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Bank of Zambia

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www.boz.zm

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

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

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PUBLIC NOTICE

CESSATION OF LEGAL TENDER STATUS OF OLD BANKNOTES

Pursuant to the *Bank of Zambia (Withdrawal and Exchange of Currency) Reguations, 2025,* the Bank of Zambia hereby notifies the public that, with effect from April 1, 2026, the old banknotes **shall:**

1. **Cease to be legal tender within the Republic; and**
2. **Not be accepted for exchange.**

The Bank wishes to express its sincere appreciation for the cooperation of the public, the business community, the banks, and Natsave during the currency transition process, which has run from March 31, 2025, to March 31, 2026. The Bank also takes this opportunity to reiterate its commitment to maintaining a secure and efficient national currency.

Issued by:

Denny H. Kalyalya (Dr.)
GOVERNOR

March 31, 2026

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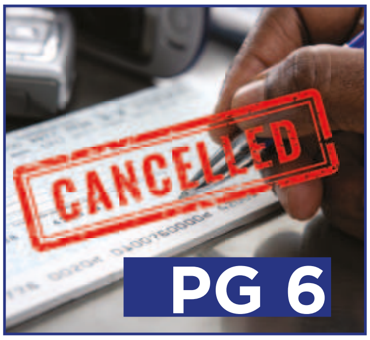


THE END OF THE CHEQUE ERA!

The countdown has begun. On 26 June 2026, cheques—once central to formal payments—will cease to be a payment instrument in Zambia. The Bank of Zambia's decision to discontinue cheques signals a decisive transition away from paper based transactions and towards a more efficient, fully digital financial future.

ZAMBIA RECORDS SHARP RISE IN FOREIGN DIRECT INVESTMENT

Zambia recorded a sharp surge in Foreign Direct Investment (FDI) in 2024, signalling renewed investor confidence and strengthening economic prospects. Foreign direct investment (FDI) inflows surged to a record US$2.36 billion in 2024.

2026 FINANCIAL LITERACY WEEK LAUNCHED WITH CALL FOR YEAR-ROUND ENGAGEMENT

The Ministry of Finance and National Planning, in partnership with the Bank of Zambia (BoZ) and the Bankers Association of Zambia (BAZ), has launched the 2026 Financial Literacy Week, shifting the focus toward continuous, year-round financial education to combat rising debt and sophisticated scams.

BANK OF ZAMBIA CUTS POLICY RATE AS INFLATION OUTLOOK BRIGHTENS

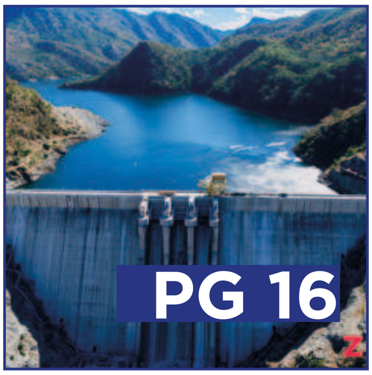
The Monetary Policy Committee, at its February 9-10, 2026 Meeting, decided to lower the Monetary Policy Rate by 75 basis points to 13.5 percent, citing a much faster-than-expected decline in inflation in the fourth quarter of 2025.

2025 FINANCIAL SCOPING SURVEY

The Bank of Zambia, in collaboration with the Ministry of Finance and National Planning, Zambia Statistics Agency (ZamStats), and other stakeholders conducted the Financial Scoping (FinScope) Survey last year 2025. The FinScope Survey is the main source of demand-side financial inclusion statistics.

ESCALATING CONFLICTS THREATEN TO UNDERMINE RECENT GAINS

Renewed geopolitical and trade tensions pose a risk to global growth. The escalation of conflict involving the USA, Israel, and Iran has now materialised, disrupting global supply chains and driving up commodity prices. If these conditions persist, they may fuel inflationary pressures and undermine recent economic gains.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REGISTRATION OF VIRTUAL ASSET SERVICE PROVIDERS

The Bank of Zambia in collaboration with other regulators and key stakeholders, has embarked on the development and implementation of a comprehensive regulatory framework for Virtual Asset Service Providers (VASPs) operating in Zambia

POLICE, BANK OF ZAMBIA CALL FOR INTENSIFIED EFFORTS TO COMBAT CYBERCRIME

The Zambia Police Service and the Bank of Zambia have called for urgent and coordinated efforts to combat the growing threat of cybercrime, which has become prevalent in Lusaka, the Copperbelt, and Southern provinces.


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WHAT DO THE CURRENCY DIRECTIVES MEAN FOR EVERYDAY BUSINESS IN ZAMBIA

After more than 2 years of extensive consultations with the stakeholders and members of the public, the Bank of Zambia issued the Currency Directives on 26 December 2025.

FROM ECONOMIC CONTRACTION TO RECOVERY: A TEXTUAL ANALYSIS OF QUARTERLY SURVEY OF BUSINESS OPINION AND EXPECTATIONS REPORT SUMMARIES (2020-2025)

Business surveys provide timely insights into economic conditions. In this study, we apply text analysis and machine learning techniques to summaries of 24 Quarterly Survey of Business Opinion and Expectations (QSBOE) reports prepared between 2020 and 2025. This approach allows us to trace developments in economic performance and the evolving outlook for the Zambian economy over this period.


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THE END OF THE CHEQUE ERA

• ***Cheques will cease to be a payment instrument in Zambia on 26 June 2026***

By Akabiwa Kalimukwa and Kolase Mwale

The countdown has begun. On 26 June 2026, cheques—once central to formal payments—will cease to be a payment instrument in Zambia. The Bank of Zambia's decision to discontinue cheques signals a decisive transition away from paper based transactions and towards a more efficient, fully digital financial future. Over the past decade, cheque usage has steadily declined, having been overtaken by real time payment methods. What follows is more than a change in payment preference; it is a test of how quickly the market can adapt to the accelerating digital economy.

In a public notice issued on 20 December 2024, the Bank of Zambia announced that cheques will no longer be accepted as a payment instrument in Zambia with effect from 24 June 2026. The final day for interbank cheque clearing will be 26 June 2026. This decision is aligned with Section 43 of the National Payment Systems Act, 2007, and the National Payment Systems Vision and Strategy 2023–2027. The Strategy's overarching goal is *"to transform the national payment system to support the development of a 24/7 digital economy through interoperability, innovation, adoption of international standards, and seamless processing of payments."*

The decision to discontinue cheques followed extensive nationwide stakeholder consultations conducted between July and November 2024, in collaboration with the Public Private Dialogue Forum (PPDF). Stakeholders engaged during this process included Government institutions, corporate organisations, small and medium-sized enterprises (SMEs), financial institutions, and members of the public.

Key Timelines for the Phase Out of Cheques

The key dates and milestones in the cheque phase out process are set out below:

STEP	TIMELINE DATE	KEY MILESTONE	STATUS
1.	December, 20, 2024	Circular on roadmap for phasing out of cheques issued to commercial banks and other financial institutions.	Completed
2.	December, 27, 2024	Public notice on phasing out of cheques issued.	Completed
3.	February, 28, 2025	Last day for customers to request cheque books from commercial banks.	Completed
4.	March, 31, 2025	Last day for issuance of cheque books by commercial banks.	Completed
5.	June, 24, 2026	Last day for customers to deposit cheques at any commercial bank.	Upcoming
6.	June, 26, 2026	Last day for interbank clearing of cheques.	Upcoming

Why Cheques Are Being Phased Out

The decision to phase out cheques as a payment instrument effective 24 June 2026 is driven by significant advancements and increased efficiency within Zambia's evolving payments ecosystem. These developments, supported by insights gathered through national consultations and industry analysis, highlight the country's shift toward faster, safer and more sustainable payment methods. Consequently, key factors that support the phase-out of cheques include the following:

1. **Decline in Usage:** Compared with electronic payment instruments, cheque usage has steadily declined over the past decade, with transaction volumes and values consistently falling year after year. This downward trend culminated in an overall 80% reduction in cheque transactions, underscoring their diminishing relevance in Zambia's modern payments landscape.

2. **Security Concerns:** Cheques remain vulnerable to fraud, forgery, and dishonouring, exposing weaknesses that undermine confidence in the instrument and affect the efficiency and integrity of the wider payments system. In this context, cheques have become increasingly less efficient than real time electronic alternatives that are more secure and readily accessible.

3. **Growth of Faster, More Efficient Electronic Payments:** Cheques have been outpaced by electronic payment methods, such as mobile money, electronic funds transfers, RTGS and card payments which offer faster, more affordable and dependable ways to transact. These digital channels deliver seamless use cases that exceed traditional paper-based instruments like cheques.

4. **Environmental Considerations:** Paper-based instruments contribute to waste and environmental damage. In line with the Bank's strategic commitment to "strengthen the resilience of the financial system by adopting and entrenching Environmental, Social and Governance (ESG) practices within the Bank and in the Financial Sector," phasing out cheques will contribute to the reduction of waste and environmental strain.

5. **High and Recurring Costs of the Cheque System:** Cheque processing—together with the supporting operating systems, hardware, and software—creates significant recurring costs. As cheque usage continues to decline, these costs become increasingly inefficient, making it more practical for financial institutions to redirect resources to modern, cost effective digital payment solutions; and

6. **Delays in Receiving Value:** Recipients of cheque payments must typically present the cheque to their financial institution and wait for clearance before funds become available for use. This creates inefficiencies and can inconvenience customers, particularly where the drawer has insufficient funds and the cheque is dishonoured.

Is this Happening in Other Jurisdictions?

Countries around the world have been phasing out cheques and shifting towards faster, safer, and more convenient digital channels. According to the Commonwealth of Australia, several European countries have already discontinued cheques, including Finland (1993), Poland (2006), Denmark (2017), and the Netherlands (2021). Across Asia, cheque usage in India, China, and Hong Kong is increasingly limited and has been supplanted by mobile payment applications such as Alipay and WeChat Pay. Closer to home, a number of African countries—including Namibia (2019), South Africa (2020), Eswatini (2022), Botswana (2023), and Malawi (2025)—have also moved away from cheques in recent years. Taken together, these developments reflect a broader global transition towards modern payment ecosystems that offer greater efficiency and security.

What Are the Alternatives to Cheques?

As Zambia transitions away from cheque payments, the Bank, through its Go Cashless campaigns, has been encouraging businesses and individuals to adopt electronic payment channels well ahead of the 24 June 2026 deadline. A wide range of digital payment options is already available, each designed to meet different transaction needs across the economy. In addition, these channels interoperate through the National Financial Switch, enabling users to transfer funds securely across different platforms and institutions. Key electronic channels include:

1. **Electronic Funds Transfers (EFTs):** Used for a wide array of transactions and other routine commercial transfers. These payments are processed in batches through the Direct Debit and Credit Clearing (DDACC) system, which enables efficient handling of payments not limited to salaries, bill payments and bulk direct credits.

2. **Real Time Gross Settlement (RTGS):** RTGS is designed for high value and time critical payments. The platform supports the full spectrum of transaction values, ranging from micro-payments starting at 1 ngwee to very large-value transactions. Because each transaction is settled individually in real time, RTGS ensures immediate, final, and irrevocable settlement, providing the highest level of secure and reliable payments.

3. **Debit and Credit Cards:** Debit and credit cards provide a convenient and efficient method for day to day transactions. They offer a reliable alternative to cash and support seamless payments at point of sale (POS) terminals. It is also important to note that, for consumers, POS card payments are typically free of charge, as the merchant service fee is borne by the merchant rather than the cardholder. Card payments further reduce challenges associated with cash transactions, including the need for change, because the exact payable amount is deducted automatically.

4. **Mobile Money Platforms:** Mobile money has become one of the most widely used payment channels in Zambia. Its extensive reach nationwide has also made it a strong financial inclusion

mechanism, particularly for individuals who are excluded or underserved by traditional banking services. Consistent with the Bank of Zambia's Financial Inclusion Strategy (Strategy No. 3), mobile money platforms typically have simplified Know Your Customer (KYC) requirements relative to conventional banking. This streamlined onboarding process enables more people—especially those without extensive banking documentation—to participate in the formal financial system.

Risks and Challenges

As Zambia moves away from cheques and increasingly adopts digital payment channels, unsafe use of electronic payments may heighten exposure to financial risks. Scams, identity theft, and fraud, among other threats, can become more pronounced in a digital environment. A robust digital payments ecosystem therefore requires high system availability, strong consumer awareness, and enhanced fraud prevention and monitoring mechanisms.

To mitigate these risks, the Bank ensures that regulated financial institutions comply with measures aimed at strengthening the safety and resilience of the digital payment platforms. In addition, the Bank of Zambia issued Cyber and Information Risk Management Guidelines, 2023 which require Payment Service Providers to enhance resilience of their systems to guard against cyber risks to ensure uninterrupted services and protection of consumers. Further, the National Payment Systems Directives on Electronic Money Issuance, 2023 compel e-money institutions to establish measures that secure transactions and consumer protection as minimum operational standards.

Implications for Businesses and Individuals

In preparation for this transition, the Bank's Go Cashless awareness campaigns are intended to sensitise the public on the safe use of digital financial services. In parallel, financial service providers have expanded access to alternative digital solutions and strengthened consumer protection measures. The Bank encourages individuals and businesses to take proactive steps to familiarise themselves with digital payment tools and adopt safer digital habits consistent with a modern payments ecosystem. As the use of cheques declines, digital financial services are expected to make electronic payments increasingly simple and routine.
As Zambia prepares to retire cheques and advance a fully digital payments ecosystem, the transition represents not only the conclusion of a long standing instrument, but also an opportunity to strengthen payment efficiency, security, and inclusion. The phased approach—supported by stakeholder engagement—signals the country's commitment to modernising payment systems in line with global trends while seeking to ensure that users are not left behind. The expanding availability of electronic payment alternatives, together with strengthened consumer safeguards, positions Zambia to improve economic efficiency and resilience and to build a payment landscape aligned with the needs of a modern, dynamic economy. The Bank will continue to support this transition by providing an enabling environment for digital financial services, including implementation of fast and instant payments on the National Financial Switch (NFS) and extension of Real Time Gross Settlement (RTGS) operating hours to support a 24/7 economy, in collaboration with industry stakeholders.

As the 26 June 2026 deadline approaches, all stakeholders are encouraged to complete their transition plans and adopt suitable electronic payment channels.

ZAMBIA RECORDS SHARP RISE IN FOREIGN DIRECT INVESTMENT

By Zambanker Reporter

Dr. Francis Chipimo

Zambia recorded a sharp surge in Foreign Direct Investment (FDI) in 2024, signaling renewed investor confidence and strengthening economic prospects. Speaking during the Dissemination workshop of the Private Sector Foreign Investment and Investor Perceptions Deputy Governor Operations, Dr Francis Chipimo, who spoke on behalf of the Governor revealed that foreign direct investment (FDI) inflows surged to a record US$2.36 billion in 2024.

The Deputy Governor attributed the strong performance largely to reinvested earnings, particularly in the mining, manufacturing and deposit-taking sectors.

"Zambia experienced remarkable growth in Foreign Direct Investment reaching an unprecedented US$2.36 billion. This figure represents the highest level since the survey began and it is a significant increase from the US$641.1 million in 2023," he said.

Dr Chipimo stated that the data gathered through the survey is crucial to understanding Zambia's external sector dynamics as it directly informs the development of monetary, fiscal, trade, and investment policies.

He said that the survey data further supports effective debt and reserves management, strengthens economic planning by ensuring the country meets its international statistical reporting obligations in line with global standards.

Speaking at the same occasion, Zambia Development Agency (ZDA) Director General, Mr. Albert Halwampa said the debt restructuring is one of the iconic reforms that have taken place in Zambia and it was the reason why the country was rated high by International Global Rating Institutions such as Standards & Poor's and Fitch. "It is no surprise, Standards & Poor's and Fitch are just validating what the government has been doing," said Mr Halwampa.

Mr Halwampa said the strong FDI performance reflects growing investor confidence in Zambia's economic recovery and reform agenda.

Meanwhile, Zambia Statistics Agency, Acting Statistician General, Sheila Mudenda, represented by Statistics Manager Patrick Chuni, said the survey offered key insights that support national planning, informed policy formulation and the creation of conditions for inclusive economic growth.

In line with FDI, the Chinese Mining Enterprises Association in Zambia General Secretary Xu Laixiang said the association had invested a cumulative US$3.5 billion in the mining sector, contributing approximately 200,000 metric tonnes of copper production.

2026 FINANCIAL LITERACY WEEK LAUNCHED WITH CALL FOR YEAR-ROUND ENGAGEMENT

By Zambanker Reporter

Ms. Freda Tamba

The Ministry of Finance and National Planning, in partnership with the Bank of Zambia (BoZ) and the Bankers Association of Zambia (BAZ), has launched the 2026 Financial Literacy Week, shifting the focus toward continuous, year-round financial education to combat rising debt and sophisticated scams.

Under the theme "Smart Money Talks," this year's campaign prioritises open dialogue about finances, specifically targeting children and young people. Speaking at the launch and on behalf of Bank of Zambia Governor, Chief of Staff- Ms. Freda Tamba said that in an increasingly complex economic landscape, building financial confidence early is essential for lifelong resilience.

