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Bank of Zambia

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

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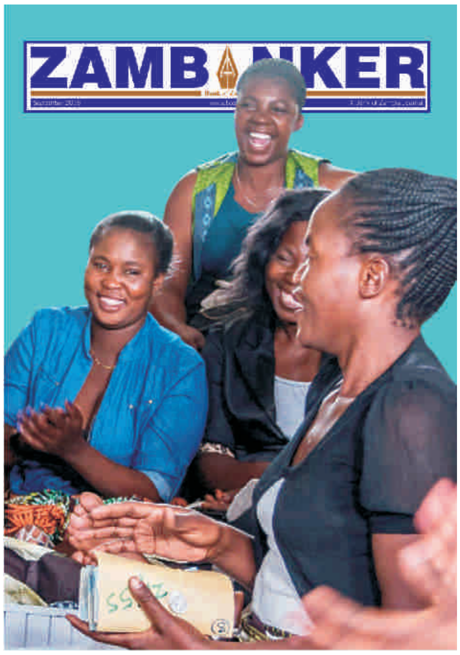
Mission:

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



Monetary Policy focuses on containing inflationary pressures

By Zambanker Reporter

The Bank of Zambia's implementation of monetary policy will focus on bringing inflation back to the 6-8% target range in the medium-term. In its June-December 2019 Monetary Policy Statement, the Bank notes that inflationary pressures continued to build up, resulting in inflation exceeding the upper bound of the target range in May and June.

This was largely due to higher food prices and the pass-through from the depreciation of the Kwacha against the US dollar. Increased demand for foreign exchange by the energy sector, a stronger US dollar and negative market sentiments arising from credit rating downgrades accounted for the depreciation of the Kwacha.

To contain inflationary pressures, the Policy Rate was adjusted upwards in May by 50 basis points to 10.25% from 9.75% as inflation was projected to remain above the upper bound of the 6-8% target range over the medium-term. In the second half of the year, inflation is projected to remain above the target range, mainly on account of the persistent rise in food prices.

Risks to inflation are skewed to the upside and these include lower electricity generation, higher than programmed fiscal deficits and elevated external debt service payments.

In this regard, monetary policy will focus on bringing inflation back to the target range in the medium-term.

As regards market interest rates, the Statement notes that these generally edged up in the first half of 2019, reflecting the upward adjustment in the Policy Rate in May 2019, high yield rates on Government securities and tight liquidity conditions. Yield rates on Government securities trended upwards amidst subdued demand and tight liquidity conditions.

Credit growth to the private sector slowed down, reflecting tight credit conditions in the market.

Meanwhile, global economic activity is reported to have remained weak in the first half of 2019, on account of the continued slowdown in investment and consumer demand, low business spending amid high policy uncertainty and trade tensions.

Prospects for global economic growth in 2019 and 2020 are lower than earlier anticipated due to weaker momentum in advanced countries, intensifying US-China trade tensions, continued uncertainties related to Brexit and rising geopolitical tensions in the Middle East.

Zambia recorded a trade surplus in the first half of 2019 compared to a deficit in the second half of 2018, due to a larger contraction in imports than exports.

The decline in imports was broad-based, while the fall in export earnings largely reflected the decline in copper export volumes and realised prices.

In addition, indicators of domestic economic activity point to reduced growth in the first half of 2019. Real GDP growth for the first quarter of 2019 is estimated at 2.6% compared to 2.7% in the corresponding period in 2018.

For the year as a whole, real GDP is projected to slow down to around 2.0% in 2019, before rising to 3.0% in 2020.

The adverse effects of uneven rainfall in the country that have dampened agricultural production and hydro-electricity generation, domestic liquidity challenges and softening of global demand are the major factors weighing negatively on growth prospects.

To ensure overall macroeconomic stability and sustainable growth, the Statement states that the implementation of fiscal consolidation measures to address higher than programmed fiscal deficits, elevated debt and debt service levels, high domestic arrears and liquidity challenges is urgently required to support monetary policy to ensure overall macroeconomic stability.

In addition, broadening the production and export base is key in not only building the country's resilience to shocks, but also keeping inflation low and maintaining overall macroeconomic stability.

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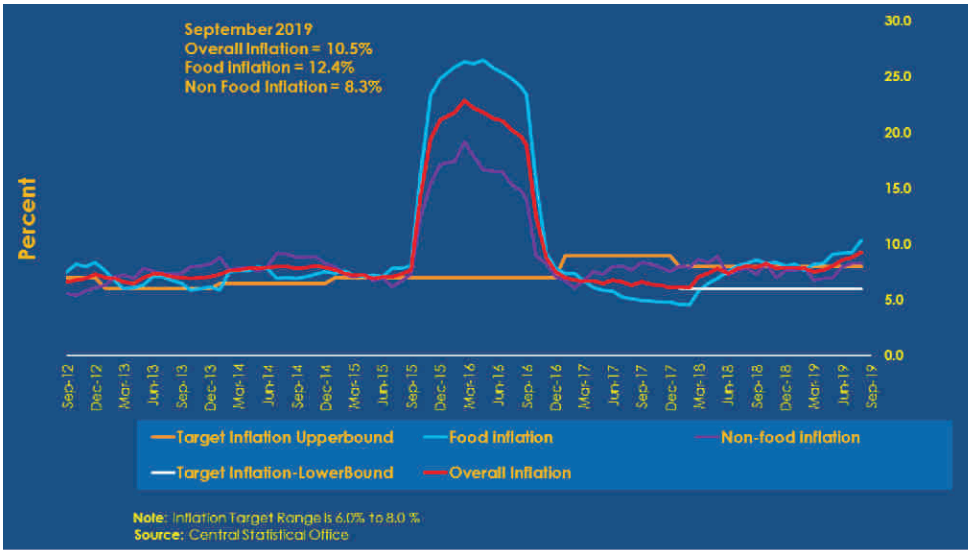


News in Brief

BoZ to establish Electronic Trading Platform

The Bank of Zambia is working on establishing an Electronic Trading Platform (ETP) to provide for electronic trading of securities as opposed to the current manual trading. An electronic trading platform (ETP) is a facility which provides electronic trading of securities as opposed to manual trading. It allows trades to be submitted and transmitted from one computer to another for automatic settlement.

Currently the trading of Government bonds is manual, where investors submit physical documents to the Lusaka Securities Exchange and the Bank of Zambia. This process has been inefficient and has contributed to the cost of doing business.

The impact of introducing the ETP is that it will enhance efficiency and therefore encourage investors to purchase Government bonds.

The Bank of Zambia is also pursuing an online Government Securities Application Project targeted towards increasing the participation of investors within the country and abroad. The project will support the Bank's financial inclusion strategic objective which aims to address and provide solutions to the constraints that deter people from participating in the financial sector. This initiative will assist in making it easier for investors outside the cities of Lusaka and Ndola as well as those in the diaspora to submit the necessary applications required in the process of investing in Government securities. Under the online Government Securities Application system, investors will have the option of using a personal computer or a mobile phone to make their investment.

Impact of drought on inflation and output

Climate change in recent years has resulted in more frequent and extreme weather patterns, as well as episodes of prolonged dry spells and droughts in Zambia. The most recent being the 2018/19 farming season. This has resulted in lower agricultural output with maize harvest declining by 16%.

Consequently, prices of maize meal have been rising sharply, which is expected to feed into inflation. In addition, low water levels have had an adverse impact on electricity generation that prompted ZESCO to ration electricity supply. This is likely to affect output in the productive sectors of the economy and ultimately further slowdown economic growth.

Even with improved rainfall in the next farming season, growth in the sector will depend on whether farmers will be helped to access farming inputs in light of losses made during the last season.

Drought presents a major risk to agriculture in Zambia and therefore a potential threat to the financial sector, as the agriculture sector is largely rain-fed. Agriculture accounts for around 17% of commercial bank loans to the private sector. However, agriculture also has the highest default rate.

The change in weather patterns may become a more frequent feature going forward, and therefore country needs to position itself to respond to this change.

Customer Complaints Directives

The Bank of Zambia will issue directives on consumer complaints handling resolution for financial service providers. The directives will require Financial Service Providers (FSPs) to establish frameworks within their structures to deal with consumer complaints.

Cyber Security - Digital Financial Services

The Bank of Zambia has called on all banks and the Bankers Association of Zambia to develop and establish robust cyber security frameworks/mechanisms and conduct educational programs for customers to mitigate cybercrime and protect customer funds and the financial system as a whole.

World Savings Day & Financial Literacy Awards

The World Savings Day and Financial Literacy Awards will be held on 31st October 2019 at the Intercontinental Hotel in Lusaka.

Kafulafuta Dam Project Tour

Director Regional Office, Mr Visscher Bbuku was in Masaiti District on a familiarisation tour of the Kafulafuta Dam Project in an effort to appreciate the developmental projects and economic impact the project will bring to Masaiti and the Copperbelt Province as a whole. He was accompanied by Senior Economist, Mr Jonathan Misapa, Manager Security, Mr Kedrick Zombe and Mr Lombe Mulanda.

Savings outreach programme

Senior Economist, Mr Jonathan Misapa together with Manager Vaults, Mr Joseph Kawaya hosted discussions with over 40 participants at the Kafubu Valley Main District office related to Savings.

Update on the operations of the Credit Reference Bureau

Credit Reference Bureau trading as TransUnion Zambia recently launched an Application Programme Interface (API) that provides for real-time credit data submission and real-time credit data access by credit providers. The API will replace the current system of submitting data to the credit reference system through the secure file transfer protocol.

The benefits that are expected to accrue to credit providers through the use of the API include timely update of consumer records and elimination of errors that arise from human intervention during data extraction and upload. So far, nine, credit providers have signed up and are using the new solution for credit data upload and search.

Ms Freda Tamba

Linking Savings Groups to Formal Institutions

By Zambanker Reporter

Director Non-Bank Financial Institutions Supervision Department Ms Freda Tamba has disclosed that BoZ is collaborating with Savenet to design a mode to link savings groups to formal financial service providers. The initiative is expected to scale up financial education campaigns and facilitate technical assistance and development workshops for Financial Service Providers (FSPs).

This partnership will also enable information sharing between the Bank of Zambia and SaveNet which becomes key for monitoring and evaluating the impact of interventions to improve the governance and financial literacy of the groups.

In a communique to the Zambanker, Director Tamba explained that a number of formal financial service providers, including mobile money operators, have already recognised this potential market and have started to design products specifically for savings and village banking groups, a move which will expedite their transition from the informal into the formal sector. Statistics as at March 2019 show that the number of savings groups was around 20,000 with estimated savings of K500 million and over 600,000 members.

These are potential funds that can be harnessed to provide a cheaper source of funding for formal financial service providers. Earlier, Ms Tamba clarified that the Bank of Zambia does not license, regulate and supervise Savings and Village Banking Groups because they are informal financial services.

Picture courtesy of Financial Sector Deepening Zambia

Speaking during the Kwacha Good Morning Zambia programme on Zambia National Broadcasting Network, Ms Tamba explained that the Central Bank welcomes the initiative of savings and village banking groups as a vehicle for increasing financial inclusion and also recognises the importance of linking the groups to formal financial services.

Savenet is a non-governmental organisation established to support the development of Community Based Financial Institutions (CBFI's) such as Savings groups. The overall goal of SaveNet is to promote the financial inclusion of economically marginalised communities through scaling up of innovation and best practices that arise out of promoter intervention.

SaveNet intends to achieve this through the creation and nurturing of network structures at local, regional and national levels that would enable sharing and dissemination of information emanating from different players promoting various aspects and innovations of Savings Groups. Savenet works with Savings Groups to improve their governance structures and build their capacity in terms of financial literacy. Savenet also collects information on the numbers of savings groups, geographic location, levels of income, use of credit etc.

Savings groups are closed self selected user groups that pool savings which are used to offer credit within the group. The interest earned is then shared by the members in proportion to their respective savings.

Savings groups were initially implemented in economically challenged environments in order to help those that could not get loans from traditional financial institutions. While this was envisaged to cater for low income underserved populations, the practice has expanded into urban areas, also catering to formally employed medium to high income earners. This is a demonstration of the high appetite amongst many people, particularly, women to save money and have access to credit.

Savings groups typically transact outside of the formal financial system predominantly with cash. This exposes the groups to the risk of theft and the inability to access a wider range of products and services that are provided by formal financial service providers. In addition, members of savings groups have no recourse to institutionalised consumer protection and rely on limited knowledge of each member. In the event of loss of funds, members only have recourse to the courts and this can be a lengthy and time consuming process. Bringing Savings groups into the formal financial system helps mitigate these risks.

Deputy Governor-Administration Dr Tukiya Kankasa-Mabula receiving the award

BoZ Wins Financial Inclusion Award

By Zambanker Reporter

The Bank of Zambia has won the 2019 Alliance for Financial Inclusion's (AFI) Maya Declaration Award, a global initiative for responsible and sustainable financial inclusion that aims to reduce poverty and ensure financial stability for the benefit of all. It is the first global and measurable set of financial inclusion commitments by developing and emerging economies.

The Maya Declaration Awards recognises an AFI member institution that has clearly defined and measurable financial inclusion targets and has demonstrated the most dedication in the network to reporting its targets, timelines and progress on the AFI Data portal. The annual event is used, partly, to recognise and honour those who achieve outstanding results in driving the financial inclusion efforts globally and also as a financial inclusion policy sharing platform.

For the past six years, AFI has recognised member institutions and individuals who have excelled in advocacy of financial inclusion with a special evening at the Global Policy Forum (GPF). This year, the 2019 AFI Awards took place from 11th to 13th September 2019 at the Kigali Convention Centre, Rwanda and honoured those who spent the last 12 months demonstrating strong leadership, supporting peer learning services and standing up on the national and global stage in support of AFI and its mission.

The GPF brings together over 70 AFI member countries and cooperating partners who are committed to financial inclusion across the world. This year's GPF included a wide range of topics such as leadership and diversity, digital financial services, inclusive green finance, SME finance, opportunities for saving groups and regulatory frameworks that harness the potential of digital platforms and fintechs ecosystems, among others.

Meanwhile the Bank of Zambia, representing Zambia, has been appointed/certified as a Gender Inclusion Ambassador, amongst other countries. This is in recognition of its efforts in closing the gender gap and fulfilling the commitments made under the Denarau Action Plan, the AFI network's commitment to gender and women's financial inclusion. The ambassadors will advocate for gender inclusive finance within the AFI network, at national level and at the global level.

The Denarau Action Plan which was adopted at the 2016 GPF identifies measures that members of AFI can take to increase the number of women with access to quality and affordable financial services and close the financial inclusion gender gap. Further, member countries set for themselves the audacious goal of halving the financial inclusion gender gap in each AFI jurisdiction by 2021. In addition, member countries have made gender inclusive finance commitments in other AFI policy documents such as Sharm El Sheikh accord and the Sochi accord, now also being re-enforced by the Kigali statement.

Speaking during the first ever recognition and certification of AFI Gender Inclusion Ambassadors ceremony in Kigali, Deputy Governor-Administration Dr Tukiya Kankasa-Mabula urged the ambassadors and all AFI members to prioritise the leadership and diversity programme that has been established to implement action point no.10 of the Denarau Action Plan. The action point requires AFI members to drive greater gender diversity within their member institutions, initiatives and strategies.

She explained that the leadership and diversity programme being delivered in conjunction with women's world banking and the said Business School of Oxford University, will enable

AFI members to build a pipeline of women leaders to facilitate diversity.

She added that almost one billion women were still excluded from the formal financial system. According to the 2017 Global Findex database, the gender gap for emerging and developing countries, which include AFI member countries, has remained sticky at 9% since 2011. However, Dr Kankasa-Mabula explained that there is a growing body of knowledge that has demonstrated that gender diverse teams lead to better performance, increased productivity and innovation.

The Gender Inclusive Finance (GIF) Committee was established in 2016. The work that the Committee has undertaken since then, has enabled member countries to see huge changes and developments in gender inclusive finance policy and regulation within the network. The gender work-stream was enthusiastically embraced by all the AFI working groups and other organs resulting in the production of many knowledge products and tools.

“As chairperson of the GIF committee, I am proud to see the progress being made by member institutions to close the gender gap in access to finance. When the Denarau Action Plan was first adopted, there were 16 Maya Declaration commitments. There are now 32 commitments and this number is increasing yearly.

It is important for us to recognise and celebrate what has been achieved. However, we need to do more to accelerate the pace at which we are bridging the financial inclusion gender gap.

This is especially with regard to in-country implementation as well as innovations,” she said.

Dr Kankasa-Mabula added that to recognise the efforts by member countries leading the network in closing the gender gap and fulfilling the commitments made under the Denarau Action Plan, the GIF committee at its meeting held on 22nd august 2019, approved the appointment of gender inclusive ambassadors.

“We appreciate this milestone of the appointment of gender inclusive ambassadors. This is because of the multiplier effect that this initiative will have towards bridging the gender gap in the AFI network. Ambassadors will advocate for gender inclusive finance within the AFI network, at national level and at the global level. There will be an amplification of voices and efforts. In this regard, it is very important that we should have the participation of both men and women. We acknowledge that global power still resides in men. Men, therefore, have a great role to play to move the needle. What will need to be done, is to always apply a gender lens to all our initiatives and actions. We must always have women's financial inclusion in contemplation. Evidence abounds that gender neutral is not good enough. Implementation of policies at the national level is particularly important,” she said.

She said she was hopeful that as more and more member countries meet the threshold criteria to become gender inclusion ambassadors, more members will be recognised and certified as ambassadors.

2020 National Budget Welcome

By Zambanker Reporter

The Bank of Zambia welcomes the 2020 National Budget with the theme "Focusing national priorities towards stimulating the domestic economy". Overall, the Budget outlines key steps to create fiscal space and improve liquidity in the economy through the dismantling of domestic arrears owed to the suppliers of goods and services to the Government.

In his submission on the 2020 National Budget to the Parliamentary Expanded Budget Committee: Estimates of Revenue and Expenditure for the year ending 31st December, 2020, Bank of Zambia Governor, Dr Denny Kalyalya said the commitment to address external debt service the debt stock and to outline and implement practical steps to achieve this is central to the efforts to restore macroeconomic stability. He added that growth is likely to remain low in the immediate term, largely reflecting adverse weather shocks, fiscal imbalances, liquidity challenges and reduced mining output. Thus, the proposed measures in the 2020 Budget are critical towards restoring fiscal fitness and reinvigorating growth in the medium-term, in line with the Seventh National Development Plan (7NDP), the Economic Stabilisation and Growth Programme (ESGP) and the Vision 2030.

The Governor explained that the 2020 Budget should also be understood in the context of other policy measures the Government has announced in the past, such as, the reforms in the energy and agriculture sectors, which when implemented will further support fiscal consolidation and economic growth. At the heart of all this is effective implementation of what has been committed.

COMMENTS ON SPECIFIC ISSUES

i) The Monetary Policy Framework anchored on the Policy Rate

As outlined in the Budget, and in the Bank's previous appearances before this and other Committees of Parliament, monetary policy is focused on achieving and maintaining inflation within the target range of 6-8 percent over the medium term. To do this, the Bank of Zambia uses the forward-looking monetary policy framework, anchored on the Policy Rate as the key signal of the monetary policy stance. The Policy Rate is intended to influence and stabilise the overnight interbank rate, which, in turn, is expected to affect lending rates and ultimately inflation. Market based instruments, such as, open market operations, are utilised to maintain the interbank rate within the corridor of +/- 1 percentage point around the set Policy Rate.

ii) The Debt Management Policy

The 2020 Budget prioritises prudent debt management to ensure debt sustainability by slowing down debt contraction, postponing or cancelling some pipeline loans, ceasing the issuance of guarantees and refinancing existing loans.

For public debt to be maintained at sustainable levels, these measures should also be well anchored in the 2020-2022 Medium Term Debt Strategy.

