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TIPS FOR CONSUMERS OF FINANCIAL PRODUCTS

Things you need to know before signing a financial contract

1. Deal with licensed FSPs
2. Shop around and know who you are dealing with
3. Read the contract and pay attention to the details
4. Don't just look at the monthly repayment, look at other terms too
5. Once it is signed, get a copy and keep it
6. Know who to call for help or lodge a complaint to

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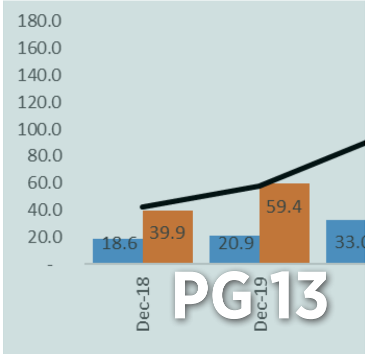
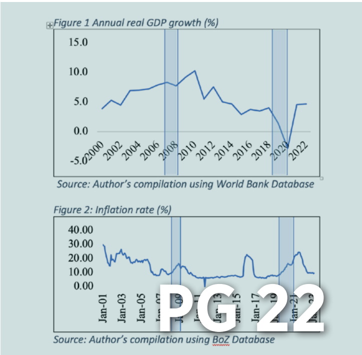
2022 GOVERNMENT SECURITIES MARKET

Demand for Treasury bills (T-bills) strengthened in 2022 on account of relatively loose liquidity conditions. The average subscription rate in the primary market increased to 106.3 percent in 2022 from 93.9 percent in 2021. In contrast, demand for longer-term Government bonds (Bonds) reduced as the subscription rate declined to 75.7 percent from 96.1 percent over the same period. Underlying weaker demand for Government bonds was mainly investor caution, particularly non-residents, due to uncertainty surrounding the outcome of protracted debt restructuring negotiations with the Official Creditor Committee.



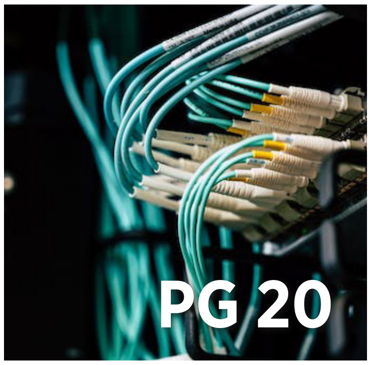


GLOBAL BANKING TURMOIL: HOW FAR REACHING WAS THE CONTAGION?

Investors, depositors, and regulators were on edge in March and April 2023, as fragilities in banks came to light. The cracks began to show at the Silicon Valley Bank (SVB), a US regional bank whose niche market was tech-based start-ups, when it announced that it planned to raise capital to cover losses related to its securities portfolio. Then at Signature Bank, another US bank, depositors rushed to make withdrawals before regulators and the central bank responded swiftly to restore confidence in banks and calm in markets.

A NEW ERA OF OPPORTUNITIES - COEXISTENCE PERIOD FOR ISO 20022 MESSAGING BEGINS

A new era of opportunities was ushered in on the 20th of March 2023 when the Society for Worldwide Financial Telecommunications (SWIFT) opened the coexistence period for the new ISO 20022 messaging standard for cross-border payments. This new standard for financial telecommunications is expected to support new and exciting payments services and offer richer message content.



CYBER RESILIENCE – DELIVERING THROUGH DISRUPTION

The overall financial performance and condition of the banking and non-bank financial institutions sectors was rated satisfactory as at end-December 2022. Favourable capital adequacy, asset quality, earnings performance and liquidity conditions continued to underpin the satisfactory rating. In addition, the performance of the national payment systems continued to be satisfactory in 2022.

STRENGTHENING STAKEHOLDER ENGAGEMENT THROUGH OUTREACH

The Bank of Zambia (BoZ) has expanded efforts to collaborate and communicate its policy decisions, targets as well as economic outlook with stakeholders not only to strengthen accountability and create trust, but to also guide expectations. The Bank communicates with its stakeholders through various channels such as the website, financial and economic education campaigns, social media, and through talking and listening to public events.

INFLATION FORECAST UNDERSCORES NEED TO RAISE POLICY RATE

By Zambanker Reporter

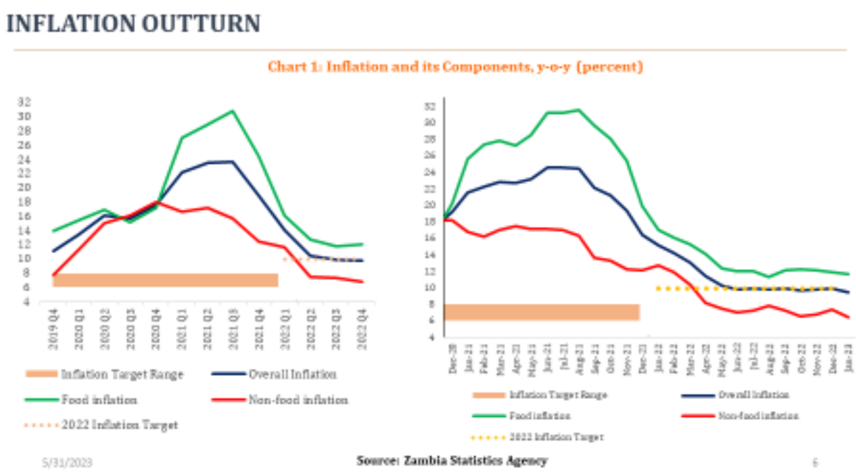
The Monetary Policy Committee, at its February 13-15, 2023 Meeting raised the Policy Rate by a quarter of a percentage point, bringing the benchmark rate to 9.25 from 9.00, as part of its efforts to tame inflation. The decision was underpinned by the projection that inflation will increase and remain above the target range of 6 to 8 percent over the forecast horizon. This is in sharp contrast to the earlier projection in November 2022 that showed that inflation would return to the target range in the first quarter of 2023.

Speaking during the first quarter MPC Announcement and Media Briefing, Bank Governor, Dr Denny Kalyalya explained that inflation is now projected to average 11.1 percent in 2023 compared to the November 2022 forecast of 8.5 percent. In 2024, inflation is forecast to average 10.1 percent. The factors underlying the forecast include: the recent rapid depreciation of the Kwacha against the US dollar; anticipated increase in electricity tariffs to cost reflective levels; and possible reduction in maize production due to, among other factors, adverse weather conditions and crop infestation by Fall Armyworms.

He said the Committee also considered the overall impact of the recent increase in the statutory reserves ratio to mitigate volatility in the foreign exchange market; the moderation in vulnerabilities in the financial sector; positive growth prospects in the medium-term; and progress made in the implementation of the much-needed fiscal reforms for macroeconomic stability and sustainable growth.

"In addition, the Committee reaffirmed its call for the diversification of the export base, and adoption of climate change mitigation measures, supportive of a stable exchange rate necessary to achieve low and stable inflation," he said.

Overall inflation continued to decline in the fourth quarter of 2022, albeit at a slower pace. Average overall inflation declined to 9.8 percent from 9.9 percent in the third quarter. The decline arose from non-food inflation, which reduced to 6.8 percent from 7.4 percent, largely due to the lagged pass-through effects from the appreciation of the Kwacha against the US dollar. Nonetheless, food inflation increased to 12.1 percent from 11.8 percent, mainly driven by higher prices of bread and cereals. In January 2023, inflation declined further to 9.4 percent from 9.9 percent in December 2022. Over the forecast horizon, however, inflation is projected to increase and remain above the 6 – 8 percent target range.



Regarding the foreign exchange market, the Governor said the Kwacha depreciated by 4.3 percent against the US dollar to an average of K16.71 in the fourth quarter of 2022 after a cumulative appreciation of 10.0 percent in the previous two quarters.

"The depreciating trend in the Kwacha has persisted in 2023, with the Kwacha trading at K19.33 per US dollar as at February 14. Low foreign exchange supply, particularly from the mining sector, amidst high demand by market players for various purposes, including critical imports of fuel, medicines, and agricultural inputs are among the key drivers of the depreciation," he said.

In addition, the Governor said foreign financial institutions, that had typically been suppliers of foreign exchange, are now more pronounced on the demand side as they are divesting from the domestic market. This is principally due to tighter global financial conditions, negative sentiments associated with the protracted debt restructuring negotiations and uncertainty around the treatment of non-resident holders of Government securities.

In an effort to stabilise the foreign exchange market, the Bank augmented its support and provided US$443.5 million, largely from mining tax receipts, compared to the provision of US$333.5 million in the third quarter.

However, gross international reserves held steady at US$3.1 billion, while import cover increased to 3.8 months at end-December 2022 from 3.5 months at end-September 2022. The improvement in import cover followed the downward revision of prospective imports.

BoZ TO LAUNCH ARTIFICIAL INTELLIGENCE POWERED GRIEVANCE MANAGEMENT APPLICATION

By Zambanker Reporter

The Bank of Zambia (BoZ) is in the process of rolling out a complaint system using artificial intelligence that shall be available to the public via SMS, WhatsApp (voice capability feature), webchats and Facebook channels, Deputy Governor-Operations, Dr Francis Chipimo has said.

The BoZ will collaborate with the Competition and Consumer Protection Commission (CCPC) to implement this Project. The two institutions together with the system developer (Sinitic Africa Pty Ltd) have signed a memorandum of understanding for the project.

Speaking during the 2023 Financial Literacy Week launch, Dr Chipimo said the system will complement the existing customer complaint channels being used currently and will contribute to enhancing access to dispute resolution mechanisms, especially for consumers based in the rural areas.

The Board of Directors of the African Development Bank has approved a grant of $1.024 million for artificial intelligence enabled systems to process customer complaints on behalf of the national banks of Ghana and Rwanda and the Competition and Consumer Protection Commission of Zambia.

The grant resources are from the special fund of the Africa Digital Financial Inclusion Facility (ADFI), a financing vehicle to accelerate digital financial inclusion across Africa.

The project will establish a complaints-handling system for the financial regulators, using multi-lingual chatbots and artificial intelligence that will interface with key financial service providers in the three countries. The system will incorporate key local languages for ease of use, record customer complaints, including audio complaints from those unable to read and write, and track their resolution.

The project is expected to yield three results: improve the tracking of customer complaints made to financial services providers; strengthen the support for marginalised groups, which will build confidence in the use of financial services; and improve the collection of consistent data to be used for the development or improvement of consumer-protection policies.

“Facilitation of sound policies and regulations, including those that enhance consumer protection and catalyse financial inclusion, is a key mandate for ADFI. With the proliferation of digital financial services, the financial industry needs innovative mechanisms for customer recourse and tracking for regulators. The Sinitic project is one such solution,” said Sheila Okiro, ADFI’s Coordinator.

The system has been developed by Sinitic Africa in collaboration with BFA, a leading consultancy firm specialising in human-centred design and DFS regulation. Sinitic Africa is a subsidiary of Sinitic Inc., a financial technology firm based in Canada. The two companies have already worked together to develop and successfully deploy a similar project for the Philippines' central bank.

The Sinitic solution will be deployed in the three target countries in the following languages: Kinyarwanda, Swahili, French and English in Rwanda; English and Nyanja/Chewa in Zambia; and English and Twi in Ghana.

About ADFI:

The Africa Digital Financial Inclusion Facility (ADFI) is a pan-African instrument designed to accelerate digital financial inclusion throughout Africa, with the goal of ensuring that an additional 332 million Africans (60% of them women) have access to the formal economy. The Facility was formally launched in June 2019 at the Bank’s Annual Meetings in Malabo, Equatorial Guinea. The current ADFI partners are the French Development Agency (AFD); the French Treasury’s Ministry of Economy and Finance; Government of Luxembourg’s Ministry of Finance; the Bill and Melinda Gates Foundation; and the African Development Bank, which also hosts the fund.

About Sinitic:

Sinitic Africa (Pty) is a fully owned subsidiary of Sinitic Inc., a Canadian financial technology company that develops localised AI-based solutions to improve customer experience.

FOSTERING FINANCIAL INCLUSION THROUGH WOMEN ENTREPRENEURSHIP

The Bank of Zambia (BoZ) has played an essential role in bringing together various stakeholders to adopt a coordinated approach to foster women's financial inclusion.

The following have been the major achievements of the Bank of Zambia's efforts to improve women's and women entrepreneur access to finance:

Sex-Disaggregated Data Reporting Framework
Promoting an SDD framework has been one of the key reforms that triggered Zambia's successful gender-inclusive path. Following international recommendations, such as those developed by AFI69 and the Women's Financial Inclusion Data Partnership,70 BoZ started requiring financial institutions to provide SDD.

The circular was issued in 2020. By 2021, all FSPs had to comply with this data reporting requirement. However, acknowledging the constraints faced by some FSPs, the Central Bank set the compliance agenda on a caseby-case basis. Collecting supply-side SDD will inform evidence-based policymaking while filling the knowledge gap on women's specific needs and opportunities. It will also give the FSPs excellent data and a strong business case for developing new products and services to fill the gaps they see in their women's market.

Another significant initiative of BoZ towards women's financial inclusion has been the uptake of the International Labour Organisation's (ILO) **Female and Male Operated Small Enterprises (FAMOS)** tool.
In 2010, BoZ adopted this gender-based audit tool to promote women's financial inclusion among FSPs. It has been actively supporting its use since. The tool gained traction from 2015 onward. In 2021, the FAMOS tool was extended to DFS providers. As of 2021, most of the Zambian FSPs have already received training. The FAMOS tool has been identified as a major way to promote women's financial inclusion among FSPs.

The FAMOS tool has been key to advancing women's financial inclusion in Zambia. It owes this success to several factors, including the following. ILO assistance. In the launch phase of the FAMOS, the ILO provided gender capacity-building training to BoZ. After 2015, BoZ successfully became

solely responsible for implementing this gender tool and has trained almost all Zambian Financial Service Providers. Trained FSP's staff includes a mix of managers and customer-facing staff who are in a position to bring new ideas and a fresh gender perspective to their institutions.
BoZ's commitment and adaptation of FAMOS to the Zambian context. In the roll-out phase, a key factor that led to success was to include FAMOS checks in the routine supervision process to enshrine the gender lens in FSP operations. This official recognition has given weight and visibility to the FAMOS check among FSPs and DFS providers.

Zambia has successfully adapted the tool that **Digital Financial Service (DFS)** providers and FinTechs can use and benefit from. To fully enable gender mainstreaming within the DFS ecosystem, in 2018/2019, BoZ supported the telecom regulator ZICTA in designing and implementing its gender strategy, including the collection and use of SDD. BoZ closely follows up on FSPs' challenges and successes when implementing their gender action plan.
According to sources in BoZ, one of the decisive factors of a successful gender mainstreaming strategy is to bring leadership onboard while enshrining gender in FSPs' internal policies and strategic plan. Convincing FSP executives to adopt a gender mainstreaming strategy is vital because they can inspire their staff and apply a gender lens to their day-to-day operations. Beyond the FAMOS tool, key success factors in Zambia's journey to advance the financial inclusion of women and WSMEs have also included the following.

Gender targets in the **National Financial Inclusion Strategy (NFIS)**. The NFIS has a target to increase the proportion of women that are financially included (formal and informal) from 57 percent in 2015 to 80 percent by 2022 by leveraging digital payments, social cash transfer/livelihood programs, designing approaches to overcome barriers to financial inclusion, and improving the quality of financial products and services for women.

In Africa, Zambia was an early adopter of digital finance, with a product launched in 2002 by Celpay. However, with a lower rate of mobile phone penetration than its peers, the uptake of DFS was slower than in other African countries. This trend has started to reverse in recent years, with the country experiencing significant DFS uptake among men and women. As of 2018, Zambia had 18 DFS providers, including banks, MFIs, and mobile network operators (MNOs) such as Airtel and MTN. They offer a variety of digital products such as merchant and bill payment, transfers, international remittances, and micro-loans, including a product initially launched in Zambia in 2016 by MTN in partnership with JUMO. The DFS space is dominated by MNOs, with an 88 percent market share of active customer accounts.