She noted that despite 13 years of consistent commemorations, a significant portion of the Zambian population remains vulnerable to poor financial decisions and predatory scams.

Ms Tamba explained that feedback from previous initiatives, including the Bank of Zambia's "Go Cashless" campaign, revealed a public perception that financial authorities are often reactive rather than proactive. In response, the National Strategy on Financial Education (NSFE) All Ages Working Group has developed a new strategy designed to facilitate financial literacy activities throughout the entire year, rather than just during commemorative weeks.

"This feedback behoves us to find more effective ways of engaging the public," she noted, calling on all financial sector supervisory authorities to support the rollout of this continuous engagement model.
The Government is currently developing the National Strategy on Financial Education Phase III. This new phase, expected to be finalised by the end of 2026, aims to: increase financial inclusion beyond the current 69.4%; enhance trust and confidence in the national financial system; promote the safe use of digital financial services and strengthen consumer protection frameworks against emerging risks.
The launch kicks off a week of

intensive provincial campaigns running from March 17 to March 22, 2026, across all ten provinces. The Bank of Zambia has reaffirmed its steadfast commitment to these activities, urging all payment service providers and stakeholders to participate actively.

The event concluded with a formal recognition of key partners, including the German Savings Bank Foundation and the NSFE Working Group, for their dedication to fostering a more financially capable and protected Zambian population.

The Financial Literacy Week (FLW) is an annual national campaign designed to empower citizens with the knowledge and skills to make sound financial decisions. It is part of the broader **Global Money Week** initiative, adapted to suit the local Zambian context.

Below is a history of the campaign's evolution, milestones, and themes.

1. Origins and Foundation (2012–2013)

- **2012: The Strategy Launch:** The Government of Zambia launched the first **National Strategy on Financial Education (NSFE)** in July 2012. This established the framework for improving financial literacy across the country.
- **2013: The First FLW:** Zambia held its inaugural Financial Literacy Week in **2013**. The debut theme was *"Reshape the Future of Finance,"* marking the start of a formalised annual tradition led by the Bank of Zambia (BoZ), the Pensions and Insurance Authority (PIA), and the Securities and Exchange Commission (SEC).

2. Key Historical Milestones

Curriculum Integration: A major success of the initiative was the collaboration between the Ministry of Finance and the Ministry of Education to embed financial education into the school curriculum for grades 1 through 12.

- **Strategic Phases:**
  - **Phase I (2012–2017):** Established the Financial Education Coordination Unit (FECU).
  - **Phase II (2019–2024):** Focused on deepening inclusion and expanding outreach to rural areas.
  - **Phase III (Current):** Development began in 2025, with a goal to reach full implementation by **end of 2026**, focusing on year-round engagement rather than a single week.

- **Decentralisation (2025):** For the first time in the event's history, the national launch was held outside of the capital (Lusaka), taking place in **Mazabuka**, Southern Province, to emphasize rural financial inclusion.

3. Impact and Outreach

The campaign has contributed to a steady increase in financial inclusion, which reached **69.4%** by the mid-2020s. Today, FLW involves a massive collaborative framework including:

- **Regulators:** BoZ, SEC, and PIA.
- **Industry Bodies:** Bankers Association of Zambia (BAZ).
- **International Partners:** Organisations like the German Savings Bank Foundation.

As of 2026, the movement is transitioning from "event-based" awareness to a continuous engagement model, ensuring that "Smart Money Talks" happen every day of the year.

BoZ DECLARES CONSUMER PROTECTION CENTRAL TO STABILITY MANDATE

By Zambanker Reporter

Ms. Beenzu Chishala

The Bank of Zambia (BoZ) has reaffirmed that safeguarding the financial well-being of Zambians is not merely a secondary task, but a pillar of the nation's economic stability. Speaking on Radio Phoenix as part of the World Consumer Rights Day commemoration activities, Acting Principal Examiner-Consumer Compliance and Market Monitoring, Ms. Beenzu Chishala explained that its core mission of *'Achieving price and financial system stability'* is inextricably linked to consumer trust.

She explained that this commitment is codified in the Bank's 2024–2027 Strategic Plan, which prioritises:

- **Cyber Security Resilience:** Mitigating fraud in an increasingly digital landscape.
- **Market-Conduct Supervision:** Ensuring Financial Service Providers (FSPs) operate fairly.
- **Improved Dispute Resolution:** Streamlining how consumer complaints are managed.

This year's World Consumer Rights Day theme is "Safe Products, Confident Consumers." The BoZ defines a "safe" product as one that is secure, transparent, and fair. This applies across the board to bank accounts, loans, and mobile money services.

Ms Chishala said safeguarding consumers is essential for building trust in the country's financial system. She added that stable financial system ultimately depends on consumers who feel protected and confident."
She reminded the public to stay vigilant against "Red Flags" when signing new contracts, citing hidden fees, unexplained interest rate hikes, and "bundled" services added without explicit consent as primary concerns. "If a financial product is not clearly explained, it is not a safe product," she warned.

She stated that as the digital shift accelerates, consumers should only use regulated entities and report any suspicious "social engineering" scams immediately to the central bank, other regulators as well as the Zambia Police.

For citizens facing unfair treatment such as illegal fees or rejected transactions, Ms Chishala outlined a clear **three-step "Path to Justice"**:

1. **Lodge a formal complaint** with the specific Financial Service Provider (FSP) at the branch or customer care level.
2. **Escalate the matter** to the FSP's head-office complaints unit if unresolved.
3. **Contact the Bank of Zambia** if all internal FSP options are exhausted. The BoZ provides official channels via email, phone, or in-person visits to independently review cases and hold institutions accountable.

Addressing confusion over jurisdiction with other regulators such as the Competition and Consumer Protection Commission (CCPC), Ms Chishala explained that the CCPC oversees general consumer rights across all sectors while the BoZ remains the primary regulator for banks, microfinance, and mobile money payment systems.

She however said the two agencies collaborate closely to ensure that "no consumer is ever left stranded," regardless of where a complaint is initially reported.

BANK OF ZAMBIA CUTS POLICY RATE AS INFLATION OUTLOOK BRIGHTENS

By Zambanker Reporter

The Monetary Policy Committee, at its February 9-10, 2026 Meeting, decided to lower the Monetary Policy Rate by 75 basis points to 13.5 percent, citing a much faster-than-expected decline in inflation in the fourth quarter of 2025.

Speaking during the MPC Announcement and Media Briefing, Bank of Zambia Governor, Dr Denny Kalyalya noted that inflation had continued to decelerate in the fourth quarter of 2025, with overall inflation declining to 11.2 percent in December 2025 from 12.3 percent in September 2025. He elaborated that inflation further fell sharply to 9.4 percent in January 2026. The decline in inflation has largely been driven by the continued impact of the maize bumper harvest from the 2024/25 farming season and the appreciation of the Kwacha against major currencies.

He explained that the current projection is that inflation will fall into the 6-8 percent target band at a faster pace than was forecast in November 2025.

"Inflation is expected to be within the band by the second quarter of 2026 and move to the lower bound by the second quarter of 2027. On average, inflation is forecast to be 6.9 percent in 2026 compared to 7.6 percent projected in November 2025. It is expected to ease further to 6.3 percent in 2027. The more positive outlook largely reflects the impact of the lagged effects of the recent appreciation of the exchange rate and expected favourable agricultural output," he said.

He explained that the risks to the inflation outlook remain tilted to the downside. These include favourable weather conditions, supportive external sector conditions, reflected in higher copper prices and continued macroeconomic stability.

In view of the recent sharp drop in inflation and projected further decline over the forecast horizon[1], improving market expectations of inflation, and the need to maintain an appropriate monetary policy stance, the Committee decided to reduce the Policy Rate by 75 basis points to 13.5 percent.

Decisions on the Policy Rate will continue to be guided by inflation outcomes, forecasts, and identified risks, including those associated with financial stability.

The full February 2026 Monetary Policy Report, containing deeper analysis of these macroeconomic developments, is available at *www.boz.zm*

[1] *The forecast horizon is from the first quarter of 2026 to the fourth quarter of 2027.*

THE NUMBERS: ECONOMIC DASHBOARD

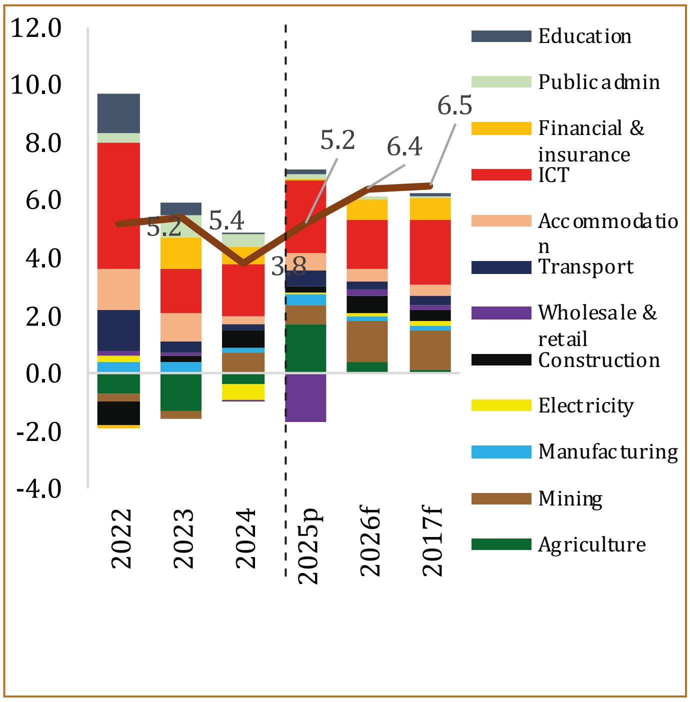
By Zambanker Reporter

Annual Real GDP Growth Projections (percent)

	2024	2025p	2026f	2027f
Bank of Zambia QPM				
BoZ January 2026	3.8	4.5	5.2	5.1
BoZ November 2025	3.8	5.5	5.6	n/a
Ministry of Finance and National Planning				
MoFNP January 2026	3.8	5.2	6.4	6.5
MoFNP October 2025	3.8	5.2	5.8	6.0
International Monetary Fund				
IMF Sixth and Final ECF Review	3.8	5.2	5.8	6.0
IMF WEO October 2025	3.8	5.8	6.4	6.4
FocusEconomics				
FocusEconomics February 2026	3.8	5.0	5.5	5.3
FocusEconomics October 2025	3.8	5.3	5.6	4.9

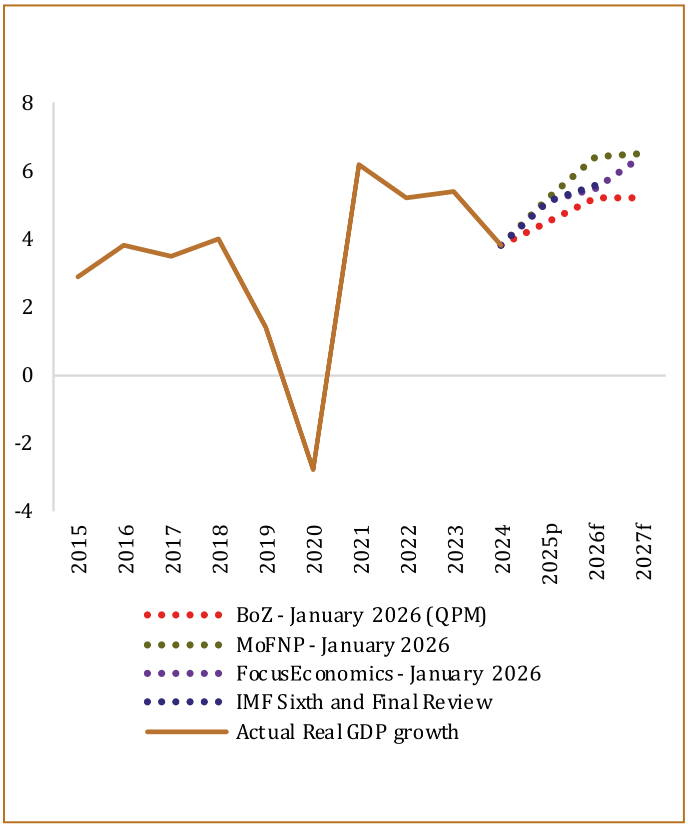
Source: *Bank of Zambia, Ministry of Finance and National Planning, IMF WEO, Focus Economics.*
Note: *p=preliminary estimate, f=forecast, n/a=not reported in November 2025.*

Sectoral Contribution to Real GDP Growth (percentage points)



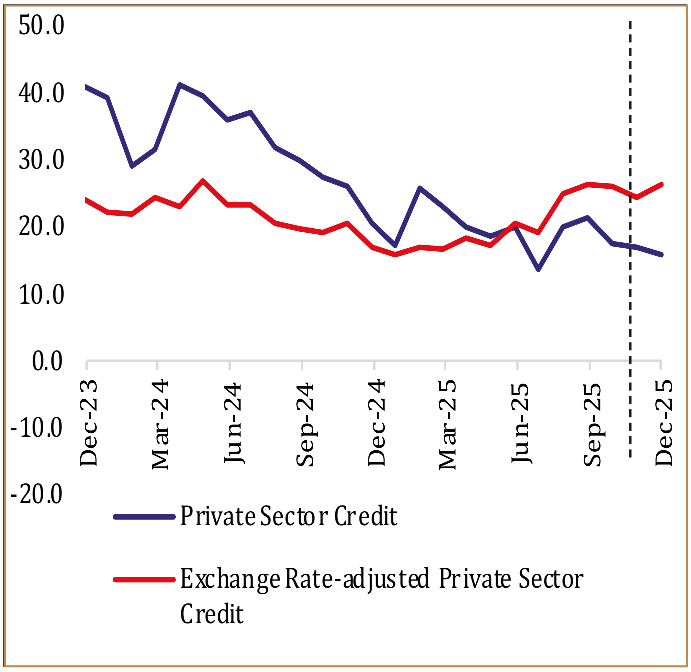
Source: *Ministry of Finance and National Planning, Zambia Statistics Agency*
Note: *p=preliminary, f=forecast.*

Annual Real GDP Growth (percent)



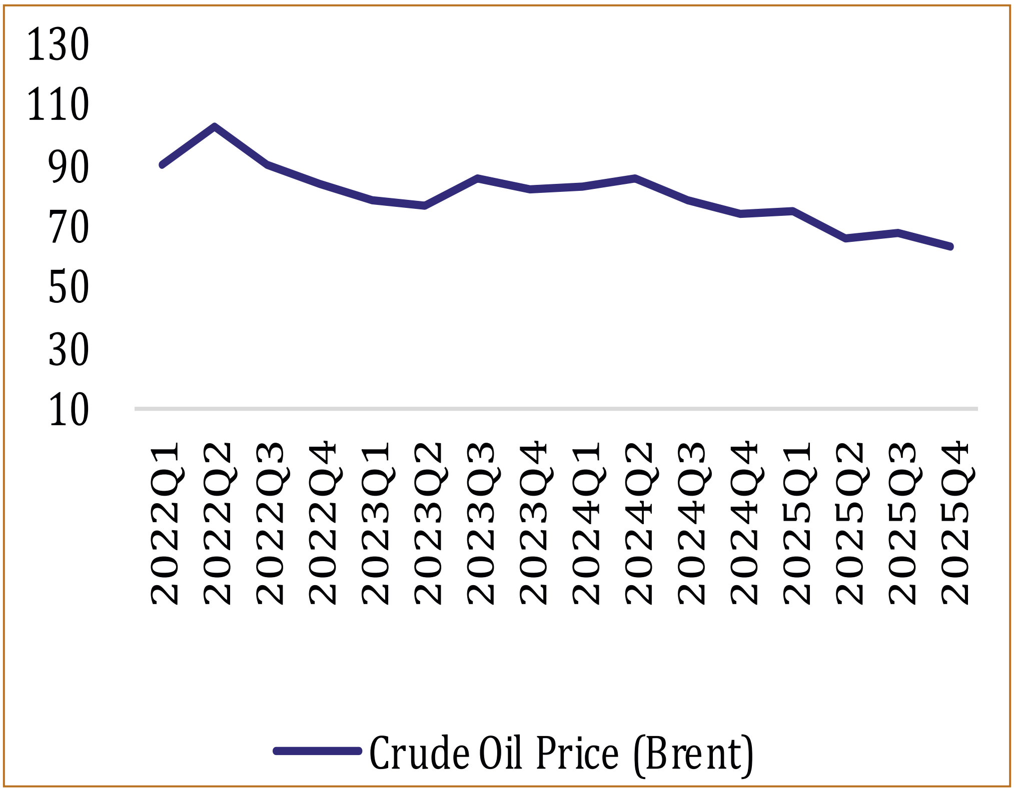
Source: *Zambia Statistics Agency, Bank of Zambia (BoZ), Ministry of Finance and National Planning (MoFNP), IMF, Focus Economics.*
Note: *p=preliminary, f=forecast.*

Private Sector Credit Growth (percent)