This is necessary to create fiscal space and restore macroeconomic stability so as to enable Government to effectively respond to shocks and foster economic development. It should be noted that restoring macroeconomic stability, characterised by a stable exchange rate, low fiscal deficit, and low nominal yield rates on Government securities, also contributes to improving debt sustainability. External financing of the deficit, should focus on maximising concessional borrowing to achieve Government financing requirements at the lowest possible cost.

iii) The Macroeconomic Objectives, Policies and Strategies

The macroeconomic targets set out in the 2020 Budget are appropriate under the prevailing economic environment. These goals include:

a) Achieving a real GDP growth rate of at least 3%

Growth is projected to pick up to 3.0% in 2020 from about 2.0% in 2019 premised on the expected recovery in agriculture as weather conditions are expected to improve. In addition, output in other sectors is expected to rise, if electricity generation improves.

Unlocking liquidity to the productive sector, by clearing arrears owed to domestic suppliers of goods and services, is another key factor to stimulating economic activity. In addition, keeping the fiscal deficit within programmed levels as well as containing the rise in debt and debt service promotes the flow of liquidity to the productive sector, which is critical for realising higher growth rates. However, weak global growth and unfavourable weather conditions continue to pose significant downside risks to domestic economic growth prospects.

b) Achieving and maintaining inflation within the target range of 6-8%

The Bank of Zambia is committed to achieving and maintaining inflation within the target range of 6-8%. In May 2019 inflation, at 8.1%, breached the upper target bound of 8%. Since

Governor making a presentation at Parliament

then inflation has edged up further to 10.5% in October 2019, largely driven by the rise in food prices.
Based on the forward-looking monetary policy framework, the Bank will continue working towards bringing inflation back to the target range. However, there are upside risks to inflation that include supply constraints due to adverse weather conditions, higher than programmed fiscal deficits and elevated external debt service payments. As indicated in the May and August Monetary Policy Statements, the Bank of Zambia may adjust the Policy Rate upwards, if it is judged that inflation will persist to be outside the policy target range over the next eight quarters.
Given the current economic circumstances, the Monetary Policy Committee will also take into account the impact of the monetary policy stance on the financial sector and economic growth.

c) Increasing International Reserves to at least 2.5 months of import cover

As you are aware, international reserves have been on a declining trend largely due to high external debt service payments. The decline has, however, been moderated in the recent past owing to the Bank of Zambia purchases from the market and direct receipt of mineral royalties in foreign currency from the mining companies. Attaining the target of 2.5 months of import cover requires an improvement in external financial flows (e.g. project/donor flows) as well as continued increase in market purchases by the Bank.
In the year to August 2019, total Bank of Zambia purchases of foreign exchange amounted to US $682.9 million (i.e. from market purchases and direct receipts from mineral royalty tax payments). This is a marked improvement over the purchases in 2017 and 2018 of US $402.6 million and US $480.9 million, respectively. However, strengthening of Zambia's external position will require a significant reduction in debt service payments through the implementation of the strategies already announced by the Government. It will also require Zambia to increase exports, especially those of non-traditional commodities.

d) Reducing the fiscal deficit to 5.5% of GDP

The reduction in the fiscal deficit target to 5.5% of GDP, on a cash basis, from the 2019 target of 6.5% is welcome. Achieving this target will require implementation of tight expenditure controls, halting the accumulation of domestic arrears, and strengthening revenue collection.
The proposed external financing of K27.5 billion suggests a further increase in external debt, as existing loans are drawn down, and hence elevated debt service payments in future. This remains a threat to the attainment of the international reserves target and has implications on debt sustainability.
The reduction of domestic financing of Government to 1.1% of GDP from 1.4% of GDP target for 2019 is positive. This is expected to moderate crowding out effects and support growth of credit to the private sector and ultimately help spur economic activity.


Bank of Zambia delegation at Parliament

e) Increasing domestic revenue to at least 22% of GDP

Increasing domestic revenue to 22.0% of GDP is positive, but will be challenging. Domestic revenues have averaged 18.2% over the past three years. We note that the share of non-tax revenue has increased to 16.7% from 10.5% in 2019 and there is reliance on fees and fines as well as exceptional revenue, which together amount to K12.8 billion.
The proposed measures to enhance revenue collection by rolling out electronic fiscal devices, accelerating the implementation of land titling, and revaluation of properties are critical. There is therefore need to step up enforcement to improve tax compliance as well as invest in human capacity development and technology to support revenue collection.

iv) The Electronic Trading Platform and its Impact

An electronic trading platform (ETP) is a facility which provides electronic trading of securities as opposed to manual trading. It allows trades to be submitted and transmitted from one computer to another for automatic settlement. Currently, trading of Government bonds is manual, where investors submit physical documents to the Lusaka Securities Exchange Plc and the Bank of Zambia. This process has been inefficient and has contributed to the high cost of doing business.
The introduction of the ETP is intended to enhance efficiency, price discovery, and liquidity, thereby encouraging investors to actively participate in the Government securities market. When the process of trading is efficient and attractive for the general public, the cost of raising resources for Government is expected to be lower.

v) The Monetary Policy Measures put in place to foster Price Stability

To achieve and maintain inflation within the target range of 6-8%, the Bank will continue to rely on the forward-looking monetary policy framework anchored on the Policy Rate as a key signal for monetary policy. Following the rise in inflationary pressures in 2019, mainly attributed to higher food prices on account of supply constraints due to adverse weather conditions and the pass-through from the depreciation of the Kwacha against the US dollar, the Bank of Zambia began to implement measures to bring inflation back to the target range of 6-8% in the medium-term.
Thus, in May, the Policy Rate was raised by 50 basis points to 10.25% from 9.75%. The effectiveness of monetary policy will, to a large extent, depend on how successful Government will be in implementing fiscal measures outlined in the 2020 Budget and beyond.

vi) Implications of Maintaining Value Added Tax (VAT) and Measures put in place to Strengthen Enforcement

The decision to maintain VAT has removed the uncertainty which the previously announced re-introduction of sales tax had generated.
The decision to address the compliance and administrative challenges associated with VAT is welcome and will require the support of all. Upgrading the Tax online system for domestic taxes and interfacing it with the customs system as well as upscaling the use of Electronic Fiscal Devices (EFDs) could help improve VAT collections. This will require, among others, development of a well-articulated plan indicating timelines on how various initiatives will be implemented. Implementing the electronic system requires appropriate ICT infrastructure. Prioritising the introduction of EFDs is critical to bringing on board the final consumers who ultimately pay VAT.

Conclusion

The Bank of Zambia is committed to playing its role to ensure that inflation and foreign reserves targets are achieved, and that the financial system remains stable. The Bank welcomes measures outlined in the 2020 Budget aimed at creating fiscal space, ensuring debt sustainability, and improving liquidity availability in the economy through dismantling of domestic arrears. Implementation of tight expenditure control measures and halting the accumulation of arrears will remain critical to restoring fiscal fitness and reinvigorating economic growth currently and in the medium-term.

Harnessing Innovation for Inclusive Finance

By Zambanker Reporter

Deputy Governor-Administration, Dr Tukiya Kankasa-Mabula, has said a succession of Information Technology and Communication breakthroughs present significant opportunities to scale up financial inclusion to an extraordinary level.

Speaking during a panel discussion on 'Access to Finance' at the first regional summit on the Women Entrepreneurs Finance Initiative (WE-FI) in Abidjan, Dr Kankasa-Mabula explained that the emergence of new technologies is providing a promising vehicle for economic empowerment by bridging the gap in the uptake of financial services between men and women thereby bringing a long-term societal change for the financially excluded/underserved.

The Deputy Governor added that the types of technologies and technological infrastructure that are useful for small-and-medium enterprises (SMEs) to access markets (for finance, inputs from suppliers, and customers) include: mobile phone ownership which is beneficial to women SMEs when they understand the potential of the device for use in general communications, trading activities, mobile money and access to credit; electronic commerce (eCommerce) platforms for trading and digital financial services for receiving and making payments. Digital financial services include internet banking, e-money, e-wallets and mobile banking; social media for engaging with customers and electronic devices and hardware such as ownership of mobile phones and point of sale machines.

"Women-SMEs may be incentivised to use these technologies to be innovative and current with shifting trends towards online business and eCommerce; to compliment or replace existing physical trading operations and to reduce time and save advertising costs for finding relevant customers. eCommerce, social media and trading platforms can also be used to easily match women-SMEs to specific customer-markets that are interested in their products.

These are enablers in facilitating market access for women-SMEs when they are embedded into their existing trading activities," she said.

She stated that women extend the usage of Digital Financial Services (DFS) to the payment of utilities, school fees, and other household expenses after they become accustomed to using eCommerce and e-wallets for trading transactions. Within the context of the eCommerce platforms and regular physical trading activities of SMEs, digital financial services provide the following benefits: mobile money enables women-SMEs to transact conveniently and withdraw money from agents that are in close proximity to their businesses. This helps them devote more time to their business by reducing the time spent going to the bank and avoiding long queues.

Further, safe and timely receipts from customers and payments to suppliers via real time gross settlement (RTGS), online banking on eCommerce platforms and point-of-sale devices are guaranteed. Access to credit in form of working capital through DFS enables women to purchase inputs and other business supplies.

This is helpful in overcoming challenges of access to capital and fosters growth. Access to formal credit (e.g. Kongola) also enables women-SMEs to replace credit obtained from informal sources (e.g. Chilimba) which may sometimes have more stringent rules or may be insufficient to meet the credit needs for the business.

Dr Kankasa-Mabula noted that financial education is integral for advancing digital financial literacy amongst women. For instance, women-SMEs have to implement the e-Voucher system and have point-of-sale (PoS) devices for payments to be part of the Government-led agricultural programmes such as the Farmers Input Support Programme (FISP) as well as to be connected to e-commerce platforms which link SMEs with suppliers of inputs and enables them to make bulk online purchases without having to travel physically from one place to another area of benefit.

Financial education also enables SMEs to list their products on online shops and find customers.

This leads to an increase and diversity in the number of customers by expanding the outreach of trading activities to national, cross-border and international geographic regions. As a consequence, SMEs can increase their sales volumes and revenues. In addition, increased financial literacy allows for the provision of new linkages in the value-chain through e-commerce platforms. For example, linkages between SMEs, online-trading platforms and transport companies to courier deliveries between suppliers and customers. This in turn reduces operational costs for SMES when transport costs are borne by customers.

"Knowledge of usage of e-wallets for commercial trading transactions is relevant for women-SMEs. For example, eMsika is an online agricultural trading platform in Zambia. The company has found that women are more likely than men to complete online trading after they are given explanations on how the system works," she explained.

Other advantages of financial education are that it leads to minimised costs associated with transport expenses for purchasing inputs from suppliers and delivery of products to customers as transport services can be provided by third parties on the trading platforms of agricultural value chains.

It also leads to improved profitability by increasing the volume of traded goods and revenue; reducing costs and making trade efficient and provides the convenience of multi-tasking business and household responsibilities from one location.

Dr Tukiya Kankasa-Mabula

BoZ and commercial bank staff at the training in ICT training centre

e-BoP Monitoring Trainings Intensified

By Fred Mushimba

The Bank of Zambia through the Balance of Payments Monitoring Division, successfully conducted User Training workshops on e-BoP monitoring to frontline staff of commercial banks during the months of June, August and September 2019 in Lusaka, Copper belt and Southern provinces, respectively in order to equip commercial banks staff with necessary skills required to manage the electronic BoP monitoring module.

The first User Training was conducted on the 7th, 10th and 11th June 2019 for staff based in Lusaka at the Bank of Zambia head office in Lusaka.

This is part of the sensitisation programme aimed at allowing commercial bank staff to appreciate the module and promote wider understanding of the central bank's reasons for collecting cross-border payments data. While cross-border payments reporting may be centralised at head office for some commercial banks, it is important that relevant staff at branches undergo the training, as these are the ones in regular contact with clients.

In line with the Bank of Zambia Amendment Act No. 1 of 2013, the Bank has designed a framework for monitoring balance of payments (BoP) transactions called Money Remittance and Receipt Return (MRRR) for monitoring international transactions conducted through financial service providers. This is mainly with the view to promote the efficiency of the foreign exchange system, improving policy formulation and economic management, as well as improvement of the BoP statistics.

Under this framework, all commercial banks will be required to submit their daily international financial transaction reports to the Bank of Zambia through an electronic monitoring system. These include payments made to foreign parties by Zambian residents as well as the payments received by Zambian residents from foreign parties irrespective of their value. All Financial Service Providers (FSPs) are required to submit these reports in a manner provided by the Bank. To this effect, clients conducting cross-border financial transactions should have TPINs and provide accurate and full description of the payments and receipts i.e. the Purpose of the transaction, the Sector of the entity (person transacting), and the Destination country.

The electronic monitoring system has since been developed and installed at the BOZ and connectivity established with all FSPs (commercial banks) operating in Zambia. Further, the electronic monitoring went Live on a pilot basis at the end of March 2019 and 13 commercial banks have been reporting to the BoZ in the pilot phase as at end–August 2019.

Zambia at the 2019 AFI Global Policy Forum

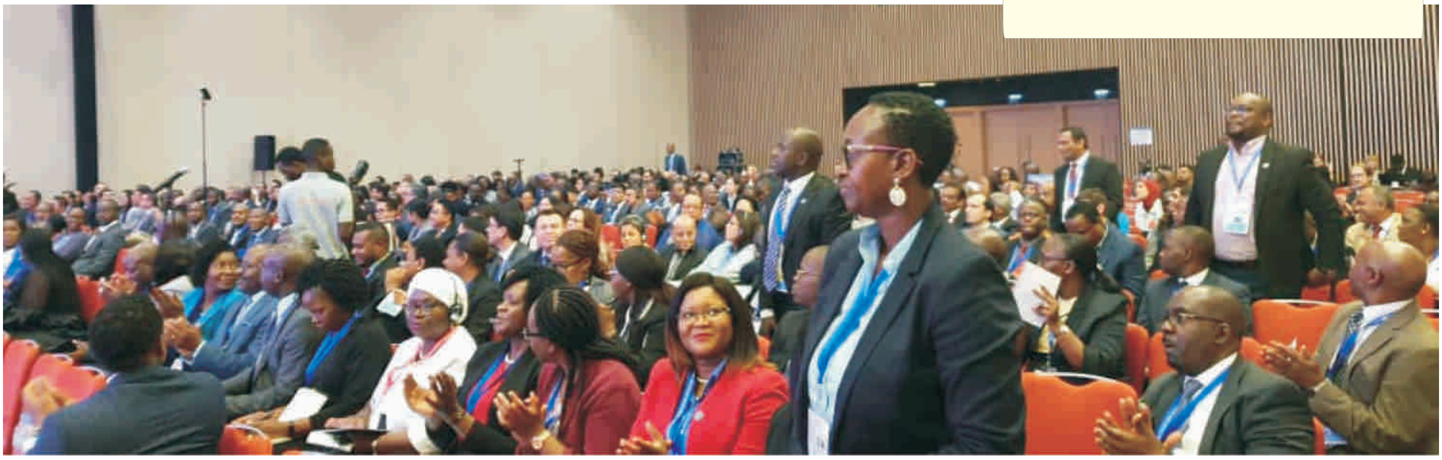
By Moses Munsantu

The Ministry of Finance has been ratified as a principal member of the Alliance for Financial Inclusion (AFI) joining the Bank of Zambia. Further, three officials from the BoZ were among 32 graduates of the first-ever Leadership and Diversity Program for Regulators to receive their certificates of accomplishment.

The three officials are: Deputy Governor Administration Dr. Tukiya Kankasa-Mabula, Assistant Director, Examinations & Surveillance in the Bank Supervision Ms. Lyness Mambo, and Assistant Director, Payment Systems Mrs. Mirriam Kamuhuza. The nine-month program – jointly run by Women's World Banking and AFI – supports financial regulators in developing policies that narrow the financial inclusion gender gap and build more gender-diverse teams and leaders within financial institutions.

Meanwhile, Senior Analyst – Consumer Protection and Market Conduct Mr. Moses Musantu has been elected as Co – Chairperson for the Consumer Empowerment and Market Conduct Working Group, while Assistant Director NBFIS Ms. Mankolo Beyani has been maintained as Chairperson for the Small and Medium Enterprises Working Group.

The 2019 GPF was attended by 912 registered participants, of which more than 450 came from 69 member institutions in 59 countries.



Government Securities Operations for 3rd Quarter 2019

Mr Finzi Mwezani

By Finzi Mwezani

Government securities are debt instruments issued by the Government of Zambia through the Bank of Zambia. These instruments are in the form of Treasury bills and Government bonds. Treasury bills, commonly known as Tbills, are short-term debt instruments issued by the Government of Zambia with maturity periods of upto one (1) year and are strictly discount instruments with no coupon payments during their life. The Government of Zambia issues four (4) Tbill tenors namely 91 Days, 182 Days, 273 Days and 364 Days.

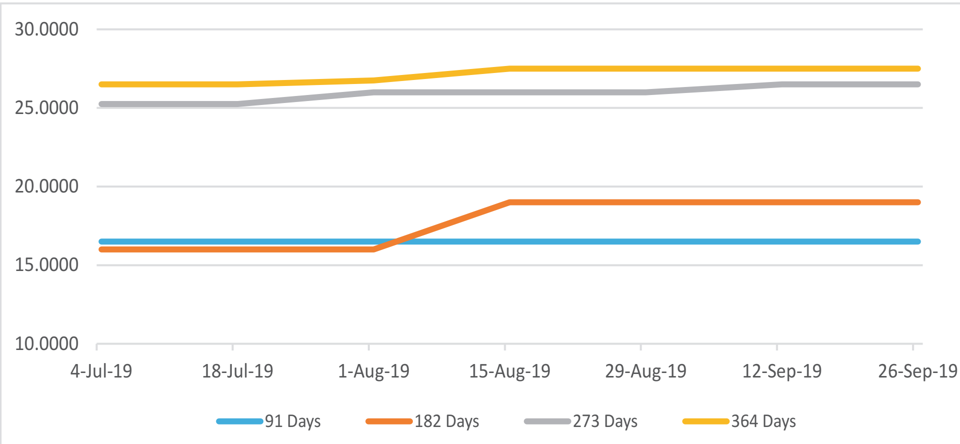
Government bonds are debt instruments issued by the Government of Zambia with maturities longer than one (1) year. Government bonds can be issued at a discount, at par or at a premium depending on the difference between the yield rate and coupon rate at the point of issue. If a bond is issued at a yield rate higher than its coupon rate, then it will be issued at a discount. On the other hand, if the coupon rate is higher that the yield rate, then bond is issued at a premium. Further, a bond is issued at par if the yield rate and coupon rate are the same.

The following is a summary of Government Securities operations in Q3 2019.

Figure 1: Treasury bill Auction Results, Q3 2019

	Last Q2 auction	Q3 Tbill Results per auction						
	13/2019	14/2019	15/2019	16/2019	17/2019	18/2019	19/2019	20/2019
	20-Jun-19	4-Jul-19	18-Jul-19	1-Aug-19	15-Aug-19	29-Aug-19	12-Sep-19	26-Sep-19
91 Days	16.5002	16.5002	16.5002	16.5002	16.5002	16.5002	16.5002	16.5002
182 Days	16.5001	16.0000	16.0000	16.0000	19.0000	19.0000	19.0000	19.0000
273 Days	25.2501	25.2501	25.2501	26.0001	26.0001	26.0001	26.5001	26.5001
364 Days	26.5000	26.5000	26.5000	26.7500	27.5001	27.5001	27.5001	27.5001
Weighted Average Yield Rate (WAYR)	*25.1238*	*22.2021*	*26.2981*	*25.8164*	*25.1488*	*25.8735*	*25.9683*	*25.4603*

Figure 2: Treasury bill Yield Rate Movements, Q3 2019



Treasury Bills (Tbills)

There were seven (7) auctions conducted for Treasury bills in Q3 2019, with the total amount offered at cost standing at ZMW 6.65 billion, translating into ZMW 950 million per auction. The total bids received over the seven (7) amounted to ZMW 5.1 billion at cost representing an average subscription rate of 75%. This represents a marginal decline from the average subscription rate of 79% recorded in Q2 2019. There was a decrease in the average uptake rate to 69% from 74% recorded in Q2 2019, as a total of ZMW4.6 billion was allocated at cost.