Considering Zambia's total population (18.4 million), the number of registered accounts indicates DFS's popularity and accessibility. According to the latest figures from FinScope, women are slightly more likely to use DFS than men (50.4 percent and 49.6 percent, respectively). The rising popularity of DFS in Zambia is an opportunity further to include women in the formal financial services ecosystem. Zambian women are already benefiting from DFS to build their financial independence, demonstrating the potential of mobile money to improve women's access to financial services in Zambia. Moreover, the affordability and accessibility of DFS offer new ways to reach women living in rural and hard-to-reach areas, including through innovative business models such as Pay As You Go (PAYG) solar.

Recently, GSMA identified 31 percent of PAYG customers who re-activated a mobile money account or registered for a new one using PAYG solar services. However, the uptake of DFS for business purposes has been slower. The World Bank reports that most formal WSMEs are not using DFS for their businesses. Among the WSMEs that already own a bank account, only 33 percent use mobile banking (43 percent for men-owned) and 28 percent use internet banking (39 percent for men-owned). Besides, only 13 percent of WSMEs can accept mobile money payments from their customers, while, on average, 6 percent of WSMEs' sales come through mobile money.

The emergence of financial products designed for women. The current products focused on women and WSMEs are still limited in Zambia. However, gender mainstreaming is gaining momentum within FSPs. According to sources in BoZ, four banks have already adopted a gender-sensitive strategy. Stanbic Bank is a successful example among Zambian FSPs of redesigning their services with women in mind. Stanbic Bank has been recognised as the Women's Choice Bank by the Financial Alliance for Women. In 2017, Stanbic Bank launched a gender-centered initiative called the Anakazi Women's Market program, which includes financial and non-financial services tailored to boost women's entrepreneurship. Access Bank also introduced a first-of-its-kind Pitch-a-Ton initiative, providing a capacity-building program and ZMW235,000 in grants. Moreover, the World Bank WeFi Zambia Project, which was initiated under the NFIS to support the growth of women-owned SMEs by improving access to finance and capacity building, confirms the relevance of gender-oriented products and reports that women entrepreneurs in Zambia are looking for banks that offer a "for-women package" while also preferring financial institutions that represent women in their marketing and advertising campaign. Strong advocacy of BoZ for women's financial inclusion. BoZ has played an essential role in bringing together various stakeholders to adopt a more coordinated approach to foster women's financial inclusion.

The Consultative Group to Assist the Poor argues that the role of a national policy champion is key to a successful gender mainstreaming strategy. Promoting an enabling regulatory framework for women's financial inclusion. To promote financial inclusion, Zambia also relaxed its KYC requirements. While only 45 percent of the population has legal proof of ID and registration of births is less than 15 percent, women are less likely than men to have the required documentation to access financial services (i.e., the national registration card). BoZ issued tiered KYC requirements for opening and operating bank and electronic accounts in March 2020 to address this situation. This allows FSPs to accept several forms of customer identification, such as confirmations from community leaders. Moreover, BoZ is currently working on setting up a centralised depository for KYC data. This platform will benefit FSPs by facilitating and reducing the cost of onboarding and evaluating new clients, thereby mitigating the risk of serving underserved segments of society. This KYC platform will be linked to the forthcoming national biometric identity system.

Moveable assets as collateral
Following international best practices, the government recognised moveable assets as collateral in 2016 while setting up an online registry. This law allows women and women-owned enterprises to use a greater variety of assets as collateral, such as livestock, inventory, land, vehicles, or accounts receivable. This gender smart policy was developed because customary rules and practices often limit women's rights to access land and, therefore, their ability to pledge collateral. To enhance the impact of this Zambian law, the We-Fi Zambia Project undertook a study on movable asset-based lending. The project promotes a gender approach through training and advocacy to boost the use of moveable assets by FSPs and women entrepreneurs.89

Implementation of the National Financial Switch has resulted in enhanced interoperability of DFS. Currently, all functionalities to enable switching of domestic ATMs, Point of Sale, and mobile money payment transactions are activated. The participants in the national financial switch include commercial banks, mobile money service providers, and third-party mobile money service providers. Mobile devices have enabled greater outreach and usage of financial services, particularly by women.

Strong partnerships with financial stakeholders and NGOs such as FSD Zambia and the German Savings Bank for International Corporation have significantly promoted financial inclusion for women, particularly in rural areas. Those partnerships resulted in providing financial education and capacity-building initiatives to WSMEs. MFIs supporting women's access to finance. BoZ regulates non-bank financial institutions and includes, among others, MFIs and leasing companies. The microfinance sector is growing yet remains relatively small regarding assets: ZMW492.7 million (USD37.5 million) in 2017.90 Notable players include Foundation for International Community Assistance Zambia (FINCA), FMC Finance, and the Microloan Foundation, which offer micro-loans and business training solely to women. These loans can, however, be more expensive than those from traditional banks.

Agent Banking
The provision of finance in rural areas is a key part of the NFIS, and agent banking is a major driver. Local shopkeepers and merchants can provide basic banking services via Point of Sale or mobile devices. To overcome the ongoing liquidity challenges agents face, FINCA Zambia, MTN, and the United Nations Capital Development Fund (UNCDF) support qualifying agents with a revolving line of credit without needing to provide collateral. The FINCA Agent Cash pilot project is still in its early stages, but the initial impact appears positive. The agents have to spend less time traveling to rebalance their accounts and may do that outside of working hours, meaning they can offer more daily transactions. UNCDF partnered with Kazang and Mobicom in another innovative project to provide shared agent hubs in rural areas, as 91 percent of agents in Zambia work with just one provider, which can limit their profitability.

Source: Alliance for Financial Inclusion

POTENTIAL FOR DIGITAL FINANCIAL SERVICES IS CLEAR

By Zambanker Reporter

Deputy Governor-Operations, Dr Francis Chipimo has noted that the potential of Digital Financial Services (DFS) to improve lives is growing exponentially especially as mobile network operators (MNOs) expand digital connectivity and bring more people into the mobile network.

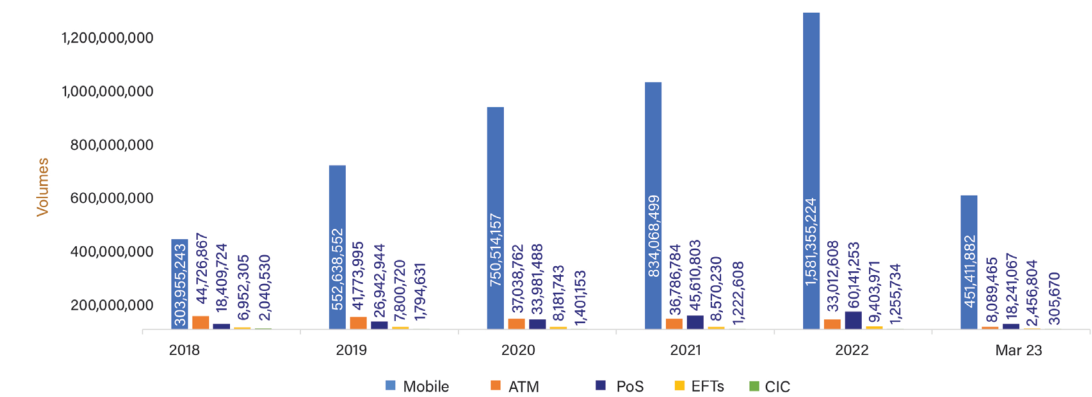
Financial inclusion efforts in Zambia have generally followed the formulation and implementation of the National Strategies on Financial Education and Financial Inclusion, which have provided a robust framework that facilitates effective stakeholder engagement among and between the Government, financial sector regulators, financial service providers and the general public. This collaboration has resulted in increased public awareness of the availability of financial products and services across the country, thereby contributing to the increase in overall financial inclusion in Zambia from 37.3% in 2009 to 69.4% in 2020.

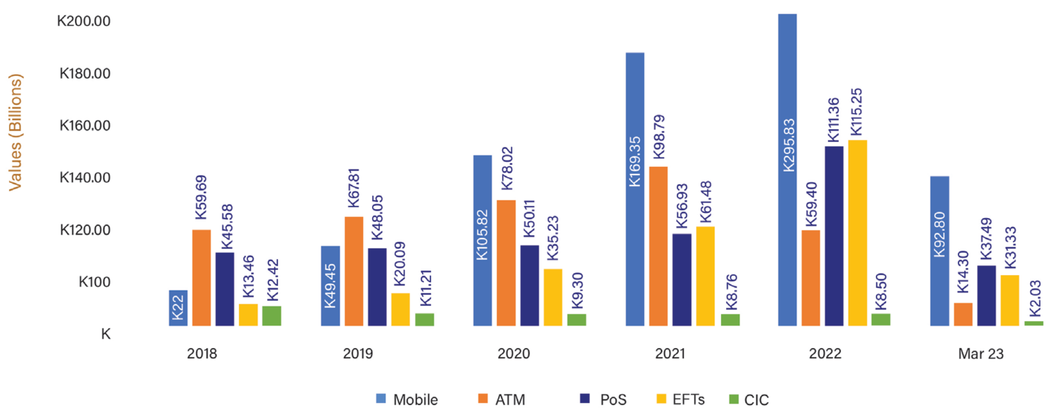
Speaking during the launch of the Financial Literacy Week, Dr Chipimo explained that current evidence indicates that access to financial services, especially through DFS, has the potential to increase income-generating capacity, manage risks, lower the cost of money transfers and improve savings behavior.

"This notwithstanding, the 2020 Finscope Survey, which measured financial health and financial literacy for the first time, found that only 13.6 percent of adults were financially healthy, and 23.6 percent were financially literate. This points to the need for a re-energised and sustained effort in the promotion of financial literacy with an increased emphasis on children and youths, so that Zambia may attain its goal as espoused in the National Strategy on Financial Education to have a financially educated population by 2030. The year 2030 is only 7 years away and much needs to be done to move the needle from 23 percent to 100 percent," he said.

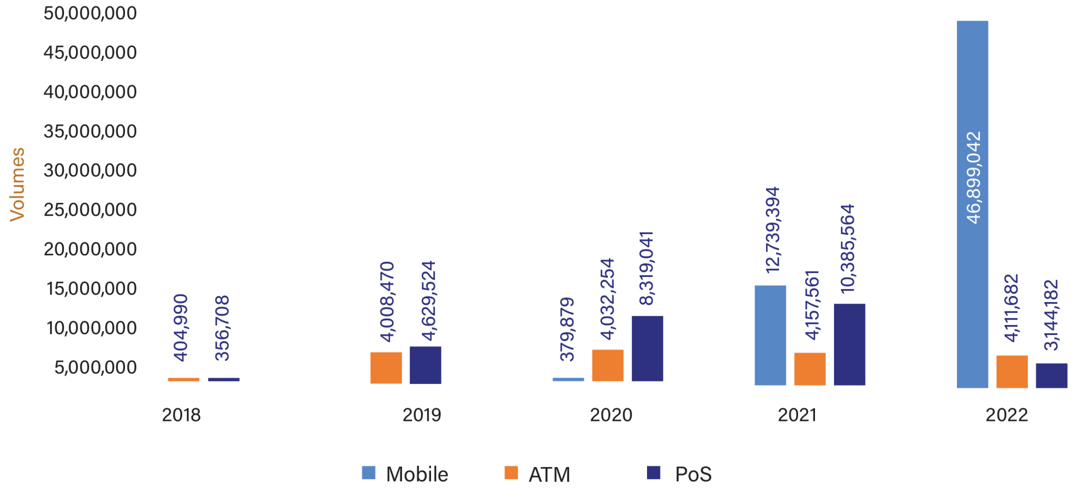
The contribution of the financial sector towards the attainment of Vision 2030 and its underlying principles is being undertaken through the

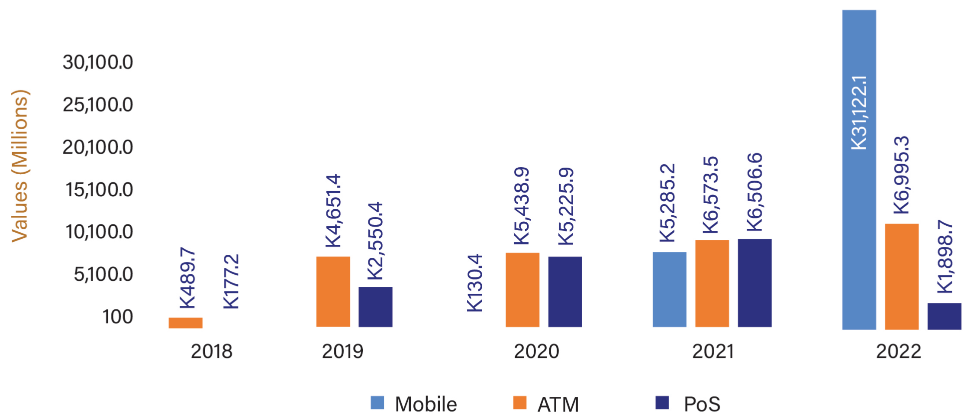
Performance of Retail Payment Systems – Volumes and Values





Performance of the National Financial Switch – Volumes and Values





implementation of the National Financial Sector Development Policy, the National Financial Inclusion Strategy, the Rural Finance Policy and Strategy, the recently launched Capital Markets Master Plan and the National Strategy on Financial Education.

These financial sector strategies aim to broaden and deepen the types of financial services in the banking, capital markets, microfinance, insurance and pensions sectors as well as to promote financial inclusion.

“As financial sector regulators, we have a vested interest in ensuring that the financial sector is innovative, responsive to demand for financial services, and that it supports Zambia’s economic growth, while maintaining stability. It is essential, therefore, that the financial sector continues to expand its portfolio of products and services by leveraging on current reforms, digital innovations, and targeted outreach,” he said.

He urged stakeholders in the financial ecosystem to collaborate and contribute to the financial inclusion agenda through the development of appropriate infrastructure, provision of affordable customer centric products, delivery of financial literacy, and promotion of consumer protection for the underserved population, particularly in rural areas.

“As people migrate towards greater use of DFS, it is important for them to be sensitised about the use of these services in a safe and secure manner to avoid risks such as fraud and cybercrime. In this regard, the Bank, in collaboration with the Zambia Information Communications and Technology Authority (ZICTA), launched a collaborative framework for the oversight of digital financial services in Zambia,” he said.
He urged consumers of financial services to take keen interest in safeguarding their money by dealing with licensed financial institutions. “The Bank of Zambia has observed a rise in the number of people that have fallen prey to money circulation scheme promoters and lost their hard-earned income thereby jeopardising their future. I wish to sound a clarion call to the general citizenry to be vigilant and report all suspicious financial institutions to law enforcement agencies,” he said.
He warned fraudsters that the law would catch up with them, as evidenced by the recent arrests made by security wings in collaboration with the various regulators and financial service providers. He also advised members of the public to report licensed financial institutions that violate their consumer rights to appropriate financial sector regulators.

NEWS IN BRIEF

CURRENCY MANAGEMENT

Currency in circulation grew by 8.9 percent to K14.6 billion in 2022. This was mostly driven by crop marketing and social benefit payments. The bulk of the currency was in banknotes (98.4 percent or K14.4 billion of the outstanding stock. The Bank issued 150.5 million pieces of mint banknotes and coins into circulation valued at K3.9 billion compared to 193.4 million pieces, valued at K5.5 billion in 2021. Most of the currency issued was in high value banknotes: K100 and K50, which accounted for 59.6 percent and 25.1 percent, respectively. The middle value (K20 and K10) and low value (K5 and K2) banknotes accounted for 14.7 percent while coins accounted for 0.6 percent of the currency issued.

