decisions of FSPs.

The Bank of Zambia Customer Complaints and Resolution Directives, 2020 require all FSPs to have in place appropriate and effective internal procedures for dealing with customer complaints. The objective of the Directives is to ensure that complaints are handled under a harmonised framework that ensures consistency across all FSPs supervised by the Bank of Zambia, irrespective of the type of services offered or the geographical location of the firms in question. The Directives also enable the Bank of Zambia, working with other regulators to use the same requirements across all service providers.

The Directives stipulate that financial services providers must inform customers at the point of sale on the availability of the complaints procedures, and their right to escalate grievances to competent authorities where redress is not possible. Further, FSPs are mandated to designate a senior officer to be responsible for implementing and administering procedures for handling complaints.

The Bank of Zambia financial consumer complaints handling

mechanisms comprise two stages, the Internal Dispute Resolution process and the External Dispute Resolution Process. These two processes are discussed in detail below:

Internal Dispute Resolution
The Internal Dispute Resolution (IDR) is the first step in the financial consumer complaints handling mechanism and allows consumers to make a complaint directly to FSPs. It is a requirement by the Bank of Zambia that FSP internal complaints handling systems be integrated into a broader corporate governance context, contributing to the compliance and internal controls framework.

Further, the FSPs must ensure that the complaint handling mechanisms are accessible, affordable, independent, fair, accountable, timely and efficient. These mechanisms should not require additional costs, inconvenience, burden or delay. Instead, they should ensure that consumers can efficiently exercise their rights to make a complaint.

External Dispute Resolution
The External Dispute Resolution (EDR) is a process of escalating a financial consumer complaint by engaging the Bank of Zambia as regulator of all FSPs or the Competition and Consumer Protection Commission as they are consumer protection watchdog with the regulatory power to resolve complaints and provide sectoral expertise and enforcement action.

Complaint handling by the Bank of Zambia is not intended to replace the complaint handling process at FSPs, rather, it complements it by acting as an EDR mechanism that requires extensive (resolving complaints) or targeted (mediating complaint handling process, providing sectoral expertise) involvement, depending on the institutional arrangement.

The EDR mechanism is, therefore, intended to ensure effective complaint handling for all consumers while informing policy measures in the areas of consumer protection, market conduct regulation, supervision, and the promotion of consumer trust and confidence in the financial system.

Resolution matters because:

- It plays an important role for a reliable financial system, keeping FSPs publicly accountable and expanding public confidence in the system.
- Recognises, promotes and protects users' rights, including the right to comment and complain
- Resolves issues raised by a person who is dissatisfied in a timely and cost-effective way
- Provides information that can lead to improvements in service delivery.
- Enables supervisors to monitor consumer risks. Although complaints can shine an unflattering light on a business, they help detect flaws and improve the quality of products and services. Just as importantly, they offer an excellent opportunity for FSPs to show customers how valued they are, to impress them with an outstanding resolution process, and to strengthen their loyalty.
- Ensures a successful internal complaint mechanism, from the customer's individual problem solution to service improvement
- Increases the level of user satisfaction with the delivery of services and enhances the user/agency relationship thereby creating positive memories. According to KPMG Nunwood, errors, problems and poor service issues are retained as negative memories by customers and can have six times greater influence on future behaviour. The challenge, for financial service providers, therefore, is to create positive memories for customers, which will re-engage them in the present and keep them loyal in the future.

Complaints not handled by the Bank of Zambia
Customers may only refer a complaint to the Bank of Zambia after they have given an FSP an opportunity to resolve the matter and the FSP has failed to do so to the customer's satisfaction within reasonable time limits. The Bank of Zambia recognises that the first step in resolving consumer complaints is typically through an FSP's own internal dispute resolution mechanism.
This process also helps to build trust, improve customer relations and strengthen the brand image and reputation of the sector as a whole.
The Bank of Zambia may not deal with the following as prescribed in 19.2,1 of the Bank of Zambia Customer Complaints Handling and Resolution Directives, 2020:

- A complaint which is not within the ambit of the Banking and Financial Services Act;
- A complaint with incomplete information;
- A complaint that was not reported to the regulated entity within 6 months from the date the complainant received a response from the regulated entity;
- A complaint which is awaiting resolution or has already been resolved by any other institution, such as a Court of law;
- A complaint on an institution not regulated by the BoZ;
- A complaint where legal action has already started; and
- A complaint that involves the exercise by an FSP of its commercial judgements on lending policy, for example refusal to give a loan, unless there was failure on the part of an FSP to follow the correct procedures and this unfairly affected the complainant.