Key observations on yield rate movements in Q3 2019

- No yield rate movement was recorded on the 91 Days tenor in Q3 over the 7 auctions conducted. The yield rate on the 91 Days remained unchanged in Q3 at 16.5001% same as the closing Q2 yield rate on the 91 Days tenor.
- The 182 Days yield rate rose to 19.0000% as at end of Q3 from 16.5001% as at end of Q2 representing a rise of 250 basis points.
- The yield rate on the 273 Days as at end of Q3 was 26.5001% up from 25.2501% as at end of Q2
- The yield rate on the 364 Days tenor rose by 100 basis points QTQ to 27.5001% at end Q3 from 26.5000% end Q2.
- The Weighted Average Yield Rate (WAYR) at the end of Q3 rose by 34 basis points to 25.4603% from 25.1238% at the end of Q2.

Government Bonds (GRZ bonds)

Only one (1) bond auction was conducted in Q3 2019, and the total amount offered at cost stood at ZMW 1.65 billion.

In term of performance, a total of ZMW 548 million was received at cost representing a subscription rate of 35%, an uptake from 15% recorded in Q2 2019. However, only ZMW 423 million was allocated at cost representing an uptake of 27% compared to 10% uptake in Q2 2019.

Key observations on Govt bond yield rate movements in 2019

- No yield rate movement was recorded on the 2- and 3- year tenors which were maintained at 29.5000% and 29.7500% respectively.
- The 5- year yield rate rose by 150 basis to 32.0000% in Q3 from 30.5000% in Q2.

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'We welcome constitutional refinement'

By Zambanker Reporter

Bank of Zambia Governor, Dr Denny Kalyalya has said the Central Bank welcomes the latest effort by the Government of Zambia to refine the Constitution of Zambia (Amendment) Act No. 2 of 2016 through the Constitution of Zambia (Amendment) Bill No. 10 of 2019, which is aimed at addressing problematic areas in the law, especially conflicting provisions and general flaws.

Speaking during the Bank's submissions to the Parliamentary Select Committee to scrutinise the Constitution of Zambia Amendment Bill N.A.B 10 of 2019, the Governor explained that being the supreme law of the land, the need for the law to be clear and devoid of contradictions inconsistencies could not be overemphasized. He said clarity in the supreme law of the land is critical for the advancement of rule of law, which is the bedrock for economic development that the central bank is charged to support and promote.

In the last fifty years, Zambia has engaged in numerous efforts to develop a new constitution. Prior constitutions include the 1964 Independence Constitution, the 1973 Constitution and the 1991 Constitution. In addition, there has been significant constitutional amendments, including those of 1969 and 1996. The efforts have been directed at adopting a more democratic structure, as well as political institutions that would be less susceptible to political manipulation. At the core of the demands is a call for the development of viable institutions of state that promote participation, transparency, accountability and devolution in governance. In January 2016, the Zambia Parliament adopted numerous amendments to the 1991 constitution. The Government hailed the amendments as a new era in democratic governance in Zambia. However, the amendments were criticized by some sections of the society both for the way they were adopted and for the substance contained in the amendments. The argument has been that the Constitution is too bulky with too many details covering 117 pages instead of merely articulating broad principles on constitutionalism.

The Bank of Zambia was initially invited through a letter dated 7th November 2016 by the Minster of Justice to make comments and recommendations on areas of concern following the implementation of the Constitution of Zambia (Amendment) Act, No 2 of 2016. The Bank of Zambia proceeded to make its comments and recommendations 3 by letter addressed to the Permanent Secretary Legislative Drafting dated 18th November 2016.

The Bank of Zambia also participated in the National Dialogue Forum, where it further repeated its submissions as per the aforesaid letter dated 18th November 2016. It is the understanding that the deliberations at the National Dialogue Forum and submissions received from various stakeholders outlined in the National Dialogue (Constitution, Electoral Process, Public Order and Political Parties) Act No. 1 of 2019, culminated into the provisions contained in the Constitution of Zambia Amendment Bill No. 10 of 2019.

'However, there are some aspects of the Bill which the Bank has identified and recommends their refinement, in a bid to improve clarity. There are also some other aspects of the Bill that the Bank recommends to be modified to address contradictions/ inconsistencies, conform to our stated national values and principles, as well as make the resultant Constitution stand the test of time," he said.

The following were the Bank's comments and/or observations on the Constitution (Amendment) Bill No.10 of 2019:

Constitutional Provisions Relating to the Central Bank

i. Section 71 of the Bill proposes to amend Article 213 of the Constitution Amendment Act No. 2 of 2016, by deletion of clause 2 thereof and substitution therefor of the following:

(2) The function of the Bank of Zambia is to formulate and implement monetary policy.

The Bank proposes the amendment of the said clause to read:

(2) The primary function of the Bank of Zambia is to formulate and implement monetary policy.

This is to ensure that this clause merely states the primary function of the central Bank while additional functions of the Bank will continue to be subject of an Act of Parliament as per Article 215(a). This submission will align to the provisions in the SADC Model Law for Central Banks adopted in 2009 by the SADC Council of Ministers which outlines, amongst other matters, that all central banks in the region move towards adopting a single, primary objective, separate from the secondary objectives.

ii. Article 215 (e) of Act No. 2 of 2016 reads: *"appointment, qualifications, tenure of office, functions and emoluments of the Deputy –Governor".*

The Bank proposes the amendment of this Article in the Bill, by deletion of the word *"the"* before Deputy –Governor and replacing with the word "a" to enhance its clarity as the

current wording may be understood to mean that there is only one Deputy Governor. This should now read:
"appointment, qualifications, tenure of office, functions and emoluments of a Deputy –Governor".

2.5. Other Comments and /or Observations on the Bill

Section 10 of the Bill proposes to repeal Article 51 and replacing it with a new Article 51 providing in part as follows: .... ***if the person meets the qualifications specified in Article 70 for election as a member of Parliament.***

We note that the referenced Article 70 is being proposed for repeal under section 16 of the Bill. We would therefore recommend that the new Article 51 should remove reference to the Article and instead end as follows: ……..*if the person meets the qualifications as prescribed.*

This will enable Parliament provide the qualifications of members of parliament through an enabling statute. However, we are of the considered view that qualifications for members of parliament is a matter that is best enshrined in the Constitution and not in an Act of Parliament in order to ensure certainty and insulate such provisions from potential constant amendments by whichever party is in power at any given time.

i Section 12 of the Bill proposes to amend Article 60 dealing with political parties.

We note that Article 60(4) of the Constitution Act provides for a number of management issues for political parties including their source of funds. However, the proposed Article 60 removes provisions requiring Parliament to prescribe management 5 issues of political parties which includes an obligation for them to disclose the source of funds. It is our considered view that the current Article 60(4) gives abundant guidance to Parliament on matters that ought to be prescribed in the management of political parties, including their source of funds. With respect to source of funds, this provision is very useful, especially in the fight against money laundering and terrorism financing and could assist to prevent political players from availing themselves to the proceeds of crime in their quest to raise funds for their political activities. We therefore recommend a retention of Article 60(4).

iii. Section 13 of the Bill proposes the amendment of Article 63 of the Constitutional Act by the deletion of provisions requiring National Assembly oversight over contraction of public debt and ratification of international agreements and treaties.

It is our considered view that National Assembly oversight is critical over these important public functions in a democratic dispensation like ours. The peoples' representative in Parliament should have an opportunity to scrutinise the intended purpose(s) of any public debt as well as international treaties which bind and/or imposes obligations on the Republic.

i Section 15 of the Bill proposes to repeal Article 68 of the Constitutional Act which provides for the composition and election of Members of Parliament and replace it with a new Article 68 providing for election, nomination, qualification and vacation of office of Members of Parliament.

We note that the proposed Article 68 does not say anything about composition of Parliament including the number of parliamentarians. In the absence of an enabling provision on the composition of the National Assembly, we are of the settled view that Parliament would have no power to enact legislation on this matter. Even though an enabling provision were to be provided, we are of the considered view that the matter relating to the composition of the National Assembly is such an important issue which ought to be enshrined in the Constitution and not left for prescription in an Act of Parliament. We therefore recommend the retention of Article 68(2) of the Constitution Act.

v. Section 23 of the Bill proposes to amend Article 83 of Act No. 2 of 2016 and introduces the term "legally disqualified".

We have noted that "legally disqualified" has been defined, under section 76 of the Bill, to mean a disqualification by a court or a quasi-judicial body.

However, there are no stated grounds and/or circumstances in the Bill that will guide the court or quasi-judicial bodies on how to arrive at such a conclusion. This omission may promote the mischief of legal uncertainty and unfettered discretion by the courts of law and quasi-judicial bodies.

The Bank proposes that clear grounds and/or circumstances, such as, mental or physical incapacity, be included in the determination of legally disqualified by the courts of law and quasi-judicial bodies.

vi. Section 27 of the Bill proposes the repeal and replacement of Article 94 of the Constitution Amendment Act which deals with the approval of appointments and measures by the National Assembly and Constitutional Court oversight over the process.

We note that the amendments effectively eliminate the Constitutional Court oversight over the process of appointments and measures. It also dilutes National Assembly oversight power by providing for automatic effect of appointment or measure on third

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Picture courtesy of Financial Sector Deepening Zambia

WB Initiative to Boost Women-Led Businesses

Women constitute the majority of Zambia's self-employed population and play a key economic role, with significant benefits for their families and communities. However, women face numerous challenges to financing, owning and growing a business, including access to capital and technology, lack of networks and knowledge resources, limited market linkages, challenging social and cultural norms, as well as legal, regulatory and policy obstacles to business ownership and development.

Acknowledging the challenge of full economic participation, the World Bank has identified Zambia as one of the participating countries in the World Bank Women Entrepreneurs Finance Initiative (We-Fi). The Zambian pilot is aimed at supporting the growth of women-led SMEs in the country by catalysing access to finance and capacity building of women entrepreneurs.

The objective of the Women Entrepreneurs Finance Initiative (We-Fi) is to address financial and non-financial constraints faced by women-owned/led SMEs in World Bank (IDA and IBRD) eligible countries and territories. The We-Fi aims to achieve this by mobilising more than US$ 1 billion in commercial and IFC finance for entities that provide women entrepreneurs with access to debt, equity, venture capital, insurance products, capacity building, networks and mentors, and opportunities to link with domestic and global markets, and for governments to improve the business environment for women-owned/led SMEs.

The Zambia WeFi program is strongly aligned with ongoing Government initiatives, Bank of Zambia commitments to AFI (the Denarau and Sochi Accords) and aims to build on analytical and technical assistance work by Government of Zambia, World Bank and other development partners on women access to finance and entrepreneurship.

The Zambia We-Fi project consists of three components:

- Access to credit -this component will support capacity building to financial institutions to design and pilot of movable asset-based lending (MABL) and FinTech based credit product for women-SMEs.
- Access to Insurance Products - the proposed activities will support the design, piloting and refinement of a digital insurance product for women-SMEs.
- Capacity building and access to networks- under this component, financial management skills will be delivered to women entrepreneurs to leverage new financial products and services and plan for business growth. It will also facilitate access to dedicated peer networks, trade associations and business networking activities.

The main beneficiaries under the Zambia WeFi project include the following:

- Women-led and women-owned SMEs (between 200 to 500 women);
- Participating financial institutions (including those that have done the FAMOS check); and
- Women business associations and local training institutions.

The World Bank Zambia We-Fi Program was launched early this year and is being implemented by the Ministry of Commerce, Trade and Industry, Ministry of Finance and Bank of Zambia. Established in 2017 at the G-20 Summit in Hamburg, Germany, We-Fi supports women entrepreneurs with access to finance, markets, technology, mentoring, and other services, while working with governments and the private sector to improve the laws and policies inhibiting women's businesses in developing countries.

We-Fi is supported by the governments of Australia, Canada, China, Denmark, Germany, Japan, the Netherlands, Norway, the Russian Federation, Saudi Arabia, Republic of South Korea, the United Arab Emirates, the United Kingdom, and the United States.

This except is part of a presentation made by Deputy Governor-Administration, Dr Tukiya Kankasa-Mabula during a panel discussion on 'Access to Finance' at the first Regional Summit on the Women Entrepreneurs Finance Initiative (WE-FI) in Abidjan, Cote D'ivore

Promoting Early Financial Literacy Education

By Zambanker Reporter

Financial literacy education at an early age has a great impact on the financial future of children. Grasping even the most basic key lessons on savings, how to budget, helps children learn early how to consider all available options before making important monetary decisions; in turn, this careful consideration may help them avoid personal debt and improve their chances of achieving financial security when older. Poor financial decisions can have a long-lasting impact on individuals, their families and community. The lack of financial literacy is one of the aggravating factors leading to ill-informed decisions on loans, investment options or other financial services.

By 2022, the Financial Inclusion Strategy aims to increase Zambia's overall financial inclusion rates—from 59 percent now to 80 percent in 2022 (this includes formal and informal financial services)—and an increase in formal financial inclusion from the current 38 percent to 70 percent. Financial literacy education initiatives such as the annual Financial Literacy Week countrywide campaign help improve knowledge, understanding, skills and confidence of Zambians to help them secure positive financial outcomes for themselves and their families, which has in turn, results in growth in financial inclusion.

The continuing growth in financial inclusion in recent years has brought many Zambians into the formal financial system for the first time. Being financial included, formally, has its opportunities but also exposes consumers to new risks and obligations that they may not fully understand.

This year, the Bank of Zambia (BoZ) sponsored and participated in the Lusaka National Museum Children's Literacy Programme. The Lusaka National Museum has conducted five literacy programmes for 2019. The programme targeted school going children from public, private and community schools. The schools that took part in the programme included Twavwana Community School, Simon Mwansa Kapwepwe Primary School, Chinkuli Primary School, B.Y Primary School, Progressive Primary School and Derdanitte Primary School.

The main purpose of the programme was to supplement government efforts to scale up the reading culture in Zambia. To supplement the education curricula offered in schools and to promote literacy among the children in public and community schools. The literacy programme included sessions on finance, road safety and the importance of heritage and culture.

Early financial literacy education helps reduce these risks and makes it easier for an individual to understand or even question the risks of a financial service or choice. This helps them learn how to know how to budget, save, invest or make wise financial choices for everyday living, for example, choosing a mobile phone or a car to buy. Young people need to learn how to manage risks: save for a 'rainy day', avoid taking on unmanageable debt, and provide for their retirement/old age and health care.

There are several steps and interventions that can be taken or adopted from successful initiatives to promote early financial literacy education in Zambia. These can include (but are not limited to):

- Financial education being a core part of the school curriculum. In 2005, the Organisation for Economic Co-operation

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When a Bank or Non-Bank Financial Institution Fails

...Facts for Depositors and Other Creditors

By Mambwe Chibale

A Bank or a Non Bank Financial Institution (NBFI) fails when the Bank of Zambia (BoZ) takes possession and restricts operations or places the institution under liquidation. Generally, a Bank or NBFI is put under possession when it is undercapitalized and is unable to meet its obligations to depositors and other creditors. Undercapitalised in this case means that the Bank of NBFI does not comply fully with any prescribed capital adequacy requirements.


Ms Mambwe Chibale

The other reasons why a Bank or NBFI may be put under possession or liquidated is when it is involved in unsafe and unsound practices or when the Bank or NBFI consistently breaches the provisions of the Banking and Financial Services Act (BFSA) including Regulations, Directives, and Circulars issued under the BFSA. This write up highlights facts about the failure of banks and deposit taking NBFIs that are licensed by the Bank of Zambia (BoZ).

What is the role of Bank of Zambia in Bank or NBFI failure?

The BoZ draws its mandate from the Bank of Zambia Act Chapter 360 of the Laws of Zambia which gives it the power to licence, regulate and supervise financial service provided in the Republic Constitution as well as licensing, regulating and supervising financial service providers, the BoZ's role to ensure a stable, sound, efficient and competitive financial system. Therefore, the BoZ does not manage or make decisions relating to the operations of Banks and NBFIs. However, if through regulation and supervision the BoZ determines that the business decisions of the Banks and NBFIs are likely to affect the stability, soundness, efficiency and competitiveness of the financial system, it moves in to facilitate the orderly exit of that Bank or NBFI.

In the event of a Bank or NBFI failure, the BoZ acts in two capacities. In the first capacity, the BoZ moves in to take possession of the Bank or NBFI and in the next capacity, the BoZ will move to liquidate the Bank or NBFI.

How are depositors and creditors notified if a Bank or NBFI is put under possession or liquidated?

The BoZ notifies depositors, creditors and all interested parties through notices placed in each branch of the Bank or NBFI, in a newspaper of general circulation within the Republic of Zambia and through a statement on the BoZ website.

What is possession and how long does it last?

The BoZ takes possession of a Bank or NBFI when it moves in to manage and control the Bank or NBFI. During this period which lasts a maximum of 90 days, the BoZ is vested with full powers under the BFSA to, among other powers, dissolve the board, continue or discontinue operations, suspend the payment of obligations including interest on deposits and terminate contracts of employment of senior officers and employees. During the same period, the Bank or NBFI operations are restricted and in most cases, Banks or NBFI do not conduct any business with depositors, creditors, shareholders and other stakeholders.

What happens during possession?

During possession period, the BoZ prepares a statement of affairs of assets and liabilities of a Bank or NBFI. This is done in order to confirm the financial status for a Bank or NBFI where the institution is placed under possession due to involvement in unsafe and unsound practices or consistent breach of the provisions of the BFSA and to ascertain the extent of the insolvency where a Bank or NBFI is placed under possession due to insolvency. A Bank or NBFI is insolvent when it is unable to pay its debts as they fall due, has assets that are insufficient to meet liabilities or has regulatory capital which is below the prescribed minimum. The BoZ also actively engages stakeholders and potential investors on the prospects of the Bank or NBFI under possession with the ultimate aim of turning around the Bank or NBFI by restructuring or reorganizing, selling it as a going concern, transfer all or part of the business of to a bridge bank, initiating a purchase and assumption transaction, disposing of some of the assets, place the Bank or NBFI under compulsory liquidation or take an action that the BoZ considers necessary.

What are the effects of Possession?

Once a Bank or NBFI is placed under possession, there are effects on its stakeholders including depositors and creditors. For instance, during this period, depositors do not have access to their accounts and creditors' obligations are not met until such a time that the statement of affairs is prepared and a decision regarding whether or not to liquidate the Bank or NBFI is made. If a decision to liquidate the Bank or NBFI is made, depositors and creditors are notified of the decision.

It is important to note that the BFSA gives the Bank or NBFI or any interested person acting on behalf of a Bank or NBFI the right to institute court proceedings for the BoZ to terminate the possession of the Bank or NBFI within twenty one days from the possession date. The Court may require the BoZ to show why the possession of the Bank or NBFI should not be terminated.

What is Liquidation?

Liquidation is the process of selling the assets and settlement of obligations of the liquidated Bank or NBFI. Upon confirmation of the extent of the insolvency of a Bank or NBFI in the statement of affairs prepared during the possession period, the BoZ may in addition to the other actions it can take, through a resolution of the board and an order from the court order the compulsory winding up of a Bank or NBFI. Within seven days of making an order, the BoZ must notify each director, shareholder, depositor, creditor and any other interested person of the order. The person notified may within thirty days of being notified file an appeal against the order to the court.

What is the Role of BoZ as a Liquidator?

In effecting a compulsory winding up, the BoZ as a liquidator in addition to other powers, have power to exercise the powers of a Bank or NBFI, bring, carry or defend an action or legal proceedings in the name and on behalf of the Bank or NBFI and any business relevant to the beneficial winding up of a Bank or NBFI. The role of the BoZ is to ensure that assets of a Bank or NBFI are sold and proceeds are paid to depositors and creditors based on the priority of claim stipulated in the BFSA. It is important to note that in the absence of a deposit insurance protection scheme, the proceeds from the sale of assets of a Bank or NBFI determines how much is paid to depositors and creditors.

How does the BoZ settle obligations of a Bank or NBFI in liquidation?

Section 132 of the BFSA provides for the priority of creditors that the BoZ follows when settling obligations of a Bank or NBFI in liquidation. After taking into account expenses incurred in the process of compulsory winding up, priority is given to depositors.

If there is any residue after all depositors are paid in full the next category of creditors will be paid accordingly. If the proceeds realised from sale of assets of a Bank or NBFI in liquidation are not sufficient to pay all the depositors or any class of creditors in full, the creditors are paid an equal amount across the board.