Further, a total of 118.1 million pieces of unfit banknotes, valued at K2.8 billion were withdrawn from circulation in 2022 compared to 102.7 million pieces valued at K2.7 billion in 2021. The bulk of the currency withdrawn in pieces (92.0 percent) was in K50 to K2 denominations. These notes are heavily used and therefore wear out or become unfit for circulation at a faster rate than the K100 denomination.

BANKING AND NON-BANK FINANCIAL INSTITUTIONS SECTORS SATISFACTORY

The overall financial performance and condition of the banking and non-bank financial institutions sectors was rated satisfactory as at end-December 2022. Favourable capital adequacy, asset quality, earnings performance and liquidity conditions continued to underpin the satisfactory rating. In addition, the performance of the national payment systems continued to be satisfactory in 2022. This was reflected in high availability levels of the systemically important payment systems as well as the significant overall increase in the value and volume of transactions processed.

IMPLEMENTATION OF THE 2020-2023 STRATEGIC PLAN

The Bank made notable progress in implementing activities in the 2020-2023 Strategic Plan. An overall completion rate of 74.7 percent was achieved in 2022 compared to 51.0 percent in 2021. The easing of some COVID-19 restrictions contributed to the improved completion rate although some of the adverse effects continued to weigh on the Bank's implementation efforts. The latter notwithstanding, the overall risk profile improved further as the implementation of risk management action plans and awareness programmes were heightened to protect employees and other stakeholders from the effects of the COVID-19 pandemic and other emerging threats. The Bank also continued to enjoy a cordial industrial relations atmosphere.

PRIVATE SECTOR BUSINESS ENVIRONMENT STRENGTHENED IN 2022

According to the Bank of Zambia Quarterly Business Opinion and Expectations Survey, the private sector business environment strengthened in 2022. This was largely based on traction in COVID-19 vaccination and increased business confidence underpinned by Government's commitment to fiscal consolidation as well as approval of the IMF Extended Credit Facility on August 31. Further, optimism about successful external debt restructuring boosted activity in the private sector. Nonetheless, the Stanbic Bank Zambia Purchasing Managers' IndexTM indicated weaker economic activity in 2022 as new orders and output were reported to have reduced due to constrained consumer demand amid rising cost-of-living.

2022 GLOBAL GROWTH

The Russia-Ukraine war destabilised the global economy through disruptions to commodity markets, cross-border production networks, as well as trade and financial markets. This led to a severe energy crisis in Europe as well as higher cost-of-living and soaring world food prices, and ultimately dampened economic activity. Mounting inflationary pressures triggered rapid and synchronised monetary policy rate hikes in advanced economies. This resulted in the appreciation of the US dollar against most currencies and tighter global financial conditions that contributed to the drag on demand. In addition, frequent lockdowns due to the Zero-COVID Tolerance Policy and rapid weakening of the property industry in China weighed on global growth.

Source: Bank of Zambia

ADJUSTMENT TO THE KWACHA AND FOREIGN CURRENCY STATUTORY RESERVE RATIO

By Masauso Phiri

Mr. Phiri

The Bank of Zambia has increased the minimum statutory reserve ratio on both local and foreign currency deposits, including Government deposits and Vostro account deposits by 2.5 percentage points to 11.5 percent from the current 9.0 percent with effect from 13th February, 2023. The revised statutory reserve ratio of 11.5 percent is based on the Weekly Return of Selected Assets and Liabilities as of Wednesday, February 8, 2023.

The Deputy Governor-Operations, Dr Francis Chipimo explained in a circular to all Heads of Commercial Banks that this measure is aimed at addressing the increased volatility in the exchange rate which intensified in December 2022 and has persisted in 2023 and safeguarding stability of the foreign exchange market.

He said the exchange rate had come under sustained pressure despite the Bank's support to the market through sales of foreign exchange proceeds, mostly from mining companies. The market has been characterised by weak foreign exchange supply amidst strong demand by market players for various purposes, including critical imports of fuel, medicines and agricultural inputs.

He stated that the trend, if left unaddressed, has the potential to undermine the emerging stable macroeconomic environment.

"The Bank is mindful of the attendant risks to this action but it deems the overarching potential benefits of stabilising the foreign exchange market at this point, outweigh the perceived adverse risks to the economy," he said.

He added that the Bank would continue to closely monitor developments in the macroeconomic environment and in particular, financial markets and take appropriate action as and when the need arises in line with its objectives of price and financial stability.

The last increase to the Statutory Reserve Rations (SRR) applicable on commercial bank's Kwacha and foreign currency deposit liabilities was December 2019. This adjustment was necessitated by threats to inflation that prevailing developments in the foreign exchange market posed.

The author is Communications Clerk in the Executive Department

2022 GOVERNMENT SECURITIES MARKET

Demand for Treasury bills (T-bills) strengthened in 2022 on account of relatively loose liquidity conditions. The average subscription rate in the primary market increased to 106.3 percent in 2022 from 93.9 percent in 2021. In contrast, demand for longer-term Government bonds (Bonds) reduced as the subscription rate declined to 75.7 percent from 96.1 percent over the same period. Underlying weaker demand for Government bonds was mainly investor caution, particularly non-residents, due to uncertainty surrounding the outcome of protracted debt restructuring negotiations with the Official Creditor Committee under the G20 Common Framework and Eurobond holders, as well as the likely treatment of the non-resident holders of domestic Government securities. Tight global financial conditions and a relatively weaker Kwacha exchange rate also contributed to the low participation by non-resident investors.

Government Securities Transactions, 2020-2022

Government raised K67.4 billion in the primary market against maturities of K55.3 billion resulting in a surplus of K12.1 billion. Consequently, the stock of outstanding Government securities rose to K210.0 billion (at face value) at end-December 2022 from K193.0 billion at end-December 2021 (Chart 4.2).

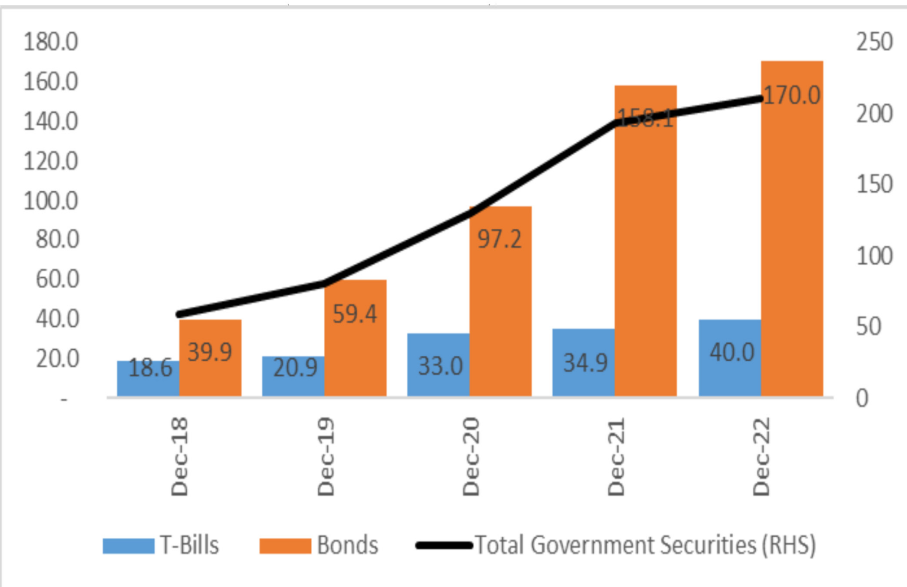
Stock of Government Securities (K' billion at face value), Dec-2018 to Dec-2022

Commercial banks held close to two-thirds (63.2 percent) of outstanding Treasury bills

Treasury Bills Holdings (K' billion at face value) and Percentage Shares, 2018-2022

The majority of Government bonds were held by non-resident

	2020			2021			2022		
	Amount on Offer (K' bn)	Bid Amount (K' bn)	Subscription Rate (Percent)	Amount on offered (K' bn)	Bid Amount (K' bn)	Subscription Rate (Percent)	Amount on Offer (K' bn)	Bid Amount (K' bn)	Subscription Rate (Percent)
91-day T-bill	2.1	1.5	73.0	4.9	4.7	95.9	7.8	7.0	90.2
182-day bill	4.5	1.9	43.0	6.12	4.0	65.4	8.8	7.3	83.0
273-day T-bill	6.7	5.0	74.0	6.8	3.9	56.7	9.4	6.9	73.9
364-day T-bill	13.3	17.6	132.0	17.9	21.0	117.3	26.0	34.0	130.8
TOTAL	26.6	26.0	322	35.8	33.6	93.9	52.0	55.3	106.3
2-year bond	1.1	1.7	152.0	2.2	3.5	157.7	3.6	4.9	136.7
3-year bond	2.5	1.3	49.0	3.8	2.9	75.5	4.8	5.9	122.7
5-year bond	2.8	3.4	122.0	4.9	5.6	113.8	7.8	5.5	70.9
7-year bond	1.0	0.1	12.0	1.6	0.9	55.6	4.2	1.9	45.3
10-year bond	2.8	0.2	9.0	4.3	3.6	83.3	6.0	4.1	68.5



investors and pension funds in 2022. Nonetheless, non-resident investor holdings of Government securities reduced to K47.4 billion (27.9 percent) at end-December 2022 from K54.6 billion (34.5 percent) at end-December 2021.

Source: Bank of Zambia

HISTORICAL SNAPSHOT

BANK *Of* ZAMBIA

PRESS RELEASE

INTRODUCTION OF THE BANK OF ZAMBIA POLICY RATE

The Bank of Zambia (BoZ) wishes to announce the introduction of a Policy Rate, with effect from April 2, 2012. A Policy Rate is utilised to influence monetary and credit conditions in an economy. The policy rate will, in this regard, allow the BoZ to signal an increase or a decrease in the price of credit in the market. To announce changes to the Policy Rate, the BoZ will be issuing a monthly communique covering, among other things, factors taken into account when arriving at its decision as a means of explaining it's monetary policy stance. The first BoZ Policy Rate shall be announced on Thursday, March 29, 2012.

The Bank of Zambia has, over the past few years, been working with commercial banks to design a transparent framework for determining interest rates in Zambia. Transparency in determining interest rate by commercial banks is very important as it implies openness, effective communication and accountability.

The Bank of Zambia expects that the following benefits, among others, will accrue:

a) The Policy Rate will allow the Bank to clearly signal its monetary policy stance to the market, and provide financial market participants with a credible and stable anchor for the setting of interest rates on their credit products;
b) The increased reliance on interest rate policy-based instruments is expected to provide a relatively more transparent and efficient process through which the Bank of Zambia can better anchor inflation expectations; and
c) Following this reform, it is expected that the standard practice of quoting the price of loans and similar credit products by all commercial banks will be the BoZ Policy Rate plus a margin. The margin will be set by commercial banks on the basis of their risk premium assessment. This transparent way of pricing credit products will enhance many stakeholders' business planning processes and assist in efficiently managing their financial commitments. Further, this will enable borrowers to understand the basis upon which commercial banks price their credit products.

The public is hereby advised that the Bank of Zambia, in collaboration with other stakeholders, will continue to work on building an effective and efficient financial system which is expected to benefit all stakeholders accordingly.

For any further information, please contact:
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INNOVATION AND TECHNOLOGY FOR GENDER EQUALITY

By Milimo Munsanje

Ms. Munsanje

The Bank of Zambia joined the rest of the world in commemorating the International Women's Day (IWD). The theme for this year's International Women's Day, was "DigitALL: Innovation and technology for gender equality". This theme is aligned with the priority theme for the upcoming United Nations 67th Session of the Commission on the Status of Women, "Innovation and technological change, and education in the digital age for achieving gender equality and the empowerment of all women and girls".

The IWD is a global day organised annually that recognises and celebrates the social, economic, cultural, and political achievements of women.

In a message to celebrate the IWD, Deputy Governor-Administration Mrs Rekha Mhango said empowering women and other marginalised groups with technology results in more creative solutions and has great potential for innovations that meet women's financial and other needs and promotes gender equality.

She said innovation and technological change empowers women to make informed decisions, and participate in social and economic activities that contribute to economic development.

"In a world that is more technologically connected, the lack of, or limited access to technology for women and girls hinders their digital financial inclusion and participation in economic activities, slows down their innovative prowess and decimates their rise to leadership and decision-making roles," he said.

She called upon women and girls to rise to the occasion and fully participate in the digital revolution in the various spheres of life, including health, education, money markets and creative arts.

"We also challenge the women and girls to optimise usage of all forms of digital technology to enable them have access to information, learning and work opportunities, social engagement, as well as participate in all forms of e-commerce as a tool of trade for economic empowerment," she said.

She encouraged women and girls to embrace technology and take up leadership roles in the digital space, in order to shrink the gender divide and bring about gender parity, which will in turn result in global economic progress and boost financial inclusion for all!

The Commission on the Status of Women is the principal global intergovernmental body exclusively dedicated to the promotion of gender equality and the empowerment of women. It is instrumental in promoting women's rights, documenting the reality of women's lives throughout the world, and shaping global standards on gender equality and the empowerment of women.

The Commission adopts multi-year programmes of work to appraise progress and make further recommendations to accelerate the implementation of the Platform for Action. These recommendations take the form of negotiated agreed conclusions on a priority theme. The Commission also contributes to the follow-up to the 2030 Agenda for Sustainable Development so as to accelerate the realisation of gender equality and the empowerment of women. Based on the resolutions from 2018 and 2020, priority and review themes for 2020–2024 are:

- 2020: Review and appraisal of the implementation of the Beijing Declaration and Platform for Action and the outcomes of the 23rd special session of the General Assembly, and its contribution towards the full realisation of the 2030 Agenda for Sustainable Development.
- 2021: Priority theme: Women's full and effective participation and decision-making in public life, as well as the elimination of violence, for achieving gender equality and the empowerment of all women and girls. Review theme: Women's empowerment and the link to sustainable development (agreed conclusions of the sixtieth session).
- 2022: Priority theme: Achieving gender equality and the empowerment of all women and girls in the context of climate change, environmental and disaster risk reduction policies and programmes. Review theme: Women's economic empowerment in the changing world of work (agreed conclusions of the sixty-first session).
- 2023: Priority theme: Innovation and technological change, and education in the digital age for achieving gender equality and the empowerment of all women and girls. Review theme: Challenges and opportunities in achieving gender equality and the empowerment of rural women and girls (agreed conclusions of the sixty-second session).
- 2024: Priority theme: Accelerating the achievement of gender equality and the empowerment

The author is Communications Clerk in Executive Department

BoZ/DSIK COLLABORATION BENEFITS SOLWEZI ENTREPRENEURS AND YOUTH

By Hannah Redders (DSIK) and Chambata Mbizule (DSIK)

The Bank of Zambia (BoZ), in partnership with German Sparkassenstiftung (German Savings Banks Foundation - DSIK), successfully promoted financial literacy in Solwezi on a rationale of increasing access to finance through financial education.

DSIK is the implementing partner of the BoZ in strengthening financial literacy and inclusion in Zambia. The DSIK team sits within the Financial Sector Development Unit.
The team, led by DSIK Project Manager Mr. Reinhold Hoernle, had three major activities in Solwezi, which included an exhibition at City Mall with different financial service providers and a Micro Business Game Training for small-scale entrepreneurs at Solwezi Central Church of Christ through the main implementing partner organisation, the Charity Centre for Children and Youth Development (CCCYD).

Other activities included financial education programmes at St. Charles Special School of children living with disabilities and Solwezi Urban Combined Secondary School. Further, a financial literacy awareness programme on the importance of financial planning and savings. was aired on FCC- Solwezi Community Radio Station. The radio panelists included representatives from BoZ namely, Mr. Collins Muchipu, Assistant Manager in the Financial Sector Development Unit (FSDU), and Mr. Luka Chiwowa, Assistant Manager Security Operations from the BoZ Regional Office in Ndola.