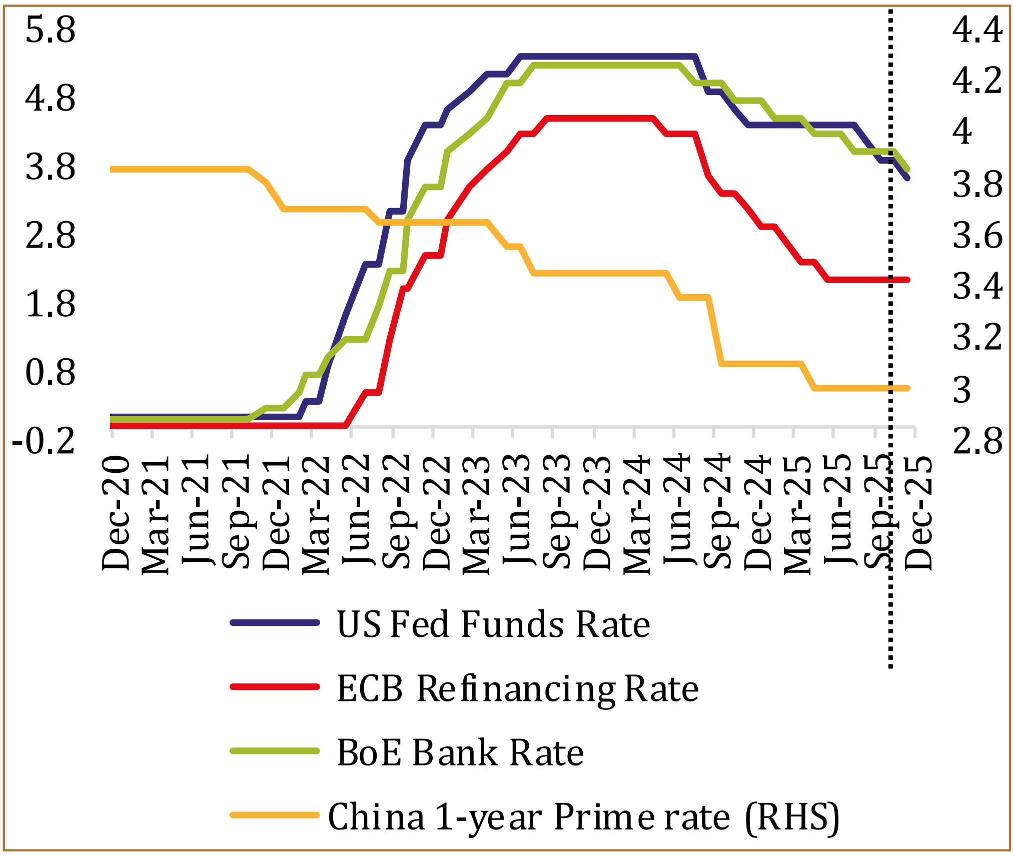
Source: *Bank of Zambia*

Average Crude Oil Prices (USD/barrel)



Source: *Reuters, World Bank Pink Sheet and Bank of Zambia Staff Compilations*

Central Bank Policy Rates in Selected Economies



Source: *Reuters*

Excerpts from February 2026 Monetary Policy Report

NEWS IN BRIEF

By Zambanker Reporter

K5 BILLION STABILITY AND RESILIENCE FACILITY REACHES FULL UTILISATION

The K5 billion Stability and Resilience Facility (SRF) has as at 31st March 2026, reached full utilisation. This milestone marks the successful completion of the facility's primary mandate: injecting critical liquidity into the economy to bolster domestic productivity and energy security.

The SRF has been instrumental in stabilising key energy solutions and economic activities across agriculture, forestry, manufacturing, and other value chains through targeted resource allocation. By channelling funds into high-impact industries, the facility has strengthened the national economic fabric against external shocks.

CABINET APPROVES 24-HOUR OPERATIONS FOR BUSINESSES, MARKETS AND BUS STATIONS

Cabinet approved the extension of business operating hours to 24 hours for business houses, markets, and bus stations in Zambia at its 3rd meeting held on 16th March 2026. The decision aims to create a 24-hour economy to unlock economic growth, create employment, and enhance service delivery.

2025 FINANCIAL SCOPING SURVEY

The Bank of Zambia, in collaboration with the Ministry of Finance and National Planning, Zambia Statistics Agency (ZamStats), and other stakeholders conducted the Financial Scoping (FinScope) Survey last year 2025. The FinScope Survey is the main source of demand-side financial inclusion statistics. The top-line findings have been finalised and will be disseminated within the second quarter of 2026.

FOREIGN EXCHANGE MARKET DEVELOPMENTS

The Kwacha appreciated for a third consecutive quarter, closing 2025 at K22.80 per USD, supported by improved FX supply, stronger market sentiment, sovereign rating upgrades, higher copper prices, and progress on the IMF ECF review.
FX supply increased significantly in Q4 2025, with substantial contributions from Foreign Financial Institutions and the mining sector.

ESCALATING CONFLICTS THREATEN TO UNDERMINE RECENT GAINS

Renewed geopolitical and trade tensions pose a risk to global growth. The escalation of conflict involving the USA, Israel, and Iran has now materialised, disrupting global supply chains and driving up commodity prices. If these conditions persist, they may fuel inflationary pressures and undermine recent economic gains.

REGISTRATION OF VIRTUAL ASSET SERVICE PROVIDERS

By Zambanker Reporter

The Bank of Zambia in collaboration with other regulators and key stakeholders, has embarked on the development and implementation of a comprehensive regulatory framework for Virtual Asset Service Providers (VASPs) operating in Zambia, Assistant Director- Communications, Ms Besnat Mwanza has said.

Ms Mwanza explained, in a Public Notice, that the Bank of Zambia's Strategic Plan for 2024-2027 acknowledges the potential benefits of virtual asset technologies, such as reduced transaction costs, expedited transfer of value, and the resilience of a decentralised system against a single point of failure.

"However, these technologies also pose risks to the financial sector, including price volatility, lack of visibility of service providers and participants as well as the risk of money laundering, terrorist financing and proliferation financing. The aim of the regulatory framework being developed is to mitigate these risks in order to maintain financial system stability, promote innovation and safeguard consumers.

As part of this process, the Bank of Zambia hereby requests all entities and individuals providing virtual/crypto asset services within Zambia to register with the Bank by 27 March 2026," she said.

This registration applies to both resident and non-resident entities/individuals that offer virtual asset services to individuals and businesses within Zambia, regardless of their physical presence. Furthermore, this registration is required for a natural or legal person who, as a business, conducts one or more of the following activities or operations for or on behalf of another natural or legal person: exchange between virtual assets and fiat currencies; exchange between one or more forms of virtual assets; transfer of virtual assets; safekeeping and/or administration of virtual assets or instruments enabling control over virtual assets; and participation in and provision of financial services related to an issuer's offer and/or sale of a virtual asset.

The registration process should be done through the following link: https://forms.office.com/r/Xz172CCp3r

The registration process will enable the Bank of Zambia to: create a central database of all VASPs operating in Zambia assess the scale, scope, and nature of virtual asset activities within the country; Gather essential data to inform decisions and the development of a comprehensive and risk-based regulatory framework; Enhance the Bank's ability to monitor the sector for compliance with existing laws and international standards conduct consultations with the registered VASPs as part of the development, and implementation of the regulatory framework.

This registration exercise is a preliminary step and does not constitute a license or official approval to operate as a VASP in Zambia. This notice should not be construed as an endorsement of a VASP or its business practices. The Bank of Zambia will release a comprehensive regulatory framework in due course, and all registered VASPs will be required to comply with such regulations to continue their operations in Zambia.

Ms Mwanza further advised that VASPs and members of the public that effective 30 March 2026, all entities regulated by the Bank will not be allowed to facilitate transactions to or from VASPs that are not registered with the Bank.

For inquiries, Ms Mwanza has directed stakeholders to contact the Payment Systems Department at **psd@boz.zm**

POLICE, BANK OF ZAMBIA CALL FOR INTENSIFIED EFFORTS TO COMBAT CYBERCRIME

By Zambanker Reporter

The Zambia Police Service and the Bank of Zambia have called for urgent and coordinated efforts to combat the growing threat of cybercrime, which has become prevalent in Lusaka, the Copperbelt, and Southern provinces.

Zambia Police Service, Commissioner of Police in charge of the Criminal Investigations Department (CID), Mr. Maxwell Timba said areas along the line of rail have increasing numbers in cybercrime cases, underscoring the urgent need to strengthen security measures to address the growing threat.

"We have police officers dotted around the line of rail to fight cybercrime, and there is need to train more officers to fight cybercrime," said Commissioner Timba.

He noted that cybercrime has evolved significantly, with cybercriminals employing more sophisticated methods. As a result, there is a pressing need to equip the police service with modern forensic technologies, as well as advanced software and hardware, to effectively respond to complex cases.

Commissioner Timba made these remarks when a Bank of Zambia delegation toured the Zambia Police Service Headquarters Forensic department.

Speaking during the visit, Mr. Nayoto Moola, Director of Security at the Bank of Zambia highlighted the impact of cybercrime on the financial sector, stressing the importance of ensuring that law enforcement agencies are adequately equipped to investigate and prosecute such cases.

"We appreciate the invitation by the Zambia Police. We will continue to engage with the police to fight cybercrime because banks have faced numerous challenges because of cybercrime," said Mr. Moola.

He noted that training police officers remains one of the key measures required to effectively address cybercrime.

Mr Moola emphasised that capacity building within the police service was critical, particularly in equipping officers not only with skills but also equipment to handle forensic investigations related to digital crimes.

He further called for stronger collaboration between banks, Mobile Network Operators (MNOs), and the Central Bank as part of a coordinated effort to combat cyber threats.

Mr. Moola was accompanied by staff from ICT, Payment Systems, Financial Conduct Supervision, and Security Departments.

The invitation to tour the Zambia Police Service Forensic Department followed a recent month-long training of 50 Zambia Police officers in Cybercrime Investigations and Digital Forensics, which was conducted at Lilayi Police College. The tour was aimed at availing an opportunity to partners to appreciate the capabilities and shortcomings within the police in the fight against cybercrime.

WHAT DO THE CURRENCY DIRECTIVES MEAN FOR EVERYDAY BUSINESS IN ZAMBIA

By Jean Couvaras Kamanga

After more than 2 years of extensive consultations with the stakeholders and members of the public, the Bank of Zambia issued the Currency Directives on 26 December 2025.

As with most regulatory reforms, there is a lot of uncertainty regarding the implications of these Directives on our daily lives. Some have touted them as the new version of exchange controls to be implemented by the Bank of Zambia. Others even think this entails that we can no longer import things from outside the country. You too may be wondering what it means for you at a personal level, with questions like these running through your mind:

- Can I still charge in United States Dollars (USD) for that consultancy?
- That contract of sale for the land in Siavonga is denominated in USD; do I need to change the contract?
- What about that perfume I want to buy in the Duty-free shop at the airport when heading to Dubai? Should I change to Kwacha?

This Article is aimed at separating the myth from reality; clarifying the true purpose of the Currency Directives and explaining how they impact you.

To Whom do These Directives Apply?

These Directives apply to Everybody, including the Government when conducting domestic transactions.

What do these Directives mean?

The Currency Directives are aimed at ensuring that domestic transactions are paid for in Zambia Kwacha. A domestic transaction is simply any transaction that involves payment of money to a person residing in Zambia. This requirement is not unique to Zambia at all– many countries enforce similar rules. Think of it simply to include:

- The buying and selling of merchandise
- Contracting for services, including employment
- Sell of real property in Zambia

Effective 26 December 2025, all these payments must be paid in Zambian Kwacha.

What happens to existing contracts denominated in USD or other foreign currency?

The Directives do not prohibit quoting or invoicing in foreign currency, unless the Government is a party. Therefore, contracts and other commercial documents may still be denominated in foreign currency.

However, any payments that have to be made under that contract should be made in Zambian Kwacha after

26 December 2025. The parties may agree to use the prevailing market rate from commercial banks on the date of payment. If the parties cannot agree, the default rate to be used is the prevailing Bank of Zambia mid-rate.

Please note that an exchange rate cannot be predetermined before the settlement date. The applicable rate is agreed upon only on the actual payment date. To put into context, if you have a payment due today, based on a contract that was agreed in October 2024 and denominated in foreign currency, you can use the current exchange rate that any commercial bank is using. You cannot use the applicable rate as at the date of the contract, or any other agreed rate, it has to be a prevailing market rate.

Please note, there is nothing preventing you from converting the contract into a Kwacha-denominated agreement. In fact, doing so may provide greater security for both parties and ensure certainty.

Can I Still maintain a Foreign Currency Account after these Directives

Yes, you absolutely can. You are also not prohibited from purchasing foreign currency to deposit into the foreign currency account. If the Bank asks questions, please understand that it is meant to ensure that foreign currency deposits are not attributable to domestic transactions. Remember! If a payment is for a domestic transaction, it must be made in Kwacha. You can thereafter purchase foreign currency if you desire.

Are there some transactions that can still be done in foreign currency?

Sure thing. As stated, these Directives apply only to transactions carried out in Zambia. Some of the notable exemptions include:

- **Imports** - for example, you may still purchase that car from Japan using foreign currency. Exports - if you sell goods to another country, you can receive payments in foreign currency.
- **Foreign currency loans** - loans obtained from commercial banks in foreign currency can continue to be paid in those currencies. This also applies to securities and insurance products that are denominated in foreign currency.
- **Specified mining transactions** - the purchase of highly specialised mining equipment which refers to machinery and tools specifically designed for various tasks involved in mining operations.
- **Tourists**

Like most changes, it is not our expectation that this will be frictionless. However, let us all start by first understanding what these Directives are, and most importantly, what they are NOT. The Kwacha and Ngwee are our national currency, and it is only fitting that domestic transactions be conducted and settled in our own currency.

The author is Acting General Counsel

BANK OF ZAMBIA AS A STRATEGY FOCUSED ORGANISATION

By Namukulo Mwauluka

What is a Strategy Focused Organisation?

A strategy focused organisation is one that places its long-term goals, mission, and vision at the centre of everything it does. Such an organisation ensures that plans, resources, people, and performance measures are all aligned to a clear strategy. Being strategy focused is important because it helps institutions remain relevant, use resources efficiently, adapt to change, and consistently deliver on their mandate.

For the Bank of Zambia (BoZ), being strategy focused is essential. The Bank operates in a complex and changing economic environment. A strong strategic focus ensures that monetary policy, financial stability oversight, currency management, and internal operations all work together to support national economic development.

Characteristics of a Strategy Focused Organisation and the Bank of Zambia

Kaplan and Norton[1] identified five characteristics of a Strategy Focused Organisation as follows:

1. Translating Strategy into Clear Operational Terms

The organisation converts high-level strategy into clear objectives, initiatives, and measurable targets. At the Bank of Zambia, this is achieved through a structured Strategic Management Framework. The Strategic Plan defines focus areas, strategic objectives, initiatives, and key performance indicators (KPIs). These are further translated into departmental annual plans which then cascade into individual performance contracts of members of staff, ensuring clarity and accountability.

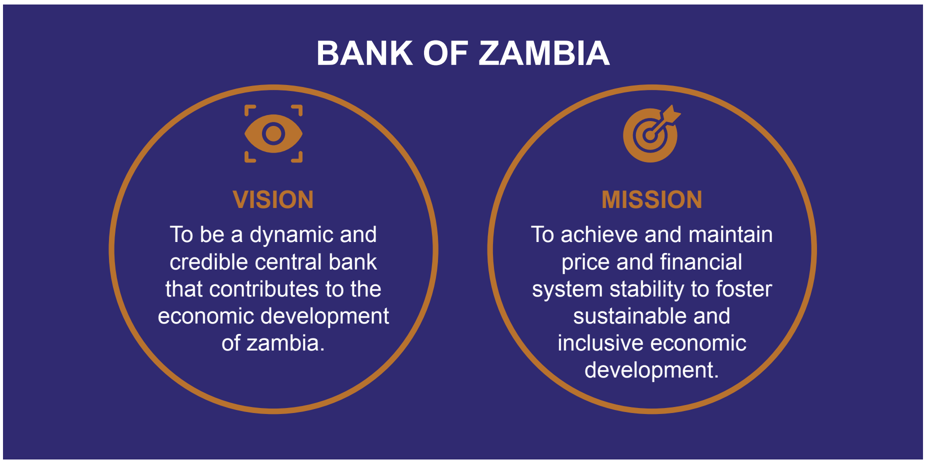
2. Aligning the Organisation to the Strategy

In a strategy focused organisation, all departments and units align their work to the overall strategy. The BoZ achieves this through goal cascading, where strategic objectives are translated into departmental, divisional, and individual goals. Board oversight, Management direction, and coordinated implementation ensure that the entire organisation pulls in the same direction. This alignment reduces duplication, improves coordination, and strengthens delivery of strategic outcomes.

3. Making Strategy Everyone's Daily Responsibility

Strategy focused organisations ensure that strategy is understood and owned by everyone. At BoZ, strategic objectives are linked to staff performance through performance contracts and departmental plans.

This approach makes strategy part of day-to-day work rather than a document kept at senior management level. Weekly Wildly Important Goal commitments by members of staff are centred around the goals articulated in the department's annual plan and which are linked to the strategy. Regular communication, planning sessions, and performance reviews help staff understand how their work contributes to the Bank's mandate.