If the proceeds realised from sale of assets of a Bank or NBFI are in excess of the obligations, the remaining assets are distributed to the shareholders.

What happens if all assets of a Bank or NBFI are sold?

If all assets of a Bank or NBFI in liquidation are sold, the BoZ will terminate the liquidation of the Bank or NBFI by rendering an account in Court.

Termination of the liquidation implies that the BoZ is relieved of its duty as liquidator of a Bank or NBFI and any creditors that remain unpaid or are partially paid at the end of the liquidation process have no recourse on the BoZ.

Where can one get more facts about possession and liquidation?

For more facts on possession and liquidation, one can refer to Sections 70-76 and 120-136 of the BFSA No 7 of 2017.

Mambwe Chibale is Acting Analyst-Liquidations in the Non-Bank Financial Institutions Supervision Department

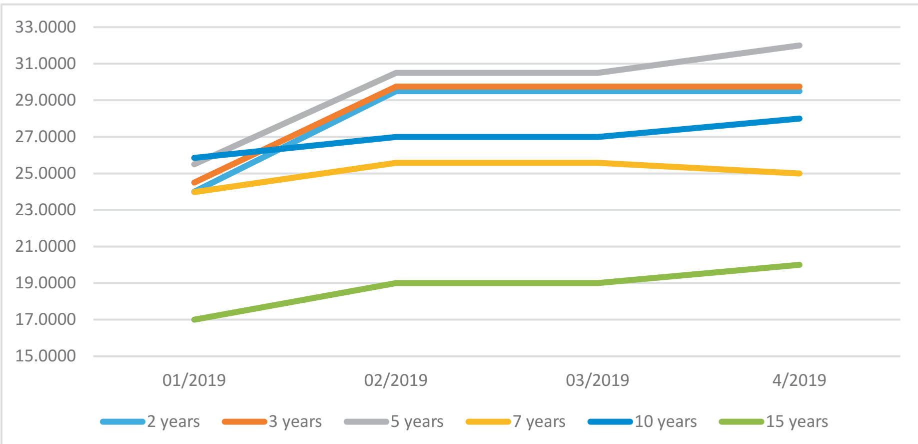
Government Securities Operations for 3rd Quarter 2019

Figure 3: Government bond Auction Results, Q3 2019

2019 GrZ Bond Yield Rate Results per Auction

	01/2019	02/2019	03/2019	4/2019
2 years	24.0000	29.5000	29.5000	29.5000
3 years	24.5000	29.7500	29.7500	29.7500
5 years	25.5000	30.5000	30.5000	32.0000
7 years	23.9800	25.5780	25.5780	25.0000
10 years	25.8500	27.0000	27.0000	28.0000
15 years	17.0000	19.0000	19.0000	20.0000
Weighted Average Yield Rate (WAYR)	*24.8937*	*29.8435*	*29.5804*	*30.9393*

Figure 4: 2019 Government bond Yield Rate Movements



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- The 7- year yield rate recorded a decline of 58 basis points to 25.0000% in Q3 from 25.5780% in Q2.
- The 10- and 15- year yield rates both rose by 100 basis to 28.0000% and 20.0000% in Q3 from 27.0000% and 19.0000% respectively.
- The WAYR in Q3 rose by 136 basis points to 30.9393% from 29.5804% in Q2.

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

Finzi Mwezani is Analyst - Market Integrity in the Financial Markets Department

Online Bank Fraud:

Supreme Court weighs in on who must bear responsibility in its latest Judgment in the case of Investrust Bank Plc v Ibrahim Diab of 2019

By Lungisani Zulu

With the increase in online banking in particular and digital financial services in general, there is bound to be an increase in online bank fraud as unscrupulous individuals hope to cash in on lapses in the use of technology.

Mr Lungisani Zulu

Where fraud has been committed involving online banking services, the challenge of allocating liability, between the bank and the customer, becomes a challenging one, especially when there is no conclusive evidence of wrongdoing on the part of either the customer or the bank.

In this article, I attempt to discuss the Supreme Court's latest decision which resolves the challenge of allocating liability between a customer and a bank in an internet bank fraud.

In the case of ***Investrust Bank Plc v Ibrahim Diab***, there was internet fraud which resulted in the loss of money from a customer's account held with the bank. However, there was no conclusive evidence that the customer had been negligent in the handling of the card which could have resulted in third parties having unauthorized access to it.

There was equally no evidence that the bank had been negligent in facilitating the unauthorized debits of the client's account.

However, despite the absence of clear evidence of wrongdoing on the part of both the customer and the bank, it was not in dispute that there was unauthorized access to the customer's account which resulted in loss.

So, how then must responsibility be allocated when there is online bank fraud?

In the first case, where a customer is in possession of a debit or other card linked to his or her account and as a result of his or her negligence, a third party gains access to the account, the customer is responsible.

The customer must take care to ensure that he or she does not recklessly facilitate any other person to undertake any of the offensive transaction on his account using his bank card or details. Common law has long recognised the customer's duty of care requiring that the customer must refrain from drawing cheques or other payment orders in such a manner as to facilitate fraud or forgery.

In the second instance, where the bank is negligent in ensuring that it verifies that the instructions are indeed from the client, then the bank is liable. This is because a bank is under a legal duty to exercise reasonable care in executing a customer's instructions on the customer's account. The Supreme court stated as follows:

Where the bank executes payment/debit instructions knowing them to be fraudulently given while shutting its eyes to all the red flags that may be raised, or acting recklessly in failing not to make such inquiries as an honest and reasonable man would make, the bank would be plainly liable.

The tougher one is where there is no evidence that either the bank or the customer has been negligent but money has been lost on account of internet fraud. Who should be responsible?

According to the Supreme Court, the bank is the one to be held liable.

This is because a bank is under a positive common law duty under its contract with its customer to exercise reasonable care and skill in carrying out its part with regard to operations of its contract with its customer, to protect its customer from fraud. A bank owes a duty to its customers to take necessary steps to prevent unauthorized withdrawals from the customer's accounts. Therefore, if a customer suffers loss on account of the transactions not authorised by him, or her the bank is liable to the customer for the said loss.

As far as online banking is concerned, the Supreme Court was of the considered view it is the bank's responsibility to secure the online channel so as to create a safe electronic banking environment to combat all forms of malicious conduct resulting in loses to their customers. Between the bank and its customer, it is the bank that has the key to the safe as it were, and sits in a vantage position to control who for, and when, to open the safe door. With its wherewithal, the bank is better placed to examine what it is doing from an online banking security point and take inventory of potential risk areas and address them.

The Supreme Court sounded out a clarion call to the banks on online fraud as follows:

Our considered view is that it is incumbent upon banks such as the appellant in this case, to be generally more proactive and address the threat of fraud more strategically. The bank must, as a reasonable man would expect, be ahead of the curve through regular upgrading of its infrastructure so as to always improve the way in which it processes instructions to make payment via the online banking systems. Failure to do so is a breach of duty implied in the contract subsisting between a bank and its customer. On closer reflection, therefore, we think these are good legal reasons for the bank to be held responsible.

In a nutshell, the case of ***Investrust Bank Plc v Ibrahim Diab*** has provided useful guidance on where to place liability in an online fraud where there is no evidence that either the bank or the customer has been negligent but money has been lost. According to the Supreme Court, the bank must be held liable for the loss. This is because a bank is under a positive common law duty to exercise reasonable care and skill in carrying out its obligations with regard to operations of its contract with its customer, to protect its customer from fraud. The bank is also better placed to examine what it is doing from an online banking security point and take inventory of potential risk areas and address them.

However, the customer is liable if he or she is negligent in the handling of the card or recklessly facilitates any other person to undertake any of the offensive transaction on his account using the bank card or details.

Lungisani Zulu is Senior Legal Counsel in the Legal Services Department

Financing for Development - The Road to Agenda 2030

By Majorie Mulenga

In my neighborhood, we have load-shedding, and this story is not different for many other places in Zambia. It is well known that Zambia relies heavily on hydro-power and the fact that we have four hours of load-shedding is an indication that hydro-power may not be adequate to meet the country's electricity needs. Given that climate change has significantly altered the rainfall pattern in the country, it is inevitable that more funding is required in the energy sector to diversify the energy sources.


Ms Majorie Mulenga

Another food for thought: Drive between Lusaka and Mazabuka, Lusaka and Kitwe or just within Lusaka, and it is evident that that most Zambian roads need to be upgraded or that road construction projects should be completed.

However, the current road funding structure mainly relies on public resources obtained from taxes, public borrowing and toll fees that are paid by road users. If one conducts a survey, a probable finding would be that the tax burden falls largely on the population in formal employment. Hence, under the current funding structure, financial resources for development come from only a few people, who in most cases are also the ones supporting unemployed youth as well as children and elderly people.

Load-shedding, state of our roads and other development challenges all point to the fact that public resources are not adequate to fund development projects. To achieve the Sustainable Development Goals (SDGs) and Vision 2030, there is need for mechanisms to unlock alternative long-term finance for development. This will require a Development Finance ecosystem to facilitate the creation of alternative channels that can offer innovative financial instruments and products.

Development finance is not a new concept and has for a long time been used by multilateral development organizations such as the World Bank and the African Development Bank to achieve their objectives.

Development finance seeks to facilitate the establishment of a sustained, vibrant and inclusive finance industry that meaningfully contributes to the development of the country through leveraging private sector funding, creating an enabling environment and monitoring impact.

Going by the Bank of Zambia's categorisation of financial institutions, Zambia only has one development finance institution, the Development Bank of Zambia. However, development finance can be delivered through other institutions, which include specialised entities that provide green finance, trade finance, value chain finance, microfinance et cetera. The underlying principle is that the institutions should be able to synergize social and financial returns and possibly incorporate technical assistance.

Therefore, in order to have a sustainable development finance ecosystem, there is need to merge the interests of private sector players, who usually want to get financial returns with those of public institutions that care about the social welfare of society.

The 2015 Addis Ababa Action Agenda of the Third International Conference on Financing for Development provides the broader framework to create an environment for unlocking finance for development.

The key building blocks of the financing for development agenda include private sector participation, identifying priority sectors where private sector investment is not feasible, complementing public investment resources, enhancing the viability for financing development and developing data and technical capacity. Although various approaches can be used to implement a development finance ecosystem, the starting point should be an assessment of the country to ascertain the available funding sources of various development projects as well as the financial infrastructure of the country. The assessment can then inform the financial solutions that should be designed to close any gaps identified.

In light of the ambitious SDGs, which have to be achieved in less than 11 years, as well as various national economic goals, including Zambia's Vision 2030, there is need for product innovation to attract international capital and encourage private sector participation. For instance, innovative financial products such as diaspora bonds and securitisation of remittances can attract international capital flows. Crowdfunding may help MSMEs to raise cheaper finance for small projects.

Establishment of agriculture commodity exchanges can help to mobilize private sector funding in the agriculture sector. Sustainable finance through the issuance of green bonds and similar instruments may help to diversify Zambia's bond market.

However, innovative financial products may also introduce new risks in the financial sector and hence, throughout the process of setting-up a development finance ecosystem, financial stability should not be overlooked.

Fortunately, the Bank of Zambia has already established the Financial Stability Unit, whose objective is to "*monitor and analyse vulnerabilities in the financial and real economy which could give rise to a systemic crisis.*" The unit also coordinates policies on financial stability between Bank of Zambia and other financial regulatory institutions.

Having a development finance ecosystem should not be viewed as the panacea for all development financing problems. However, development finance can help to boost industrial activity and lift a lot of people out of poverty. If implemented efficiently, it can contribute to financial deepening through introduction of new innovative financial solutions.

Majorie Mulenga is an Examiner in the Non-Bank Financial Institutions Supervision Department

The Use of Data to Innovate Financial Products

By Kateule Nakazwe

In today's world, the most valuable resource is no longer oil, but data. Clive Humby, a British mathematician and architect coined the phrase "data is the new oil" in 2006. Almost every industry has fundamental use for data to make better business decisions. Businesses that are able to create value using a data-driven approach usually end up on top.

Ms Kateule Nakazwe

The term 'Data-driven', making product design decisions based on behavioral evidence from users, is not a new concept and has been used for years to improve forecasts on products and services.

Financial Service Providers (FSPs) generate enormous amounts of customer data (i.e. deposits/withdrawals at ATMs, purchases at points-of-sale, payments done online, customer profile data collected for KYC…etc) every day that can be used to develop products that meet the consumers' needs and thereby extend financial services to underserved communities. The availability of data in the finance and banking industry has grown in recent years, deepening our understanding of how access to, and the use of, financial services/products affect welfare outcomes in Africa. Despite the increasing availability of data, a practical disconnect exists between the decisions being made for financial inclusion and the use of relevant data to inform such decisions. This gap restricts the extent to which financial services reach all segments of the population, particularly the unserved and underserved, limiting the ability of FSPs to design products/services that improve financial inclusion.

FinTech (Financial Technology) startups in the industry possess the flexibility to prototype and test data-driven products on the market compared to large banks, who due to their silo, MNO policy structures, are not very good at utilising these rich data sets. Customers expect financial service providers to remember their preferences, engagement history and behaviors, and thereby make available products that suit their needs. The FinTech startup ecosystem in Africa and Zambia particularly, has grown, with an increased number of FinTechs with cash-transfer management, lending, savings and payment services, aspiring to be full digital banks. This was proved in the United Nations Capital Development Fund (UNCDF) 2018 State of The Digital Financial Services (DFS) Market report for Zambia, which reported that 85% of providers reported that DFS was a commercially sustainable business. Commercially viability was reported to have increased from December 2017 to December 2018 by 69%. Between December 2017 and December 2018, both volume and value of transactions significantly increased, growing by 59% and 239% respectively. The high growth of transaction value reflects the increased active DFS accounts and trust in DFS.

A Lusaka-based FinTech, Zazu, which was established in 2015 as a financial literacy chatbot, launched a mobile wallet allowing users to make free money transfers, purchase goods using a QR code or to pay for bills like TV subscriptions and electricity. For each transaction, the startup automatically categorises the spending to allow users to better track their finances. The startup attracts clients looking to simplify how they make and collect payments, as well as manage their money. Zazu said that the biggest feedback it has obtained so far was that unless it could on-board every merchant in Zambia and give them a QR code, it was hard for people to spend their money and benefit from the startup's spending analysis. After listening to the feedback, the startup quickly started integrating their app to one of the card schemes in order to issue a Zazu branded prepaid card. The startup aims to launch a prepaid card by end of 2019 that can be used around the world, at any store, ATM, or e-commerce platform that accepts Visa or Mastercard. According to Ventureburn, Zazu has over 1.1 million users and had raised $1.4million in funding by September, 2019.

A key challenge in growing and endorsing a data-driven approach, in the financial industry, is a distinct lack of data science skills within Africa, as well as a general lack of understanding regarding the value of innovative data use and analytics. Any company looking to use the data-driven approach need data science skills within their team. Organisations that truly need data scientists have two things in common: They manage or have access to massive amounts of data, and they face weighty issues on a day-to-day basis. These are typically in industries such as finance.

There are some interventions that seek to address these identified challenges. In 2017, for example, insight2impact, a Cape Town based global resource centre, launched the DataHack4FI Innovation Challenge, a programme that seeks to improve financial inclusion through the smarter use of data. The innovation challenge encourages collaboration and skills development in data science to solve financial and economic inclusion challenges, thereby extending valuable financial services to the underserved. The innovation competition runs across seven (7) African countries promoting data science to drive product design and business decision-making, thereby catalyzing the development of new financial services driven by customer data. Each FinTech startup is paired with a data enthusiast and data science expert to develop a product that improves financial inclusion.

In its third season, the competition partnered with Liquid Telecom to provide a professional Microsoft Data Science course to build the capacity of participating data enthusiasts, through Liquid Telecom's 21CSkills platform.

The competition concludes with the winning FinTech startups being awarded $5000 in-country, and $25,000 in seed capital for the overall winner at the grande finale.

In 2018, Outsource Now, a Zambian FinTech startup won the $2500 seed capital prize for Best Solution for Women and Youth in the country final for Zambia. Their mobile app, Z'POS, helps small scale retailers digitise their business records to easily determine whether they are making a profit or loss.

The app records their stock levels, sales and expenses and then it issues a report on how the business is performing over a period of their choice. After doing their market research, Outsource Now found that close to 50% of retail traders in Zambia are women but they continue to access less formal finance than their male counterparts.

Their data also indicated that Zambia's population is largely made up of youths with a large number of them remaining unemployed. The data generated by Z'POS could, in future, be used by an SME to access finance from a bank, or determine stability or growth potential of the business. In using such data to help SMEs grow, more job opportunities will be provided for youths in the communities that these SMEs operate from.

The United Nations Capital Development Fund (UNCDF) and BongoHive, Zambia's first technology and innovation hub recently partnered to support the growth of the digital economy and increase access to financial services for all in Zambia. They recognised gaps in the digital economy of Zambia, where FinTechs and SMEs have a lack of understanding of the real challenges customers face, do not have the opportunity to test pilot their innovations with reputable partners to better suit the market, and do not adequately navigate regulatory issues when new products or services come to market. The collaboration is a business accelerator programme called FinTech4U, aiming to address some of these challenges.

The Fintech4U Accelerator programme will work with 10 Zambian Fintech companies that offer innovative and effective digital financial products and services to all Zambians, especially youth and women. During the programme, each FinTech will be provided with $4,000 in prototyping funds, receive a technical and business assistance plus a cash grant for prototyping and regulatory navigation guidance, among other perks. It is expected that the FinTechs will reach 20,000 new users of financial services in 18 months.

Zambian FinTech startups have the ability to solve problems that traditional banks are not flexible enough to solve, thereby, slowly becoming an important vehicle on the road to financial inclusion. However, the data generated in the financial services industry needs to be made available to various players for analysis and deeper understanding of patterns and user habits. Big banks can support the growth of FinTechs by providing access to their wealth data, and also possibly fund the prototyping of high potential ideas in order to test the market, thereby closing the gap between financial products on the market and the products consumers actually need.

Kateule Nakazwe is Assistant Manager –Social Media in the Board Services Department

Dealing with licensed financial service providers

By Freda Tamba

Why is it important to deal with licensed financial service provider?

The Banking and Financial Services Act (BFSA) prohibits any person from conducting or offering to conduct a financial service unless that institution is licensed by the Bank of Zambia. The purpose of licensing is to ensure that the persons proving the financial service are 'fit and proper' and have the requisite technical and financial ability to provide the financial services in a safe and sound manner

What are some of the advantages/ benefits of dealing with Licensed Institutions?

There are several advantages that arise from dealing with licensed institutions. The main advantage is that you are dealing with authorised persons that have been considered fit and proper by the licensing authority.

There have been instances in Zambia whereby fraudsters have set up unlicensed financial institutions, collected deposits from unsuspecting members of the public and disappeared with depositor's funds. Dealing with licensed institutions, therefore, minimizes the risk of loss of depositors' funds and enables consumers to have some comfort in the financial institutions they are dealing with.

Some specific advantages/benefits of dealing with licensed institutions include:

- minimising risk of dealing with fraudsters;
- minimising the likelihood of becoming party to financial crimes;
- minimising the risk of being subjected to unlawful collection practices; and
- enables easier recourse to the provisions of the Banking and Services Act for arbitrage purposes in the event of disputes and/or being swindled

How can a person tell that a financial service provider is licensed?

i. A licensed financial service provider is by law required to display the original or copy of their license. The license must have the following:
   - The name of the financial service provider;
   - The address of the place of operation;
   - The logo and identifying marks of the Bank of Zambia;
   - The license number;
   - The signature of the Registrar of Banks and Financial institutions;
   - The license type

ii. The Bank of Zambia has a list of all licensed financial service providers available on the Bank of Zambia website, www.boz.zm.

iii. Anyone can contact the Bank of Zambia using the contact details on page 2 of this magazine, to find out if an organisation is duly licensed by the Bank of Zambia

Rule 1. Do not deal with any unlicensed financial services provider. Do not give or deposit money with any institution unless that institution has a license to accept deposits.