Charity Centre for Children and Youth Development (CCCYD) Director, Alex Bwaluka, described the event as successful. He lauded the BoZ and DSIK for conducting highly interactive financial literacy trainings which were beneficial to members of the public. Financial Service providers which took part in the exhibition include Stanbic Bank, Bayport Financial Services, Longhorn Pension Trust Fund, FNB Bank, Atlas Mara Bank, Investrust

Bank, ZANACO, ABSA and NATSAVE. The financial literacy programme benefited pupils, teachers, farmers, small-scale entrepreneurs and the general public in selected areas of Solwezi.

Every year at the end of March, Zambia joins the rest of the world in celebrating the Financial Literacy Week, where financial awareness campaigns are promoted. The Financial Literacy Week for 2023 was launched by the BoZ Deputy Governor- Dr. Francis Chipimo on the 20th March in Lusaka on behalf of the BoZ Governor Dr. Denny Kalyalya, who is the Champion of Financial Education in Zambia.

The German Sparkassenstiftung (DSIK) has been conducting interactive and board-based financial literacy trainings called Business Game Simulation Trainings in Zambia for 10 years. The simulations target small-scale entrepreneurs that include farmers, marketeers, and individuals. More than 25,000 participants from all the 10 provinces in Zambia have been trained by DSIK since 2013.

"PLANT YOUR FUTURE"

By Priscilla Silwamba

Ms. Silwamba

Zambia joined the rest of the World in commemorating the 2023 Financial Literacy Week from March 20th to 26th under the theme "Plan your Money, Plant your Future". The 2023 Financial Literacy Week campaign was launched by the Deputy Governor – Operations, Dr. Francis Chipimo.

This year's campaign aims to raise awareness about the importance of adopting a responsible, informed and forward-looking approach in making financial decisions. The campaign was conducted by financial institutions and stakeholder partners in all the 10 Provinces through a variety of activities, including public exhibitions, school debates and media programmes.

Zambia's commemoration of Financial Literacy Week is undertaken under the auspices of the Global Money Week – which is an annual global awareness-raising campaign on the importance of financial education. In the past 11 years, Zambia has domesticated this campaign by working to create awareness amongst children, youth, and adults on the need to acquire the knowledge and skills about personal financial management. Importantly, the campaign is part of the National Strategy on Financial Education and complements other interventions such as the inclusion of financial education in the school curriculum from Grade 1 to Grade 12, financial education conducted for youths in tertiary institutions, adults in workplaces, and Micro, Small and Medium Enterprises - including smallholder farmers.

The overriding goal is that with the acquired knowledge, citizens can have the confidence and motivation to make sound financial decisions and use appropriate financial services. This knowledge is expected to translate into improved financial well-being of our citizens, and in so doing enable them to contribute to national development through improved productivity and greater resilience, that supports job and wealth creation.

The 2023 theme for the Financial Literacy Week encompasses the well-being of citizens in terms of looking after our environment, through the phrase 'Plant your future'. This recognises that future individual well-being is not only linked to the financial health of society but also to sustainable economic development which is dependent on the preservation and protection of our natural ecosystem. Thus, it places great responsibility on us, at a personal level, to ensure that we take care of the environment by undertaking various conservation activities such as tree planting, water resource management, keeping the environment clean as well as minimising deforestation.

This is in line with the broader goals under the 8th National Development Plan (8NDP) which runs from 2022 – 2026 and has a strategic development area on environmental sustainability. The 8NDP recognises that the pursuit of the economic activities entails the sustainable utilisation of natural resources which are the basis for wealth creation, as well as building resilience to the adverse effects of climate change. Thus, the 8th National Development Plan prioritises measures aimed at promoting green growth, safeguarding the environment and natural resources, strengthening disaster risk reduction, enhancing climate change mitigation and adaptation, as well as the development of climate resilient infrastructure across all sectors for sustainable development. The integration of environmental sustainability in financial education in this year's theme is thus very important.

THE ROLE OF BANK OF ZAMBIA IN FINACIAL INCLUSION

In an effort to contribute towards the achievement of economic development and financial stability in the country, Bank of Zambia has pursued financial inclusion as one of its strategic objectives in the previous consecutive strategic plans (2016 – 2019 and 2020 – 2023).

Further, as a regulator, the Bank, through moral suasion has been encouraging Commercial banks and Non-Banks financial institutions to extend their services to rural areas and tap into the untapped market. Financial service providers are also encouraged to continuously sensitise their customers and prospective customers on financial services and how to use the services prudently. In this regard, Regional Office has continued to extend financial literacy sensitisation programmes to leaners in Basic schools, Secondary schools and Universities. Other target groups include: employees in various workplaces, community saving groups, youth groups and vendors in marketplaces.

More importantly, Bank of Zambia has demonstrated its commitment towards financial inclusion by setting financial inclusion as one of its strategic objectives. In an effort to achieve this objective, Regional Office has been taking advantage of every opportunity including the financial literacy week to render financial literacy to members of the public. The Office has been stressing the importance of financial inclusion, the available financial services and how to use financial services prudently.

The author is the Assistant Manager - Currency Front Office

REFLECTION ON EMPOWERING CONSUMERS THROUGH CLEAN ENERGY TRANSITIONS

By Moses Musantu

Mr. Musantu

The World Consumer Rights Day is an annual event that provides an opportunity to promote the basic rights of all consumers, demanding that consumer rights are respected and protected, and speaking against the market abuses and social injustices which undermine them. The Bank of Zambia (BoZ) participates in this event from the perspective of regulating the protection of consumers.

In the financial sector, financial products and services play a significant role in enabling consumers to build their resilience, seize opportunities, and meet essential needs. However, consumers also face risks when engaging with such products and services. This is due to a range of factors, including information and power asymmetries and abusive or overly aggressive market practices. The BoZ has therefore developed a regulatory/supervisory framework on consumer protection which has over the years enabled it to be an active participant in efforts aimed at protecting consumers of goods and services.

It is for this reason that on 15 March 2023 the BoZ joined the nation and international community in celebrating the World Consumer Rights Day under the theme: "Empowering Consumers Through Clean Energy Transitions." The theme was appropriate as the world drastically responds to climate change and energy supply issues, thus requiring everyone to participate in delivering a just transition for consumers.

The 2023 World Consumer Rights Day was a call on providing an enabling environment for consumers access to affordable, reliable and sustainable renewable sources of energy such as solar, wind, hydropower and biogas. These are essential to delivering change at the pace and scale required to avoid catastrophic effects of climate change. The theme resonated well with Zambia's energy situation given that the country had just emerged from a difficult nationwide load management period due to extreme low water levels in the Kariba Dam. The negative effects of climate change are not only unique to Zambia but also in other countries. The World Bank's 2023 Economic Prospects Report observes that climate change is a key global challenge, as it is increasing the frequency and severity of natural disasters and can exacerbate extreme poverty by reducing agricultural productivity, increasing food prices, and worsening food and water insecurity in Emerging Markets and Developing Economies. Climate-related disasters are becoming more common, and they weigh particularly heavily on vulnerable countries.
In the near term, these or other climate-related disasters can inflict substantial human costs, damage infrastructure, and disrupt activity. Disasters can also add to the number of displaced people, with disproportionate impacts on the poor. They can also worsen Government fiscal positions through lower tax receipts and lower productivity alongside increased spending on reconstruction and public services. They may prove especially disruptive at the current juncture by interrupting the supply of already-scarce commodities, disrupting supply chains, or increasing the need for heating or cooling in an environment of already-high energy prices. Changes in climate may further increase food insecurity in regions with large numbers of subsistence farmers that lack the resources to easily adjust production. In the longer term, climate change may render some populated areas uninhabitable, lower productivity, and worsen global poverty, whilst

impacting the lifestyles of people. Consumer International, a membership organisation for consumer groups around the world, has observed that climate change effects together with food and finance price increases, consumers everywhere were radically changing their lifestyles to access essential needs. A member insights survey revealed that over 80% reported that consumers are adjusting their budgets to increase the proportion that they pay towards their energy bills.

In view of the urgent need to avert catastrophic climate change, the calls for national authorities to accelerate a green, equitable energy transition are growing louder. In addition, consumers have been recognised as key players in contributing towards the transition and need to be supported to play this role. This involves providing consumers access to new technologies and financial services for climate-smart lifestyles. Within this context, the tenets of consumer protection are aimed at assessing what additional protections consumers need as they navigate new technologies, sustainable business practices and energy markets, whilst empowering consumers to make informed decisions, and supporting low-income countries to decrease their dependency on oil and coal.

Consumer International notes that increasing access to affordable, reliable, sustainable and modern energy will also play a major part in averting catastrophic climate change, with consumption shifts now recognised and estimated to reduce future greenhouse gas emissions by 40-70%.

It is gratifying to note that the Zambian Government through the Ministry of Energy has developed the Renewable Energy Strategy and Action Plan aimed at promoting clean energy. The plan's ultimate goal is to significantly increase the uptake of renewable energy technologies in Zambia and contribute to economic growth and poverty reduction. For this energy transition to bare the much-needed benefits, consumers remain integral to this change and their positive actions are critical to accelerating this change. The solution henceforth, is dependant on consumers' willingness to diversify and adapt the usage of alternative clean sources of energy that do not pollute the air or puts wildlife creatures at risk.

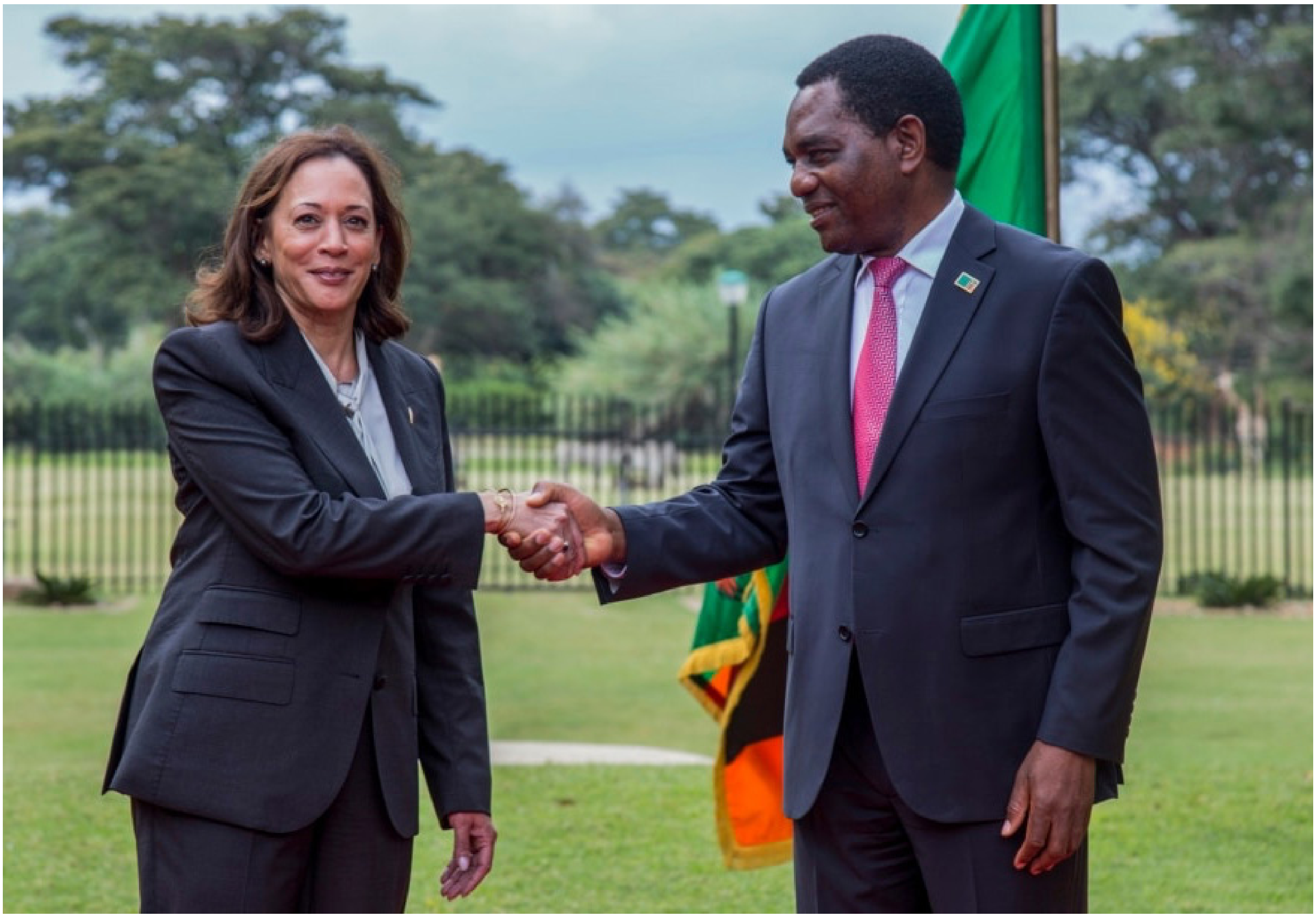
The financial sector can play a role in supporting the energy strategy and enabling consumers access to green technologies and renewable energy sources by financing loans, working capital and infrastructure development for consumers to acquire and utilise energy efficient appliances. The BoZ has therefore embarked on the process of developing Green Loans Guidelines and Policy.

Lastly, empowering consumers to transition to clean energy transitions entails consumer protection through sensitisation and awareness about climate change. In this regard, BoZ further sponsored the 2023 World Consumer Rights Day National Essay Competition that was won by Laura Girls Secondary School of Northern Province. The essay competition provided an opportunity for pupils to research more about climate change and how consumers can be empowered through clean energy transitions.

It is envisaged that a combination of all these activities (finance, awareness, technologies for renewable sources of energy) will contribute to an uptake of alternative sources of clean energy in order to lead a healthy, safe and clean environment which will benefit even generations to come.

The author is Senior Analyst - Consumer Protection and Market Conduct Non Bank Financial Institutions Supervision Department

WHAT'S TRENDING?
NEWS FROM AROUND THE WORLD



Zambia welcomes US Kamala Harris in Lusaka, discuss massive debt restructuring

U.S. Vice President Kamala Harris on Friday reiterated her call for a "rapid finalization" of Zambia's massive debt restructuring, during a visit to the southern African country, the last stop on a continental tour.

The U.S. has been pushing for creditors, including China, to ease the country's estimated $17.3 billion foreign debt. Zambia defaulted in 2020 amid the Covid pandemic.
"We will continue to advocate for the speedy completion of Zambia's debt treatment and restructuring," Harris said at a press conference after a meeting with Zambian President Hakainde Hichilema in Lusaka.

"The international community must help countries like Zambia get back on their feet. So I will reiterate the call that I have made many times to all bilateral creditors to make significant debt reduction.

Ms. Harris' visit comes a few months after that of U.S. Treasury Secretary Janet Yellen. The US is seeking to assert its presence on the resource-rich continent in the face of Chinese investment.

The U.S. has accused China, the largest creditor of many African countries, of dragging its feet since Lusaka requested assistance under a G20 mechanism for restructuring the debt of the poorest states.

"Our priority as a country is to rebuild our economy. What is holding us back is debt," Hichilema said.
Kamala Harris, the first woman and first person of color elected to the U.S. vice presidency, arrived in Lusaka Friday after visiting Tanzania and Ghana.

She had already visited Zambia in her youth to visit her maternal grandfather who worked there. In Lusaka, she stopped briefly at the place where he lived in the 1960s. "My grandfather was one of my favorite people," the oldest of her grandchildren told reporters.

Source: Africanews

Africa's central banks continue to tackle stubborn inflation

Central banks have continued to increase borrowing costs, or are holding their lending rates steady to protect their currencies - but the end of the tightening cycle may be in sight. Major African central banks are maintaining a tightening stance on borrowing costs, with others raising interest rates to tackle high inflation and support their currencies.
The Monetary Policy Committee of the South African Reserve Bank and The Central Bank of Lesotho both recently raised their interest rates by 25 basis points (bps) to 7.25 percent.
The Central Bank of Nigeria (CBN) also hiked its policy rate, albeit by a whooping margin of 100 bps - to 17.5 per cent, even as the country's inflation figure dipped marginally to 21.34 percent in December from 21.47 percent in November.