4. Making Strategy a Continuous Process

A strategy focused organisation treats strategy as a continuous cycle of planning, implementation, monitoring, and learning. The Bank of Zambia follows a cyclical strategic management process that includes environmental analysis, strategy formulation, implementation, monitoring and control, mid-stream evaluation, and end-of-cycle evaluation. This ensures that the

[1] *Kaplan, R. S., & Norton, D. P. (2000). The Strategy-Focused Organization: How Balanced Scorecard Companies Thrive in the New Business Environment. Harvard Business School Press.*

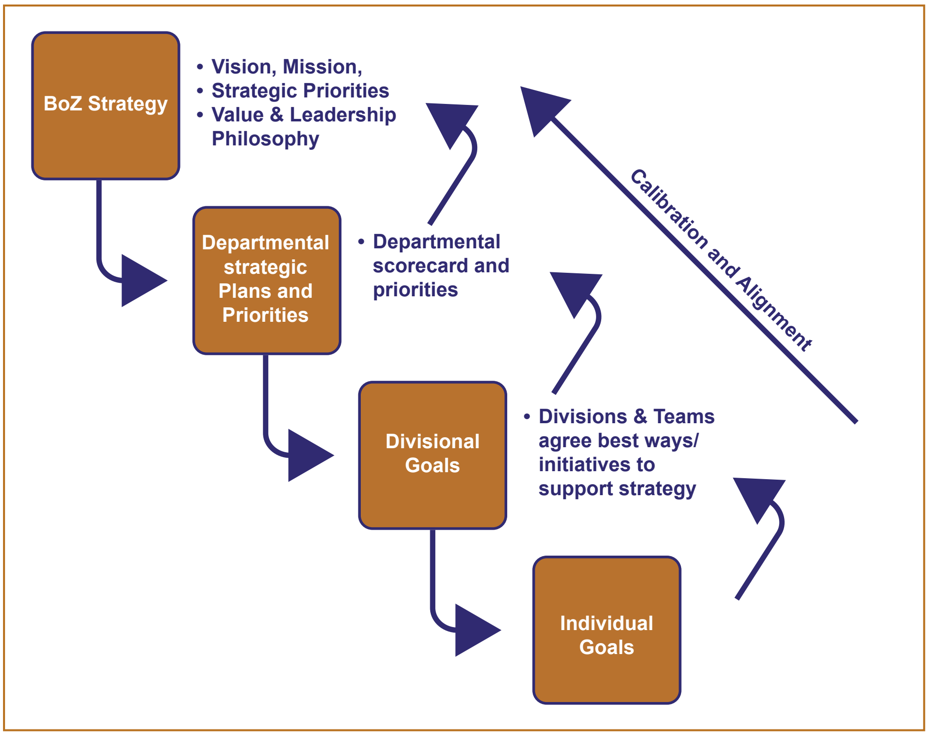


Figure: Bank of Zambia Goal Cascading

Bank remains responsive to changing economic, financial, and institutional conditions.

5. Strong Leadership and Mobilisation for Change

Leadership commitment is central to a strategy focused organisation.

At BoZ, the Board of Directors sets strategic direction, Management provides oversight, departments implement, and the Strategic and Change Management Department coordinates and monitors execution. This leadership structure supports accountability, drives change, and promotes a culture of performance and continuous improvement.

Conclusion: Strengthening Strategy Focus at the Bank of Zambia

The Bank of Zambia as demonstrated above embodies the characteristics of a strategy focused organisation through its robust Strategic Management Framework. To become even more strategy focused, the Bank is working on strengthening its strategy communication through rolling out a mobile application for members of staff and the general public and enhance capacity for monitoring and data-driven decision-making through the automation of monitoring processes and the development of a real time strategy executive dashboard. Further, the Bank will reinforce its culture to support strategy implementation through accountability and continuous learning.

By continuously aligning people, processes, and resources to its strategic priorities, the Bank of Zambia will remain effective, resilient, and well-positioned to deliver on its mandate in support of Zambia's economic stability and growth.

Figure: Bank of Zambia Strategic Management Cycle

The author is the Acting Assistant Director responsible for Strategic Management and Organisational Performance.

Bank of Zambia

Don't let desperation drive you into a debt trap. If a loan feels too easy, it's usually a predator in disguise. Pause, read the fine print, and choose regulated financial partners!

WHAT'S TRENDING

NEWS FROM AROUND THE WORLD

41% OF GEN Z TRUST AI WITH THEIR FINANCES - WHY IT'S A WAKE-UP CALL FOR BROKERS

By Tanya Chepkova

A new generation of investors is reshaping how trust is built in financial services, forcing brokers and asset managers to rethink product design, distribution, and client engagement. According to new research from the World Economic Forum, the investment behaviour patterns of Gen Z investors differ substantially from prior generations.

Self-Directed, Digital, and Skeptical

The WEF report identifies a growing sense of "financial nihilism" among parts of Gen Z, driven by frustration with traditional wealth-building paths such as home ownership. For Gen Z investors, credibility is increasingly social and experiential rather than institutional. Recommendations from peers, online communities, and finfluencers often carry more weight than traditional financial advice.

At the same time, comfort with technology runs deeper. Over 40% of Gen Z respondents say they are willing to trust AI with managing investments or handling financial information — nearly three times the level seen among Baby Boomers.

A new generation of investors is reshaping how trust is built in financial services, forcing brokers and asset managers to rethink product design, distribution, and client engagement. According to new research from the World Economic Forum, the investment behaviour patterns of Gen Z investors differ substantially from prior generations.

A Shift in Trust Foundations

The Edelman Trust Barometer adds an important clarification: Gen Z does not distrust financial services more than older generations overall. Instead, the divergence lies in how trust is formed. While older investors tend to prioritise regulatory oversight and institutional longevity, younger cohorts place greater weight on usability, peer validation, and technological sophistication.

For the financial services industry, this distinction matters. Firms that continue to rely on legacy trust signals risk misalignment with a demography that is entering markets earlier, allocating capital differently, and evaluating platforms through a fundamentally new lens.

The research from the WEF and Coinbase points to a shared conclusion: the future of investing is multi-asset, always-on, digitally native, and socially informed.

Whether traditional finance can adapt its trust-building mechanisms to that, reality will help determine who wins — and who fades — as the next generation of investors comes of age.

Source: Finance Magnate

https://www.financemagnates.com/forex/40-of-gen-z-trust-ai-with-their-finances-why-its-a-wake-up-call-for-brokers/

THE IMF HAS IMPROVED ITS GLOBAL ECONOMIC GROWTH FORECAST FOR 2026 TO 3.3%

Global economic growth continues to show resilience, the fund notes

By HalinaYermolenko

The International Monetary Fund (IMF) has improved its global economic growth forecast for 2026 to 3.3%, which is 0.2 percentage points higher than expected in October last year.

Global economic growth continues to show considerable resilience despite significant trade disruptions caused by the US and heightened uncertainty, the fund said in a blog post.

Most of the improvement, according to the new economic review, is attributable to the United States and China.

In 2027, the global economy will grow by 3.2%. The fund notes that the current forecasts have not changed significantly compared to the October review.

Headwinds from trade policy changes are offset by tailwinds from rapid growth in technology-related investment, including artificial intelligence, more in North America and Asia than in other regions, as well as fiscal and monetary support, generally accommodative financial conditions, and private sector resilience, the forecast explains.

Global inflation is expected to decline from an estimated 4.1% in 2025 to 3.8% in 2026 and 3.4% in 2027. Inflation forecasts are also broadly unchanged from October and suggest that inflation will return to target more gradually in the United States than in other major economies.

As for risks to the global economy, in particular, a re-assessment of expectations for labor productivity growth in the AI sector could lead to a decline in investment and trigger a sharp correction in the financial market, spreading from companies related to this sector to other segments. This factor arises against a backdrop of heightened geopolitical uncertainty, increased use of export controls on critical resources and trade restrictions, as well as reduced fiscal space in many countries.

The IMF forecasts US economic growth of 2.4% this year, China's at 4.5%, and the eurozone's at 1.3%. It should be recalled that in its November review, the European Commission improved its forecast for EU GDP growth in 2025 to 1.4% from 1.1% expected in May. At the same time, the estimate for economic growth in 2026 was lowered to 1.4% from 1.5% forecast in the spring.

Source: GMK Center

https://gmk.center/en/news/the-imf-has-improved-its-global-economic-growth-forecast-for-2026-to-3-3/

FROM ECONOMIC CONTRACTION TO RECOVERY: A TEXTUAL ANALYSIS OF QUARTERLY SURVEY OF BUSINESS OPINION AND EXPECTATIONS REPORT SUMMARIES (2020-2025)

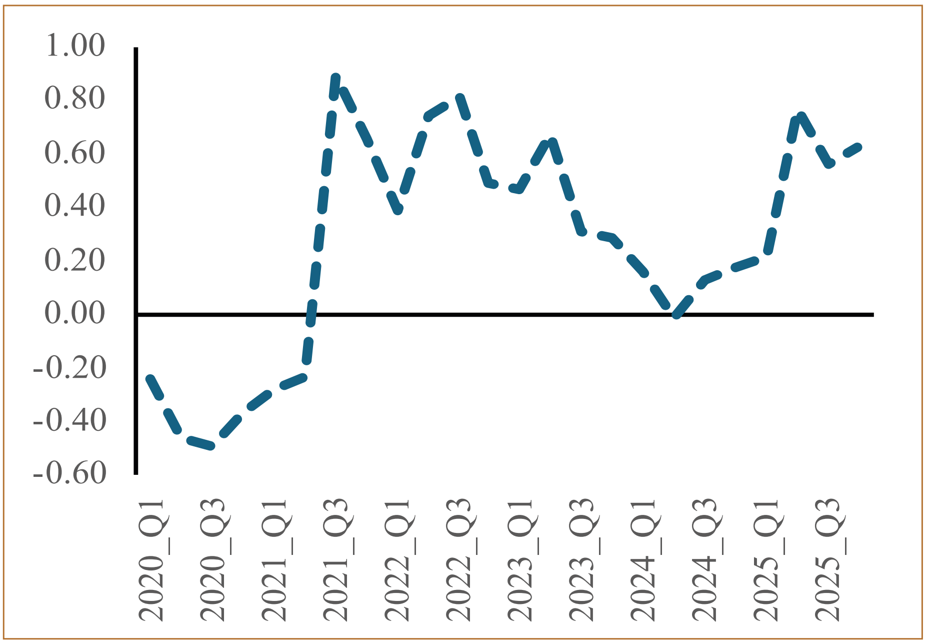
By Patricia Funjika (Dr) and Webby Chishala

Business surveys provide timely insights into economic conditions. In this study, we apply text analysis and machine learning techniques to summaries of 24 Quarterly Survey of Business Opinion and Expectations (QSBOE) reports prepared between 2020 and 2025. This approach allows us to trace developments in economic performance and the evolving outlook for the Zambian economy over this period.

Zambia's economic landscape between 2020 and 2025 points to episodes of contraction, stabilisation and ultimately, a rebound (Figures 1 and 2). The period begins with a drastic collapse in economic activity precipitated by the COVID-19 pandemic and ends with renewed optimism driven by strengthening macroeconomic fundamentals, sectoral expansion, and improving investor confidence. The path of this transformation underscores the economy's resilience and the positive impact of policy interventions, easing cost pressures, and recovery in key productive sectors.

During this time frame, economic activity was largely influenced by episodes of electricity shortages, escalating inflation, exchange rate changes and fluctuating consumer demand (Figure 3).

Figure 1: QSBOE Economic Sentiments Net Balances



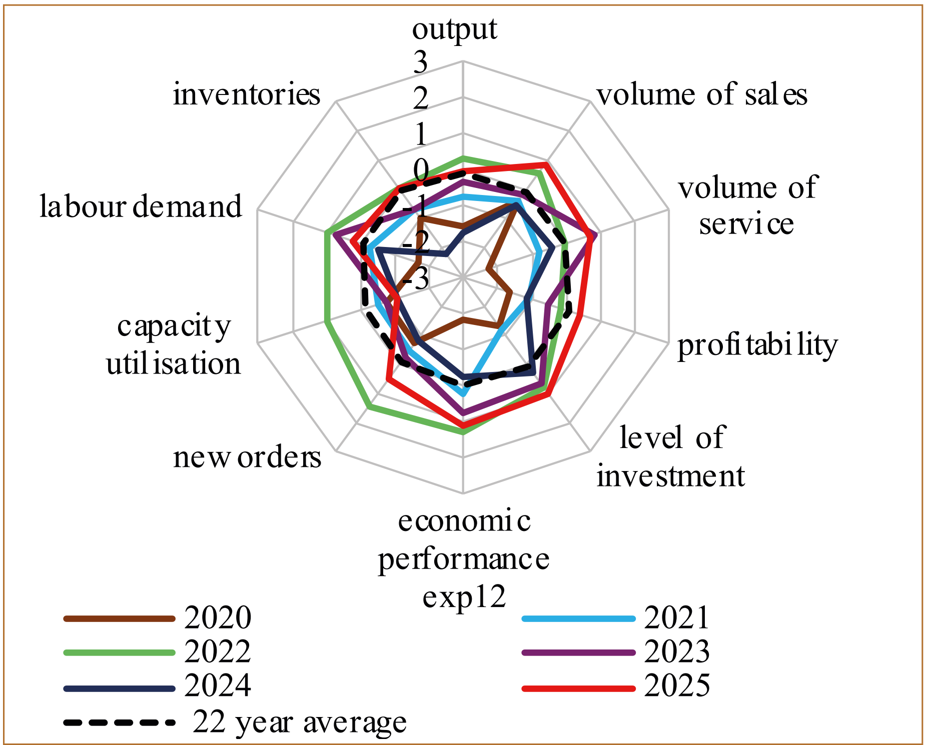
Source: *Bank of Zambia*
Notes: *Net balances represent the difference between positive and negative responses to show the overall direction of opinion.*

SUMMARY OF ECONOMIC ACTIVITY (2020 – 2025)

2020: A year defined by severe economic contraction

Economic activity in 2020 deteriorated sharply as the pandemic disrupted supply chains, shuttered businesses, and depressed consumer demand. Throughout all four quarters, firms reported falling output, reduced new orders, subdued demand, and historically low-capacity utilisation. Electricity load-shedding, high energy prices, tight liquidity, elevated public debt service and a sharply depreciating Kwacha compounded the downturn. The hospitality, tourism and travel sectors were hit hardest as

Figure 2: Trends in Selector Macro Indicators Net Balances QSBOE (2020 – 2025)



Source: *Bank of Zambia*

lockdowns and mobility restrictions decimated activity. Although there was some marginal improvement in the second half of the year due to gradual reopening, overall performance remained significantly below long-term averages. The year closed with businesses uncertain but cautiously hopeful about 2021 as vaccine rollouts approached.

Figure 3: Word Cloud of QSBOE Report Summaries Source: Bank of Zambia

Source: *Bank of Zambia*

2021: Gradual Stabilisation Amid Persistent Headwinds

The economy in 2021 remained subdued but showed early signs of stabilisation. Successive COVID-19 waves continued to suppress demand and weigh on business confidence, particularly in the first half of the year. High inflation, Kwacha depreciation, and rising production costs continued to constrain growth. Uncertainty surrounding the August General Elections also contributed to weak demand and subdued investment intentions. However, by the fourth quarter, a peaceful electoral transition boosted investor confidence, seasonal festive demand strengthened sales, and firms anticipated improved performance for 2022. New government policy direction and expectations of improved public finance management lifted sentiment in the 12-month outlook, even as near-term risks persisted.

2022: A Mixed Year Marked by Sectoral Recovery and Cost Pressures

Economic activity in 2022 followed a cyclical pattern: a subdued first quarter, a strong rebound in the second, followed by renewed weakness in the third and fourth quarters. Improved agricultural marketing and tourism activity supported the second quarter revival, and the prospect of an IMF Extended Credit Facility, debt restructuring, and declining inflation strengthened medium term optimism. However, high borrowing costs, persistent inflation, raw material shortages, and foreign-exchange volatility continued to weigh on activity. By year's end, subdued demand, supply shortages, and rising costs again constrained output. Even so, firms remained optimistic about 2023, drawing confidence from policy reforms, expected increases in copper production, and potential progress in debt restructuring.

2023: Fluctuating Activity but Strengthening Medium-Term Outlook

In 2023, economic conditions fluctuated significantly across quarters as the economy struggled to maintain momentum. The first quarter saw a further deterioration driven by weak demand, rising costs, and shortages of key raw materials, while the second quarter recorded a marked improvement as stronger demand, a firmer Kwacha, and debt restructuring boosted activity across all sectors. However, in the third quarter, firms again faced rising cost pressures, a weakening currency, and reduced demand, leading to lower output and investment. The year ended with modest improvement in the fourth quarter due to festive spending, though underlying pressures emanating from persistent inflation, elevated borrowing costs, and currency depreciation remained. Despite these headwinds, the 12-month outlook remained broadly positive, supported by expectations of higher copper production, improved fiscal management, and increased foreign direct investment.

2024: Widespread Weakness Driven by Drought and Cost Pressures

2024 was dominated by severe supply side shocks, primarily from prolonged drought and persistent electricity shortages. All four quarters registered weak economic activity as inflation rose, the Kwacha depreciated further, and energy rationing significantly increased production costs. Agriculture and energy sector disruptions constrained consumer demand and hampered output. Despite these challenges, firms remained resilient as they adopted alternative sources of electricity to boost output. Firms also expressed optimism about medium-term recovery driven by expected improvements in weather conditions, easing electricity rationing, stronger mining output, and increased foreign exchange inflows.