Rule 2. Report all suspected unlicensed financial service providers to the Bank of Zambia

Photo Focus

Directors of the Board, Ms Namuchana Musiwa and Professor Hellicy Ng'ambi with Director Board Services, Ms Namwandi Ndhlovu and Corporate Governance Guru Mr Marvin King in South Africa.

Former Senior Directors Supervisory and Monetary Policy Messrs Chisha Mwanakatwe and Peter Banda with Deputy Governor-Operations at the Governor's meeting with Chairpersons of commercial banks at the Southern Sun.

Assistant Manager-Procurement, Mr Francis Bwalya presenting a farewell gift to Mrs Rhoda Musonda on behalf of the Procurement & Maintenance Services Department.

The Bank of Zambia choir entertaining guests at the Ndola Civic Centre

Senior Economist, Mr Jonathan Misapa AKA Akafumu (in cap) pays attention to a chess game between BoZ and NORTEC.

Regional Office staff at the Urban Hotel in Ndola during a workshop.

Parents and teachers reading the Zambanker before the St Claire Girls school borehole handover.

Director Board Services, Ms Namwandi Ndhlovu, Acting Assistant Director Communications, Ms Besnat Mwanza, teaching staff and members of the community 'testing' the borehole donated by the Bank to St Claire Girls School.

Photo Focus

Economist Liquidity Forecasting, Mr Liuwa Liuwa attending to clients at the Bank of Zambia pavilion during the Zambia Agriculture and Commercial Show.

Manager-Liquidity Forecasting, Ms Flora Ngoma addressing members of the press at the Bank of Zambia pavilion during the Zambia Agriculture and Commercial Show.

Manager- Currency Processing, Ms Chimuka Kasempa attending to young show goers at the Bank of Zambia pavilion during the Zambia Agriculture and Commercial Show.

Members of a family attempting the board game at the Bank of Zambia pavilion during the Zambia Agriculture and Commercial Show.

Members of the public waiting to play the quiz game at the Bank of Zambia pavilion during the Zambia Agriculture and Commercial Show.

Happy winners pose for a photo at the Bank of Zambia pavilion during the Zambia Agriculture and Commercial Show.

Part of the Bank of Zambia team that worked at the BoZ stand during this year's Zambia Agriculture and Commercial Show.

'We are Bank of Zambia!'

Artificial Intelligence and The Future

By Jean Couvaras Kamanga

The term Artificial Intelligence conjures up different images for different people. Sometimes, we imagine a futuristic world that is operated mainly by robots, and where humans have a very limited role to play.

Ms Jean C. Kamanga

Can machines really take over the world? Can humans be reduced to a zombie like experience where decisions are made for them? And bringing it a little closer to home, can a machine take over my job? Scary thought that! Some of it a little too extreme, and yet some of it is already real.

And sometimes we think of artificial intelligence as a highly technical world where algorithms help humans to solve problems, or do work that is too manual or dangerous for humans. A much more encouraging thought. The reality is probably that artificial intelligence encompasses both extremes, depending on the extent of their use, and what role they are allowed to play. We therefore need to find a middle ground, in order to get the best out of artificial intelligence.

We already live in a world of artificial intelligence starting from using your smartphone to translate languages, or getting into your smart car to visit your doctor who then uses a robotic machine to make a diagnosis and recommendations on best treatment options. All platforms such as social media, email communication, google search, and the use of google maps are all products of artificial intelligence which we use in our daily lives to make our lives easier.

Ever noticed the predictive tendencies of google searches? Or how WhatsApp automatically lists your most likely recipients for a picture to be forwarded? Or how amazon repeatedly tries to predict what other items you may be interested in purchasing? Or how Netflix can show you movies you must see based on your profile? How about Alexa giving you today's weather update? These are all products of artificial intelligence based on the data the systems have on you as a user. A lot of people still get uncomfortable when they get to another country and immediately get an unprompted welcome message on their phone. Eyes everywhere, watching and predicting your moves. That is all AI. Exciting at best, and also very intrusive and scary at worst.

Definition of key terms

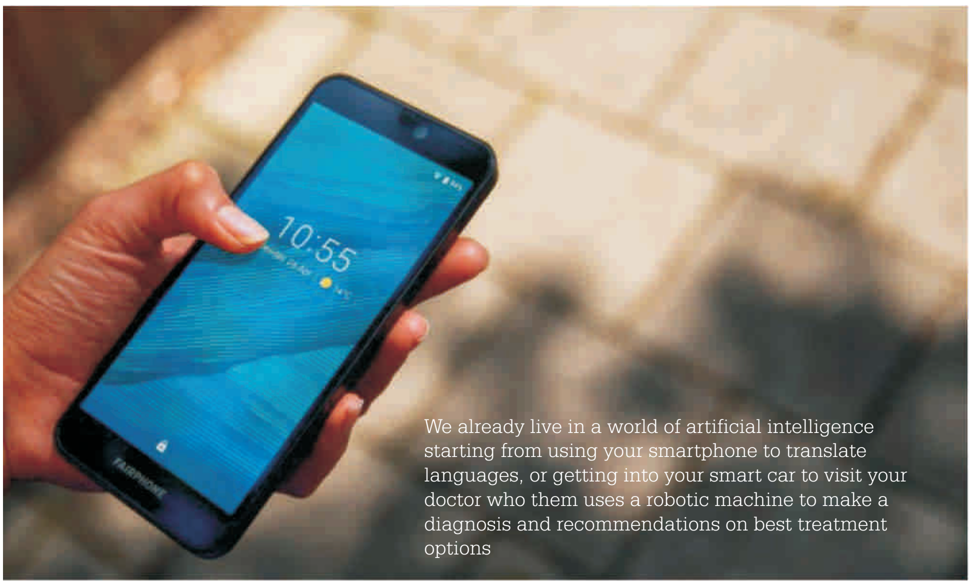
- **Artificial intelligence** (AI) is defined as a broad scientific discipline with its roots in philosophy, mathematics and computer science that aims to understand and develop systems that display properties of intelligence. AI is the development of computer systems to solve problems associated with human intelligence (fogel and Kvedar, 2018).
- **Machine learning** is a sub discipline of AI, where computer programs (algorithms) learn associations of predictive power from examples in data. Machine learning is most simply the application of statistical models to data using computers.
- **Big data** is defined as extremely large data sets that may be analysed computationally to reveal patterns, trends and associations, especially relating to human behaviour and interactions.

Contrast between analysis of data by human beings and by machines

Try multiplying 287 X 549 in your head and see how long that takes you. Even the most intelligent mathematician would take longer that the time it would take for a calculator to solve that simple arithmetic. It is therefore now widely accepted that machines and algorithms are better than humans, including experts, at calculations and predictive analytics. For instance, in a certain study, trained counsellors predicted the grades of freshmen at the end of a school year. The counsellors interviewed the students, had access to their high school grades and aptitude test performance as well as access to their personal statements. The Statistical algorithms only had access to a fraction of the data the counsellors had. Nevertheless, the formula was more accurate than 11 of the 14 counsellors.

Such Studies have been replicated across various disciplines and the results are the same. Machines are simply better than humans at analysing data, especially large data sets. For instance, AI is now being used in certain judicial systems to help with determinations on parole decisions. Automated risk assessment tools and software are now being used increasingly to consider factors about a prisoner to aid judges in making parole decisions. Previously, a Study had demonstrated that in parole decisions, the default decision by judges would be for prisoners to remain in prison. The Study showed that when judges were mentally depleted, they reverted to the default decision, and that after taking a break and a meal, inmates were most likely to get a release. So apparently a hungry and tired judge does not bode well for an inmate. The same cannot be said for a machine or software that is not affected by extraneous factors such as hunger or fatigue.

There are various reasons why



We already live in a world of artificial intelligence starting from using your smartphone to translate languages, or getting into your smart car to visit your doctor who them uses a robotic machine to make a diagnosis and recommendations on best treatment options algorithms and machines can outperform humans in analysis and predictions. One of the key reasons was already demonstrated by the judges' parole experiment which showed that mental depletion in humans resulted in less objective decision making. We have all experienced what happens in a class that takes over 2 hours. Our ability to concentrate in the first hour is quite good, and then it becomes a challenge to maintain the same level of concentration after that. Similarly, at work, most people's ability to continually perform mentally demanding tasks is very limited. Research also shows that as humans, we are not able to assimilate all the information we may have, and analyse it all. We tend to pay attention to certain information, and disregard some, even without realising it. It's a human bias. Even if we may have certain information, if we fail to recall this information at the point a decision is being made, we may as well not have the information at all. As humans, the confirmation bias also entails that we only pay attention to the data that supports a decision we want to make, and are likely to ignore data that contradicts it. On the other hand, machines are able to not only store, but analyse large data sets without experiencing mental depletion or hunger. This makes them more efficient, and the lack of bias, makes them more objective than humans.

Another reason why machines could be superior is that humans are not able to be consistent in making summary judgments of complex information. A review of 41 separate studies of the reliability of judgments made by auditors, pathologists, psychologists, organisational managers and other professionals suggests that the level of inconsistency is typical, even when a case is revaluated within minutes (Kahneman, Thinking Fast, Slow).

How we can harness artificial intelligence

It is quite disheartening to find that machines outperform us in a lot of things. But perhaps, this is just the egocentric perception, as opposed to a proper evaluation of AI and its role in our lives. What we need to do is harness AI and use its advantages to improve our operations. AI need not be seen as a competitor to mankind, but as a complement to increase business efficiency. Some of the key areas in which AI has a proven track record include the following:

- Compliance monitoring and risk management – a lot of software has been developed that are able to assist with compliance monitoring for different sectors of society. For instance, in the financial sector, software has been developed to deal with AML/CFT compliance related issues such as detection of suspicious transactions based on customer profiles as well as customer segregation. Advances in machine learning and large scale computing resources enable better detection of anomalies in customer transactions than ordinary human analysis is able to offer. AI is a powerful ally in analysing real time activities and making predictions and detailed forecasts vital for business.
- Data storage and analysis – AI has capabilities to store large data sets much more easily than traditional methods of data storage. AI can easily use such data sets to predict patterns and trends, and make associations that would not be ordinarily visible through human analysis. This makes decision making much more efficient due to the ease of analysis. Given the amount of data that organisations such as banks and other financial institutions have to deal with, some of it internal, but most of it external, the need for AI to help with not only storage, but also analysis of such data is paramount. AI is able to identify complex, non-linear patterns in such large data sets and reduce it to simpler or more tractable forms. This makes it much easier for institutions to effectively use such data for regulatory reporting as well as trends analysis.
- AI can be less costly and may serve for more reliable business methods. In the field of financial Investment, an AI known as Robo Advisor has been developed that is able to offer investment advice to potential investors based mathematical rules or algorithms. Robo Advisors allocate investments based on customers risk profiles and return targets. Chatbots are another AI technology that is being used in organisations to eliminate repetitive human work such as basic customer service delivery or opening of new accounts. A chatbot can stimulate interactive human conversation by using pre-calculated user phrases. Such AI is normally cheaper and more reliable than having a human being perform such tasks.
- Regulatory oversight ease: AI also has been found to have potential in order to ease the businesses compliance to regulatory oversight. For instance, it has been found that AI has potential to be used for stress testing for financial forecast models. It can also be used for tracking and monitoring of regulatory changes. It ought to be stated here that most of the AI related to regulatory oversight have not yet been tested in the market.

The Future

We cannot ignore the fact that AI is here, and it is here to stay. Much can be said about the immense benefits of utilising AI to ease human life as well as business. Isn't Alexa just the perfect Assistant?

However, we cannot ignore some of the ills that have the potential to result from overreliance on AI. Like most human inventions, AI can also be abused for criminal and unsafe purposes such automated detonation of weaponry. There is also a well-founded fear that AI can become more intelligent than humans, and thus humans failing to control the extent to which AI can be utilised or the manner of utilisation. Machines are excellent at data storage and even analysis and perhaps routine decision making. However, machines will normally rely on data fed to them over time, and in that regard, will fail to pay attention to extenuating circumstances which humans will notice. After all, they are not humans! AI also, and perhaps most importantly, asks for us to adjust our skills set in order to ensure that we do not become obsolete. Some jobs are better done by machines, there can be no disputing that. And this perhaps is the biggest challenge of AI so far. But I venture to say it is one we can manage, by adjusting our skills set appropriately to take into account the benefits and advantages of AI, we can purposefully adjust our skills in order to ensure we are not rendered obsolete in an increasingly technological and automated world.

As aptly stated, "The question is not whether you are "for" or "against" AI – that's like asking ancestors if they were for or against fire". (Max Tegmark).

*Dan Brown conclusively captured the good, the bad and the scary of AI in his book "**The Origin**". The Book outlines very well why key decisions should not be left to machines. The decisions will be rational you can be guaranteed of that, but they will surely leave a bitter taste in your mouth at certain times. AI is highly objective, rational, highly intelligent and analytical, but lacks the 'human' judgment' necessary for the world as we know it. Embrace it we must, but with caution, knowing full well what it is capable of if left to its own whims.*

Jean C. Kamanga is Senior Legal Counsel in the Legal Services Department

Artificial Intelligence and Technology in the Practice of Law: Disruptive Technology In The Law

By Leonard Nkole Kalinde

The twenty-first century has brought significant technological advancement that permeates all aspects of our lives. The legal field, though slow in the adaption of this technology, is beginning to pick up the pace. Artificial intelligence (AI) is now used to perform legal work once solely completed by legal practitioners.


Dr Leonard Kalinde

1.0. INTRODUCTION

Prediction that AI will replace lawyers is frequently in the headlines as of late, and that prediction without a doubt creates discomfort for lawyers who are already in an anxious state with regards to the future of the legal profession.

As this write up will explain, despite the predictions in the headlines, AI may benefit the legal profession and not steal its jobs, at least not yet.

However, some lawyers are still hesitant to fully embrace AI even though it's a fact that disruptive technologies are changing the way businesses and regulators think and provide services to their clients.

2.0. OVERVIEW OF ARTIFICIAL INTELLIGENCE

Much has been said recently about the rise of "AI" and its potential to replace a high percentage of the current workforce. Adding to this perceived notion of jobs ceasing to exist is the alleged scenario in which "AI" could spell the end of the human race.

The legal profession has also seen similar and dramatic predictions. Many practicing lawyers, today, are weary about the emergence and use of new technology in the practice of law, such as AI and machine learning.

Lawyers are apprehensive about this new technology because they do not understand it, and as a result fear that their jobs may become obsolete.

AI has impressive underpinning comprised of computer science, mathematics, philosophy, psychology, economics, neuroscience, linguisitics and biology.

AI is typically defined as the capability of a machine to imitate intelligent human behaviour. A satisfying way to view current "AI" generally is as a big "forest of academic and commercial work around 'the science and engineering of making intelligent machines.'"

AI covers a variety of processes including those such as image recognition or robotics that currently have no implementation in the practice of law. AI experts, such as Russell and Norvig, provide the following four concepts with which to view AI: (1) systems that think like humans; (2) systems that act like humans; (3) systems that think rationally; (4) systems that act rationally.

Specifically, AI is the theory and development of computer systems able to perform tasks normally requiring human intelligence, such as visual perception, speech recognition, decision-making, and translation between languages.

Therefore, AI in the practice of law is the theory and development of processes performed by software instead of a legal practitioner whose outcome is the same as if a legal practitioner had done the work.

This broad definition combines the use of technology with the desired end result. This definition provides the basis of what AI does (software that performs processes which a lawyer would otherwise have done) with what it produces (the end product of a lawyer's work).

3.0. APPLICATION OF ARTIFICIAL INTELLIGENCE IN THE PRACTICE OF LAW

Legal processes have been impacted the most by AI. This is especially true for routine legal tasks due to the nature of their work. Many AI applications are already being used in the legal profession. These applications include, inter alia, systems that can perform specific tasks that a lawyer may typically perform on a daily basis, such as document data input, legal research and analysis, and contract review.

One of the goals for this new technology is to streamline the laborious and mundane tasks lawyers encounter on a daily basis. Streamlining leads to efficiency, for which lawyers could see an increase in the amount of work they perform in a workday. Thus, it appears AI is positively transforming the legal profession.

For example, litigators in the legal profession have been utilising AI for almost ten years in the discovery process. Accordingly, all the hype about AI in the legal industry as being a new phenomenon is precisely that, hype.

There are more than 30 legal applications of AI currently being used by the legal profession today and these fall under six major categories, namely: Prediction Technology, 2) Legal Analytics, 3) Due Diligence, 4) Document Automation, 5) Intellectual Property, and 6) Electronic Billing.

4.0. FUTURE PREDICTIONS OF AI'S IMPACT ON THE LEGAL PROFESSION

There are disagreements among legal professionals and even experts who are in the AI and technology fields regarding, what impacts, if any, AI could have on the legal profession in the future. Some believe the impacts will be beneficial and positive, while others portray the impacts in much more of a negative light.

For instance, in an article by Lauri Donahue, she suggests that "a consensus has emerged that AI will significantly disrupt the legal market," as well as "impact the availability of legal sector jobs, the business models of many law firms, and how in-house counsel leverage technology".

According to the McKinsey Global Institute, about 23% of a lawyer's daily job duties could be automated. Similarly, several estimates suggest that a lawyers' hours could result in a reduction of 13%, if all legal technology, including AI that is currently available is implemented and employed.

According to a 2016 Insight Report by Deloitte, it reveals that: Within the next twenty years more than 100,000 jobs in the legal sector are likely to be automated. Moreover, the Deloitte Insight report predicts profound reforms across the legal profession within the next 10 years, for which it finds that 39% of jobs (114,000) in the legal sector stand to be automated in the longer term as the profession feels the impact of more radical changes.

Deloitte further predicts that by 2025, the legal profession will see an overwhelming change as a result of the intense pace of technological developments, shifts in workforce demographics and the need to offer clients more value for money. In order for law firms to remain competitive and ensure that they attract the best talent to support their business, the time to develop a clear strategy to deal with these changes is now.

On the other hand, in a Law Journal by Sergio David Becerra, he indicates "AI is not likely to replace lawyers in procedural aspects of legal practice or in legal research. Instead, AI will be used to complete remedial tasks via automation-allowing lawyers to focus on the more detailed and high-level work of analysis. Accordingly, these various opinions amongst legal professions and experts may continue to exist as the use of AI in the legal field continues to develop daily. According to Professor Richard Susskind, the trend in the development of AI applications in the legal profession will continue to grow. He predicts that "The way lawyer's work will change radically in less than two decades, given the remarkable state of flux the legal profession finds itself in. Innovative ways of providing legal services will develop, new providers will be firmly established in the market, and the workings of the courts will transform."

As a result, Susskind predicts many conventional legal businesses will fail, unless they adapt.

On the contrary, entrepreneurial and creative young lawyers will be the ones with a whole set of fresh opportunities, which may be more advantageous to their future and success in the legal profession. According to Professor Gary E. Marchant: "AI represents both the biggest opportunity and potentially the greatest threat to the legal profession since its formation." Marchant indicates the radical effects of AI on the legal profession will continue to accelerate in the coming years.

The opportunity AI presents for an attorney or law firm today is to be leaders in efficiency, cost-effectiveness, and productivity. Nevertheless, the incorporation of AI into the legal practice "will be a matter of keeping up rather than being a leader." According to Marchant: One thing is certain—there will be winners and losers among lawyers who do and do not take up AI, respectively. As one senior lawyer recently remarked, 'unless private practice lawyers start to engage with new technology, they are not going to be relevant even to their clients.' Accordingly, it is time to jump on board because the AI train is leaving the station.

5.0. CONCLUSION

Despite the perpetual fear by the legal profession that AI will soon render lawyers obsolete, as this write up shows, it is likely that will not be the case. Yes, the legal profession is undoubtedly evolving at a fast pace by way of technological advancement; but the emergence of these new technologies may prove to be more beneficial, than not, to the legal profession.

As of today, the AI software companies appear to share a common goal, which is to create software that promotes efficiency and accuracy in the daily tasks of lawyers and the legal profession as a whole. Although AI can assist with the tasks as mentioned earlier, it cannot assist with understanding a client's needs and advocating for those needs, nor can it replace the oral advocacy skills of a seasoned lawyer.