The Bank of Ghana also raised its policy rate by 100 basis points on January 30 to 28 percent. The January move is the seventh hike since November 2021, an action meant to restrain inflationary pressure and support macroeconomic adjustments.
However, central banks in Kenya, Tunisia and Tanzania have retained their base lending rates.
Kenya retained its rate at 8.75 per cent after inflation in the East African economy eased to 9.1 per cent in December from 9.5 per cent in November, mainly due to falling food prices.

Tunisian regulator held its policy rate at eight percent after a 75 bps rise in December 2022, while Tanzania's, which has experienced the lowest inflation in the East African Community and the Southern African Development Community, sustained its benchmark interest rate at five percent- where it has been since the outbreak of Covid-19.
Egypt's central bank kept interest rates unchanged, maintaining the deposit rate at 16.25% and the lending rate at 17.25 percent. Malawi also retained its policy rate at 18 per cent, citing an improved economic outlook and moderating inflation.
The African Development Bank has projected Africa's economy will grow faster than the rest of the world in the coming two years at four percent, compared to global averages of 2.7 percent in 2023 and 3.2 percent in 2024.

According to Statista, Sudan has the highest Inflation rate in Africa at about 245 percent, linked to a long-running economic crisis and political instability. With a long history of hyperinflation, Zimbabwe has the second-highest rate at 86.7 percent, followed by Ethiopia at 34.5 percent.

Source: African Markets

Building trust in digital payments in Africa

While cash and mobile money remain the dominant payment methods in Africa, they come with significant challenges. Cash is inefficient, insecure, and expensive, while mobile money services often lack the necessary regulatory support to operate independently. However, key emerging trends in the sector are helping to drive meaningful financial inclusion across the continent, notes Mark Dankworth, President of Business Development Africa at leading Banking as a Service and embedded finance enablement partner, Ukheshe.
One of the most significant trends in the African payments sector is the increasing collaboration between banks and fintech companies. Banks, as regulated entities, play a critical role in processing funds, which then flow into digital wallets where fintechs are best positioned to provide digital services. There is scope to offer even more functionality and convenience that answer specific market challenges and pain points, including bill payments, airtime top-ups, or public transport payments, among others.
By providing incentives for users to keep their funds in these wallets and use them for digital payments, the adoption of digital payments can increase rapidly and reduce the reliance on cash on the continent.
Closer collaboration between banks and fintech companies is a positive development and has the biggest potential to drive financial inclusion in Africa. In many African countries, regulators are paying closer attention to new players in the sector. While fintech companies often lack the necessary licenses to operate independently, banks can provide the necessary regulatory support with the end goal of offering a broader range of services to their customers. By working together, banks and fintechs can help to promote financial inclusion and make digital payments more accessible, and, crucially, more trusted.
Another trend that is driving the growth of digital payments in Africa is the explosion of cross-border remittances alongside the urgent need for these to improve. South Africa to Zimbabwe is one of the largest corridors of cross-border remittances globally, and a staggering 84% of these transactions are still cash-based. According to the World Bank, remittances to low- and middle-income countries grew to USD$626 billion in 2022. These remittances are also an essential source of foreign currency for many African countries, helping to support economic growth and development.
To facilitate cross-border remittances, many companies are developing pool accounts that allow for instant remittances of funds. Associations are also putting in place regulatory frameworks that promote innovation and protect consumers, and these developments will help sustain the growth of the industry and make it more accessible to all Africans.
Ultimately, the prevailing dominance of cash in Africa will only be truly upended when payment models are instantly efficient and offer instantaneous value. In the unique African context, customers must have full control over their money with seamless, interoperable, and user-friendly solutions – this is where Ukheshe, and its strategic partnerships, can make the biggest impact.

Source: Africa Business

GLOBAL BANKING TURMOIL: HOW FAR REACHING WAS THE CONTAGION?

By Nason Kapako

Mr. Kapako

Investors, depositors, and regulators were on edge in March and April 2023, as fragilities in banks came to light. The cracks began to show at the Silicon Valley Bank (SVB), a US regional bank whose niche market was tech-based start-ups, when it announced that it planned to raise capital to cover losses related to its securities portfolio. Then at Signature Bank, another US bank. Depositors rushed to make withdrawals before regulators and the central bank responded swiftly to restore confidence in banks and calm in markets. Together with SVB, it was possessed by the Federal Deposit Insurance Corporation (FDIC) due to insolvency. Then came the collapse of Credit Suisse, a Swiss based global systemically important bank (G-SIB), and later in April, another US lender, First Republic Bank (FRB). This stoked fear in markets, with investors dumping banking stocks leading to a dramatic decline in their valuations.

Causes, Consequences and Resolution

SVB was a mid-sized US bank with US$ 212 billion in assets whose collapse was associated with a poor business model and weak risk management framework amid an unfavourable macroeconomic environment. Its business model was premised on banking customers "primarily in the technology and life science/healthcare industries as well as global private equity and venture capital clients." Therefore, it mobilised hefty deposits from start-ups, who raised funds from their venture capitalists. In turn it used these funds to underwrite loans, and placed the excess in long term fixed-income securities - which accounted for about 43% of their assets - during the era of low interest rates and quantitative easing. Now, as inflation rose sharply, and the Federal Reserve Bank (the Fed) aggressively tightened monetary policy thereof, so did their cost of funds due to growing flight of deposits amid heightened competition for funding. The Fed's policy rate hikes also resulted in huge (unrealised) losses due to the depreciation in the value of fixed-income securities on their balance sheet. On 8 March, SVB announced that it intended to raise capital amounting to US$ 2.25 billion to cover losses, a move that caused panic amongst investors, and a run on the bank - deposits plunged 68% to US$56 billion. Bank stock prices plunged as an estimated US$42 billion in customer deposits, about 25% of the total, was withdrawn from the lender by 10 March. What's interesting is that these withdrawals were hugely amplified by social media and digital banking platforms.

The failure of SVB precipitated a run on another mid-sized US bank with ties to the tech industry, Signature Bank. By 12 March, the lender's depositors rushed to withdrew funds as they fretted about potential contagion from SVB considering that Signature Bank had a significant proportion of uninsured deposits on its balance sheet. There were initially concerns about the imbalances in the bank's liability structure, which included a concentration of crypto-related deposits, about a third of total deposits and about 90% in uninsured deposits. There were also concerns about its exposure to commercial real estate seeing that it was one of the largest lenders to the subsector. The collapse of Signature Bank worsened the panic in the market, with the S&P Banking Index shedding 7% on the day. So, how did the US authorities respond in the wake of these two bank failures and eventual panic in the market?

In order to curtail contagion and disturbances in the delivery of financial products and services, regulators and the central bank responded swiftly to restore confidence in banks and calm in markets. FDIC possessed SVB on 10 March, and Signature Bank two days later. Deposit insurance in the US is capped at US$250,000. To prevent a further drain on deposits above the insured limit, the US Treasury, the Fed, and FDIC announced that FDIC would resolve SVB "in a manner that fully protects all depositors" and that "all depositors of [Signature Bank] will be made whole," in a joint statement issued on March 12. Thus, FDIC announced its intent to extend payouts to uninsured depositors, who accounted for a huge chunk of both banks' liabilities. Additionally, the Fed set up an emergency lending programme, dubbed the Bank Term Funding Program(BTFP), to backstop the two ailing banks, and assure depositors about banks' ability to meet their needs as they fall due. It's meant to provide liquidity to eligible banks who are required to pledge securities like US Treasuries and mortgage backed securities (MBS) as collateral, but without haircuts. This ensures that they are insulated from losses which they would otherwise incur if they liquidate these securities at market values. The BTFP is also aimed to prop up credit markets against a backdrop of tightening financial conditions.

After establishing bridge banks to manage operations of the failed banks as they sought to resolve them in a manner that caused little or no disruption to the delivery of financial services, FDIC entered a purchase and assumption deal with Flagstar Bank to acquire some of Signature Bank's deposits and loans, and First Citizens Bancshares to take over SVB's deposits and good loans (valued at US$72 billion). About US$150 billion worth of assets, 60% % from SVB, remained with the bridge banks and FDIC, as receiver. Total cost to FDIC of both bank failures came to an estimated US$ 22.5 billion, with the excess to be later passed on to US banks through higher fees to FDIC. At the tail end of April, another US regional bank in FRB also collapsed due to a poor business model which was primarily based on underwriting mortgages to its high-net worth customers. It had US$229 billion in assets and was therefore the largest of the three US regional bank failures. The bank's earnings plunged when interest rates rose sharply, and its depositors demanded higher returns on their funds amid high competition for deposits. And just like the other two failed banks, two-thirds of FRB deposits were uninsured. In the three months to March, it lost about US$100 billion in liquidity due to depositors' worries over the health of regional banks. It collapsed on 28 April as it failed to access more funding from the market - even after eleven banks led by JP Morgan had provided US$ 30 billion in liquidity support in mid-March. In another deal brokered by FDIC on 1 May to restore calm in the banking sector, JP Morgan acquired a substantial share of FRB assets.

Across the Atlantic, the banking turmoil was more unsettling for markets as the bank sitting at the centre of it was Credit Suisse, a G-SIB. There were more systemic risk concerns roused by the failure of a 167-year old Swiss bank, with US$580 billion in assets. Over the years, Credit Suisse has faced a myriad of problems, including losses from the collapse of Archegos Capital Management (over US$5 billion) and rogue traders (US$2.3 billion), top management changes, poor business model and risk management, and money laundering scandals. But its failure was amplified by the announcement made on 15 March by one of its biggest shareholders, Saudi National bank, that it would not invest beyond the 10% stake due to regulatory constraints. Because this came amidst investors and depositors' apprehension of banks due to the turbulence in the US banking system, there were huge deposit withdrawals from the Swiss lender, and its share price slumped 31% on the day. Global banking stocks were adversely affected and the cost of insuring against defaults, as measured by credit default swaps (CDS), rose sharply. Unlike the failure of US mid-sized banks, why did this matter so much beyond the Swiss borders? The failure of Credit Suisse posed systemic risk to the global financial system. By having a G-SIB status, its failure had the potential to cause distress in the financial system through failure of other financial institutions (FIs) , dislocation of markets and disruption of economic activity. It is for this reason that the Swiss National Bank (SNB) swung into action and announced that it would provide Credit Suisse liquidity support amounting to US$54 billion, which Credit Suisse said it would partly use to buy back some debt. Desperate to have the problem at Credit Suisse resolved and soothe the growing uneasiness in the global financial system, SNB and the Swiss government brokered a deal that saw UBS, Switzerland's largest bank, acquire Credit

Suisse for about $3.25 billion, a discount of 60%. SNB provided a further US$50 billion in liquidity support while the Swiss government gave UBS about US$ 9 billion to cover losses emanating from the deal. At the time this analytical note was finalised, the turbulence in the global banking system had been contained. The failure of SVB, Signature Bank, FRB and Credit Suisse prompted investors and depositors to scrutinise other banks financials for fragilities. Questions about banks' safety, resilience, and potential contagion linger.

Are Zambian Banks Immune?

There is no evidence that the global banking turmoil seen in March and April cascaded to Zambian banks. There has been no reported case of deposit flight due to loss of confidence by depositors. Following the 2007-9 global financial crisis (GFC), the Zambian banking system has enjoyed robust liquidity (Chart 1) and solvency (Chart 2). Banks are healthier than in the late 1990s, and early 2000's, when a total of nine lenders collapsed primarily due to an unfavourable economic environment, constrained liquidity, and a weak institutional framework. A micro level analysis of their balance sheets reveals that none is directly interconnected with the four banks at the heart of the turbulence in the global financial system. But they are indirectly exposed, especially through the balance sheets of multinational banks with whom many are interlinked. Therefore, the potential contagion should not be ruled out. Experiencing an extreme external shock would severely test the resilience of banks, especially when challenged with vulnerabilities on their balance sheets. They are not immune to systemic risk-which is the possibility that distress in all or parts of the financial system could trigger severe instability or collapse of the entire system and have serious negative consequences for the real economy. Reassuringly, Bank of Zambia (BoZ) has the necessary macroprudential policy tools needed to mitigate systemic risk, and ensure that the financial system remains resilient and continues serving its core functions. This includes providing emergency liquidity assistance to troubled banks under its responsibility as the lender of the last resort.

The recent banking turmoil demonstrated that legislative reforms and enhanced macroprudential policy tools adopted post-GFC enabled the Fed, FDIC and the SNB to rein in the associated systemic risk. Since the GFC, BoZ has also put in place appropriate legal, regulatory and institutional frameworks, and financial stability analytical and policy tools to reinforce its capacity of dealing with systemic risk. This includes amendments in the 2017 Banking and Financial Services Act (BFSA) that provide for enhanced macroprudential policy instruments, and the recently assented to 2022 BoZ Act which reinforces its macroprudential authority. It must be stressed that while BoZ has the necessary macroprudential policy tools needed to ensure the financial system absorbs shocks and remains resilient, banks must ensure that they maintain robust risk management frameworks at all times to help avoid costly disruptions and resolutions.

Price Stability vs Financial Stability

The manner in which authorities in the US and Europe resolved the banking turmoil against a backdrop elevated inflation sparked a debate amongst investors, analysts, and the general public. It is argued that the fragilities that emerged in troubled banks were to some extent caused by the aggressive monetary policy tightening embarked on by major central banks to rein in runaway inflation. High inflation has been fueled by years of low interest rates, supply chain bottlenecks caused by the Russia-Ukraine war and covid, and quantitative easing measures undertaken by central banks to shore up the resilience of FIs in the wake of the pandemic. At the height of the banking turbulence in March, the Fed, and the European Central Bank(ECB) were stuck between a rock and a hard place in terms of deciding which mandate to promote at the time: Price stability or financial stability? They decided to promote both. They took measures to foster financial stability to the extent that they backstopped failing FIs with liquidity support, and at the same time raised interest rates to tame inflation - two seemingly contradictory actions. But it is argued that the act of raising interest rates in itself could be viewed as one taken to manage the banking crisis as well. In as much as they had to hike interest rates to signal their commitment to contain lingering price pressures, they had to signal to the market that could afford to do so because banks were broadly healthy.

Not raising interest rates could have been potentially interpreted as a sign that more banks were in trouble, and further panic could have ensued in the financial system. In as much as this is unconventional, it demonstrates how central banks can leverage monetary policy to achieve both price and financial stability.
Another example of that would be where central banks "lean against the wind" by raising interest rates to limit both inflationary pressures and excessive credit growth which if left unchecked could cause an economic and financial crisis. But will central banks continue hiking interest rates to fight inflation if financial conditions tighten further, and frailties emerge on more banks' balance sheets in the near term?

They will find it increasingly harder to keep tightening monetary policy if financial stress worsens, and liquidity challenges surface on banks' balance sheets. To prevent a full blown banking crisis and preserve financial stability, they would have to halt raising interest rates and take measures to address banking problems. So, this calls for coordination between monetary and macroprudential policy. Of course, this is easier for central banks that have both the monetary policy as well as macroprudential policy mandates, like BoZ. And considering the potential contagion that comes with a banking crisis, there would also be need for coordination between macroprudential authorities, the finance ministry, and other prudential regulators to stem banking stress cascading to other segments of the financial sector and general economy. Again, for central banks like BoZ, this would be facilitated by the new BoZ Act which does not only designate it as the country's macroprudential authority, but also provides for the establishment of a multi-disciplinary financial stability committee.

Ideally, there should be no conflict between pursuing monetary policy and macroprudential policy. The two should complement each other. But if faced with conditions where pursuant of policies to promote price stability would severely undermine the health of FIs, authorities have to shift away from raising interest rates to ensure the sustenance of financial system stability.