2025: Economic Recovery Gains Momentum

In contrast to the preceding year, 2025 marked a period of economic recovery and consolidation. The first quarter began with weakness due to inflation, currency pressures, and power shortages, but businesses anticipated improvement as electricity supply stabilised, agriculture entered the harvest season, and mining activity picked up. This optimism materialised in the second quarter as economic activity strengthened notably, supported by moderating Inflation, a stronger Kwacha, and expansions in agriculture, mining, and tourism. By the third quarter, gains had solidified thanks to exchange rate stability, easing inflation, and robust performance in mining and tourism. The fourth quarter ended the year with improved business conditions, boosted by stronger consumer demand, increased electricity availability, currency stability, and supportive macroeconomic policies. Firms were expectant that these positive trends would extend into 2026, driven by rising copper output, stable electricity supply, improved credit conditions, and ongoing sectoral expansion.

EVOLUTION OF MOST FREQUENT TERMS IN BUSINESS SENTIMENT

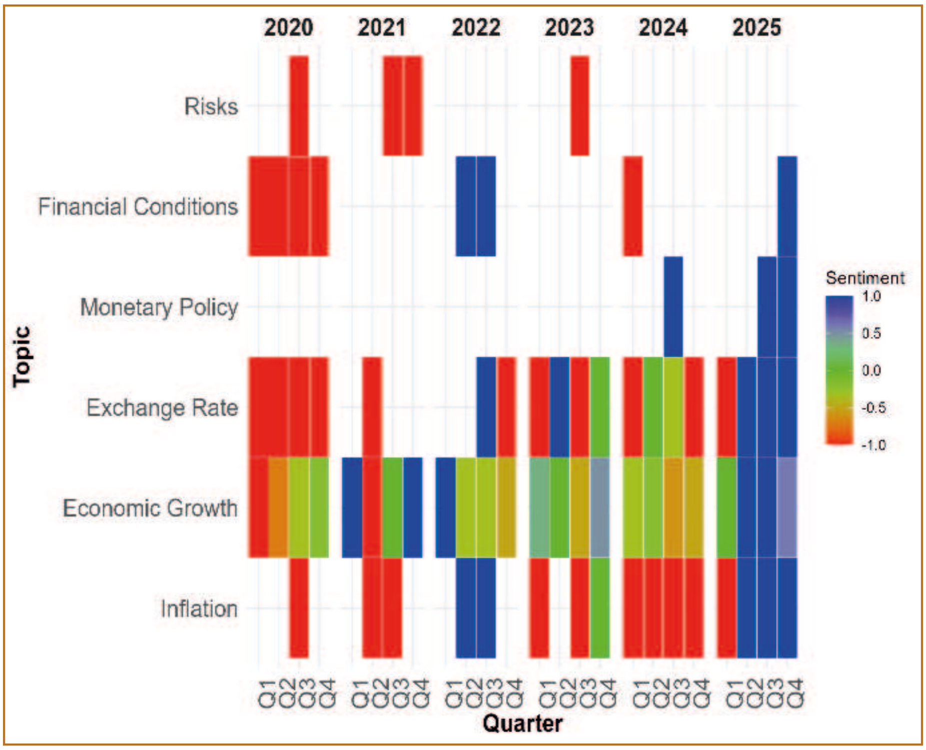
Table 1: Most Frequent Terms (2020 – 2025)

RANK	WORLD 2020	SHARE	WORLD 2021	SHARE	WORLD 2022	SHARE
1	High	12%	Covid	8%	Cost	7%
2	Covid	10%	Performance	6%	Demand	7%
3	Costs	7%	Mainly	4%	Expectations	7%
4	Pandenmic	7%	Remained	4%	Investments	7%
5	Demand	6%	Activities	2%	Outlook	7%
6	Electricity	6%	Agriculture	2%	Ahead	5%
7	Production	6%	Ahead	2%	Debt	5%
8	Capacity	5%	Business	2%	High	5%
9	Community	5%	Community	2%	IMF	5%
10	Conditions	5%	Consumer	2%	Improved	5%
11	Debts	5%	Demand	2%	Marketing	5%
12	Depreciation	5%	Election	2%	Performance	5%
13	Kwacha	5%	Expectations	2%	Restructuring	5%
14	Load	5%	Expects	2%	Sales	5%
15	Shedding	5%	Festive	2%	Season	5%
	2023		2024		2025	
1	Demand	13%	Exchange	11%	Electricity	10%
2	Sales	10%	Electricity	9%	Mining	9%
3	Exchange	9%	Production	8%	Expectations	7%
4	Debt	7%	Expectations	7%	Kwacha	7%
5	May	7%	Copper	6%	Sectors	7%
6	Volume	7%	Demands	6%	Supply	7%
7	Copper	6%	Pressures	6%	Driven	6%
8	Cost	6%	Continued	5%	Inflationary	6%
9	Expections	6%	Foreign	5%	Largely	6%
10	Improved	6%	Inflationary	5%	Opinion	6%
11	Inflation	6%	Largely	5%	Optimistic	6%
12	Opinion	6%	Opinion	5%	Premised	6%
13	Pressure	6%	persistent	5%	Pressures	6%
14	Weak	6%	Prospects	5%	Season	6%
15			Rationing	5%	Stronger	6%

Across the five years of survey text, the most frequent words show a clear shift in business concerns (Table 1). In 2020–2021, the language is dominated by COVID-19, cost pressures, and electricity/load-shedding, reflecting simultaneous health, economic, and energy shocks. By 2022, firms begin to focus more on expectations, investment, and outlook, alongside debt-related terms linked to the debt restructuring process that had begun. In 2023–2024, attention pivots to demand, sales, and especially exchange-rate and inflationary pressures, with

[1] *FinBERT is a pre-trained transformer model based on BERT, which is a deep-learning architecture widely used in natural language processing. It is fine-tuned for financial sentiment analysis, so it classifies text as positive, negative, or neutral within financial and economic contexts.*

Figure 4: Heatmap of Sentiment Tone by Topic



Source: Bank of Zambia
Notes: *The heatmap uses a diverging colour scale where red indicates negative sentiment, green indicates neutral sentiment, and blue indicates positive sentiment.*

years.

A brief review of the results shows clear shifts in the tone of central bank communication across both years and economic themes. In the early period (2020–2021), sentiment is predominantly negative across most topics, particularly for the exchange rate, financial conditions, economic growth, inflation, and risks. reflecting weak growth, financial stress, and broader macroeconomic instability. This pattern suggests a period of heightened macroeconomic concern, with the tone reflecting weak economic conditions and uncertainty. Although some improvement appears in economic growth sentiment in 2021, especially toward the end of the year, inflation and risk-related sentiment remain largely negative, indicating continued caution in the economic outlook.

Sentiment turns negative again in 2024, particularly across several themes, particularly inflation, exchange rate developments, and copper and production constraints also resurfacing. By 2025, the narrative becomes more sector-driven, highlighting electricity, mining, and expectations, suggesting cautious optimism despite persistent supply and price pressures.

THEMATIC CLASSIFICATION OF REPORT TONE – A MACHINE LEARNING APPROACH

We analysed the tone of the QSBOE summaries using large language modeling techniques and applied a financial sentiment model (FinBERT). Each report was split into individual sentences, and the model assigned a positive, negative, or neutral score to capture the sentiment expressed. Sentences were then grouped by key economic topics such as inflation, growth, exchange rates, and financial conditions, and the scores were averaged for each topic in each quarter. These results, visualised in Figure 4, illustrate how the tone of communication for each economic theme evolved across quarters and economic growth, suggesting renewed economic pressures. However, monetary policy sentiment shows a positive spike in the third quarter, reflecting policy adjustments. By contrast, 2025 shows a broad and consistent improvement across nearly all topics, pointing to a more optimistic policy outlook and greater macroeconomic stability.

Overall, the pattern suggests an initial period of economic stress, followed by gradual stabilisation and a more optimistic outlook by the final year of the sample.

CONCLUSION: A FIVE-YEAR JOURNEY FROM CRISIS TO MOMENTUM

From the sharp contraction triggered by COVID-19 in 2020 to the strong and broad-based recovery emerging in 2025, the text analysis highlights a Zambian economy that has demonstrated both resilience and renewed momentum. Although structural challenges such as exchange rate volatility, electricity shortages, and persistent inflation continue to demand policy attention, the foundations for medium-term growth have strengthened. Rising copper production, improved policy coordination and fiscal management, and a rebound in investor confidence have collectively positioned the economy for sustained recovery. The shift from contraction to expansion over this five-year period reflects not only cyclical improvements but also the gradual payoff of reforms aimed at stabilising the macroeconomic environment and enhancing productivity across key sectors.

The authors are Senior Economist - Field Surveys and Economist in the Statistics Department

OVERSIGHT OF ZAMBIA'S REGULATED NON-DEPOSIT TAKING FINANCIAL INSTITUTIONS: HOUSEHOLD RELIANCE AND SYSTEMIC STABILITY

- **A Sector Quietly Powering Everyday Life**

By Hotep Nyendwa

Non-Deposit-Taking Financial Institutions (NDTFIs) have become a central feature of Zambia's financial landscape, providing short tenor, small ticket loans that support household resilience and micro enterprise activity. Across Zambia, millions of households rely on such facilities to keep life moving, from paying school fees and medical bills to smoothing income gaps or replenishing stock for small enterprises.

As lending volumes rise and access expands through digital channels, the sector occupies a position of increasing relevance to financial inclusion, economic participation and broader financial stability outcomes. A clearer understanding of market trends, emerging risks and borrower realities offers insight into how the sector continues to evolve.

Scope and Definitions

This article focuses on NDTFIs regulated by the Bank of Zambia under the Banking and Financial Services Act, 2017. NDTFIs provide credit but are not authorised to accept deposits. The article excludes entities such as moneylenders operating under separate legislation.

Zambia's Credit Landscape: A Household Centred Market

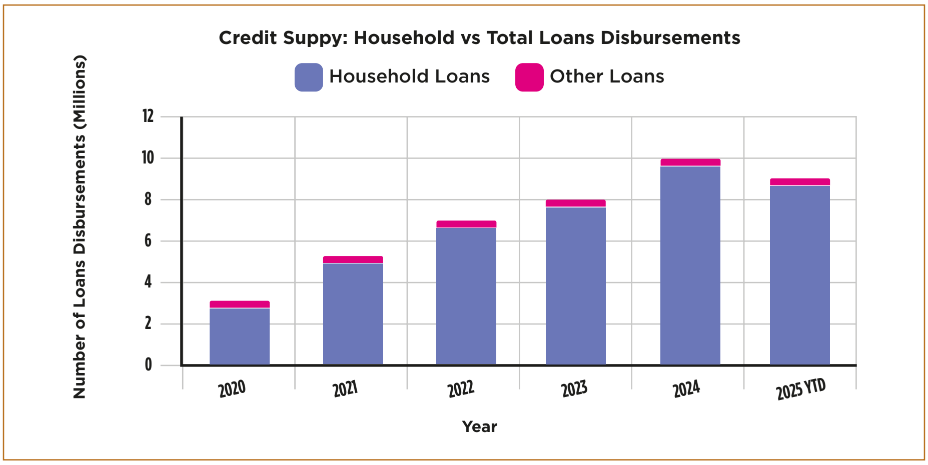
Publicly available data from the Credit Market Monitoring Programme (CMMP)* show that the formal credit market have consistently been dominated by loan disbursements to households, by number, across regulated lenders for at least the past five years.

Loan disbursement volumes have grown steadily over time, driven almost entirely by household borrowers. Total disbursements rose from 3.3 million in 2020 to a peak of 10.1 million in 2024, before reaching 8.6 million in 2025 (Q1–Q3 YTD).

Household lending follows the same pattern, 3.1 million in 2020, rising sharply to 9.7 million in 2024, and 8.35 million YTD in 2025 reflecting the sector's strong reliance on consumer credit. This trend proves that households consistently account for more than 90 percent of all loans issued, including 96.6 percent in 2025 YTD, confirming that Zambia's regulated lenders operate in a market overwhelmingly shaped by household cash-flow needs.

This dominance of retail lending highlights a simple truth: Zambia's formal credit system is built on high volume, small value loans that directly touch the daily lives of families, public sector workers, market traders and micro entrepreneurs. **Figure 1** illustrates the volume of house loans issued relative to the total loans issued from 2020 to 2025.

Figure 1: Credit Supply: Number of Loan Disbursements (2020–2025 YTD



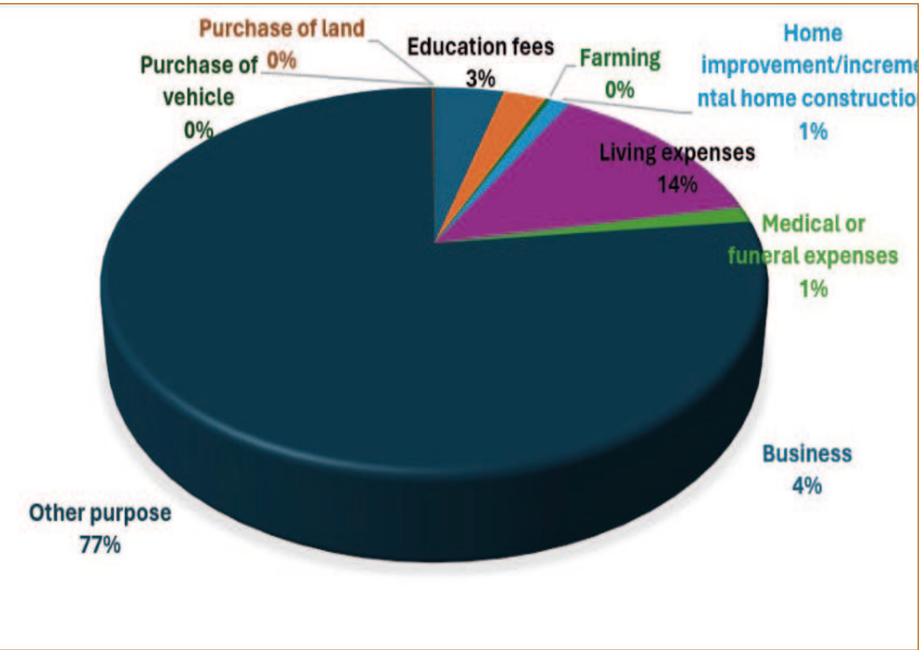
Source: *CMMP report Q3 2025*

The Credit Market Monitoring Programme is a BoZ data collection and reporting initiative that aggregates formal sector credit disbursements, portfolio performance and borrower classifications.

The Human Story Behind the Numbers

Behind the sector's growth are the day-to-day financial needs of households and micro entrepreneurs. Households rely on credit to manage day-to-day needs and cope with unexpected expenses. Teachers use small loans to bridge monthly shortfalls, traders use them to replenish stock, and families turn to credit for school fees, medical costs, and emergencies. As **Figure 2** shows, most unsecured borrowing in 2025 went toward routine living expenses and general needs, underscoring how households use short-term credit to manage basic consumption and occasional shocks rather than long-term investment.

Figure 2: Unsecured Credit Purposes (2025 YTD)



When lending practices are transparent and respectful, borrowers repay more reliably, strengthening both portfolio quality and consumer trust. But when practices are inconsistent or opaque, vulnerabilities emerge and those risks ultimately feed back into institutional and system-level stability.

High household borrowing creates direct links to financial stability as elevated debt burdens reduce disposable income, heighten default risk, and transmit stress to financial institutions. When repayment capacity weakens, the resulting defaults erode capital buffers, disrupt credit markets, and amplify systemic vulnerabilities. For NDTFIs, the risk is even more acute because they do not mobilise deposits but depend almost entirely on loan repayments for liquidity, any slowdown in household income or repayment behaviour immediately strains cash flow. This constrains their ability to issue new loans, meet operating costs, or service external obligations, making repayment behaviour a critical determinant of institutional resilience and a key supervisory concern.

Sector Growth and Risk Patterns

Digital lending has widened access to credit but has also increased vulnerabilities. Recent supervisory reviews show that some NDTFIs with rapidly expanding digital portfolios face concentrated credit-risk pressures. These trends highlight the need for products aligned to borrower income patterns, stronger data-reporting practices, and enhanced risk-management frameworks. Well-governed NDTFIs remain important for financial stability by supporting predictable repayment flows and reducing reliance on informal borrowing during stress.

Regulatory Response and Policy Developments

The Bank of Zambia has strengthened its supervisory response through a risk-based approach that prioritises emerging risks and directs attention to institutions with the greatest impact. The recent restructuring of the Non-Bank Financial Institutions Supervision Department to the Financial Conduct Supervision Department with dedicated divisions for Monitoring and Surveillance, Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT), Consumer Protection and Market Conduct (CPMC), and Financial Sector Development has improved coordination and enhanced the effectiveness of CPMC work. Clearer escalation pathways and better information flow have supported more consistent oversight of conduct risks.