On the other hand, is that not what it appears AI software is steering towards? For instance, a live human being is the one who inputs the data, or codes, into a machine-based learning system, and that data comes from the mental thought processes of a human being. Although it is likely subjective as it is based upon the cognizant thinking of the person who inputs the information into the machine. Therefore, the future of AI could potentially lead to software that is emotionally intelligent, cognizant of its surrounding social circumstances, and aware of the desires of the community.

Dr Leonard N. Kalinde is General Counsel in the Legal Services Department

Promoting Early Financial Literacy Education

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and Development (OECD) recommended that financial education start as early as possible and be taught in schools. Including financial education as part of the school curriculum is a fair and efficient policy tool. Financial education is a long-term process. Building it into curriculums from an early age allows children to acquire the knowledge and skills to build responsible financial behavior throughout each stage of their education. The introduction of a financial literacy assessment will result in a unique international benchmark on the level of financial literacy of young people.

- Teachers should be adequately trained and resourced, made aware of the importance of financial literacy and relevant pedagogical methods, and they should receive continuous support and training to teach financial literacy. The teachers should be able to identify topics of relevance to the Zambian context and those that are specifically tailored to our country's education system. This can also help ensure consistency on information disseminated.
- There should be easily assessable and effective learning tools and resource platforms. Different format of material from reading material, brochures, videos and games. Young people utilise different ways of learning. Practical, interactive and fun methodologies usually have the most impact.

LIBRA-Facebook to launch digital currency in 2020

Mr Kombe Kaponda

Mr Jimmy Couvaras

By Kombe Kaponda & Jimmy Couvaras

It came as a surprise to many people when it emerged in May 2019 that Facebook in-conjunction with other development partners would launch a digital currency called Libra in late 2020.

A digital currency is money which is available in digital form, distinct from traditional physical banknotes and coins. Digital currency can mean a digital representation of real money (fiat currency) or non-fiat currency.

Libra is a digital currency that is built on the foundation of blockchain technology. In a white paper published by the Libra Association, the mission for Libra is 'a simple global currency and financial infrastructure that empowers billions of people' (Libra, 2019).

WHO ARE THE FOUNDERS OF LIBRA?

The founding members of Libra comprise 28 founding member-companies that include investment firms such as Thrive Capital, Ribbit Capital and union square ventures, Block chain companies such as coin base, social media companies such as Facebook through its newly formed subsidiary called Calibra. Members also include payments companies such as Mastercard, Visa and PayPal. The complete list of the 28 funding companies is shown in the Figure below.

Facebook is expected to play a leading role in the early formative stages of Libra. The founding members have also created the Libra Association which is an independent not-for-profit membership organisation headquartered in Geneva, Switzerland. The association's purpose is to coordinate and provide a governance framework for Libra. The association aims to have approximately 100 members by the target launch in the second half of 2020.

WHAT ARE THE CHANCES OF SUCCESS FOR LIBRA?

When evaluating the potential for success for Libra, it is helpful to look at the history of money. Money has been part of human history for almost 3000 years from the barter system to silver/gold to modern day banknotes and coins. Each successive stage in the evolution of money has mainly been intended to address the challenges faced in the earlier models. In this respect, and in view of tremendous advances made in digital technology, a digital currency such as Libra seems to be the next stage in the evolution of money. In a sense, it is quite inevitable. But there seems to be quite some apprehension towards Libra from very key stakeholders. Is digital currency really a bad thing? The answer is No even though there are improvements that are needed with many models of digital currencies. The main problem with Libra is not the message (introduction of a new digital currency) but the messenger (Facebook) and the timing of the message. Libra also poses questions on the sovereignty of a country's monetary policy. The challenges faced by Facebook over data privacy, security, election interference and misinformation are still fresh in the memories of many regulators, experts and other stakeholders. In view of Facebook's recent challenges, the current verdict seems to be that it cannot be trusted to handle financial transactions and data. And based purely on Facebook's recent history, these doubts are justifiable.

BABY STEPS

On their part, Facebook and its founding members have attempted to address some of the concerns raised against most common forms of digital currencies, notably bitcoin. Firstly, Facebook has recognised the need to work with regulators, experts and other stakeholders in the development of Libra. The collaboration between Facebook and reputable payment companies such as MasterCard and PayPal adds some credence to the Libra project. Facebook has also been transparent in highlighting potential challenges in the development of Libra. One such challenge highlighted by Facebook is that as of today there is a no proven solution that can deliver the scale, stability, and security needed to support billions of people and transactions across the globe on a permissionless network.

Further, Libra, unlike the majority of cryptocurrencies will be fully backed by a reserve of real assets. A basket of bank deposits and short-term government securities will be held in the Libra Reserve for every Libra that is created, thereby building trust in its intrinsic value. These are positive strides in delivering on the promise of a global digital currency.

FUTURE OUTLOOK

The evolution of money into a digital form seems quite inevitable. The prerequisites for this evolution seems to be falling into place, low cost smart phones and low cost data plans. The challenge for proponents of digital currency is to earn confidence and ensure acceptability of digital currencies.

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Kombe Kaponda Network Specialist in the ICT Department while Jimmy Couvaras is Manager-Payment Systems Development in the Banking, Currency and Payment Systems Department

Digital Financial Services Data Automation Project

Bank of Zambia and UNCDF collaborate to automate the digital finance industry data to enhance financial inclusion and economic development

By Malingose Kambandu

In May 2019, the Bank of Zambia (BoZ) and the United Nations Capital Development Fund (UNCDF) began working on a project to automate the digital financial services (DFS) data that comes in from digital finance providers such as banks, mobile network operators, microfinance institutions and third-party operators. The project is necessary for the DFS Ecosystem, as market data is critical to the growth of the industry, advancing digital financial inclusion and ultimately, Zambia's digital economy. It is championed by the custodian of DFS Data, BoZ, who has oversight of the industry and aims to increase financial inclusion nationwide. BoZ and the DFS Ecosystem as a whole, needed a system to aggregate, compile and analyse the data more efficiently and effectively than the existing manual system.

The DFS Data Automation System Project comes at an opportune time for Zambia's digital finance services industry. The market has seen incredible year-on-year growth since 2015 when only 59.3% of the population were financially included; from 2017 to 2018, there was an annual growth rate of DFS accounts of 89%, with 16.5 million registered DFS accounts. The growth of the digital economy means more Zambians will be able to leverage these services to improve their livelihoods, and BoZ actively collaborates with many stakeholders to support local economic development and address the Sustainable Development Goals (SDGs).

Working with UNCDF, BoZ and several financial service providers is creating a data platform into which over 50 Zambian DFS providers can input their transaction data, which will then be aggregated, analysed and available to all users in real time. In addition, the data will be disaggregated by sex and gender, to increase financial inclusion by 13% by 2022 and by having access to real-time data, the central bank - the custodian of these data - can view progress made in achieving this goal.

Director Banking, Currency and Payment Systems, Mr Lazarous Kamanga, said this project is critical to the success of driving financial inclusion for all Zambians. "In Bank of Zambia, we strive to be a responsive and data-centred organisation. This project helps us to better measure financial inclusion, and how to advance it all over Zambia. We also welcome the reduced time it will take to deliver important data to the Zambian DFS Ecosystem, as well as the increasing number of Bank of Zambia stakeholders interested in learning more about DFS activity in Zambia. We welcome the partnership with UNCDF to help accomplish this important goal and look forward to its success and benefits to the entire ecosystem."

At the end of August, a delegation from BoZ and other project champions in financial institutions, such as MTN, Zanaco and Zoona undertook an exposure visit to Nepal to learn more about the data automation project conducted in that country with the central bank the Nepal Rastra Bank. The delegation met with Nepal Rastra Bank Deputy Governor Mr Chinta Mani Sowakoti, development partners and commercial banks to learn of their experiences using the Nepal Rastra Bank reporting and eMapping portal; to further expand knowledge on the digital finance sector, and the delegation visited various digital finance providers in Kathmandu, such as eSewa and IMEPay, to see what products and services are available for customers. One of the learnings from the visit to Nepal was that country's deliberate policy towards smartphone penetration and thus a move away from agency-based to app-based transacting. In addition, Nepal exhibits more integrations towards interoperability which Zambia is still working towards. Such examples illustrated what was possible for the growing Zambian market.

Reflecting on the overall project after the trip to Nepal, Moonga Chinika, Compliance Manager for Mobile Financial Services at MTN said, "The payment systems industry is growing and evolving at a tremendous rate and MTN has supported the initiative by BoZ for an Automated Reporting Platform which will enable BoZ to gain deeper insights into the industry. We appreciate that it will also give us a better sense of the market, as well as to keep abreast of emergent industry trends."

UNCDF and BoZ issued a Request for Proposals using a Business Requirements Document designed with the Bank of Zambia in December 2018. The resulting chosen vendor for this project is SmartSolutions, a technology firm based in Nepal and the USA. Three main departments within BoZ work closely with the development team on the platform: Non-Bank Financial Institution Supervision, Information and Communication Technology (ICT) and the Banking, Currency and Payment Systems Division. The data platform is open-source and modular and is expected to go live in the last quarter of 2019.

Malingose Kambandu-Nkhoma is Communications and Knowledge Management Consultant Mobile Money for the Poor (MM4P) at the United Nations Capital Development Fund

The Electronic Library Management System: Sirsi Dynix

By Kamyalile Simuchimba Chileshe

Developments in the information technology sector have forced organisations to introduce and upgrade service delivery. Information explosion and new technologies are characterising today's ever changing world. Libraries are a storehouse of knowledge and are important in todays' knowledge driven society. In the age of information explosion, Libraries have to adopt these new technologies in order to change their information storage, retrieval and services.

Ms Kamyalile Chileshe

Libraries need to use the appropriate Information Communication Technologies (ICTs) to ensure that vital information is available and accessible.

The Bank of Zambia (the Bank) in fulfilment of its mission and objectives requires access to information as a strategic corporate resource for informed actions at all levels. The Bank of Zambia Library plays an important part in meeting the information needs of the Bank and other stake holders. However, developments in information and communication technologies and other changes affecting information provision requires the Bank to adapt and reassess the delivery of Library services. The Library collects a lot of materials in print format, which include books, periodicals, reports and magazines that provide important information to support the core functions of the Bank. However, these materials are not cost effective in terms of space and accessibility. Therefore, the Library has to reposition itself to develop a collection that would efficiently meet users' needs in a cost effective manner. The Library is moving towards the provision of electronic information resources to supplement the print collection. The sources of information now need to be integrated to provide users with seamless access to information. In order to enable users to directly access and use a range of electronic resources, the Bank procured an Electronic Library Management System (ELMS) called Sirsi Dynix.

Benefits of the ELMS

The ELMS has made it possible for Library services to be automated, as these services have moved from being manual to electronic. The use of newer technologies such as Sirsi Dynix has improved the efficiency and effectiveness of Library service provision. The ELMS has helped to build a digital platform that provides an interface between the users and Library staff. The system has improved the quality of reports produced by Library staff. There are several benefits of having a Library Management System as it makes the Library operations more efficient. Library staff are able to clearly report to management on various Library activities such as the usage of the Library information materials. The use of an Electronic Library Management System is important for any Library in accelerating development efforts towards achieving any stated strategic plan. Library staff support the objectives of the Central Bank's strategic plan by providing easy access to vital information.

The Symphony Module

Symphony is a powerful and flexible collection management system that can greatly enhance the service delivered by the Library. The Symphony is a component of the Sirsi Dynix and is mainly used by Library Staff in the provision of Library services. The Symphony explained in simple terms as the ability of Library staff to use the ELMS to circulate books to the users. Scanners and barcoded information materials are used to circulate books. The Symphony has been designed to reflect the policies and practices of the Library. It has been configured and customised in that it remains flexible in the provision of a wide range of functions. The symphony provides Library staff with a built in Content Management System (CMS) that is used for circulation, cataloguing, accounts managements, reports and serials management. User experiences may be customized with the use of profiles, self-registration and placing holds. My account enables users to view a column for the expiration date of hold pick-ups and the location of a particular information material.

Patrons of libraries using the Symphony may select to receive various types of email or SMS alerts. The Symphony enables patrons to enter a subject when emailing item descriptions and lists to Library staff.

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Zambia FinTech4U Accelerator

An initiative of :

BongoHive

UNCDF Unlocking Public and Private Finance for the Poor

The United Nations Capital Development Fund (UNCDF) and BongoHive Innovation and Technology Hub have partnered to launch the FinTech4U Accelerator Programme.

FinTechs that have been operating from three months to three years are invited to apply for the six-month programme, which is a three-month startup programme and an additional three months of support to businesses that are selected to participate.

Eligibility criteria:

- Open to businesses in the FinTech and Digital Financial Services industry
- Have a minimum viable product
- Have been in business for 3 months to 3years
- Able to grow in and outside Zambia
- Can demonstrate market traction
- Have products and services that include traditionally under-served populations

Programme dates:
20th January 2020 - 16th April, 2020

Benefits for participants:

Each participating FinTech will receive $3000 to achieve milestones within the programme. This is in addition to 3 months intensive technical assistance, Regulatory Guidance by UNCDF in partnership with relevant regulators, one-on-one Accounting & Finance Advisory and introduction to Funding, Promotion and Travel Opportunities

For more information:
www.fintech4u.co.zm
contactus@fintech4u.co.zm

Funded by:

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In Partnership with:

ZICTA

Bank of Zambia

SEC Securities and Exchange Commission

30 years of Central Banking
Heart-warming employee stories


Mr Boma


Mrs Msiska


Mrs Sampa


Mrs Lengwe

By Zambanker Reporter

Sticking with anything for 30 years is no simple accomplishment. Years ago, it was common to start and end one's career with a single organisation. Nowadays however, employees regularly switch organisations for various reasons. The Bank of Zambia remains one such institution, where employees sometimes spend all their working lives during which they are continuously exposed and challenged to better ways of doing things.

In Human Resources Management circles, serving one institution for a 30-year period demonstrates confidence and stability. Mr Andrew Boma, Mrs Towela Helen Lengwe, Ms Mweempe Moolo Sampa, Ms Jane Sibande and Mrs Pamela Msiska are among many Central Banks employees who have spent three decades respectively. They have been a staple at the Regional Office with institutional knowledge combined at more than a century.

Mr Andrew Boma joined the Bank on 28th September 1989, as a clerk in the Administration Department. He is currently, Clerk - Day Book in Banking, Currency and Payment Systems while **Mrs Pamela Msiska** joined the Bank on 1st November 1989 as clerk at Head Office. She is currently Assistant Human Resources Officer. She was in the foreign Operations Department at inception.

Mrs Mweempe Sampa joined the Bank on 25th October 1989, in the Currency Department as Note Examiner at Regional Office, she is Stores Officer.

Ms Jane Sibande joined the Bank on 1st October 1989 as Note Examiner and she is currently Clerk – Clinic Records.

Talking about her experiences in the Bank, Ms Sibande says 'my experiences at the Bank are that adaptability to the changing environment, dedication to duty, sincerity, honesty, keeping in mind institutional goals are key to succeeding as a Central Banker.

Mrs Lengwe says I have been happy working with the Bank because it has developed in me persistence and strengthen to forge ahead even in the most challenging of circumstances.

Mrs Msiska said that the Bank has developed her into a better person both as an employee and as a private individual." "I've not only been trained but I have also been given an opportunity to train and induct others into the operations of the Bank. In short, the Bank has been more than a place of work to me. It has become my second family," she said.

Meanwhile, **Mr Boma** says he is proud to belong to and be associated with the Bank. He says he considers it 'a greater honour and privilege to be part of the few among many aspirants that directly contribute towards the Bank's Mission'.

He adds that the trainings, social amenities and various team building activities that the Bank has put in place have been an enabler to keeping employees motivated. The Bank provides social and interactive activities through clubs such as chess, netball, football, scrabble and a few others.

Mrs Sampa says the Bank has provided her with ample opportunities to learn and develop her skills. She adds that the work environment has been friendly and supportive to her professional and personal growth.

Most Enjoyable part of the Job

Mrs Msiska - some of my most enjoyable moments in the Bank have for instance been, receiving an incremental Salary notch when I graduated with a Diploma. The increment motivated me to work even harder for my Degree. Further, HR is a service department and it makes me happy to interact with all members of staff. My position is unique in that it gives me an opportunity to know and understand human behaviour from different perceptives. I also have a rare opportunity to take new staff around the Bank and introduce them department by department!

Mr Boma - the most enjoyable part of my job is the challenge to be on top of things all the time. In my Job, one cannot afford to make mistakes. You have to be alert and vigilant and that keeps me on my toes and inquisitive! There is no down time. In addition, I work with a team of dedicated, motivated and hardworking individuals who always want us to succeed as a team as per our orientation because if one fails, the entire chain is affected. In short, Currency Accounts Division is full of positive energy and I enjoy that!

Mrs Lengwe –some of my most enjoyable moments are the experiences of my current job wherein I have learnt to observe, serve and engage members. My work requires a lot of patience as my clients always expect me to exceed their expectations. For instance, besides the standard operations, I am expected to organise and maintain the Zambia International Trade Fair (ZITF) as well as the Copperbelt show (CAMINEX) pavilions. These events form some of the major highlights in the dispensation of my duties as I am expected to cater for a diverse set of individuals who are nominated to participate at these exhibitions.

Accordingly, I have come to appreciate the importance of staff from the junior most to the most senior officer because each plays a unique and important role in fulfilling the Bank's mandate. I work very closely with Maintenance staff, Office Services staff, Transport staff and among others.

I was very skeptical of the Job when I was moved from Purchasing to Office Services. I barely understood the requirements and that made me jittery. However, the support I have received from management and all members of staff helped me settle pretty soon and I have come to understand and appreciate my role and what it means to keep an institution like ours functioning and being in the cleanest possible state.

Mrs Sampa - being a Stores Keeper is a very interesting role and keeps me on my toes but I enjoy it because I have learnt and mastered the job! Knowing that you are serving many departments and being aware that what we hold in stores if not managed properly, can paralyze the functions of other departments makes me take my job very seriously. These habits have inadvertently trickled down to how I even manage a lot of things at home. It has made me a better and much more efficient planner,

Ms Sibande - I enjoy my work because it provides me an opportunity to show good quality patient care and that among other things is very rewarding to me. I have come to know a lot of people from my interactions with staff, their families and friends and the recognition I get out of this is beyond imagination! Everyday, I appreciate how much the clinic does in keeping the Bank's workforce and their immediate families healthy.

Part of the 30 year team at a fundraising event in secondary school uniform

Motivating others – boosting your people skills

By Siphiwe Namposha Mwaba

Greater things happen when people are motivated. Most supervisors believe their teams should be automatically motivated and that thinking about motivation comes standard with the person. However, this is seldom the case, the fact is that each person is different in the way that he or she becomes and sustains being motivated.


Ms Siphiwe Mwaba

When you think about it, the success of any facet of any business or institution can almost always be traced back to motivated employees. Unfortunately, motivating people is far from an exact science.
There's no secret formula, one employee may be motivated only by money, and another may appreciate personal recognition for a job well done. Still another may work harder if he or she has equity in the business.
But you can boil down employee motivation to one basic ideal: finding out what your team members want and finding a way to give it to them or to enable them to earn it.
I gathered some of the most interesting motivational techniques from Robert Bolton and Thomas Peters in their books People Skills and Thriving on Chaos respectively.
The techniques are listed below and I hope these techniques are something we can apply as we manage our teams.

Follow the basic rules of inspiring others
Communicate to people that what they do is important.
Provide autonomy in how people do their work and provide a variety of tasks.
Surprise people with enriching, challenging assignments and show interest in their careers.
Adopt a learning attitude towards mistakes, celebrate successes and have visible accepted measures of achievement.

Know and play the motivation odds
According to research by Rewick and Lawler, the top motivators at work are; ranked in that order

1. Job Challenge
2. Accomplishing something worthwhile
3. Learning New things
4. Personal Development
5. Autonomy.

Pay (12th) Friendliness (14th) Praise (15th) are not insignificant but are superficial compared with more powerful motivators. Supervisors are encouraged to provide challenges, create a common mind-set, as well as set up chances to learn and grow.