Chart 1. Aggregate Banking Liquidity and Funding

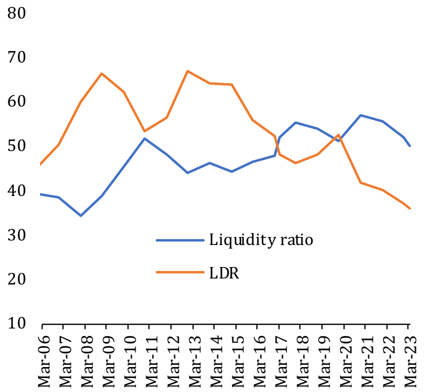
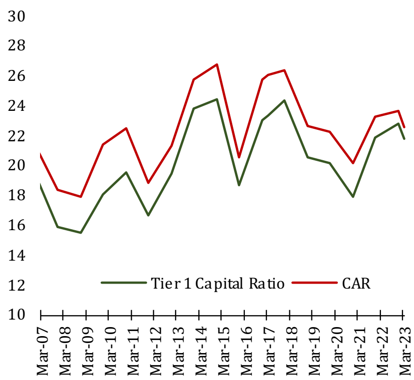


Chart 2. Aggregate Solvency



Notes

The Liquidity ratio is the ratio of a bank's short-term assets to deposits and short-term liabilities. It measures its ability to meet its short-term obligations as they fall due. Therefore, a low liquidity ratio demonstrates high liquidity stress, while a high ratio is indicative of healthy liquidity.
The LDR stands for loans to deposit ratio. It also measures banks liquidity and ability to fund loans. A high LDR is suggestive of liquidity and funding stress while a low ratio is indicative of healthy liquidity. But a low LDR is also an indication of banks' low appetite for credit extension.
Tier 1 capital ratio is the ratio of a bank's tier 1 capital to its risk-weighted assets. It measures a bank's ability to absorb losses without undermining its operations and health. Tier 1 capital is a high qulaity form of capital which includes common equity and rserves.
CAR stands for capital adequacy ratio. It is a ratio of a bank's total capital to its risk-weighted assets.

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WAS THE TURMOIL IN THE GLOBAL BANKING SECTOR ANOTHER MANIFESTATION OF THE POLYCRISIS?

ARE EMERGING AND FRONTIER MARKETS READY FOR ANOTHER SHOCK?

By Cosam Chanda and Gabriel Musonda

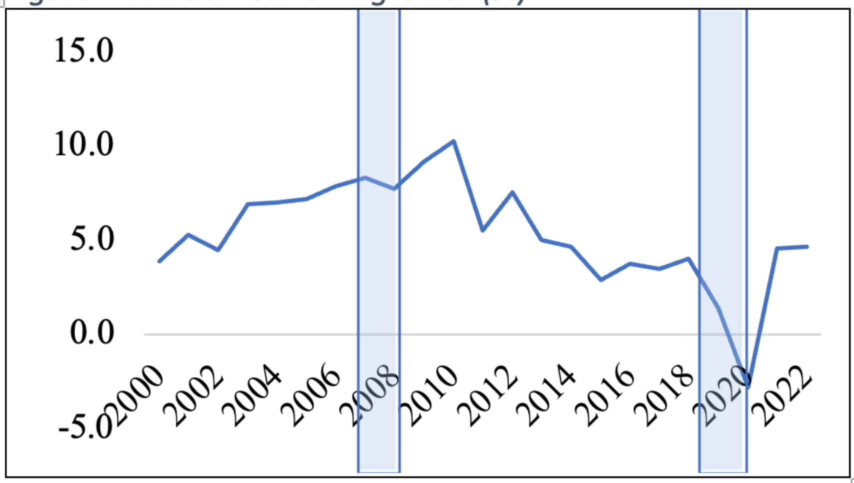
Mr. Chanda

Mr. Musonda

The easing of COVID-19 restrictions and dwindling number of active corona pandemic cases brought some optimism to the global economy after the ravaging effects of the pandemic brought about by supply chain disruption and drop in aggregate demand. The Russia-Ukraine war, nonetheless, dashed this optimism as oil and food prices soared leading to record high inflation rates for many countries, especially those in developed economies. The Central Banks in advanced economies responded with tightening monetary policy in a bid to contain record high inflation that was initially viewed as transitory but persisted. One of the unintended consequences of the Federal Reserve's sustained fight against inflation has manifested in the turmoil that has gripped the financial system leading to the biggest bank failures since the global financial crisis. Was the banking crisis a likely indication that indeed we are on the blink of a polycrisis? What impact would these crises have on emerging and frontier markets like Zambia in particular? What policy responses options do monetary authorities in emerging and frontier economies have to mitigate the likely spillovers from this market turmoil?

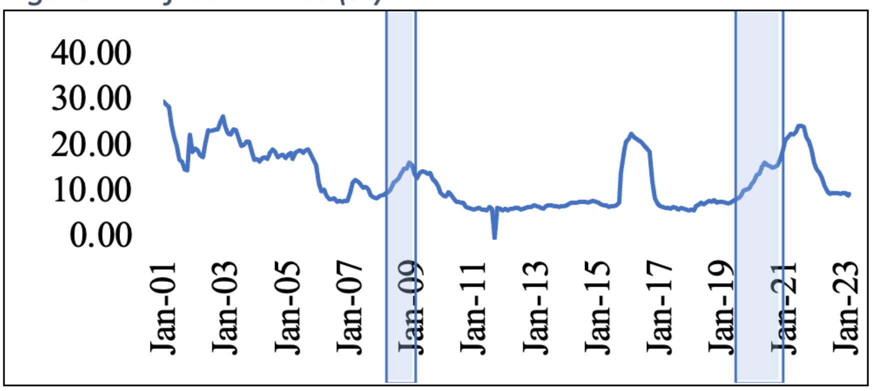
The recent collapse of banks could be seen as one of the major indicators of the spillover effects of the tight financial conditions as Central Banks continue to pursue tight monetary policy. Silicon Valley Bank (SVB) was the first bank post COVID-19 to collapse [1]. Between 2020 and 2021 SVB experienced a huge inflow of deposits of about $175 billion which mainly came from startup businesses. SVB decided to invest these excess deposits in US 10-year government bonds when yield rates were fairly low averaging 1.7 percent. When the corona pandemic persisted, coupled with the Russia-Ukraine war, the

Figure 1 Annual real GDP growth (%)



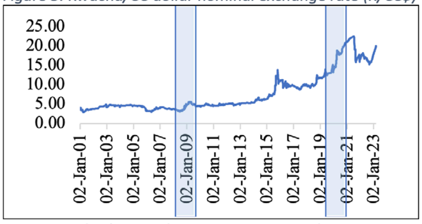
Source: Author's compilation using World Bank Database

Figure 2: Inflation rate (%)



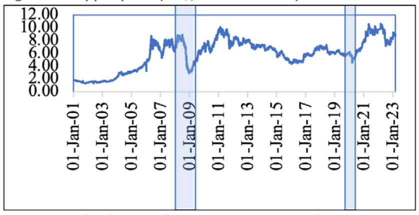
Source: Author's compilation using BoZ Database

Figure 3: Kwacha/US dollar nominal exchange rate (K/US$)



Source: Author's compilation using BoZ Database

Figure 4: Copper price (US$/MT 'thousand)



Source: Author's compilation using BoZ Database

Federal Reserve began interest rate hikes which moved from nearly 0 percent to around 5 percent in 12 months. Economic theory postulates an inverse relationship between price and the yield rates on the bonds [2]. The increase in the interest rates led to a fall in the value of the bonds on SVB's balance sheet while on the income statement the bank recorded significant valuation losses. This state of affairs caused difficulties in the banks' liquidity operations leading to forced sale of bonds at low values and consequently realised losses arising from the sale led to a run on the bank and eventually its collapse [1].

The collapse of SVB set in motion a chain reaction of events that exacerbated investor shivers contributing to the collapse of Credit Suisse. Credit Suisse was one of the major banks and ranked 45th in the world in terms of total assets worth about $1.1 trillion [3]. Credit Suisse was deemed systemically vital by the Financial Stability Board (FSB), an organisation that promotes global financial stability through coordinating national financial regulators and international standard setting bodies as they work to formulate regulatory, supervisory and financial sector policies. Credit Suisse was connected to two financial companies that collapsed within a matter of weeks in 2021. The failure of the two companies; Greensill Capital and Archegos Capital Management had a huge impact on the bank as they were worth billions of dollars. The risk averse investors began withdrawing their funds from the Swiss lender which led to stock prices dropping drastically. Intervention from the Swiss National Bank in form of a bail-out worth more than $68 billion was not enough to dampen investor fears [4].

Further, the recent collapse of the First Republic bank in the US has compounded investor worries over financial market volatility. The collapse of this bank led to a loss of $100 million deposits.

Using Zambia, small open economy, as a case study, we evaluate the possible impact of global banking crisis to emerging and frontier market economies. Should monetary authorities be concerned? What are some of the trends exhibited by crisis periods? Have these trends impacted macroeconomic activity?

Reviewing recent major crisis periods, the 2007/08 global recession and the COVID-19 pandemic, figures 1-4 show that Zambia's macroeconomic performance experiences turbulence in these episodes. Growth tends to shrink, inflationary pressures intensify, and exchange rate volatility increases, mostly because of the negative effect of these shocks on commodity prices, especially copper, Zambia's major FX earner. In both crises, growth slowed (0.6 percentage points in 2008) and a contraction was recorded in 2020 at 2.8%, the first recession since 1998 (Figure 1). Exchange rate depreciated during the economic crisis and COVID-19 pandemic era and manifested in soaring inflation in both periods (Figure 2 and 3). Emerging markets experienced portfolio outflows during the crisis periods as investors sought safe havens (mostly US treasuries and Gold). Commodity markets also get impacted as demand tend to shrink in these episodes as demonstrated in the recent corona pandemic when global supply chains were heavily disrupted. These effects present key risks to economic recovery that the recent banking crisis possess to most emerging market economies, like Zambia, as they are on a path of recovery having been hit by the COVID-19 pandemic that was exacerbated by the Russian-Ukraine Conflict.

If these seemingly never-ending crises keep emerging, monetary policy authorities will be faced with a challenge of using the interest rate tool to fight inflation and macroeconomic instability while minimising unintended disruptions to their financial systems from policy tightening. Lastly, the big ask remains, are we ready for another global crisis? Presently, it is heavily argued that relative to the global financial crisis in 2008, the banking sector is way better capitalised. Nonetheless, the financial market landscape today is also quite different from the global financial crisis. Currently, the financial market volatility has proven that it is very challenging for central banks to keep financial stability and monetary operations separate [5].

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A NEW ERA OF OPPORTUNITIES - COEXISTENCE PERIOD FOR ISO 20022 MESSAGING BEGINS

By Namukulo Mwauluka

Mr. Mwauluka

A new era of opportunities was ushered in on the 20th of March 2023 when the Society for Worldwide Financial Telecommunications (SWIFT) opened the coexistence period for the new ISO 20022 messaging standard for cross-border payments. This new standard for financial telecommunications is expected to support new and exciting payments services and offer richer message content. The last time the World changed the standard for financial telecommunications was in 1977 with the adoption of the MT (Message Type) messaging standard.

WHAT IS ISO 20022

ISO 20022 is a multi-part International Standard prepared by the International Standards Organisation (ISO) Technical Committee TC68 Financial Services . It is an open global standard which means it is not tied to any particular payment services provider. According to SWIFT, ISO 20022 provides consistent, rich, and structured data that can be used for every kind of financial business transaction.

WHAT'S ALL THE EXCITEMENT ABOUT?

This messaging standard is better able to meet the needs of a modern payment system. It is implemented using the versatile eXtensible Markup Language (XML) format and can carry much more granular information about each payment instruction. As it is an XML based message, SWIFT refers to this standard as the MX message standard.

ISO20022 has many benefits including:

1. **Increased information about each payment instruction** – ISO 20022 messages are bigger than the outgoing MT messages and therefore can carry much more information about the sender of the electronically transmitted funds. This will benefit regulators, compliance officers and risk managers as it will make it easier to conduct sanction screening, financial crime investigations, and Anti-Money Laundering (AML) activities.

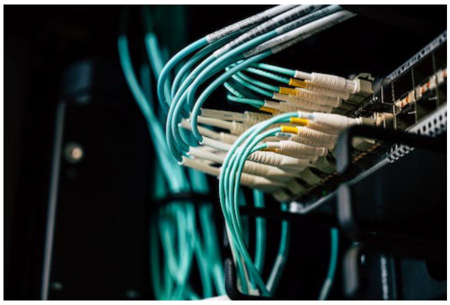
2. **Better Interoperability** – Once the standard is widely adopted by payments infrastructure, it will be possible for messages generated on one payment platform to be consumed on another payment platform as long as they share a common message structure.

3. **Freedom to use any Secure Network Provider** – ISO 20022 is an open standard which means it can be transported over any secure telecommunications network. Market infrastructure operators will no longer be tied to a specific network operator (the standard is network agnostic).

4. **The flexibility to develop new payments services** – The fact that it is an open standard means that payment system developers can adopt it and use it to develop new products that may not exist currently.

CROSS BORDER ADOPTION OF ISO 20022 IN ZAMBIA

Zambia joined the rest of the World in ushering in the start of the ISO 20022 coexistence period for cross-border payments on the 20th of March 2023. The coexistence period for cross-border payments will run from March 2023 to November 2025. During this period, both ISO 20022 messages and the old MT messages will coexist on the SWIFT network.
All SWIFT network participants are required during this period to have the ability to consume ISO 20022



messages. In Zambia, all seventeen (17) participant banks on the SWIFT network were able, by the time of writing, to consume ISO 20022 messages. This means they are able to receive and apply transactions coming from any bank in the World that has already started sending ISO 20022 messages.

The seamless entry into the coexistence period was made possible by careful planning and rigorous testing by the Zambia SWIFT community. All the banks put a lot of effort into ensuring that their systems were ready to consume ISO 20022 messages.

The author is the Programme Manager of the Market Infrastructure Resilience Programme.

WORD SEARCH

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

WAR	EMONEY	FINANCIAL	TIGHTENING
CHINA	GLOBAL	NEGATIVE	ECONOMIES
POLICY	RUSSIA	CONDITIONS	AGGRESSIVE
MAJOR	UKRAINE	SPILLOVERS	LOCKDOWNS

DATA OFFERS A WIN-WIN FOR CONSUMERS AND THE CREDIT MARKET

By Mildred Stephenson, CEO TransUnion Zambia

Ms. Stephenson

Today's consumers are redefining the next normal for the Zambian credit market. They have new digital demands, heightened experiential expectations, and evolving purchasing and repayment behaviours. This means forward-focused lenders are increasingly being challenged to respond in new and creative ways simply to stay competitive.

This evolution in the consumer credit space is taking place against a backdrop of the Zambian economy that is experiencing a mixed recovery as it exits the post-pandemic environment and adapts to the 'new normal'. Several external headwinds, such as impacts from global conflicts and inflationary pressures, continue to pose a challenge to progress.

At a macro-economic level, we see fears around rising local, regional and global inflation continuing to figure prominently. Throw into the mix the continuing environmental impacts of the climate crisis, conflicts in areas like Ukraine and an overall rise in geopolitical tensions, and we are left with a scenario that does not lend itself to economic growth.

As a result, many Zambian consumers find themselves facing heightened uncertainty around job security and an increased strain on their disposable income.

Consumers are responding in different ways, with behavioural changes reflecting a new set of priorities across the lending landscape. Lenders are also responding to a clear shift towards short-term, revolving and small-amount loans to address the immediate cost of living expenses.