Conclusion
Customer complaints resolution needs to be a key priority for financial service providers if they are to survive today's competitive landscape by moving from the largely manual, resource intensive complaints handling to evolve the tools, techniques and best practice to get ahead of the curve.

The author is Manager-Media and Publications, Executive Department

WORD SEARCH

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

TAX	TRADE	KWACHA	DISRUPTIONS
RATE	GLOBAL	ECONOMY	COMMODITY
CROSS	BORDER	MARKETS	PRODUCTION
RISKS	DOLLAR	NETWORKS	DESTABILISED

GREEN LOOKS NORMAL ON YOU

By Zelipa Mitti

Ms. Mitti

Envy: a powerful human emotion that we shy away from. There is always someone who is more successful, more talented, more attractive, or more advanced in meeting milestones than we are. We encounter these people every day - they are often our friends, family members, and colleagues. Sometimes these encounters can leave us with a bitter taste in our mouths although we don't openly talk about it. We are comfortable with talking about sadness, anger, or happiness, but nobody wants to admit feeling "green" with envy. Why is that? Let's start from the beginning, what is envy?

"Envy refers to the often-painful emotion caused by an awareness of an advantage enjoyed by another person. It is a complex, socially repugnant emotion made up of a mix of inferiority feelings, hostility, and resentment." - W. G Parrott

[Envy is] "a negative emotion of discontent and resentment generated by desire for the possessions, attributes, qualities, or achievements of another" - APA Dictionary of Psychology

Simply put, envy is wanting what someone else has. It is feeling sad, angry, resentful, or anxious about someone getting ahead of you, someone doing better, or someone possessing qualities that you wish you had. You think you are losing the race and you think you are falling behind.

Envy can be felt towards someone because of the similarities between you and them. Some psychologists argue that we don't envy everyone who has more than we have, we feel envy towards those whose advantages are things that we could also realistically have or things within our reach. As Bertrand Russell said, "Beggars do not envy millionaires, though of course they will envy other beggars who are more successful". People envy those who are similar to themselves on attributes such as gender, age, experience, and social background. These similarities enable people to imagine what it would be like if they had the envied person's advantage. When I was going off to university, my Mother gave me one piece of advice. She said it in Bemba but I will paraphrase it in English because if I try to spell in Bemba I may accidentally summon my ancestors. My mother told me that even though I was at the same university as them, I would meet young people who had more than I did, but if I focused on what I didn't have, I would never appreciate what I did have. These words have stayed with me beyond university and well into my adult life and they highlight the basis of many envious feelings; comparison. The circumstances in which you might be envious will always involve a social comparison or competition between yourself and another person. Does any of this ring a bell?

- A colleague gets a promotion that you were hoping to get. You feel angry and resentful and harbour feelings of wanting them to fail.

- A classmate from school is on the news. You begin to think, "They are doing so well. Where am I?" Then you remind yourself of any negative qualities they had to make yourself feel better for a few minutes.
- A friend shares their newly built house on social media. You scroll past it and can't even bring yourself to congratulate them because it stings that you don't have a house.

Envy is often a secretly held emotion because it is associated with shame. If you are envious of someone it's unlikely that you will admit it to anyone. We've established that envy is wanting what another person has, and although it is a negative emotion, it is not always an unhelpful thing to feel. Why do I say this? Firstly, envy is a normal human emotion. It is deeply ingrained in the human psyche, and common to all people. Secondly, envy can motivate you if you use it wisely. Unfortunately, our society seems to condemn anyone who might admit to experiencing the emotion. However, feeling ashamed by our envious feelings risks encouraging us to repress them and therefore lose out on learning some important lessons from them. So what can we do to disarm the green-eyed monster when it strikes? Here are three suggestions by psychologist Dr. Juliana Breines:

1. Acknowledge envy

Admitting that we are experiencing envy can be difficult because it means acknowledging our own weakness and insecurity. But we are better off being honest with ourselves and identifying the root of the envy before it gets the better of us and damages our relationships. While envy is uncomfortable, owning up to the emotion is the first step to discovering what we think we are missing in our lives, and what we could be doing better.