Use goals to motivate
Most people are turned on by reasonable goals. They like to measure themselves against standard.
They like to see who can run the fastest, work the best. People like goals that are realistic and stretchy. People are even more motivated when they participate in setting goals.

What Drives People?
What they do first, what they emphasize in their speech, what values play out for them. People might focus on details, concepts, feelings or other people in their speech. This again can tell you how to appeal to them by mirroring their speech.
You need to know what people's hot buttons are because one mistake can get you labelled as insensitive with some people. The only cure here is to see what turns up the volume for them.

Turn Off your Judgement Program – in trying to reach someone, try not judging them, you don't have to agree, you just have to understand in order to motivate them

Be able to speak their language at their level – this shows respect for their way of thinking.
Speaking their language makes it easier for them to talk with you and give you the information you need to motivate.

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Current and a former member of staff at a team building activity recently

Career Trends


Dr Francis Chipimo - Deputy Governor - Operations


Dr Bwalya K.E Ng'andu - Minister of Finance

Director Economics Department, Dr Francis Chipimo has been appointed Deputy Governor – Operations following the appointment by His Excellency, President Mr Edgar Lungu of former Deputy Governor – Operations, Dr Bwalya K.E Ng'andu, as Minister of Finance. Dr Ng'andu's appointment was with effect from 15th July, 2019. Consequential adjustments have been made to senior staff alignment. Notable changes are: the movement of Dr Jonathan Chipili to Economics from Financial Markets at the same level of Director, and the appointment of Mr Isaac Muhanga as Director for Financial Markets. Mr Muhanga was Assistant Director, Financial Stability.


Dr Jonathan Chipili - Director Economics


Mr Isaac Muhanga - Director Financial Markets

Change of Job titles:

General Counsel & Deputy General Counsel


Dr Kalinde - General Counsel

The job title of Director – Legal Services has been changed to General Counsel while the position of Assistant Director - Legal Services has been changed to Deputy General Counsel effective 27 August 2019.


Ms Helen Banda - Deputy General Counsel

Dr Wilson Phiri

The following have been promoted to Assistant Director Level with effect from 27 August 2019

Dr Wilson Phiri
PREVIOUS POSITION: Senior Economist – Monetary Sector (BOZM6)
NEW POSITION: Assistant Director – Macro Economic Analysis (BOZM7) Assistant Director

Ms Florence Pandala
PREVIOUS POSITION: Accountant – Back Office Treasury Operations (BOZM6)
NEW POSITION: Assistant Director – Back Office Treasury Operations (BOZM7)

Mr Happy Mulwe
PREVIOUS POSITION: Performance Management Specialist (BOZM6)
NEW POSITION: Assistant Director – HR Operations and Performance (BOZM7)

Mr Nayoto Moola
PREVIOUS POSITION: Manager – Security Operations (BOZM6)
NEW POSITION: Assistant Director – Security (BOZM7)

Ms Florence Pandala

Mr Happy Mulwe

Mr Nayoto Moola

Motivating others – boosting your people skills

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Bring him/her into your world - Tell your team members your conceptual categories. The team needs to know how the supervisor thinks and tell them your perspective – the questions you ask, the factors you are interested in.

Motivating is personal - Know three non-work things about everybody, their interests and hobbies or their children or something you can chat about. If you ask people a few personal questions, you will find you have something in common with virtually anyone.
Having something in common will help you bond and grow relationships and allow you to individualise how to motivate.

Turn a negative into a motivator - If a person is touchy about something, he/she will respond to targeted help. If someone is demotivated, look to both personal and work causes. This person may respond to a job challenge, help them see how things work.

The easiest way to motivate someone is to get him/her involved deeply in the work he/she is doing. Delegate and empower as much as you can. Get your team members involved in setting goals and determine the work processes to achieve these goals.
Ask the team's opinions about decisions that have to be made, share the team's success, debrief the failures together.
According to Sir Richard Branson, there is no better sales person than one who loves their job and sings its praises.
By putting employees first, the customer effectively comes first by default, and in the end, the shareholder comes first by default as well. Demotivation therefore goes beyond customer satisfaction, company profitability and decreased productivity.
It's fairly certain that if people are motivated, they're going to put in more discretionary effort. This will lead to higher performance, happier customers, higher productivity and higher employee engagement.

Siphiwe N. Mwaba is Manager –Shared Services and Compensation in the Human Resources Department

In line with the Bank of Zambia Staff Rotation Policy, the following changes have been made at Assistant Director Level. The movements are with effect from 14 August 2019


Mr Ivan Zyuulu

Mr Ivan Zyuulu
Previous Position: Assistant Director – Balance of Payments and Debt
(Economics Department)
New Position: Assistant Director - Balance of Payments Monitoring
(Economics Department)


Ms Angela N Chileshe

Ms Angela N Chileshe
Previous Position: Assistant Director – Currency Management
(Banking, Currency and Payment Systems Department)
New Position: Assistant Director – Information and Statistics
(Economics Department)


Mr Steven Musuku

Mr Steven Musuku
Previous Position: Assistant Director – Regional Office
(Regional Office)
New Position: Assistant Director – Balance of Payments and Debt
(Economics Department)


Mr Douglas Kalamatila

Mr Douglas Kalamatila
Previous Position: Assistant Director – Market and Risk Analysis
(Financial Markets Department)
New Position: Assistant Director – Domestic Market Operations
(Financial Markets Department)


Ms Nancy Mwilwa

Ms Nancy Mwilwa
Previous Position: Assistant Director – Domestic Market Operations
(Financial Markets Department)
New Position: Assistant Director – Foreign Market Operations
(Financial Markets Department)


Dr Musonda Simwayi

Dr Musonda Simwayi
Previous Position: Assistant Director – Security
(Security Division)
New Position: Assistant Director – Change Management and Innovation
(Strategy and Risk Management Department)

Mr Goodson Kataya

Mr Goodson Kataya
Previous Position: Assistant Director – Foreign Market Operations (Financial Markets Department)
New Position: Assistant Director – Financial Stability (Financial Stability Unit)

Ms Brenda Mwanza

Ms Brenda Mwanza
Previous Position: Assistant Director – Information and Statistics (Economics Department)
New Position: Assistant Director – Financial Sector Development (Non-Bank Financial Institutions Supervision Department)

Mr Mbinga Kafunya

Mr Mbinga Kafunya
Previous Position: Assistant Director – Examinations and Surveillance, Portfolio A (Non-Bank Financial Institutions Supervision Department)
New Position: Assistant Director – Regulatory Policy, Licensing and Liquidations (Non-Bank Financial Institutions Supervision Department)

Ms Mankolo Beyani

Ms Mankolo Beyani
Previous Position: Assistant Director – Regulatory Policy, Licensing and Liquidations (Bank Supervision Department)
New Position: Assistant Director – Examinations and Surveillance, Portfolio A (Non-Bank Financial Institutions Supervision Department)

Mr Raphael Phiri

Mr Raphael Phiri
Previous Position: Assistant Director – Maintenance (Procurement and Maintenance Services Department)
New Position: Assistant Director – Currency Management (Banking, Currency and Payment Systems Department)

Mr Zifa J Mphande

Mr Zifa J Mphande
Previous Position: Assistant Director – Regulatory Policy, Licensing and Liquidations (Non-Bank Financial Institutions Supervision Department)
New Position: Assistant Director – Banking (Banking, Currency and Payment Systems Department)


Mr Musapenda Phiri

Mr Musapenda Phiri
Previous Position: Assistant Director - Financial Sector Development (Non-Bank Financial Institutions Supervision Department)
New Position: Assistant Director – Regional Office (Regional Office)

Mr Paul Muyinda
Previous Position: Assistant Director – Back Office Treasury Operations (Finance Department)
New Position: Assistant Director – Regulatory Policy, Licensing and Liquidations (Bank Supervision Department)


Mr Paul Muyinda


Mr Emmanuel Malukutila

Mr Emmanuel Malukutila
Previous Position: Assistant Director – Internal Audit (Internal Audit Department)
New Position: Assistant Director – Enterprise Risk Management (Strategy and Risk Management Department)

Ms Edith Kabalika
Previous Position: Assistant Director – Banking (Banking, Currency and Payment Systems Department)
New Position: Assistant Director – Internal Audit (Internal Audit Department)


Ms Edith Kabalika


Ms Marjory Mumba

Ms Marjory Mumba
Previous Position: Assistant Director – Change Management and Innovation (Strategy and Risk Management Department)
New Position: Assistant Director – Shared Services and Employee Relations (Human Resources Department)

Mr Maulu Hamunjele
Previous Position: Assistant Director – Balance of Payments Monitoring (Economics Department)
New Position: Assistant Director – Seconded to Special Projects – Credit Union


Mr Maulu Hamunjele

'We welcome constitutional refinement'

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time. It is thus the Bank's considered view that the checks and balances provided in the National Assembly and Constitutional Court oversight in the current Constitution are progressive in our democratic dispensation as they contribute to ensure that only the suitably qualified candidates are appointed and beneficial measures are implemented.

vii. **Section 38 of the Bill proposes to amend the Constitution Act by insertion of a new Article 117A, which gives power to the President to appoint Deputy Ministers.**

This provision will add to the cost of running Government as these office bearers will be an additional charge on Government revenues, which can be well utilized to improve delivery of social benefits to the citizenry.

It is also not clear how the current arrangement has prevented Government's ability to function effectively and efficiently. We firmly believe that efforts towards efficiency and effectiveness in service delivery must target the technocrats who are the implementers of Government Policy.

viii. Section 55 of the Bill proposes to repeal and replace Article 158 of the Constitution Act dealing with by-elections for Mayor, Council Chairperson and Councillor.

We note that while Article 158 of the Constitution Act is being repealed, there is no corresponding replacement of the Article and thereby leaving a lacuna in the law as to what should happen whenever there is a vacancy in the office of the Mayor, Council Chairperson, and Councillor.

We propose that there should be provision in the Constitution for Parliament to prescribe how a vacancy in these offices will be filled.

ix. Section 61 of the Bill proposes amendments to Article 176 of the Constitution Act dealing with qualifications for the Secretary to the Cabinet.

We note that the proposed amendment repeals the requirement for a candidate to the office of Secretary to the Cabinet to have previously served for at least 10 years as Permanent Secretary or equivalent rank before appointment.

It is our considered view that this amendment dilutes the qualifications to that office considering the pivotal role played by the office in the public service.

We also note that the Bill has not defined the new qualifications of having served in senior management in the public service for one to qualify for appointment as Secretary to the Cabinet.

Section 65 of the Bill proposes the deletion of Article 184(2)(d), which makes Permanent Secretaries to be responsible and accountable for the proper financial management and expenditure of public monies appropriated.

It is our considered view that the Article proposed to be deleted goes a long way in improving accountability of public funds by making the Permanent Secretary personally responsible for this task. Its deletion without a corresponding placement of this important obligation on another office may erode gains so far made towards public finance management.

Section 66 of the Bill proposes amendments to Article 186 dealing with participation of public officers in politics.

While the proposed amendment speaks to the introduction of a time limit for resigning, there is lack of clarity on whom the Article applies to in light of Article 186(2) which qualifies that it applies to Constitutional Office Holder.

Constitutional office holders, according to Article 266 are only the Attorney General, Solicitor General, Director of Public Prosecutions, Public Protector, Secretary to the Cabinet, Secretary to the Treasury and Permanent Secretaries.

To eliminate the ambiguity, we would propose that Articles 186(1) and 186(2) are merged to provide that a public officer holding a Constitutional Office who seeks election, or is appointed, to a state office shall resign. It is also our considered view that the cooling off period of 2 years is not only too long, but is also discriminatory as it relates to constitutional office holders and does not apply to the entire public service.

Since the cooling off period is a derogation of the affected person's right to participate in the governance of their country, perhaps a much lower period of say six months to one year may be more justifiable.

Section 69 of the Bill Proposes to amend Article 193(1) of the Constitution Act by providing for the establishment of the Anti-Drugs, Economic and Financial Crimes Agency.

We note that the specific roles of the Anti-Drugs, Economic and Financial Crimes Agency have not been stated as is the case for all others created by the same Article, such as, the Zambia Police Service (Article 193(2), Zambia Security Intelligence Service (Article 193(3), and the Zambia Correctional Service (Article 193(4)).

It is our considered view that in the absence of clearly stated mandate of this Agency there is likely to be operational interference with the existing Drug Enforcement Commission and the Financial Intelligence Centre, which have been recognised internationally as doing good work for the country.

Section 74 proposes to repeal and replace Part XVIII of the Constitution Act without replacing the Gender Equity and Equality Commission

We note that the proposed Article 216(1) is broad enough as an enabling provision for the establishment of any commission, such as, the Gender Equity and Equality Commission. However, the repeal without replacement of the Gender Equity and Equality Commission may be construed as a relegation of its importance and a walk back on the country's international and national commitments towards gender equity and equality.

Equity and equality remain part of our national values and principles under Article 8 of the Constitution Act and the establishment of the Gender Equity and Equality Commission in the Constitution is an important statement of the importance the country places on gender equity and equality.

We are equally alive to the important and unique role that gender equity and equality play in the economic development of any country. We therefore propose that the Gender Equity and Equality Commission be retained in the Bill so as not to erode the gains made towards gender equity and equality.

Separations

By Zambanker reporter

Seven (7) members of staff have separated from the Bank through political appointment, voluntary early separation and retirement.

Dr Bwalya Ng'andu separated from the Bank on 15th July, 2019 following his appointment as Minister of Finance. He was Deputy Governor - Operations at the time of his separation. He joined the Bank on 3rd October, 2011.

Ms Bertha Chisola separated from the Bank through voluntary early separation on 31st July, 2019 after working for over 15 years. She was a Senior Internal Auditor in the Internal Audit Department at the time of her separation. She joined the Bank on 15th December, 2003.

Bank Supervision Department lost one employee in the name of Ms Marble Sikanyiti. Ms Sikanyiti separated from the Bank through early retirement on 23rd July, 2019 after working for slightly over 18 years. She was an Inspector – Inspections at the time of her separation. She joined the Bank on 2nd April, 2001.

Mr Robert Banda separated from the Bank through early retirement on 5th September, 2019 after working for over 30 years. He was Assistant Manager – Service Continuity in the Information and Communication Technology Department at the time of his separation. He joined the Bank on 5th December, 1988.

Ms Grace Longwe retired on 27th July, 2019 after working for slightly over 27 years. She was a Security Officer – Operations at Regional Office at the time of her separation. She joined the Bank on 13th April, 1992.

Ms Diana Chisulo separated from the Bank through voluntary early separation on 30th July, 2019 after working for over 30 years. She was an Assistant Director – Support Services at Regional Office at the time of her separation. She joined the Bank on 9th December, 1988.

Ms Rhoda Musonda separated from the Bank through early retirement on 27th September, 2019 after working for close to 37 years. She was a Stores Officer at Regional Office at the time of her separation. She joined the Bank on 20th October, 1982.

Obituary

By Zambanker reporter

The Bank of Zambia lost one member of staff in the third quarter of 2019 through a road traffic accident. Mr Oliver Ndhlovu died on 6th August, 2019. He joined the Bank on 1st November, 1989 as a Cheque Processing and Clearing Clerk. He was a Statistical Assistant - Field Surveys in the Economics Department at the time of his demise.

May His Soul Rest in Eternal Peace

New Faces

By Zambanker Reporter

The Bank of Zambia has recruited nine members of staff in the third quarter of 2019.

Departments that benefited from the recruitment are Internal Audit, Information and Communication Technology (ICT) and Economics.

On 29th July, 2019, seven new members of staff joined Economics Department as Statistical Officers. Two are based at Regional Office while five are based at Head Office.

Those who joined the Regional Office Economics team are Ms Moono Basila and Mr Gabriel Musonda while Mrs Victoria Hamaleka, Mr Evance Jeri, Mrs Theresa Chibwe, Mr Patrick Mulenga and Mr Bright Chansa joined the Head Office team.

Ms Moono Basila joined the Economics - Regional Office team as a Statistical Assistant – Research. She holds a Bachelor of Economics (Honours) degree from the University of Namibia. She worked for Zambia Revenue Authority as a Research Assistant - Research and Policy before joining the Bank.

Mr Evance Jeri joined the Economics team at Head-Office as a Statistical Assistant – Database. He holds a Bachelor of Science (Honours) degree in Economics from the Lovely Professional University in Punjab, India. He worked for the Central Statistics Office as a Statistician before the joining the Bank.

Ms Theresa Mwale Chibwe Joined the Economics team at Head-Office as a Statistical Assistant - Private Capital Flow. She holds a Master of Arts (MA) degree in Economics and a Bachelor of Arts (BA) degree in Economics, both obtained from the University of Zambia. Prior to joining the Bank, she worked as an Executive Assistant to the CEO at MCA-Zambia. She has also worked as a Junior Researcher, Trainer, Supervisor and Research Assistant with institutions such as the University of Zambia, International Labour Organisation (ILO) and German International Cooperation (GIZ). Ms Chibwe also worked as a tutor of Economics in the Economics department of the University of Zambia. She is a member of the Economics Association of Zambia (EAZ).

Mr Patrick Mulenga joined the Economics team as a Statistical Officer – Research. He holds a Master of Arts degree in Economics with specialisation in Monetary Economics and International Finance from the University of Zambia (UNZA). He also has a Bachelor of Arts degree in Economics from UNZA, a certificate in Investment and Finance from

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Frequently Asked Questions (FAQ) About Payment Systems In Zambia

Introduction

A number of payment system options are available for both individual and organisational customers to use to transfer funds. While there is a high dependency on and usage of cash as a means of making payments, a number of alternative electronic payment options are available that are secure, efficient and convenient.

To provide overall clarity on inquiries, this write up clarifies and answers some of the most frequently asked questions about payment systems in Zambia.

Q1. When did the National Payment Systems (NPS) Act come into effect?

The National Payment Systems Act 2007 was enacted in 2007 and came into force on 12th April, 2007 by an Act of Parliament.

Q2. What is the objective of the National Payment Systems Act?

The NPS Act, 2007 provides for the management, administration, operation, supervision and regulation of payment, clearing and settlement systems in Zambia. The Act also empowers the Bank of Zambia to develop and implement payment, clearing and settlement systems policies that aim to promote efficiency, stability and safety of the Zambia financial system.

Q3. What is a "Payment System" under the NPS Act, 2007?

The NPS Act 2007 defines a payment system to mean a 'clearing and settlement system operating under clearing house rules.' Payment systems enable payments to be effected between a payer and a beneficiary, involving clearing, payment or settlement service or all of them.

Q4. Are entities operating a payment system or intending to operate a payment system required to get a license, approval or authorisation for the purpose?

In terms of Section 7 and Section 12 of the NPS Act 2007 no person can operate or commence a payment system unless authorised/designated by the Bank of Zambia. Any person desirous of commencing or operating a payment system needs to apply for designation under the NPS Act, 2007 (Section 7 and 12).

Q5. Is there any application fee to be submitted along with the application for authorisation?

A sum of K1,000 for Payment System Businesses and Participants and K1,500 for Payment Systems is required to be submitted as application fee, which can be submitted by cheque or electronic fund transfer in favor of the Bank of Zambia. The Act defines a Payment System Business as a business providing money transfer services, e-money issuances and other forms of business as may be deemed so by the Bank of Zambia. A Payment System on the other hand has been defined as an infrastructure that has been set up to offer clearing or settlement services. Further, the Act defines a Participant as a member of a payment systems. Additionally, the applicant may pay security clearance fees for its executive and board members.

Q6. What are the factors which the Central Bank will consider while deciding on an application submitted for authorisation/designation?

In evaluating an application, the Bank of Zambia will consider several factors such as the technical standards and design of proposed system, the security procedures, the terms and conditions of operation of the proposed system, risk management processes, the financial status of the applicant, experience of the applicant's management team, integrity of the applicant, consumer interests, monetary and credit policies and other relevant factors.

Additionally, the Bank of Zambia will require that the applicant also puts in place measureS and is able to demonstrate capability to safeguard its customers against fraud, ability to monitor transactions for money laundering and terrorism financing. Another consideration made by the Bank of Zambia relates to the measures put in place by the applicant to ensure that its business and system are able to continue operating with minimal disruption even in the event of a disaster. This ensures that such disruption do not impact its customers. The Bank of Zambia also makes other considerations that are dependent on the type of application being made.