Credit is critical to consumer wellbeing and financial inclusion. By accessing credit products and services, consumers are empowered to manage their daily, and unforeseen financial needs. Financial inclusion allows economic advancement and upward mobility opportunities for consumers looking to buy their first vehicle, first home or to fund higher education. Smaller loans are becoming increasingly popular as consumers look to cover the cost of recurring expenses like utility bills, various taxes, and services,

Credit awareness, education and access allows consumers to build and improve their credit profiles and remain actively engaged in the credit system.

For lenders looking to meet their growth targets, it is important to start focusing on how to bring credit underserved consumers into the fold. Lenders striving for high growth targets, to cope with the negative impact of the pandemic, have been looking at these niche audience segments for some time now.

However, lenders are inhibited from actively pursuing this segment of the market due to concerns around credit performance for consumers with no or little credit history. In simple terms, they don't know how to measure and manage the risks associated with this segment. However, our analysis suggests that this cohort tends to respond surprisingly positively to new credit opportunities.

The key to enabling financial inclusion for underserved consumers across developed and developing markets alike lies in a better understanding of their specific behaviours and needs. Until recently, there has been limited availability and reliability of alternative, non-credit-based data as a verifiable source of insight into the historic and predictive financial behaviours of the underserved and underbanked.

Data-driven lending and decision-making is essential to the success of any modern financial institution. It is vital that the credit market starts considering these alternative sources of data to make better risk decisions. Consumers are leaving clues to their behaviour all over. We just have to find, and use, that data.

Some of that data sits with mobile networks, as practically everyone has a mobile phone. Microlenders, co-operatives and various associations hold vast volumes of rich data on payment behaviours from which anyone with analytics capabilities can extract insights. More than that, though, credit invisible consumers pay rent and municipal accounts, buy insurance, pay traffic fines, and pay school fees. This is all data that can be used to build a profile of someone's credit behaviour and to create a risk profile.

Ultimately, alternative data is the key to unlocking several of the challenges facing the Zambian financial sector right now. By accessing a larger pool of consumer data, institutions will be able to bring underserved people into the financial mainstream, grow their books, and reduce non-performing loans through better risk management and predictions.

Data is the future of consumer credit. But the financial services sector must seize the opportunity now.

UNDERSTANDING THE RISK MANAGEMENT FRAMEWORK: WHAT IS IT?

By Maximo Kangwa

Mr. Kangwa

1.0 INTRODUCTION

Organisations of all types and sizes are exposed to risks that make it uncertain whether and when they will achieve their objectives. Thus, all activities of an organisation involve risk. Organisations manage risk by identifying it, analysing and then evaluating whether the risk should be modified by risk treatment in order to satisfy their risk criteria.

Depending on the country, industry and other factors, there are several options for the type of the Risk Management Framework to be adopted. Among them are the International Standard Organisation 31000, Committee of Sponsoring Organisations (COSO) and National Institute of Standards and Technology (NIST).

Each of these Risk Frameworks define what risk is and describes a process flow for defining, assessing and managing risks. While there are differences in terminology and variations in details in how the various steps are performed, they all basically describe the same process. The definition of the Risk Management Framework adopted in this paper is based on the ISO 31000.

2.0 WHAT IS A RISK MANAGEMENT FRAMEWORK (RMF)?

It is a set of components that provide the foundations and organisational arrangements for

designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.

The foundations include the policy, objectives, mandate and commitment to manage risk while the organisational arrangements include plans, relationships, accountabilities, resources, processes and activities.

It also defines the roles and responsibilities of key stakeholders and outlines the mechanism for reviewing its components. The RMF is designed to enable an organisation to minimise the frequency and effects of adverse incidents arising from risks and to identify improvements in procedures and service delivery to ensure efficient and effective use of resources.

The RMF may consist of several addendum components which among others, include:

- Risk Management Policy;
- Risk Appetite Framework and Risk Appetite Statement;
- Risk Management Plan and

  Process;
- Risk Categories and Potential Sources of Risk;
- Risk Assessment Matrix; and
- Risk Indicators.

The above components should be separately considered and approved by the Board and Senior Management as appropriate. The risk management framework is embedded within the organisation's overall strategic and operational policies and practices.

3.0 WHY A RISK MANAGEMENT FRAMEWORK?

The purpose of the Risk Management Framework is to assist the organisation in integrating risk management into its governance, including decision-making and other significant activities and functions. Accordingly, Framework development encompasses integrating, designing, implementing, evaluating and improving risk management across the organisation. This requires support from stakeholders, particularly senior management.

4.0 APPROACH TO RISK MANAGEMENT

Organisations have traditionally used silos approach to manage risks. However, risk management has evolved over time and most organisations have migrated to adopting an enterprise-wide risk management model in which organisations take an enterprise-wide strategy to manage risks.

Further, organisations have adopted risk management as a culture. A commitment to the risk management policies, principles and practices at all levels of an organisation, that are integrated as a culture in its risk strategy, risk architecture and risk protocols, is a key success factor. This may call for adoption of a culture that requires the organisation to conduct activities in a particular manner such as not being risk averse but prepare to manage risks within the risk appetite that is set and reviewed by the Board.

5.0 WHAT IS THE PROCESS OF DEVELOPING A FRAMEWORK?

Framework development encompasses designing, integrating, implementing, evaluating and improving risk management across the organisation. The figure below illustrates the components of a framework.

The organisation should evaluate its existing risk management practices and processes, evaluate any gaps and address those gaps within the framework. The components of the framework and the way in which they work together should be customised to the needs of the organisation

5.1 LEADERSHIP AND COMMITMENT: At the core of developing the RMF is leadership and commitment. The Board and senior management should ensure that risk management is integrated into all organisational activities and should demonstrate leadership and commitment by undertaking certain critical roles such as issuing a statement or policy that establishes a risk management approach, plan or course of action; ensuring that the necessary resources are allocated to managing risk and assigning authority, responsibility and accountability at appropriate levels within the organisation.

5.2 INTEGRATION: Integrating risk management relies on an understanding of organisational structures and context. Structures differ depending on the organisation's purpose, goals and complexity. Risk is managed in every part of the organisation's structure. Everyone in an organisation has responsibility for managing risk. Governance guides the course of the organisation, its external and internal relationships, and the rules, processes and practices needed to achieve its purpose.

Management structures translate governance direction into the strategy and associated objectives required to achieve desired levels of sustainable performance and long-term viability. Determining risk management accountability and oversight roles within an organisation are integral parts of the organisation's governance. Integrating risk management into an organisation is a dynamic and iterative process and
should be customised to the organisation's needs and culture. Risk management should be a part of, and

not separate from, the organisational purpose, governance, leadership and commitment, strategy, objectives and operations.

5.3 DESIGN

5.3.1 Understanding the organisation and its context When designing the framework for managing risk, the organisation should examine and understand its external and internal context.

5.3.2 Articulating risk management commitment: The Board and senior management where applicable, should demonstrate and articulate their continual commitment to risk management through a policy, a statement or other forms that clearly convey an organisation's objectives and commitment to risk management. The risk management commitment should be communicated within an organisation and to stakeholders, as appropriate.

5.3.3 Assigning organisational roles, authorities, responsibilities and accountabilities: The Board and senior management, where applicable, should ensure that the authorities, responsibilities and accountabilities for relevant roles with respect to risk management are assigned and communicated at all levels of the organisation.

5.3.4 Allocating resources The Board and senior management, where applicable, should ensure allocation of appropriate resources for risk management. The organisation should consider the capabilities of, and constraints on, existing resources.

5.3.5 Establishing communication and consultation: The organisation should establish an approved approach to communication and consultation in order to support the framework and facilitate the effective application of risk management. Communication and consultation methods and content should reflect the expectations of stakeholders, where relevant. This should also be timely and ensure that relevant information is collected, collated, synthesised and shared, as appropriate, and that feedback is provided and improvements are made.

5.4 IMPLEMENTATION: The organisation should implement the risk management framework by undertaking certain critical activities such as developing an appropriate plan including time and resources; identifying where, when and how different types of decisions are made across the organisation, and by whom; modifying the applicable decision-making processes where necessary; and ensuring that the organisation's arrangements for managing risk are clearly understood and practiced.

Successful implementation of the framework requires the engagement and awareness of stakeholders. Properly designed and implemented, the risk management framework will ensure that the risk management process is a part of all activities throughout the organisation, including decision-making, and that changes in external and internal contexts will be adequately captured.

5.5 EVALUATION: In order to evaluate the effectiveness of the risk management framework, the organisation should periodically measure risk management framework performance against its purpose, implementation plans, indicators and expected behaviour; and determine whether it remains suitable to support achieving the objectives of the organisation.

5.6 IMPROVEMENT

5.6.1 Adapting: The organisation should continually monitor and adapt the risk management framework to address external and internal changes. In doing so, the organisation can improve its value.

5.6.2 Continually improving: The organisation should continually improve the suitability, adequacy and effectiveness of the risk management framework and the way the risk management process is integrated. As relevant gaps or improvement opportunities are identified, the organisation should develop plans and tasks and assign them to those accountable for implementation. Once implemented, these improvements should contribute to the enhancement of risk management.

6.0 CONCLUSION

The Board and senior management have the ultimate responsibility for ensuring that an organisation has a RMF in place to manage risks and integrated in all its activities. The Board shall take the lead in establishing a strong risk management culture in an organisation. The Board and Management shall establish a culture that is guided by strong risk management that supports and provides appropriate standards and incentives for professional and responsible behaviour. Equally employees are expected to participate actively in risk management and thus must be assigned roles and responsibilities in the implementation of the Framework.

Under ISO 31000, managing risk is based on the principles, framework and process outlined in the standard. These components might already exist in full or in part within the organisation, however, they might need to be adapted or improved so that managing risk is efficient, effective and consistent.

The author is Operational Risk Management Specialist in the Strategy and Risk Department

CYBER RESILIENCE – DELIVERING THROUGH DISRUPTION

By Daniel Chibesakunda and Tendai Luwabelwa

Mr. Chibesakunda

Ms. Luwabelwa

As the financial sector in Zambia becomes increasingly reliant on digital technologies, it faces a growing number of cyber threats due to the increased cyber-attack surface resulting from system integrations in the financial sector and repaid adaption of digital technologies. This paper looks at the cyber threat vectors that pose risks to the financial sector, explores the current cybersecurity initiatives put in place by the Bank of Zambia and finally, how individuals can protect themselves to enhance resilience against cyber threats.

While the cyber landscape in the financial sector is constantly evolving, an overview of the common vectors are provided below:

Data Breaches: Data breaches involve unauthorised access or disclosure of sensitive information, such as customer data, employee records, or financial data. Attackers may exploit vulnerabilities in networks, systems, humans, or applications to gain access to valuable data. These breaches can lead to identity theft, financial fraud, and reputational damage.

Ransomware Attacks: Ransomware attacks involve malicious software that encrypts files on a victim's system, rendering them inaccessible until a ransom is paid. Financial institutions may be targeted due to the high value of data they possess. Ransomware attacks can disrupt operations, cause financial losses, and result in significant reputational harm if customer data is compromised.

Insider Threats: Insider threats involve individuals within an organisation who misuse their authorised access to cause harm. In the financial sector, insiders may intentionally leak sensitive information, engage in fraudulent activities, or sabotage systems. Insiders can be current or former employees, contractors, or business partners who exploit their privileges for personal gain or out of resentment.

Distributed Denial of Service (DDoS) Attacks: DDoS attacks aim to disrupt the availability of online services by overwhelming targeted systems with a flood of traffic. Financial Service Providers rely heavily on their online platforms to serve customers, process transactions, and provide financial services. DDoS attacks can paralyse online operations, leading to financial losses, reputational damage, and customer dissatisfaction.

Social Engineering: Social engineering is a prevalent and significant cyber threat vector in the financial sector. It involves manipulating individuals through psychological tactics to deceive them into revealing sensitive information, performing certain actions, or bypassing security measures. Social engineering attacks exploit human vulnerabilities, such as trust, curiosity, or fear, to gain unauthorised access to financial systems or confidential data. In the financial sector, social engineering can take various forms such as:

1. Phishing: Phishing attacks typically involve sending fraudulent emails, instant messages, or text messages that appear to be from legitimate users. These messages often contain urgent requests for personal information, account credentials, or financial details. Unsuspecting individuals may unknowingly disclose their sensitive information, which can lead to identity theft, unauthorised transactions, or account takeovers.
2. Pretexting: Pretexting involves creating a fictional scenario or pretext to manipulate individuals into divulging sensitive information. In the financial sector, an attacker may impersonate a bank representative, regulator, or customer to extract confidential data or gain access to secure systems. By building trust and credibility, attackers exploit victims' willingness to cooperate and provide the requested information.
3. Impersonation: Cybercriminals may impersonate high-ranking executives, bank officials, or IT personnel to deceive employees into divulging confidential information or performing unauthorised actions. This can include gaining access to privileged accounts, initiating fraudulent wire transfers, or authorising malicious activities. Impersonation attacks exploit the hierarchical structure within financial organisations and the inherent trust employees place in their superiors.
4. Baiting: Baiting involves enticing individuals with a promised reward or benefit to lure them into taking specific actions. Attackers may leave infected USB drives or other physical media in public areas, hoping employees will plug them into their computers. Once connected, malware is deployed, compromising the systems and allowing unauthorised access.

Initiatives taken by the Bank of Zambia to enhance the overall cybersecurity posture.

The impact of cyber threat vectors on the financial sector can be significant, instant, and systemic in nature ranging from financial losses, reputational damage to operational disruption. Therefore, the following measures have been put in place:

1. **Issuance of Guidelines:** The Bank of Zambia issued the Cyber and Information Risk Management Guidelines for use by all regulated entities, to promote robust cybersecurity practices. These guidelines outline the minimum cyber and information security standards that institutions should implement to protect their systems, networks, and customer data.

2. **Incident Response and Reporting:** The Bank of Zambia requires financial institutions to have robust incident response plans to effectively respond to and recover from cyber incidents. Institutions are also required to report significant cyber incidents to the Bank to facilitate oversight and coordination.

3. **Financial Sector Cyber Incidence Response Team:** The Bank in collaboration with regulated entities, industry associations, and other stakeholders are in the process of setting up a financial Sector Cyber Incidence response Team (CIRT). This is to foster information sharing on emerging cyber threats in the market. This collaboration will help create a collective defense approach, allowing institutions to learn from each other's experiences and enhance their cybersecurity capabilities.

How do you protect yourself and the Bank from cyber threats

The Bank's financial prosperity, Information Technology Security, and other assets depend on the Banks's commitment to securing its cyberspace and maintaining an open, interoperable, secure, and reliable infrastructure and Business applications. Therefore, critical applications and infrastructure continue to be at risk from threats in the cyberspace. Although the threats are serious and are constantly evolving, when addressed effectively, the business applications and infrastructure can continue to remain an engine that drives the Bank to achieve its mission and goals.
In this regard, the Bank through the ICT Department has put in place defense mechanisms to protect its information assets against cyber-attacks. The Bank is congnisant of the sophistication and ever dynamic strategies used by cyber-criminals. Therefore, the need for continuous improvement in the Bank's cybersecurity defense mechanisms and raising of cybersecurity awareness among ICT users cannot be overemphasised. All users of the Bank's systems and infrastructure have a critical role to play in cyber resilience by adopting a proactive practice including the following:

1. Creating strong passwords that are unique for each online account. Including a combination of uppercase and lowercase letters, numbers, and special characters. Avoiding using easily guessable information such as birthdays or names. Considering using a password manager to securely store and generate strong passwords.

2. Enabling MFA whenever possible, especially for critical accounts such as email, banking, Domain or Network accounts and social media. MFA adds an extra layer of security by requiring a second form of verification, such as a unique code sent to your mobile device, in addition to your password.

3. Exercising caution when opening emails, clicking on links, or downloading attachments, especially if they are unsolicited or appear suspicious. Being wary of emails or messages requesting personal information or urging urgent action. Verifying the legitimacy of communications by independently contacting the organisation through official channels.