Alongside structural reforms, the Bank has intensified CPMC supervision with a focus on transparency, disclosure, fair treatment and responsible lending. This has strengthened oversight of digital-lending models, improved monitoring of market-conduct risks, and enhanced follow-up on borrower complaints, an essential area given the rise of high-volume, small-ticket loans Building on these existing measures, the Banking and Financial Services Bill, 2025, currently before the National Assembly, aims to modernise Zambia's financial sector framework. The Bill's stated objectives include to enhance:

- Regulation and supervision of financial service providers
- Market conduct and financial consumer protection mechanisms
- Financial reporting and accountability requirements
- Support for innovative and inclusive financial services

A notable structural adjustment within the Bill is the repeal of the Money lenders Act (Cap. 398). This repeal removes an older parallel regime and expands the Bank of Zambia's supervisory perimeter to include money lenders that previously operated under a separate legal framework. The transition is expected to enhance transparency, standardise conduct expectations and improve integrity across the fragmented lower tier credit market.

Institutional Considerations for Sector Strengthening

To build a resilient and inclusive NDTFI sector, institutions must focus on five key areas:

- **Affordability and Repayment Alignment**

Repayment schedules matched to household cash flow cycles reduce default risk and promote financial wellbeing.

- **Clear and Consistent Digital Disclosures**

Uniform display of the annual effective interest rates, and transparent fee breakdowns across USSD, app and branch channels strengthen consumer understanding.

- **Improved Credit Information Reporting**

Timely credit bureau reporting enhances early warning mechanisms, supporting both institutional and system level stability.

- **Governance and Oversight Enhancement**

Strong oversight processes by board and management, supported by reliable data and clear decision making structures, improve institutional resilience.

- **Fair Treatment Standards**

Respectful collections, transparent communication and effective complaints management improve trust and repayment behaviour.

Conclusion

NDTFIs hold an influential position within Zambia's financial system. With household loans forming nearly 97 percent of all formal loan transactions, the sector's practices carry clear implications for financial stability outcomes. Strengthened transparency, enhanced governance, improved data flows and borrower centred product design can reinforce both institutional performance and economic resilience. The sector's future success lies in maintaining accessibility while deepening responsible lending practices ensuring that microfinance continues to support stability, inclusion and sustainable financial participation across Zambia

The author is Author is an Examiner in the Financial Conduct Supervision Department

THE FRONT LINE OF AML/CFT DEFENCE: LESSONS FROM SUPERVISION (PART 1)

By Oscar Nkhuwa

Effective anti-money laundering and countering the financing of terrorism (AML/CFT) frameworks are often judged by the strength of their policies, systems, and governance structures. Yet in practice, many institutional weaknesses first appear much closer to the customer. This article opens a five-part series, Lessons from Supervision, which reflects on recurring themes emerging from AML/CFT supervisory work across financial institutions. The series examines five critical layers that often determine whether AML/CFT frameworks operate effectively in practice: the front line, the compliance function, management, the board, and suspicious transaction reporting.

It begins with the front line because this is where customer identity is verified, unusual conduct is first observed, and suspicions are either escalated or overlooked. From a supervisory perspective, the quality of front-line execution often determines whether the wider AML/CFT framework is credible in practice or merely adequate on paper.

Why the front-line matters

Front-line staff are far more than customer-facing employees. They are the institution's first practical line of defence against misuse of the financial system. Tellers, onboarding officers, relationship managers, branch staff, field officers, and mobile money agents all operate at the point where AML/CFT risk first presents itself. They are expected to identify customers properly, notice inconsistencies, ask the right questions, and escalate concerns in a timely manner.

In many institutions, however, this role is still undervalued. Front-line performance is often measured mainly through speed, sales, and customer service. From an AML/CFT standpoint, that is too narrow. Weak onboarding produces weak customer files. Poor data capture undermines transaction monitoring. Failure to question unusual activity weakens internal reporting. By the time the matter reaches the back office, the opportunity to prevent or properly interpret risk may already have been compromised.

This is why front-line vigilance should not be treated as a routine procedural matter. It is a core element of financial integrity and one of the clearest indicators of whether an institution's AML/CFT culture is truly embedded in daily operations.

What the framework requires

International standards are clear on the importance of the first line of defence. The Financial Action Task Force (FATF) Recommendations require institutions to apply a risk-based approach, conduct customer due diligence, retain adequate records, collect complete and accurate information for wire transfers, and report suspicious activity promptly. In operational terms, these requirements are not fulfilled in theory. They are fulfilled through decisions made by staff at the point of customer contact.

This makes the front line central to the practical application of key standards, particularly those relating to risk-based controls, customer due diligence, record-keeping, wire transfer information, and suspicious transaction reporting. Where front-line processes are weak, the institution's ability to meet these obligations weakens with them.

Zambia's domestic framework reinforces the same message. Section 23 of the Financial Intelligence Centre Act No. 46 of 2010, as amended, requires reporting entities to maintain AML/CFT programmes with appropriate controls, training, compliance oversight, and independent review. Section 29 establishes the duty to report suspicious transactions. The Bank of Zambia's AML/CFT Directives of 2017 complement this framework by requiring internal escalation of suspicions, timely reporting, protection against tipping-off, and accountability for programme effectiveness. Taken together, these obligations place the front line at the centre of operational compliance, not at its margins.

What supervisors commonly see

Despite this clear framework, supervisory examinations across banks, non-bank financial institutions, payment service providers, and bureaux de change continue to reveal recurring weaknesses in front-line practice.

One of the most common findings is the shortcutting of customer due diligence. Accounts may be opened without complete know-your-customer (KYC) documentation, or staff may accept insufficient identification where policy requires more robust verification. In some cases, customers are risk-rated without a clear rationale or supporting evidence on file. These are not minor procedural gaps. They weaken the institution's ability to understand who it is dealing with and create vulnerabilities that can be exploited for illicit purposes.

Another recurring weakness is inconsistency across branches, outlets, and agent networks. This is particularly

significant in business models that rely heavily on third-party distribution channels, such as mobile money and agent banking. Supervisory experience shows that standards often vary materially from one outlet to another. Where oversight of agents is weak, record-keeping is inconsistent, or remote outlets operate with limited supervision, the weakest point in the network can become the easiest point of entry for abuse.
A further concern arises in the handling of alerts and internal escalation. In some institutions, transaction monitoring alerts are closed too quickly by junior personnel without sufficient review, documentation, or escalation. This undermines both record-keeping and suspicious transaction reporting. More importantly, it points to a deeper issue: where alerts are treated as operational inconveniences rather than risk indicators, the institution begins to normalise poor judgement at the very point where discipline is most needed.

These findings support a broader supervisory lesson. AML/CFT frameworks do not usually fail because institutions lack rules. They fail because the people expected to apply those rules do not do so with consistency, confidence, and urgency.

Strengthening the first line of defence

If institutions are serious about improving AML/CFT effectiveness, the front line must be treated as a control function worthy of investment, not merely an administrative or customer service layer.

First, customer due diligence must be evidence-based. Verification steps should be properly documented, supported by a clear audit trail, and linked to defined risk criteria. Customer risk classification should not be arbitrary, and files should show why a customer was assessed in a particular way. Documentation discipline at onboarding remains one of the clearest indicators of quality control.

Second, institutions need greater consistency across all customer touchpoints. Staff and agents should operate with standardised know-your-customer tools, checklists, and escalation guidance. This does not mean applying controls mechanically or without judgement. It means ensuring that all customer-facing personnel work from a common baseline and understand how to apply policy within the context of the institution's actual risk profile.

Third, institutions should strengthen alert governance. Every alert generated by a monitoring system should be reviewed with discipline, and the rationale for closure or escalation should be clearly documented. Sample-based quality review of alert handling can help institutions test whether decisions are being made consistently across teams and locations. This becomes even more important where transaction volumes are high, or distribution channels are geographically dispersed.

Fourth, training should be practical and scenario based. Front-line staff learn best when training reflects the risks, they are likely to encounter in real operations. Case-based sessions on structuring, unusual remittance patterns, suspicious cross-border activity, inconsistent customer behaviour, and data quality failures are more effective than generic compliance briefings. Staff must not only know the rule; they must be able to recognise risk when it presents itself.

Fifth, institutions should pay closer attention to the quality of data captured at initiation. Accurate customer and transaction information is not a clerical detail. It is the foundation on which monitoring, review, and reporting depend. Incomplete or inaccurate data entered at the front line often creates downstream compliance failures long after the initial interaction has passed.

A broader supervisory lesson

Front-line weakness is rarely an isolated problem. More often, it reflects wider institutional shortcomings: weak training culture, poor management follow-through, inadequate agent oversight, insufficient quality assurance, or a broader tendency to treat AML/CFT as a box-ticking exercise. Conversely, institutions that perform strongly under supervision are usually those where front-line staff understand that they are not simply processing customers but helping protect the institution and the financial system.

That is the real significance of the first line of defence. It is not just the beginning of a process. It is the point at which an institution's risk culture becomes visible in action.

Conclusion

The front line remains the first practical test of whether an AML/CFT framework is truly alive within an institution. Policies may be approved at senior level, systems may be installed, and reports may be submitted, but effectiveness begins with the staff member who opens the account, questions the transaction, notices the inconsistency, or chooses to escalate a concern.

Where front-line roles are undervalued, poorly trained, or unevenly supervised, compliance gaps multiply quickly. But where staff are supported with clear tools, relevant training, disciplined oversight, and a culture that values sound judgement, they turn policy into effective control.

Supervisory experience continues to show that AML/CFT compliance is not sustained by documentation alone. It is sustained by vigilance at the point of contact. For financial institutions, strengthening the front line is not a supporting measure; it is central to AML/CFT effectiveness.

In Part 2, the series turns to the compliance function and examines why the compliance officer's role should be understood not as administrative custodianship, but as a strategic mandate within the institution.

The author is Examiner in the Financial Conduct Supervision Department

PAUSE AND THINK

WHICH NUMBER IS MISSING?

1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	32	33	34	35
37	38	39	40	41	42	43
44	45	46	47	48	49	50

POLITICAL HEADWINDS AFFECTING THE NGFS

By Lyness Mambo, Calvin Habasonda and Oswald Mungule



Executive Summary

The Network for Greening Financial Systems (NGFS) continues to grow technically, but its progress is increasingly shaped by **political headwinds**, particularly in jurisdictions where climate policy is highly polarised. For example, the U.S. Fed's withdrawal—driven by political changes, fossil fuel interests, and contested mandates—is the clearest global example of how politics can weaken NGFS cohesion and slow international alignment on climate risk integration.

We write on how the political headwinds are affecting the NGFS operations. Part one is a clear, evidence based overview of the political headwinds impacting the Network for Greening the Financial System (NGFS), supported by recent global examples. Part two is a concise, well sourced assessment of the impact of the U.S. Federal Reserve's withdrawal from the NGFS on global finance, drawing directly from the most recent evidence.

Part One: Political Headwinds Affecting the NGFS: Global Examples

The Network for Greening the Financial System (NGFS) is a global coalition of central banks and supervisors working to integrate climate risk considerations into financial supervision. While its technical work continues to grow, the initiative increasingly faces political challenges that undermine cohesion, participation, and implementation across jurisdictions.

1.1. Politicisation of Climate Policy in the United States:

Fed Withdrawal Driven by Domestic Politics

The most significant recent example of hard political headwinds comes from the United States.

- In March 2025, reporting showed that **the U.S. Federal Reserve withdrew from the NGFS** in what observers viewed as an effort to align with the incoming Trump administration's anti climate stance. Analysts described the decision as intended "to placate the anti climate views of the Trump administration," contradicting official claims that the withdrawal was apolitical.
- The Fed's departure occurred just before Donald Trump's second inauguration, and commentators widely interpreted the timing as political due to stark differences between Biden era and Trump era climate policies.

Broader U.S. Retreat from Climate Finance Alliances

- U.S. banks also exited the **UN Net Zero Banking Alliance**, reflecting political pressure against climate related commitments. Experts attributed this trend to an administration "dead set on protecting the fossil fuel industry."

Impact on NGFS

- The NGFS publicly stated it

"regrets" the Fed's exit, but highlighted that its other 143 members remain committed. Political shifts in the U.S., however, reduce the global reach of its recommendations and weaken climate risk alignment among major financial systems.

1.2. Divergent National Mandates and Legal Constraints

Conflicts Between NGFS Ambitions and Domestic Mandates

- The Fed justified its withdrawal by claiming the NGFS had "broadened in scope" beyond the boundaries of its statutory authority. This highlights a global issue: **central banks operate under national mandates that may not explicitly authorise climate risk interventions**, creating friction between NGFS recommendations and domestic political-legal constraints.

This tension often becomes political when climate risk integration is framed as mission creep or regulatory overreach.

1.3. Resistance in Fossil Fuel–Dependent Economies

Although not always explicitly stated in NGFS communications, fossil fuel heavy economies frequently push back against:

- climate related disclosure expectations,
- scenario analysis requirements, and
- supervisory treatment of transition risk.

In these countries, the political influence of hydrocarbons can suppress alignment with NGFS best practices. The U.S. example—where fossil fuel protection was cited as a driving factor—is the clearest recent case. Analysts characterised the administration's posture as protecting the fossil fuel industry at all costs, which directly undermines NGFS-aligned actions.

1.4. Geopolitical Fragmentation and Loss of Consensus

NGFS relies on consensus and voluntary collaboration. Geopolitical fragmentation reduces trust and willingness to harmonise standards. Examples include:

Withdrawal of a Major Member Reduces Cohesion

- With the Fed's exit, countries that rely on the U.S. as a standard setter may slow their participation or alignment, increasing the risk of fragmented climate risk frameworks across jurisdictions. Observers warn that such withdrawals undermine scientific and economic consensus on climate related financial risk.

Shifting Global Climate Negotiations

- As noted in commentary on NGFS scenario releases, geopolitical tensions influence how central banks interpret climate impacts and transition pathways. Climate related discussions at COP conferences (such as COP29) have spotlighted the politicisation of climate risks globally.

1.5. Media and Public Opinion Dynamics

NGFS publications—especially around climate risk scenarios—receive substantial media attention, which can trigger political backlash.

The release of updated NGFS climate scenarios showing the severe GDP impact of unchecked climate change drew significant global media attention (e.g., the Guardian), increasing political sensitivity around central banks' role in climate analysis.

This media spotlight sometimes provokes politicians to accuse central banks of promoting climate activism, intensifying pressure on members to distance themselves from the NGFS.

Part Two:- Impact of U.S. Withdrawal from the NGFS on Global Finance

The U.S. Federal Reserve's January 2025 withdrawal from the Network for Greening the Financial System (NGFS) carries significant global financial implications—symbolic, operational, and geopolitical. The decision reverberates across climate risk supervision, global regulatory coordination, and market confidence.

2.1. Weakening of Global Climate Risk Coordination

Loss of a Major Financial System's Participation

The NGFS is a global coalition of central banks advancing climate risk analysis and sustainable finance frameworks. The Fed's withdrawal removes the world's most systemically important central bank from coordinated scenario modelling and supervisory practice development.

- The Fed stated it left because NGFS activities had "broadened in scope. outside of the Board's statutory mandate."
- Analysts note the move occurred amid increasing U.S. political

- scrutiny of participation in international bodies addressing climate risks.

This departure weakens alignment on supervisory tools such as climate stress testing, reducing international consistency.

2.2. Potential Fragmentation of Global Climate Finance Standards

Divergence in Scenario Analysis and Regulatory Expectations

NGFS climate scenarios are among the most widely used globally for stress testing financial systems.

- Nearly all climate scenario analyses across major jurisdictions rely on NGFS models, including those previously used by the Fed in its 2023 pilot exercise.

The Fed stepping back may lead other regulators—especially in politically aligned jurisdictions—to dilute or abandon globally harmonised approaches. This fragmentation could increase compliance costs for multinational banks and degrade comparability of climate risk metrics.

2.3. Signal of U.S. Retreat from Climate Aligned Financial Governance

Broader Trend of U.S. Institutions Exiting Climate Coalitions

The Fed's exit is part of a wider pattern of U.S. disengagement from climate focused finance frameworks.

- U.S. regulators have faced political pressure over "participation in non treaty international organisations," triggering congressional hearings and scrutiny.
- U.S. institutions have also withdrawn from the Net Zero Banking Alliance and Net Zero Asset Managers initiative amid rising skepticism toward climate commitments.

These shifts may encourage a broader rollback of sustainable finance initiatives across the American financial sector.

2. 4. Reduced Momentum for Global Climate Risk Integration

The NGFS has been a primary driver behind embedding climate risk considerations into prudential supervision worldwide.

- Experts warn that the Fed's withdrawal may "hinder the momentum needed" for global financial systems to address climate related vulnerabilities.

This is particularly concerning at a time when physical and transition risks are intensifying, requiring coordinated cross border responses.

2. 5. Potential Regulatory Drift Between the U.S. and Europe

Growing Transatlantic Divide

European regulators remain strong supporters of NGFS aligned climate finance.

- European supervisors expressed concern the Fed may "ease off" on managing climate related financial risks, widening the divide between U.S. and European regulatory trajectories.

Such divergence may complicate cross border supervisory cooperation and create uneven financial stability safeguards.

2. 6. Market Perception and Financial Stability Implications

Mixed Signals to Markets

The Fed's exit sends a signal that climate risk supervision is politically contested rather than a foundational component of financial stability.

- Some U.S. policymakers argue climate risks lack sufficient materiality to warrant specialised treatment.