2. Let envy fuel self-improvement—when appropriate

Envy alerts us to things that we want in life that are potentially attainable, if we're willing to make certain changes. For example, if you envy a friend who travels frequently, you may find that you could do the same if you learn to manage your money better. You may even be able to get a few tips from them. When used positively, comparison can be a source not only of motivation but also of useful information.

3. Don't forget to count your own blessings

As the saying goes, envy is counting someone else's blessings instead of your own. Counting your blessings isn't the same as boosting your ego by reminding yourself how you are better off than others, it is more about refocusing on what is really important in life, and on sometimes intangible or invisible things we do possess or just the simple fact of being alive.

And finally, acknowledge that there are benefits to envy and what matters is what we do with the feelings we feel. Instead of trying to repress our envy, we should make every effort to interrogate it. Instead of lashing out at others, we should be honest with ourselves and admit we are the ones with a problem. Feeling envious does not always mean we don't want others to have the good things that they have, but rather that we feel inferior and frustrated because we don't have it ourselves. The more comfortable we become with feeling envy, the more we can learn to use it positively.

The author is Web Editor in the Executive Department

“BoZ READER: ISSUES ON THE ZAMBIAN ECONOMY”

In a quest to promote research on topics of importance to economic management and Bank of Zambia (BoZ) operations, the Bank publishes a journal entitled "BoZ READER: ISSUES ON THE ZAMBIAN ECONOMY". The BoZ Reader contains articles from authors within and outside the Bank on topics in the field of economics, banking, finance and other related disciplines.
Stages Involved in the Publication of the BoZ Reader

Stage One
A call for articles in the forthcoming BoZ Reader is made via Internal Memorandum within the Bank and the website or print media for authors outside the Bank. The Call for articles is issued in early September for publication within the first quarter of the following year. Authors are given up to December to submit their articles to Economics Department through the Research Division responsible for the BoZ Reader issues.

Stage Two
Once the deadline for receiving articles is closed, each article will be evaluated by the desk officer based on its relevancy, originality, and appropriate methodology, validity and reliability of data, reasonableness of conclusions and suitability for publication. thereafter, each article will be assigned a manuscript number. This process takes not more than two months after the deadline for receiving articles.

Stage Three
Once an article is accepted for publication by the Desk Officer, the author will be asked to present the paper to a Technical Committee (TC) comprising members of staff from Economics, Financial Markets, Bank Supervision, Non-bank Financial Institutions Supervision and Banking and Currency, and Payments Systems departments. The TC will scrutinise the technical aspects, results and authenticity of the article. . After the TC meeting, the draft will be given back to the author to revise the paper by including the comments and suggestions of the TC as well as address any typographical errors that may be in the document. The authors will be given a period of one (1) month to revise the articles.

Stage Four
Upon finalisation of the revisions by the author, Director-Economics will constitute the Editorial Team. The Editorial Team will comprise the Desk Officer (Secretary), Assistant Director - Research, and one representative each from Economics, Financial Markets and Bank Supervision. A member of the Editorial Team may also be selected from Non-Bank Financial Institutions Supervision, Banking and Currency, Payment Systems and Regional Office departments. . However, members of staff from the Bank of Zambia should not exceed five (5). In addition, the Editorial Team will include two researchers from departments of Economics, Finance and Business studies from reputable universities. The Chairperson of the Editorial Team shall be selected from the non - BoZ staff members of the Team.

The work of the Editorial Team is to further scrutinise the articles and submit them to the Assistant Director - Research for final scrutiny. The Editorial Team is given a period of not more a week to complete their work.

Stage Five
Articles from the Editorial Team are given back to the authors to finalise and incorporate any comments arising from the editing process. The authors are given a two (2) week period to submit their re-edited work to the Desk Officer.

Stage Six
The Desk Officer compiles the articles into the BoZ Reader and submits it to the Assistant Director - Research. The AD - Research will go through the work and if satisfied, will submit to Director - Economics to seek approval for publication and further scrutiny.

Stage Seven
Following approval from Director - Economics, an Internal Memorandum to Assistant Director – Communications is prepared requesting arrangements for publication of the BoZ Reader. The memorandum is copied to Director - Procurement and Maintenance Services.