4. Regularly updating operating systems, software applications, and antivirus software. Updates often include important security patches that address vulnerabilities. Enabling automatic updates when available to ensure you have the latest protections.

5. Securing home Wi-Fi networks by using a strong, unique password and enabling encryption (WPA2 or WPA3). Avoiding using default or easily guessable network names (SSIDs). Regularly updating the router's firmware to patch any security vulnerabilities.

6. Exercising caution when sharing personal information on social media platforms. Avoid sharing sensitive information such as your full address, phone number, or financial details publicly. Adjusting privacy settings to limit who can view your posts and personal information.

7. Avoiding using public Wi-Fi networks for sensitive activities such as online banking or accessing personal accounts. If necessary, using a virtual private network (VPN) to encrypt internet traffic and adding an extra layer of security.

8. Keeping updated about the latest cybersecurity threats and best practices. Following reputable sources for cybersecurity news and guidance. Staying vigilant and educating oneself about common scams, phishing techniques, and social engineering tactics.

"Cybersecurity begins with you, so ACTIONE Cybersecurity to secure your cyberspace"

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

STRENGTHENING STAKEHOLDER ENGAGEMENT THROUGH OUTREACH

By Silvia Siwale

Ms. Siwale

The Bank of Zambia (BoZ) has expanded efforts to collaborate and communicate its policy decisions, targets, as well as economic outlook with stakeholders not only to strengthen accountability and create trust, but also to guide expectations.

The Bank engages in a style that is open, approachable and positive at multiple levels. The Governor and his deputies lead engagements and are supported by senior management and other members of staff. Some of our information is technical in nature, but we strive to communicate in ways that make it accessible for different audiences. The Bank recognises that there will be times when stakeholders may not agree with a decision made, but we try to ensure they understand why it was made and show how feedback has been considered.

Key factors considered in our stakeholder engagement include ensuring that we have diverse perspectives by engaging with stakeholders who are directly or indirectly impacted by our operations or those with whom we have a legal, commercial, operational, ethical or social responsibility to, and, engaging with groups where tension or misunderstanding exists; which needs resolution.

Stakeholder engagements are guided by several principles including the following:

- We provide multiple opportunities and channels for engagement; adapting our approach to accommodate the diversity of our stakeholders, and seeking effective discussions on significant issues.
- We endeavour to maintain and enhance our engagement mechanisms while continuously seeking to expand, and where necessary, improve where our engagement could be more effective.
- In addition to face-to-face engagement, we use targeted communications to help raise awareness of the Bank and increase understanding among stakeholders who engage with us less frequently.
- We value stakeholder input and involvement in the prioritisation of our work and their feedback is a vital part of our evidence-based approach to our work.
- We use our communications channels to extend our reach and engagement ensuring that we are engaging with stakeholders on a 'one to many' and 'one to one' basis. However, achieving effective communications in an ever-changing, highly complex environment is not easy. It requires the help of the media because the Bank can only partially influence the tone and extent of its work.
- We openly communicate the reasons for our decisions so that our stakeholders can understand what we have done and how it affects them and the economy in general.
- We optimise our engagement by continuing to develop our understanding and knowledge of central banking and related sectors.
- We seek to gain maximum benefit from our stakeholders' knowledge and experiences

The Bank uses different indicators to gauge successes of engagement including brand perception and reviews of complaints/ feedback. For some stakeholders, we conduct regular tracking to understand their opinions, while for others we track the number of interactions and issues raised. In addition to direct communication with stakeholder groups, we review relevant topics from partner organisations.

Outcomes of our engagements:

- Stakeholder engagement has enabled the Bank to learn and understand the perspectives of our stakeholders.
- Stakeholder engagement has fostered trust, goodwill, and collaboration with various parties.
- Stakeholder engagement has enabled the Bank to foresee and manage potential risks and bottlenecks before they become major issues.
- Stakeholder engagement has assisted the Bank to identify and mitigate risks, and to assign clear roles and responsibilities.

Amongst engagements held with external stakeholders are participation during public exhibitions and trade fairs, the MPC Announcement and Media Briefing, the Post MPC Stakeholders Breakfast Meeting, as well as meetings with Chairpersons and Chief Executive Officers of financial institutions under its regulatory ambit. Others are Parliamentary appearances and workshops, Committee meetings with other regulators, as well as media seminars. The quarterly MPC Announcement and Briefings are held at the Bank of Zambia and physical attendance is restricted to media personnel. However, the

announcement is broadcast live on the Bank of Zambia Facebook page and on ZNBC TV. The audience is able to engage the Bank live during the livestream on Facebook and Twitter.

The Quarterly Post MPC Breakfast Meetings on the other hand are held in provincial capitals and attract physical attendance from diverse stakeholders. During these Meetings, the Governor explains the Monetary Policy Committee decision and how it will impact the economy and how money is borrowed and spent- which can cause changes to inflation levels. If there is a reduction in the Monetary Policy Rate (MPR), he explains how this makes interest payments on loans cheaper for individuals and decreases the amount of interest earned on a savings account; making it less rewarding to save and encourages spending, which drives prices up. With prices high, the Kwacha is worth less (as you can buy less), meaning inflation is on the rise. He also explains that the opposite happens if the MPR is raised as spending is discouraged given that the interest earned in savings accounts promotes saving and a risk-off attitude. This lowers prices and causes the Kwacha to rise. He also explains that if the Bank believes inflation levels need to be decreased, it will increase the Policy Rate, and if it wants to boost economic growth, it will lower or maintain the Policy Rate.

Other factors discussed during these Meetings are the global factors affecting local economic performance because these can impact inflation too. For example, if the Kwacha depreciates against other currencies, it can cause the price of exports to fall. This makes Zambian-produced goods and services cheaper when compared with goods and services produced overseas. At the same time, it could mean that imported goods

and services become more expensive for local consumers. If inflation rises too much, citizens may change their buying habits. This would lead the Bank to consider increasing the Policy Rate to keep inflation in check.

A session is reserved for questions and answers on the presentation and operations of the Bank in general during these meetings.

With regards to financial and economic education, the Bank has conducted these campaigns successfully over the past decade. A countrywide tour (provincial headquarters and units) of the 2023 first phase of the Zambia Police Financial Literacy training has just been concluded, at the request of Police Command. These interactive sessions discussed among others: Investing in Government Securities; Accessing Credit and Consumer Complaints Handling Procedure; Financial Education/Identifying Ponzi and Pyramid Schemes; and Digital Financial Services. The Zambia Police, through its Gender Office, has been working with Bank of Zambia to promote financial literacy to its officers since 2012. Tailored engagements of a similar nature were conducted with the Zambia Army and the Zambia Air Force among others.

In addition, the Bank periodically hosts secondary school pupils and college/university students to inform them about its functions and the role it plays in the economy. Further, the Bank takes part in the Literacy Programme Sessions at the Lusaka National Museum, whose main objective is to implement the education curricula offered in schools and to promote literacy among the children in public and community schools. The Museum has been running the literacy programme since May, 2019.

The author is Manager-Media & Publications in the Executive Department

USE THE GOOD STUFF

By Zelipa Mitti

Ms. Mitti

"... I would have burned the pink candle sculpted like a rose before it melted in storage. I would have talked less and listened more. I would have invited friends over to dinner even if the carpet was stained, or the sofa faded. I would have eaten the popcorn in the 'good' living room and worried much less about the dirt when someone wanted to light a fire in the fireplace. ...I would have sat on the lawn with my kids, even if it meant grass stains." - Erma Bombeck

This quote is from an article titled, "If I Had to Live My Life Over" and was written by Erma Bombeck when she discovered that she was dying from cancer. The article hit home because I, like many others, am guilty of always saving the best for last or waiting for the perfect time to do what I want to do. Do you often find yourself waiting for a special occasion? Perhaps you are waiting for a reason to celebrate, or an accomplishment before you can do something different or positive for yourself. I have a bottle of perfume that my Mother gifted me years ago. I love it but I have only used about a quarter of the bottle. For some reason I hesitate to use it, as though it's a precious commodity that I cannot replace. But if I love it so much, why don't I just use it? Do you have something in your life similar to this? Is there a special set of dishes in your display cabinet that you have never used? How about certain clothing? Do you have a scented candle you love that you've never lit? Perhaps it's something small and inexpensive, like treating yourself to a decadent dessert and spending time on your hobby, or perhaps it's something bigger like going on that holiday you've always wanted. When circumstances have taught us time and time again that tomorrow is not promised, what are we really waiting for?

As humans we are often trying to grasp for more out of life, and time is no exception. Because we always want more, we live in the fear that we might not have enough time to do it all. We tell ourselves life is too short, and that time moves so quickly. We talk about how life is a gift that we often take for granted; it is our reminder that we shouldn't waste time. We challenge ourselves to seize the day and make the most of every precious second. We have these inspiring conversations and self-talk...and then we forget. We go right back to living how we have always lived, we make no changes, we don't savor the present or chase our dreams for the future. We know that time waits for no one but we are in a constant battle between our aspirations and our procrastination. We get caught up in the mundane routines of daily life, pushing our aspirations to the back burner. Before we know it, regret sets in, and the regrets that sting the most are often the chances we didn't take, the dreams we didn't pursue, and the experiences we missed out on. And like the late Erma Bombeck, we regret that we didn't slow down to enjoy the simple things in life that would have brought us joy.

Now I am not saying that life is not short, but imagine if we approached life with the mindset of embracing every opportunity and following our passions regardless of the reality of time. We would learn to live intentionally in every moment, understanding that it will pass because life is short, but being aware and content because it was still worth it. These choices we make to put things off to some hypothetical perfect time in the future eat up the time that we do have. Every time you feel you need a reason to justify joy, you're basically telling yourself that you're not allowed, or not good enough, to enjoy what it is you want to enjoy. This is especially the case when waiting until you feel you've accomplished enough to do something good for yourself.

Saving the best for last and needing a reason to experience joy is not always the best approach. Sure, there's something to be said for patience and there are some reasons where waiting can be useful. And no, you can't always have everything you want. However, constantly needing a reason to enjoy your life and make use of the things you cherish means you're forever putting your life on hold, and forever delaying the chance to experience the life that you could have. Instead of waiting until you feel you've accomplished enough or are 'deserving' enough, remember that everyone is entitled to seek joy, and that you have the freedom of choice to live your own life the way you want. So use your good plates even just for a snack. Spray your nice perfume for a quick trip to the supermarket. Use fancy pens to write your to-do lists. In fact, use the fancy pen to write a list of anything and everything you can do for yourself that would bring you joy. Then ask yourself, if the world ends tomorrow, would I regret not doing any of these things? If the answer is yes, then you have some work to do.

The author is Web Editor in the Executive Department

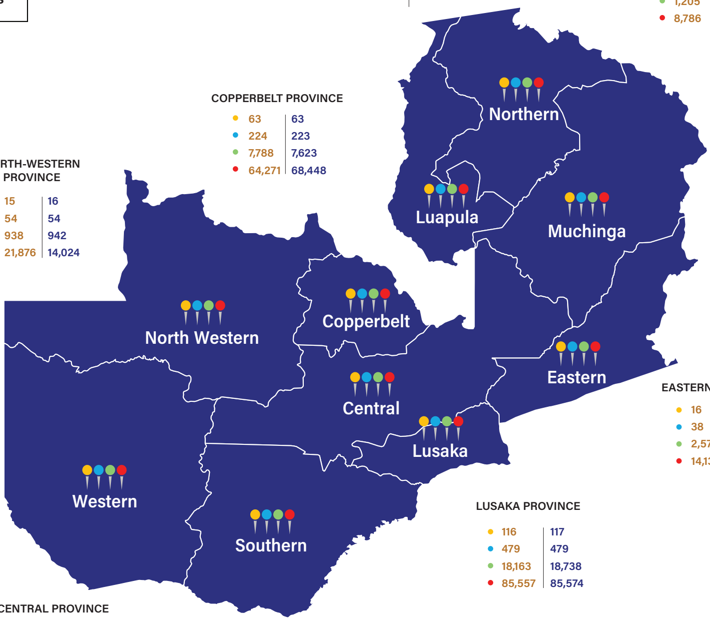
PHOTO FOCUS

US. SECRETARY OF THE TREASURY- JANET YELLEN VISIT TO BoZ

2023 FINANCIAL INCLUSION WEEK

COMMERCIAL BANKS BRANCH NETWORKS AND ACCESS POINTS

- 2022 Statistics
- 2023 Statistics



LUAPULA PROVINCE

7	7
18	18
905	984
9,057	7,358

NORTHERN PROVINCE

9	9
20	20
1,205	1,262
8,786	8,735

COPPERBELT PROVINCE

63	63
224	223
7,788	7,623
64,271	68,448

NORTH-WESTERN PROVINCE

15	16
54	54
938	942
21,876	14,024

MUCHINGA PROVINCE

9	9
19	19
688	703
7,807	8,181

WESTERN PROVINCE

7	7
19	19
847	874
7,401	7,506

EASTERN PROVINCE

16	16
38	38
2,570	2,747
14,136	20,117

LUSAKA PROVINCE

116	117
479	479
18,163	18,738
85,557	85,574

CENTRAL PROVINCE

16	16
46	46
2,676	2,781
23,873	21,495

SOUTHERN PROVINCE

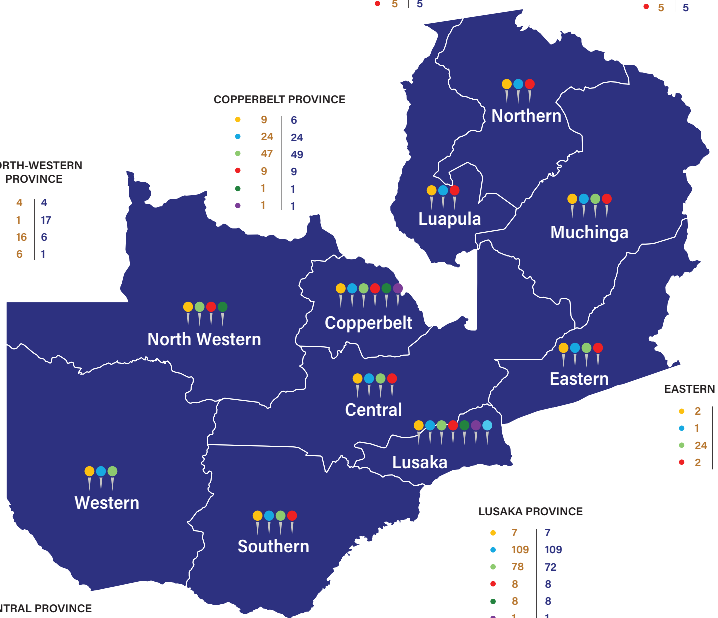
30	30
72	72
3,379	3,527
20,052	23,526

KEY GUIDE

- Commercial Banks (CB) branches
- Automated Teller Machines (ATM)
- Point of Sale (PoS)
- Active Mobile Money Agents (Agents)

NON-BANK FINANCIAL INSTITUTIONS BRANCH NETWORKS

- 2022 Statistics
- 2023 Statistics



LUAPULA PROVINCE

3	3
9	8
5	5

NORTHERN PROVINCE

5	1
16	16
5	5

COPPERBELT PROVINCE

9	6
24	24
47	49
9	9
1	1
1	1

NORTH-WESTERN PROVINCE

4	4
1	17
16	6
6	1

MUCHINGA PROVINCE

5	1
3	2
11	12
3	3

WESTERN PROVINCE

2	2
12	14
3	3

EASTERN PROVINCE

2	2
1	1
24	23
2	2

LUSAKA PROVINCE

7	7
109	109
78	72
8	8
8	8
1	1
1	1

CENTRAL PROVINCE

2	2
1	1
17	18

SOUTHERN PROVINCE

4	4
7	8

KEY GUIDE

- Building Societies
- Bureaux de change
- Microfinance institutions
- Savings and Credit Institutions
- Leasing and financial Businesses
- Development Finance Institutions
- Credit Reference Institutions

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