This may discourage U.S. institutions from investing in climate risk management capabilities, potentially heightening future systemic vulnerabilities.

3. Conclusion

- The Fed's withdrawal weakens global coordination on climate risk supervision and threatens regulatory fragmentation.
- It signals a broader U.S. retreat from climate aligned financial governance at a critical global moment.
- It may slow global momentum on integrating climate risks into financial stability frameworks, with potential long term systemic consequences.

The authors are Director, Assistant Director- Regulatory Policy, Licensing & Liquidation, and Senior Analyst-Regulatory Policy Research & Licensing, Prudential Supervision Department.

DEMYSTIFYING OPEN FINANCE

By Abraham Alutuli and Musonda Mbalazi

Introduction

In the current digital era, data has emerged as a catalyst for innovation as Financial Service Providers (FSPs) leverage data to gain deeper insights into consumer needs. Dominant market players may possess vast amounts of consumer data but may lack the capabilities or incentives to leverage it in ways that genuinely serve their clients' needs. In contrast, fintechs may be more adept at utilising data to innovate, however, they frequently face barriers in accessing the vast data held by larger entities. This imbalance not only curtails fintech innovation but also limits consumer choices and results in higher costs (Cenfri, 2022) (Gray, et al., 2022). Open finance emerges as a response to this imbalance as it aims to address the data access conundrum.

What is open finance?

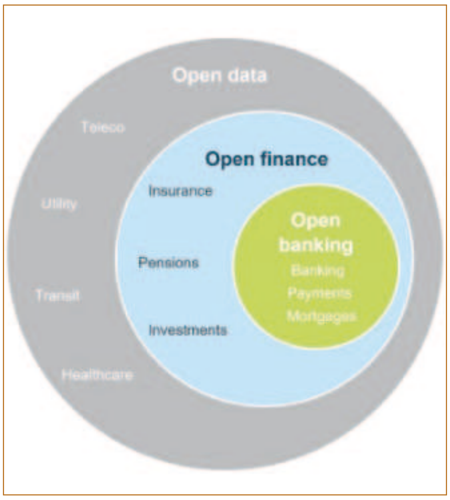
According to the World Bank Group, Open Finance is a financial innovation that allows customers to securely share their data (with consumer consent) with various financial institutions and third-party providers (e.g. Fintechs) using application programming interfaces (APIs) to get new, tailored services like loans, insurance, or investments. Open Finance builds on Open Banking by including more products beyond regular banking services. Open finance provides a secure way for customers to take control of their financial data and share it with organisations other than their existing FSPs (OBIE, 2020).

Comparing open banking, open finance, and open data

Open Finance is an intermediary step in the progression towards an open data ecosystem, as the figure below illustrates. Open Banking focuses on sharing transactional data within the banking sector. Open finance expands on this to include a broader spectrum of financial data, such as insurance, pensions, and investments. Open Data, goes beyond Open Finance, enabling data sharing across various sectors such as telecommunications, utilities, and healthcare. Consumer consent is the fundamental enabler of data sharing at each of these layers.

Figure 1: Open Finance in relation to Open Banking and Open Data.

Common types of data shared in



Open Finance

There are four predominant categories of data typically exchanged in the context of Open Finance, namely generic services data, customer data, financial history data, and account data. Generic services data includes publicly available information about financial services such as product pricing and locations while customer data comprises personal identification details crucial for opening accounts and their subsequent management. On the other hand, financial history data records the specific financial activities undertaken by consumers, such as transaction and claims data. Lastly, account data provides information necessary for payment processing.

Core participants in an Open Finance ecosystem

The Open Finance ecosystem is characterised by four primary participants. Financial service consumers (data owners) are the rightful owners of financial data and have the authority to share their information with entities of their choice. Data owners can either be an individual or an enterprise, notably a micro, small or medium-sized enterprise (MSME). Data holders are typically financial institutions like banks or mobile money operators. These entities generate and manage consumer data. In the context of Open Finance, they are responsible for sending data to a data user at the request of the consumer.

Data users, typically third-party providers, seek access to consumer data to enhance their offerings. They are permitted to receive and use the financial information of the data owner. Policymakers and regulators, on the other hand, define the rules that set out who can share and receive data, and how this data can be shared safely. Policymakers and regulators can either play an active or passive role within an Open Finance ecosystem.

Key benefits of Open Finance

When implemented well, Open Finance generates benefits which enhance consumer welfare, and improve financial service provider operations and regulatory oversight through improved efficiency, expanded inclusivity, competition and financial innovation.

Open Finance provides financial institutions with the ability to create personalised services which address individual customer requirements. Due to the enhanced data sharing and transparency that comes with Open Finance, consumers and MSMEs can have access to credit assessments that are more accurate, and, in most cases, this translates into reduced costs on loans, improved borrowing terms and lower transaction fees.

The availability of data and analysis of customer behaviour enables providers to develop better segmentation strategies and new products. Data-driven methods enhance operational efficiency in credit scoring, insurance underwriting and know your customer (KYC) processes which drives innovation and decreases operational costs.

Open Finance enables financial inclusion by fostering competition which leads to innovative solutions. The combination of better data governance and real-time financial information access enables regulators to conduct more effective oversight and compliance monitoring which leads to a more transparent and resilient financial ecosystem.

Key risks associated with Open Finance

Open Finance may introduce several risks that require careful management. For instance, the extensive exchange of personal data among platforms may lead to data breaches and cybersecurity threats if there are insufficient security measures and weak regulatory controls. To mitigate this risk, it is important to enforce strong data sharing and protection standards and adopt international cybersecurity best practices.

Further, simplified access to personal data through APIs, if not secured with robust customer authentication, can make it easier for bad actors to perpetuate identity theft and account takeover scams on a large scale. To mitigate this risk, it is imperative to implement digital identity measures that enhance identity validation and verification when conducting customer due diligence.

A lack of financial and digital literacy, combined with weak recourse mechanisms, makes consumers susceptible to fraud. Consumer education programmes and enhanced complaint resolution mechanisms are essential to mitigate this risk. Further, the use of third-party providers may introduce risks such as fraud from rogue entities and operational failures, which can damage institutional reputation and consumer trust. Developing licensing and supervision frameworks that outline clear operational requirements for third-party providers can assist in managing this risk.

The authors are Manager and Assistant Manager – Payment Systems Fintech and Research in the Payment Systems Department

ESTABLISHING PSYCHOLOGICAL SAFETY AS A FUNDAMENTAL PRINCIPLE IN CYBERSECURITY MATURITY

By Daniel Chibesakunda

Introduction

In today's era of hyperconnectivity, organisations have deeply invested in deploying sophisticated cybersecurity tools, comprehensive frameworks, and strict compliance initiatives to safeguard their digital environments. However, despite the measures taken, many are unfortunately still suffering breaches, exposure of private data and disruption to their operations. Often, the missing link is not so much technological as it is human. The root of a truly cyber mature organisation is psychological safety, the shared conviction that employees can speak out, raise concerns without punishment or ridicule, admit mistakes and question decisions.

It is not a "soft" concept, psychological safety is a strategic enabler of strong cybersecurity posture. When people are safe, they will fight for the organisation and move from being problems to being solutions.

Understanding Psychological Safety in Cybersecurity

Psychological safety, a concept popularised by Harvard professor Amy Edmondson, describes an environment where individuals feel free to be themselves without concern about adverse consequences. In cybersecurity, this translates to a workplace culture where:

- Employees immediately report suspicious emails
- IT departments discuss system weaknesses publicly
- Analysts proactively escalate incidents early without fear of error
- Mistakes are seen as a learning opportunity, not failure

In many organisations and especially in those characterised by rigid hierarchies or blame-based cultures, employees may bury mistakes or postpone reporting incidents. This lag also can be the difference between a contained threat and a full-scale breach.

The Link Between Psychological Safety and Cyber Maturity

Cyber maturity is often measured through frameworks such as governance, risk management, compliance, and technical controls. However, even the most robust frameworks can fail if the human element is weak.
Psychological safety strengthens cyber maturity in several key ways:

i. Early Detection of Threats

Employees are usually the first line of defense. A staff member who sees an unusual login or phishing attempt must feel able to report it as soon as possible. Fear of "looking incompetent" in these psychologically unsafe environments can cause silence and give more time for attackers to exploit vulnerabilities.

ii. Faster Incident Response

SOC (Security Operations Centre) analysts need to take rapid decisions. When there is psychological safety, programmers feel comfortable sharing what they notice, asking questions, and admitting when they don't know something. This open communication helps the team work together more effectively during incidents.

iii. Continuous Learning and Improvement

Cybersecurity is an ever-changing domain. Psychological safety allows open conversations about what went wrong, near misses and lessons learned. It builds a culture of more improvement, less mistakes.

iv. Stronger Governance and Compliance

Audit, risk, and compliance teams need clear information to do their jobs well. Psychological safety helps people speak up about problems, gaps, or risks early before these issues grow into bigger regulatory or reputation troubles.

Practical Scenarios in Organisational Contexts

To understand the real impact, consider these practical scenarios:

Scenario 1: Phishing Attack for Financial Institution

A staff member gets a potentially fraudulent email demanding immediate payment. In a psychologically safe organisation, the employee alert IT security team immediately. The SOC team investigates and prevents similar emails from occurring across the network.

In fear-based environments, however, the employee cursorily ignores it (or pauses), which can mean money lost.

Scenario 2: Misconfiguration in a Critical System

A junior IT engineer accidentally sets up a firewall rule incorrectly. In a workplace where people feel safe, they tell someone about the mistake right away so it can be fixed quickly. On the other hand, if there is no psychological safety, the engineer tries to fix the mistake quietly alone, which can lead to bigger risks and problems.

Scenario 3: Disclosing the vulnerability in government systems

Working in a team, the team find a vulnerability on a public facing system. When there is Psychological safety, people can freely talk to leadership about concerns and take action as needed.

If there isn't psychological safety, people might downplay the issue to avoid getting blamed, which means citizens' data could still be at risk.

Building Psychological Safety in Cybersecurity Teams

Creating psychological safety requires intentional leadership and cultural transformation. It does not happen by chance.

i. Leadership Commitment

Leaders should demonstrate openness by acknowledging their own mistakes and welcoming dialogue. Senior executives who perceive cybersecurity as a shared responsibility, rather than just an IT issue, set the tone for the entire organisation.

ii. Shift from Blame to Learning

Instead of asking the question: "Who was responsible for this? Organisations need to ask "What can we learn? Post-mortems should be about how to improve systems and processes and not blame.

iii. Encourage Open Communication

On the policy side, make sure you have clear channels to report incidents, vulnerabilities and concerns. Anonymous reporting mechanisms may help in the early part of cultural transformation, as well.

iv. Empower Employees Through Awareness

Cybersecurity awareness training must not be a tick-box exercise Employees need to know that their voice is important and that reporting problems is a good thing.

v. Integrate Psychological Safety into Policies

All policies and procedures should clearly say that reporting problems and working together will not be punished. This helps make cybersecurity fit with the organisation's overall values.

The Role of SOC Teams and Security Leaders

Security Operations Centre teams operate at the frontline of cyber defense. For them, psychological safety is critical. Analysts must feel confident to:

- Escalate incidents without fear of false alarms
- Challenge senior team members when necessary
- Share insights during threat analysis
- Collaborate across shifts and functions

Security leaders need to focus on team well-being, promote cross-team knowledge sharing and reward contributions, not just outcomes.

Measuring Psychological Safety in Cybersecurity

While psychological safety is cultural, it can still be measured through:

- Employee surveys on openness and trust
- Incident reporting rates (higher reporting often indicates a safer culture)
- Post-incident review participation levels
- Feedback from audit and compliance teams

These indicators provide insight into whether employees feel empowered or constrained.

Why Psychological Safety Matters More Than Ever

As cyber threats grow in sophistication, attackers are turning to human vulnerability as a means to gain access rather than relying only on technical flaws. Social engineering, phishing, and insider threats flourish in cultures where employees are disengaged or fearful.

A cyber mature organisation understands that technology will only get them so far. Firewalls, SIEMs and endpoint protection tools are necessary, but must be paired with a culture in which people feel secure in their actions.

Psychological safety helps transform cybersecurity from just reacting to problems into a powerful strength that benefits the entire organisation.

Conclusion

Psychological safety is the foundation upon which cyber maturity is built. It promotes transparency, speeds up response, enhances governance and facilitates continuous learning. Those organisations who turn to building this culture, gain a competitive edge, not just in preventing cyber incidents, but in creating resilience and trust.
At its core, cybersecurity is not about systems, it's about people. When people feel safe, they have a voice. Risks are surfaced early when they speak up. True cyber maturity is achieved when risks are remediated early.

The author is Assistant Director-IT Security in the Executive Department

FREQUENTLY ASKED QUESTIONS ON THE EXPIRY OF THE OLD BANKNOTES

By Besnat Mwanza

The countdown to the old banknotes family deadline has begun. With the transition period ending on **March 31, 2026**, it is vital that every consumer understands how to handle their old banknotes to avoid financial loss.
At the Bank of Zambia, our priority is ensuring that no citizen is left behind or defrauded by unauthorised middlemen. Below, we answer the most pressing questions regarding the exchange process, the security of your transactions, and the tools available, including our new mobile app to help you navigate this change with confidence.

1. What should consumers do if they still hold old notes, and how are you protecting them from being defrauded during this final exchange window?

Consumers still holding on to old notes should:

a. Exchange all old banknotes immediately, before March 31, 2026 - The Bank of Zambia issued a public notice on January 14, 2026, reminding members of the public that old banknotes cease to be legal tender on March 31, 2026. Effective April 1, 2026, the old banknotes and will no longer be accepted for transactions. Prior to this, members of the public were educated on the features of the new currency and given details of the transition process. This was during the phase one (February to March, 2025) and phase two (October to November, 2025) of the countrywide sensitisation campaigns.
b. Visit any commercial bank or NATSAVE branch - To avoid being defrauded, Consumers can exchange old banknotes notes at full face value and free of charge at all commercial banks and NATSAVE branches nationwide. Consumers must avoid using 'middlemen' because they deduct a fee for the exchange.
c. Avoid last minute crowds and delays - The Bank urges consumers not to wait until the last minute, as old notes will hold no value after March 31,2026. Exchange your old banknotes today, ***the exchange window will not be extended***.

Also remember, the coins continue to be legal tender beyond March 31, 2026. Consumers should continue using the coins for their change transactions.

2. How is the Bank protecting consumers from being defrauded during this final exchange window:

a. Clear official communication on dates and where to exchange notes - The Bank has heightened communication efforts to reach as many consumers as possible. This includes the population in the rural areas by way of using community radio stations for repeated adverts on key messages such as the end of cash exchange and the designated exchange points. Other initiatives include flighting billboards in all the 10 provinces, television adverts as well as the use of social and other media. We emphasise that consumers use the commercial banks and NATSAVE branches countrywide to exchange the old banknotes to prevent falling prey to unauthorised agents or 'middle-men'.
b. Exchanges conducted strictly at face value - This ensures that consumers receive the full amount and prevents fraudsters from offering discounted or unfair exchange rates.
c. Public reminders about valid security features - As counterfeit activity often spikes during currency transitions, the Bank continues to sensitise the public on how to identify genuine notes and avoid fraudulent exchanges. The Bank has also rolled out an educational App called the Zambian Banknotes on both Android and iOS. This assists with information on the security features during handling by members of the public. We encourage all the public to search for the App, download it and begin to use it today.
d. Nationwide accessibility of legitimate exchange points - By allowing exchanges at all banks nationwide, including rural NATSAVE branches, the Bank reduces the likelihood that individuals in remote areas will resort to unsafe or informal intermediaries.

In order to raise awareness, the Bank conducted Nationwide Campaigns on the introduction of the Heritage Series as well as the transition process. This took place in February – March and October – November 2025, prior to and after the launch of the new currency family.

We continue to remind the public on the end of cash exchange through adverts on Television and community radio stations as well as social media and other platforms. Consumers are advised to visit the nearest commercial bank or NATSAVE branch to exchange old banknotes for new notes today.

The author is Assistant Director-Communications in the Executive Department

CONFIDENCE, CONDUCT AND THE NEXT GENERATION

...BoZ Commemorates International Anti-Corruption Day

By Silvia Siwale

The integrity of the financial sector very relies heavily on public and investor confidence. Perceptions of regulatory negligence lead to capital flight and reduced investment. For the Bank of Zambia (BoZ), maintaining market trust is a non-negotiable priority. The central bank's message to its employees, vendors and regulated entities has been unequivocal: play by the rules, or face the consequences.

Underscoring this commitment, the BoZ joined the global community on December 9, 2025, to commemorate International Anti-Corruption Day (IACD). This day serves as a vital platform for raising public awareness about the corrosive effects of corruption on global economies, acting as a direct call to action for individuals and governments alike to champion transparency and ethical values.

The 2025 launch, held at the Mulungushi International Conference Centre, was officially graced by His Excellency, Mr. Hakainde Hichilema, President of the Republic of Zambia. This year's campaign specifically spotlighted "Young guardians of integrity," highlighting the role of youth as powerful advocates against corruption within their communities. President Hichilema reiterated Government's commitment to confronting corruption at all levels while fostering a culture of integrity. He called for collective action to ensure that public resources serve the people, opportunities are awarded based on merit, and corruption is eradicated from society.