Q7. What is the RTGS System?

The acronym 'RTGS' stands for Real Time Gross Settlement, which can be defined as the Real Time Gross Settlement of funds transfers individually on an individual payment instruction basis (without netting). The other commonly used term for the RTGS system in Zambia is the Zambia Interbank Payment and Settlement System (ZIPSS). 'Real Time' means the processing of instructions at the time they are received rather than at some later time; 'Gross Settlement' means the settlement of funds transfer instructions occurs individually (on an instruction by instruction basis). Considering that the funds settlement takes place in the books of the Bank of Zambia where commercial banks hold their settlement accounts, the payments are final and irrevocable. Due to its critical nature to the industry and the economy at large, the RTGS system is operated and maintained by the Bank of Zambia.

Q8. How is the RTGS different from Electronic Funds Transfer System (EFT)or Direct Debit and Direct Credit

Clearing (DDACC)?
An EFT/DDACC is an electronic fund transfer system that operates on a Deferred Net Settlement (DNS) basis and settles transactions in batches. With DNS systems, transactions are processed in multiple batches or sessions in a day, while RTGS transactions settle in a continuous manner thus RTGS transfers tend to be faster and in real time. For example, EFTs in Zambia are currently processed in four (4) sessions. Additionally, while an upper value limit has been stipulated on EFTs, no such caps exist on for RTGS transfers.

Q9. Is there any minimum/maximum amount stipulation for RTGS transactions?
The RTGS system cover both large value and small value payments that are time critical or urgent. Currently, the RTGS system is the only system for domestic payments where there is no stipulation of a minimum or maximum amount of funds that can be transferred through it.

Q10. Is the RTGS available to members of the public?
Yes, members of the general public can transfer funds via the RTGS using their commercial banks. However, it should be noted that only commercial banks are can transfer funds through the RTGS system.

Q11. What is the time taken for effecting funds transfer from one account to another under RTGS?
Under normal circumstances the beneficiary branches are expected to receive the funds in real time as soon as funds are transferred by the remitting bank. Once remitted, the beneficiary is expected to be credit the funds almost immediately (i.e. on a real time basis)

Q12. What time is the RTGS service window available?
The RTGS service window for customer's transactions is available to banks from 08.15 hours to 16.00 hours on week days, meaning commercial banks are able to process payments on behalf of customers on the RTGS system within those time frames. However, commercial banks may stipulate closing times that are earlier than 16:00hrs to take into account their own internal procedures and in accordance with business operating hours of their branches – this is regardless of whether the payment instructions are lodged in manually or captured through electronic platforms such as interbank or mobile banking. That means payment instruction lodged in after the cutoff stipulated by the commercial banks are likely to be processed and settle the following business day.

The Electronic Library Management System: Sirsi Dynix

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Sirsi Dynix Enterprise
The Sirsi Dynix Enterprise features a search and discovery tool which highlights the full potential of all the Library's content with a single search that spans the Library databases, physical catalog, and digital catalog. It gives accurate, human-friendly results and a customisable look-and-feel that integrates with the Library website. Library users may use the Enterprise to place holds and reservations on specific Library items. The Enterprise module will provide an electronic interface between the Library users, Library staff and the LMS. The Enterprise is connected to Symphony using Web Services. It provides a powerful fuzzy-logic search engine with faceted limiting of results. The BlueCloud Discovery would enhance the Sirsi Dynix Enterprise with features of Portfolio which adds digital assets to search results. Additional features would include the use of Electronic Resource Central (eRC) which adds eBooks and eAudios to search results. The BLUEcloud PAC is another feature that adds new free entry-level discovery.

The Online Catalogue
The Library has improved from using a manual card catalogue to an online catalogue. The Electronic Library Management System (ELMS) enables users to access the Library collection via their workstations.
The Online catalogue facilitates access to all information materials held by the Library from a link hosted on the Bank's intranet. Library users do not need to come to the Library, thereby saving time and in a way increasing productivity and efficiency of Bank time.

The Library Webpage
The Library webpage features various links to subscribe to electronic databases, open access resources as well as digital libraries. Access to electronic databases is enabled using computers connected to the Bank's network.
These databases provide users with full-text information solution offering journal articles and book chapters which are peer-reviewed content. Science Direct is one of the main electronic database that the bank subscribes to and is available via www.sciencedirect.com.
Other major databases include EBSCOHOST, JSTOR, Emerald and the IMF library. These databases provide information that supports research and organisational learning needs of Bank. These databases empower users to stay informed in their field and be able to work more effectively and efficiently.
The Library intends to introduce a collection of electronic books (eBooks) for the first time in the Bank. Access to eBooks is fundamental for supporting research, lifelong learning and general information among readers. These eBooks will supplement the print collection and will add value to the collection. In order to develop its collection.
Maintaining a wide collection of e-books and making them available to the widest possible audience will ensure usability of the resources and a well-informed workforce that makes quality decisions. The Library webpage may be accessed through the followingURL: http://10.1.0.95 /client/en_US/U/

Conclusion
The introduction of the Electronic Library Management System (ELMS) has contributed to efficient Library operations as most of the functions are automated.
The webpage has been a platform used to promote materials as well as a search tool for Library users to know what the Library stocks. In order to increase usage of the Library Information resources, various awareness strategies will be embarked on using the ELMS. The ELMS has provided a platform for the visible presentation of Electronic databases that the Bank subscribes for.
The use of modern Information Communication Technologies (ICTs) has greatly contributed to the provision of modern, updated Library services that aim at meeting the information needs of users. Access to the on-line catalog and the Library webpage ensures that the staff are aware of latest Library information resources. Going forward, the Library hopes to embark on ways of developing a virtual Library and an electronic institutional repository via the Electronic Library Management System (ELMS).
The benefits of using ICTs to enhance Library service provision greatly outweigh those of using traditional and printed information materials.

Kamyalile Simuchiba Chileshe is Chief Librarian in the Economics Department

RO crushes HQ

By Zambanker Reporter

The Kwacha outfit (Regional Office), beat the Blues (Head office) 3 goals to 2 at an exciting game played at Levy Mwanawasa Stadium in Ndola recently, breaking the record in which head office has always emerged winner.

The footballers from Ndola included Kedrick Zombe, Musa Dube, Justine Sichunda, Katukula Mwela, Skinner Moya, David Kampamba, Felix Goma, Godfrey Goma, Vernon Siputuma, Hezron Banda, Mathews Chizu and Robert Mtonga while the Blues were represented by Handiya Mweemba, Musonda Simwayi, Otis Chirwa, Phillip Lungu, Elijah Chisukulo, George Zulu, Mickey Phiri, Muchimaezi Mulasikwanda, Peter Phiri, Lemana Mufishi, Ismael Bungwa, Andrew Sikena, Kawana Banga, Patrick Michelo, Silas Kabwe and Martin Chimwayi. Kwacha team members were happy that their nightmare of losing to Head Office was finally over. The Kwacha outfitters have in the recent past played against some of the most formidable teams on the Copper belt including Zambia Breweries whom they drown 4:2,
the Ndola Mandalas which they aged 2:1 and the Teachers who they taught 3:1 lessons.
Mr Brian Mulenga, Assistant Accountant – Trade Payments at Regional Office who is also Team Chairperson/goal keeper of the Kwacha football outfit explained that his team had been training hard, playing games and wining most of them but head office has proven to be a real nightmare.
"Musa Dube, Justine Sichunda, Katukula Mwela, Skinner Moya and David Kampamba were so sharp on the mark and made Regional Office very proud. I think we have a very talented team that played Head Office," espoused Mr Mulenga.
Speaking after being on the wrong end of the Kwacha thumping, Mr Patrick Luvota, Industrial Relations Officer encouraged more employees to take part in sporting activities as it provided an avenue for organizational team building and keeping fit. He thanked everyone who made it for the games and in particular those that had travelled from Lusaka.
Mr Luvota thanked Assistant Director Security, Dr Musonda Simwayi for his unwavering support for sports and thanked Human Resources Department for making the tournament possible. He also thanked Regional Director, Mr Visscher Bbuku for the warm reception given to the Blues in Ndola and was looking forward to a rematch with Head Office hosting their Ndola partners in Lusaka.

The two teams greeting before the match

New Faces

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Zambia College of Pensions and Insurance Trust (ZCPIT) and another certificate in financial modeling with excel from Zambia Centre for Accountancy Studies. He worked for the Industrial Development Corporation (IDC) as a Junior Analyst - Business Development before joining the Bank. Mr Mulenga is a member of the Economics Association of Zambia.

Mr Bright Chansa joined Economics Department as a Statistical Officer – Database. He holds a Bachelor of Science degree in Economics from the Copperbelt University, certificate in Investment and Corporate Finance from Zambia College of Pensions and Insurance Trust (ZCPIT) and is currently pursuing a Master of Arts degree in Economics with the University of Zambia. Mr Chansa worked as a Junior Analyst – Investment at the Industrial Development Corporation (IDC). He also worked at the Information and Communications University as an Economics Tutor.

Mr Chapanga Siame joined the Internal Audit team on 9th September, 2019 as an Internal Auditor. Mr Siame holds a Bachelor of Accountancy degree from the Copperbelt University (CBU). Before joining the Bank, he worked for Lawrence Sikutwa and Associates (LSA) Group of Companies as Internal Audit Manager where he supported the Group's subsidiaries comprising among others: Madison General Insurance, Madison Life Insurance, Madison Finance, Madison Asset Management Company and Madison General Insurance Tanzania in Audit, Risk and Compliance. He is a member of the Zambia Institute of Chartered Accountants and the Institute of Internal Auditors.

Mr Christopher Mwale joined the Information and Communication Technology (ICT) Department on 24th September, 2019 as Manager – ICT Security and Compliance. He holds a Bachelor of Engineering Degree from the Copperbelt University and an MBA from the Eastern and Southern African Management Institute (ESAMI). He is certified in Risk and Information Systems Control (CRISC), an EC-Council Certified Security Analyst (ECSA), Certified Ethical Hacker CEH, EC-Council Certified Incident Handler (ECIH) and ISO27001-Lead Implementer. Mr Mwale worked for PTA Bank as Senior Information Services Officer in charge of cybersecurity, service delivery and IT infrastructure before joining the Bank. He is a member of the Information Systems Audit and Control Association (ISACA), ICT Association of Zambia (ICTAZ).

Electronic Payment Methods In Zambia

A number of payments systems are available in Zambia that can be exploited by individuals and enterprises. A payment system is any system used to settle financial transactions through the transfer of monetary value, and includes the institutions, instruments, people, rules, procedures, standards, and technologies that make such an exchange possible.

There have been significant developments in the field of electronic payment methods in Zambia and the Bank of Zambia wishes to encourage the public to use these electronic payment methods as they are safer and more efficient than paper based instruments such as cash and cheques.

Some of the alternative payment channels include the Real-time Gross Settlement (RTGS) system also referred to as the Zambia Interbank Payment and Settlement System (ZIPSS), Electronic Funds Transfers (EFT) commonly known as Direct Debit and Credit Clearing (DDACC), Point-of-sale, Mobile payments and internet banking.

Despite the developments in electronic payment channels, Cash has remained the predominant means that people use to make payments in Zambia. Even though cash is convenient, it is a very expensive means of making payments, that is, in terms of printing, maintaining and distributing it. In order to reduce the cost of cash in the economy, it is advisable that where possible people should always use electronic payments because of the low cost, convenience, security, safety and efficiency that come with such mode of payments.

TYPES OF ELECTRONIC PAYMENT METHODS

RTGS/ZIPSS

The ZIPSS is an electronic payment system owned and operated by the Bank of Zambia in which processing of transactions for settlement takes place continuously on a transaction by transaction basis in real time.

BENEFITS

- No minimum or maximum amount imposed and therefore customers are able to process both low and large value payments on ZIPSS;
- Payments that are made on ZIPSS are final and irrevocable;
- Due to the continuous nature of transfers, funds are available to the recipient with no significant time lag;
- ZIPSS being a real-time settlement system means that funds become available on appropriate accounts immediately.

EFT

Electronic funds transfer (EFT) is a simple, safe and speedy way to make and collect individual or bulk payments by electronic transfer i.e. direct debit and direct credit.

BENEFITS

- It can be used to pay wages, salaries, pensions, utility bills, loan/interest payments, VAT Payments, Dividends, savings plans, money transfers, premiums etc.
- Value for the transfer is given within 24hrs;
- No risk in getting mislaid or stolen cash;
- Reduced administration costs;
- The service is provided by almost all commercial banks and is used by a number of service providers.

CARDS

A debit, credit or pre-paid card is a plastic payment card that provides cardholders electronic access to their bank account(s) at a financial institution.

BENEFITS

- Safety - you don't have to carry cash or a chequebook;
- Easy to obtain - once you open an account most institutions will issue you a debit card upon request;
- Convenience - purchases can be made by swiping the card at a point of sale terminal or online for internet purchases;
- Low cost - most purchase transactions made by swiping a card are free of cost to the customer;
- Secure – funds accessible by a Personal Identification Number (PIN) which has now been enhanced by integration with an electronic chip (Chip and Pin).

  Accessible – can be used on ATM belonging to other banks or even outside the country when used on supported VISA, MasterCard, UnionPay etc terminals.

POINT OF SALE

A Point of Sale (POS) terminal is an electronic data capture machine which facilitates acceptance of a payment from a customer by swiping his/her debit/ credit/pre-paid cards on the POS terminal for purchase of goods and services sold by a merchant.

BENEFITS

- A customer does not need to carry cash which can be risky;
- Low costs for the customer as most transactions are free of cost;
- Point of sale devices provide faster service than old fashioned cash registers;
- Point of sale devices can cut down on human errors;
- The merchant would avoid the cost of cash in transit as the money is automatically credited to the merchants account;
- Risks associated with cash handling are avoided by both the customer and the merchant;
- Customer expends exact amount required for goods or service (to the ngwee).

MOBILE PAYMENTS AND TRANSFERS

Mobile payments are payments undertaken via mobile devices. Instead of paying with cash, cheque, or credit cards, a consumer can use a mobile device (mobile phone, tablet, etc.) to pay for a wide range of goods and services.

BENEFITS

- Convenience - It can be used to pay for utility bills from the comfort of your home e.g. electricity, DSTV, water bills and purchase of airtime;
- Save time as you avoid queuing up to pay bills;
- Safer - consumers no longer have to assume the security risks associated with cash;
- Faster transactions;
- Lower cost of transaction;
- Sending money to other people;
- Ability to monitor account balance from any location.

INTERNET BANKING

Online banking also known as internet banking, e-banking, or virtual banking, is an electronic payment system that enables customers of a financial institution to conduct a range of financial transactions through its website.

BENEFITS

- It's generally secure;
- You have twenty-four-hour access to your account;
- You can access your account from virtually anywhere;
- Conducting business online is generally faster and more convenient than going to the bank.

Bank of Zambia

SECURE YOUR ELECTRONIC PAYMENTS

Electronic platforms provide an efficient means for performing financial transactions on your account or mobile money electronic wallets (e-wallets). Below are some important tips to secure your electronic payment transactions and the funds held in your account or e-wallet.

SUSPICIOUS REQUESTS

- Be aware of requests from unknown numbers or emails to send funds to a different account or mobile number. DO NOT send or respond to such fraudulent requests.
- Do not disclose your Password or PIN on phone from anyone purporting to be your service provider either by phone, SMS or email. A financial service provider will NEVER request for your Password or PIN.

ACCOUNT MONITORING

- Monitor your account or e-wallet on a regular basis. Also review SMS and other forms of notifications (e.g. email) that are sent to you relating to your account or e-wallet.

PIN SECURITY

- Do not share the PIN to your account or e-wallet with anyone, including the Agent. It is also recommended that you change your PIN regularly or when you suspect that it has been compromised.

COMMUNICATION OF PIN

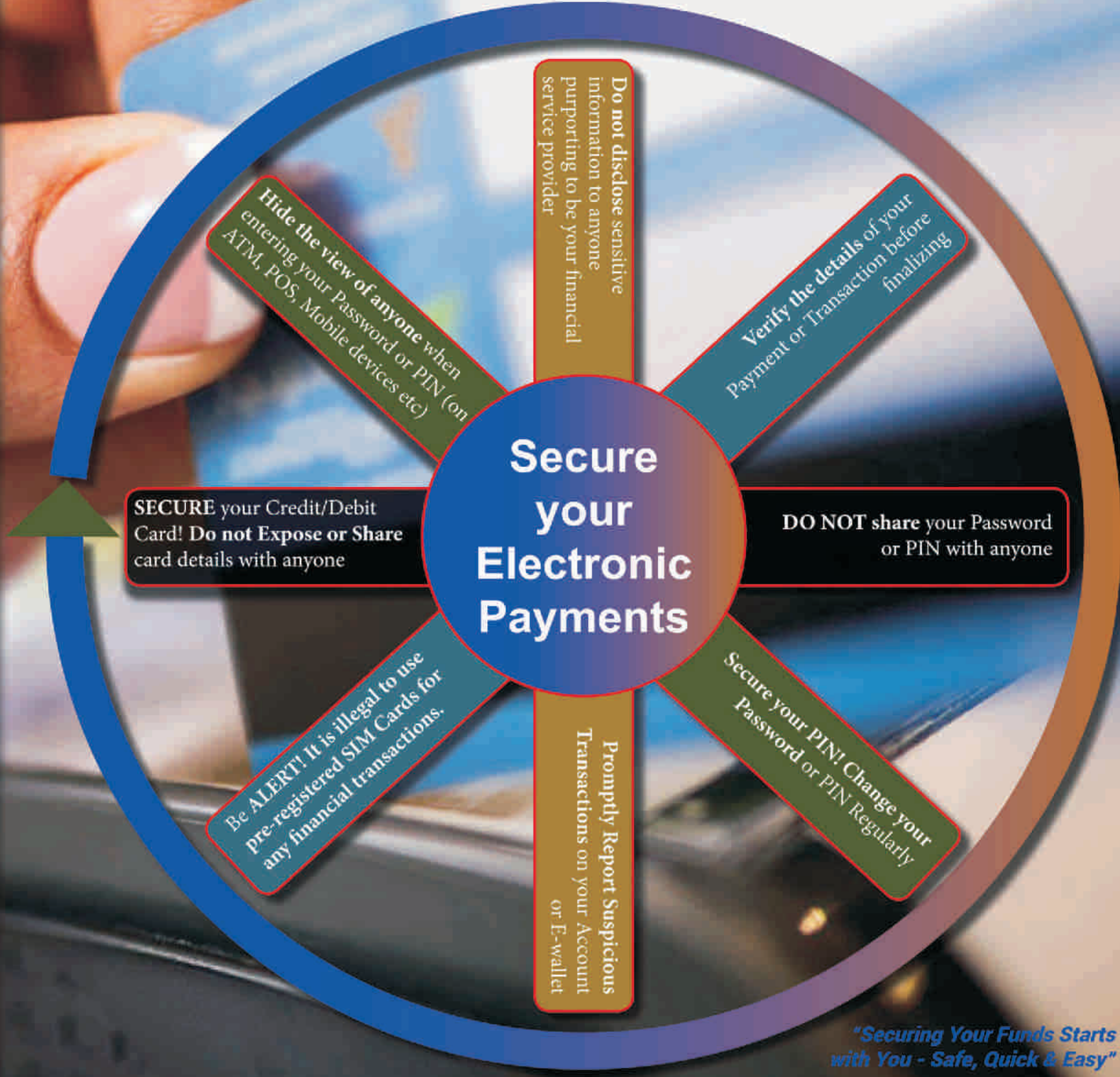
- For all money transfers, make sure that your PIN is sent to the rightful recipient in a discreet manner. Similarly, when keying in your PIN, make sure no one is able to see it.

BE ALERT

- Confirm that the recipient is correct before sending money. Where you need to reverse funds received in error, contact your service provider for help.

FRAUD TECHNIQUES

- Look out for fraudsters who may use different techniques to steal your money. Keep your account and e-wallet safe.



"Securing Your Funds Starts with You - Safe, Quick & Easy"