Stage Eight
Once the published copies of the BoZ Reader have been received from the printers, the copies are given to Communications for onward distribution to members of the public at public events such as the Zambia Agricultural and Commercial Show, Zambia International Trade Fair, Universities and other learning institutions. The soft copy of the published BoZ Reader is posted on the Bank's website.

TARGETED MEDIUM-TERM REFINANCING FACILITY REPORT

AS AT 31 DECEMBER 2022

SUMMARY OF APPLICATIONS, APPROVALS AND DISBURSEMENTS

Table 1: Advances Applied for (value in K' million)[1]

Category	Number of FSPs	Number of Applications	Value
Banks	15	26	9,438.34
Non-Banks	19	35	3,475.70
Total	**34**	**61**	**12,914.04**

Table 2: Approved Advances (Value in K' millions)

Category	Number of FSPs	Number of Applications	Value	Approval Percentage*
Banks	11	21	7,610.60	80.6%
Non-Banks	11	21	2,389.39	68.7%
Total	**22**	**42**	**9,999.99**	**77.4%**

*Amount approved as a percentage of applications received.

Table 3: Disbursed Advances (Value in K' millions)[2]

Category	Number of FSPs	Value	Disbursed Percentage*
Banks	11	7,571.38	99.5%
Non-Banks	11	2,389.39	100.0%
Total	**22**	**9,960.77**	**99.6%**

*Disbursement as a percentage of approved amount.

Table 4: Number of Beneficiaries from Disbursed Advances[3]

Category	Individuals /Households	Other Customers	Total
Banks	8,014	508	8,522
Non-Banks	47,557	29,022	76,579
Total	**55,571**	**29,530**	**85,101**

PHOTO FOCUS

FROM THE SHOWS


Bank of Zambia
I VISITED
#BOZ@ZACS
#BOZ@ZACS
#BOZ@ZACS


Bank of Zambia
I VISITED
#BOZ@ZITF
#BOZ@ZITF
#BOZ@ZITF


Zambia
KNOW MORE ABOUT
SAVING


How to Buy
Government Bonds
and Treasury Bills


Opening a BOZ
CSD Account

Bank *of* Zambia

ON BEHALF OF MERIDEN BIAO BANK ZAMBIA (MBBZ) LTD IN LIQUIDATION

NOTICE OF PAYMENT OF DIVIDENDS TO
ALL DEPOSITORS AND ALL OTHER CREDITORS/CLAIMANTS
OF MERIDIEN BIAO BANK ZAMBIA (MBBZ) LTD IN LIQUIDATION

MERIDIEN BIAO BANK Z LTD (IN LIQ.) WILL BE PAYING OUT THE FULL BALANCE ON EACH ACCOUNT

THE DEPOSITORS WHO HAVE PREVIOUSLY NOT COLLECTED THEIR DUES
AND
ALL OTHER CREDITORS/CLAIMANTS WHO HAVE PREVIOUSLY NOT BEEN PAID
ARE URGED TO COLLECT THEIR DUES FROM THE PAY-POINTS AS INDICATED BELOW

PAYMENTS COMMENCE ON: **01-Jun-23** AND END ON: **29-Sep-23** AND WILL BE PAID OUT AT THE FOLLOWING BANK: **ZANACO**

PAYING BANK :	BRANCHES	CATEGORY OF CLAIMANT
ZANACO	Lusaka Main, Central Park, Kitwe, Ndola, Chingola, Luanshya, Kawambwa, Kasama, Mansa,Choma, Kazungula,Mansa, Kawambwa Nakonde,Mongu, Solwezi and Samfya.	1. All Ex-MBBZ depositors (all branches) 2. All Other Creditors

The dividend will only be paid upon presentation of the following original documents:

1: Individuals:
National Registration Card (NRC)
b) Passport
c) Drivers License

2: For Estates:
National Registration Card (NRC) or Passport
b) Valid letter of Administration of the Estate
c) Witness with valid ID to accompany administrator of the Estate

3: For Companies:
a) Certificate of Incorporation
b) Letters of Authorisations from institution/company/Board

For any further information contact:

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Telephone: 0211-399-300
Email : liquidations@boz.zm

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