President Hichilema stated that nurturing a generation that rejects corruption must involve expanded education and nationwide outreach carried out in partnership with the Ministry of Education and cooperating partners.

Prior to the launch, the Bank participated in anti-corruption exhibitions facilitated by the Anti-Corruption Commission (ACC) at different locations within Lusaka. This drive for transparency is mirrored internally, as the Bank of Zambia anchors its operations in an integrity framework that applies to its own employees just as strictly as it does to vendors, contractors, and overseen institutions. To maintain these high standards internally, the central bank has implemented a detailed Code of Conduct. This policy explicitly bans gifts, entertainment, and any form of bribery, including small "facilitation payments" used to speed up routine services.

To support this culture of accountability, the Bank through its Human Resources, Risk and Compliance, and Security departments conducts ongoing training for both new hires and existing staff. Furthermore, employees can report misconduct anonymously, without fear of retaliation.

These rules also apply to third-party vendors and contractors. Any company that wants to do business with the Bank must sign up to the same anti-corruption standards. By integrating these expectations into contractual agreements, the BoZ not only protects itself from liability but also ensures that its partners mirror its high ethical standards.

To monitor the activities of regulated entities, the Bank uses two complementary systems to oversee the wider financial sector.

The first is offsite: Offsite supervision is the continuous, remote analysis of data, financial statements, and statutory returns submitted by banks and other supervised entities. By

analysing large datasets, supervisors look for typical fluctuations in capital or sudden surges in wire transfers to high-risk jurisdictions (tax havens).

The Bank through its supervisory department also monitors transaction thresholds through automated systems that flag transactions that bypass standard reporting limits. In addition, the Bank also review how well a bank know and identifies their customers through the Know Your Customer Policy.

The second is onsite: With regards onsite inspections, BoZ officials physically work from the premises of the supervised entities to test the integrity of their systems and their staff. For instance, Examiners check if a Beneficial Owner of a multi-million Kwacha or dollar account is a real person or a shell company used to hide corruption. They also interview and engage staff to see if there is a "tone at the top" that encourages rule-breaking.

Onsite teams also verify that the collateral for massive loans actually exists. For example, "insider lending" where a bank official gives a massive, unsecured loan to a shell company they secretly own would be a primary target of onsite visits.

Ecosystem of Collaboration

To combat corruption, money laundering, and financial crimes, the BoZ does not operate in isolation. It forms a regulatory and investigative triad alongside the Financial Intelligence Centre (FIC) and the Anti-Corruption Commission (ACC).

While the BoZ regulates the financial system, the FIC acts as the data-gathering intelligence hub, and the ACC serves as the investigative and enforcement arm. Each institution plays a distinct role in a linear pipeline that turns suspicious financial activity into legal prosecution:

The BoZ ensures that regulated institutions have strict Know Your Customer (KYC) and Anti-Money Laundering (AML) protocols in place and flag suspicious behaviour. When a regulated entity spots a bizarre or unusually large transaction, it is legally mandated to report it to the FIC. The FIC then analyses these trends, tracks the movement of assets, and compiles a dossier detailing the suspected financial crime or corruption.

Once it uncovers strong evidence of corruption or bribery, it hands the intelligence dossier over to the ACC. The ACC then uses its statutory powers to launch criminal investigations, freeze assets, arrest suspects, and prosecute them in court. BoZ penalises regulated entities that fail to follow laid down procedure.

By empowering the youth and reinforcing institutional integrity, the Bank, working with other entities bridges the gap between financial oversight and criminal justice, ensuring that corruption is not only difficult to commit but highly traceable when it occurs.

The author is Manager – Media and Publications Executive Department

THE ECONOMICS OF CURRENCY UPGRADES: WHY TIMING, TECHNOLOGY AND PUBLIC CONFIDENCE MATTER

By Abigail Sikwenda

The Case of Zambia's Heritage Series

Currency is often perceived as a static medium passively circulating through wallets, tills, and ATMs. In economic reality, banknotes and coins form part of a country's core monetary infrastructure. Like payment systems and other financial market "plumbing," physical currency must evolve to remain efficient, secure, and trusted. Zambia's Heritage Series reflects this reality. The upgrade to the Heritage Series was not undertaken for a visual refresh alone, but as a strategic response to technological change, operational efficiency needs, and the imperative to preserve public confidence in the Kwacha.

Public Confidence as the Anchor of Fiat Currency

Ultimately, the success of any currency upgrade rests on public confidence. The Kwacha's strength lies in trust that it will function reliably as a medium of exchange and store of value. That trust is not created by the design of a banknote in isolation; it is grounded in purchasing-power stability and the credibility of monetary policy. When households and firms expect inflation to remain contained, and when policy actions are consistent with that objective, the currency is more readily accepted and more widely held—thereby reinforcing the legitimacy of cash as part of the national payments ecosystem.
As a fiat currency, the Kwacha derives its value from public trust—trust anchored in expectations of future purchasing power and reinforced by credible monetary policy and macroeconomic stability. Any erosion in usability, security, or recognisability can therefore translate into tangible economic costs through higher transaction frictions, greater counterfeiting losses, and accelerated replacement needs. Periodic currency upgrades are best understood as preventative investments: they address emerging risks early, before those risks compound into system-wide confidence and cost challenges.

"Public confidence in a fiat currency comes from stability. If a banknote consistently purchases a similar basket of goods today and tomorrow, people trust it." — Raphael Phiri, Assistant Director – Currency Management, Bank of Zambia

International experience confirms this dynamic. Even in highly digitised

economies, physical cash retains value because it is immediate, widely understood, resilient during outages, and useful for small transactions. During periods of uncertainty, many users exhibit a precautionary preference for cash; a behavioral response linked to tangibility and accessibility rather than a direct measure of central-bank credibility. In practice, good cash design supports day-to-day usability, while credibility and price stability do the heavier lifting in sustaining trust in the currency's value.

Timing the Upgrade: Staying Ahead of Counterfeiters

The timing of a currency upgrade is economically critical because counterfeiting technology evolves continuously. High-resolution scanning, advanced graphic design tools, and improved printing techniques enable counterfeiters to replicate visual elements—especially colour—at a growing pace. While colour reproduction remains possible even after a redesign, the Heritage Series improves the overall security and functional profile of the notes by combining clearer denomination cues with higher-complexity security features and more sophisticated material choices. The practical effect is to widen the gap between "looks similar" and "passes authentication," reducing transactional doubt and lowering the risk of counterfeit acceptance in everyday commerce.

The Heritage Series represents a deliberate decision to move ahead of this curve rather than responding after confidence has already been undermined. By redesigning colour structures, reorganising and strengthening security features (including both public-facing and machine-readable elements), and improving note durability where it matters most, the Bank of Zambia increased the technical complexity and economic cost of counterfeiting. Comparable approaches have been used internationally to disrupt counterfeiting cycles and to reinforce confidence—particularly in cash-intensive economies where transaction speed and authenticity checks must work in real time

"The currency upgrade was not about aesthetics alone. We wanted a modern design—something appealing to the eye—so that denominations are clearly distinguishable."
— Patrick G. Phiri, Manager – Currency Front Office Operations, Bank of Zambia

Colour Progression as a Functional Design Strategy

A defining feature of the Heritage Series is its deliberate use of linked colour transitions across denominations, clearly demonstrated in the Bank of Zambia Banknote App. Instead of assigning isolated colours to individual banknotes, the series follows a progressive colour logic: each denomination has a dominant colour and introduces secondary tones that become more prominent in the next higher note. Conceptually, the palette can be understood as moving through adjacent regions of a colour wheel—an approach that preserves continuity while improving denomination recognition.

The K10 begins with a green base and introduces red and pink accents. These warm accents are taken up more prominently in the K20, which then introduces blue tones that become dominant on the K50. The K50 adds grey and muted gold elements that influence the visual identity of the K100. These tones transition into the purple palette of the K200, which introduces green elements that ultimately become dominant on the K500. In effect, each banknote visually "hands over" part of its colour identity to the next denomination, creating continuity across the series while reinforcing the value hierarchy.

This approach reduces cognitive effort during transactions, improves recognition speed, and lowers sorting errors. Colour therefore operates as a functional design feature—an intuitive guide to the denomination structure—rather than a purely aesthetic choice.

Design Beyond Aesthetics: Balance With Purpose

The design of the Heritage Series deliberately balances visual appeal with operational purpose. Clear denomination cues, disciplined colour contrast, and consistent placement of key identifiers support faster decision-making at the point of sale, more accurate cash handling in back offices, and smoother machine processing. In this sense, good design is a productivity feature: it reduces avoidable errors and improves efficiency across the cash cycle.

Size, Tactility, and Inclusive Usability

Colour progression is complemented by a graduated banknote-size structure, with each denomination increasing progressively by five millimetres. This predictable size ladder supports fast sorting and verification, especially in low-light or high-traffic settings. Enhanced tactile marks placed on both short edges of the banknotes further improve recognition for persons with visual impairments and enable more inclusive participation in everyday cash transactions.

Denomination Structure and Cost Efficiency

The introduction of higher-value denominations reflects a clear cost-efficiency rationale. Settling high-value transactions using multiple low-value notes increases printing volumes, transport and insurance costs, storage requirements, and handling time—particularly within the wholesale cash cycle. Higher denominations reduce the volume of notes required per transaction, improving the value-to-volume ratio and easing operational pressure on banks, retailers, and cash-in-transit systems.

Similarly, redefining the note–coin boundary by converting high-velocity lower denominations into coins aligns durability with usage patterns. Coins are more resilient to frequent handling than paper banknotes, reducing replacement frequency and long-term costs while improving the overall quality of currency in circulation.

Currency in Circulation: Transition Dynamics in Practice

As at 31 December 2025, total currency in circulation (CIC) stood at K23.8 billion, of which the Heritage Series accounted for approximately 93 percent by value. This indicates that, ahead of the scheduled end of the exchange period on 31 March 2026, the new currency has become the dominant medium through which value is held and transacted in the economy. The old currency series, which accounts for the remaining share of CIC by value, no longer plays a material role in value storage and functions largely at the transactional margin.

An assessment of the composition of CIC shows that value is now concentrated in Heritage Series high-denomination banknotes, while the residual old-series currency in circulation is concentrated in low-value notes and coins. More than 91 percent of the old currency series by value had already been withdrawn, reflecting effective exchange arrangements and sustained public participation as of 31 December. With the exchange window remaining open until 31 March 2026, the outstanding phase of the transition is therefore operational in nature, centered on the continued withdrawal of low-value legacy currency rather than any structural or policy-related constraints.

Technology, Machines, and Modern Cash Handling

Modern cash systems are increasingly machine-dependent. ATMs, sorting machines, and other cash-handling equipment require rapid and accurate authentication. The Heritage Series improves machine compatibility through stronger integration of machine-readable security features, clearer serial-number placement, and inks and elements designed to support automated detection and sorting.

Where older systems often relied heavily on front-side readability, the new series supports more efficient dual-side recognition and authentication. This improves processing speed, reduces rejection rates, and lowers operational costs for banks and businesses—incremental gains that accumulate into meaningful system-wide efficiencies over time.

Banknote Quality at a Glance: Why It Matters Economically

Banknote quality refers to the physical condition of notes in circulation and their continued effectiveness as a medium of exchange. High-quality banknotes are clean, intact, easy to authenticate, and readily accepted by both the public and automated cash-handling machines. From an economic perspective, maintaining banknote quality is critical to minimising the life-cycle cost of currency and ensuring the efficiency and reliability of cash transactions.

Poor-quality notes are more likely to be rejected, withdrawn prematurely, and replaced at higher cost. For this reason, quality considerations were embedded into the Heritage Series at the design stage, including durability improvements where wear is typically highest and security features that remain effective as notes age. Effective quality management ensures that investments in design, security, and denomination structure translate into sustained value rather than being eroded by rapid deterioration.

Conclusion: A Strategic Investment in Monetary Credibility

The Heritage Series demonstrates that currency upgrades are far more than cosmetic exercises; they are strategic economic investments. By carefully aligning timing, technology, banknote quality, and public confidence and by using colour as a functional design element rather than mere decoration, the Bank of Zambia has strengthened the national currency's efficiency, security, and credibility.

In an environment of rapid technological change, standing still is often the most expensive option. Zambia's Heritage Series shows that proactive currency management supports smoother transactions, reduces avoidable operational costs, and helps preserve confidence in cash as an essential part of the monetary system.

The author is Note Examiner in the Banking and Currency Management Department.

REIMAGINING THE BANK OF ZAMBIA LIBRARY

“Insights from the 2025 User Survey”

By Kamyalile Simuchimba Chileshe (Dr)

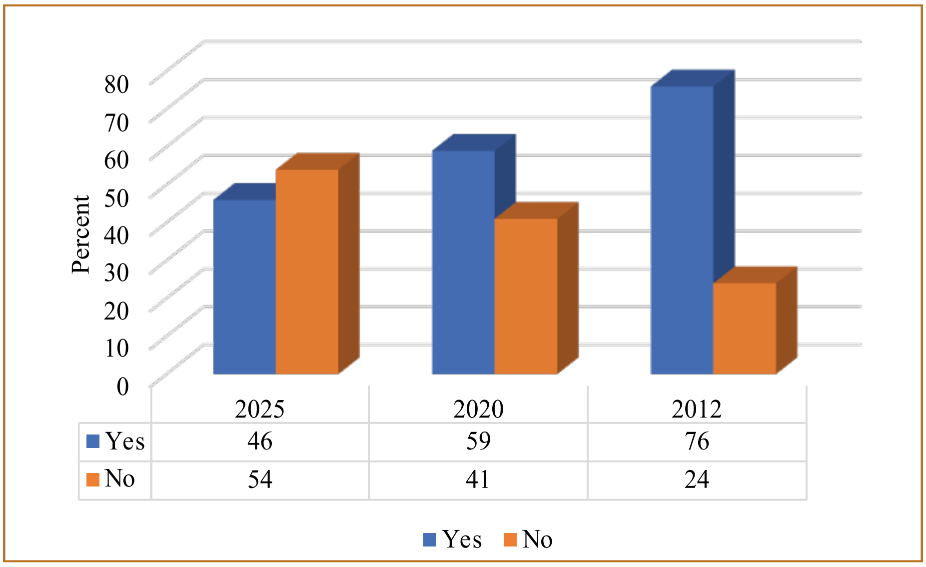
Overview

In an institution driven by data and policy, access to accurate and timely information is paramount. The Bank of Zambia Library supports this need by providing information resources that strengthen research, professional growth, and institutional development. However, as the information landscape continues to evolve, questions have emerged about whether the Library is fully meeting users’ changing needs. Understanding these needs is therefore, important both to improve existing services and to introduce new ones that better align with staff requirements across the Bank. To support this assessment, a comprehensive user survey was conducted in April 2025 and received responses from 149 staff, which provided a clear snapshot of current satisfaction levels, usage patterns, and the roadmap for the future. The survey rendered insight into user information needs, satisfaction levels, patterns of use and expectations for the Library’s future direction.

Information Resources Utilisation

The survey results revealed that while 73 percent of respondents know the Library’s locality only 46 percent have borrowed materials from it. This pattern, when viewed alongside the 2012 and 2020 survey findings, reflects

Figure 1: Borrowing of Information Resources in 2012, 2020 and 2025



a gradual shift in user behaviour over time. The trend underscores evolving user information-seeking habits and highlights opportunities for the Library to strengthen its role as a modern electronic information resource hub. Figure 1 illustrates these borrowing trends across the three survey periods.

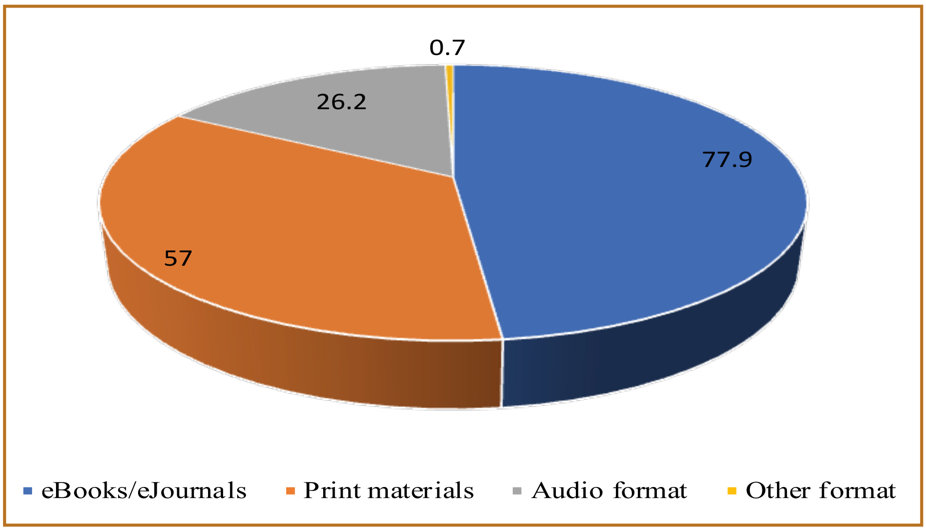
Further, the findings highlight a clear gap between awareness and actual engagement. As noted earlier, although most respondents know where the Library is located, many have yet to take advantage of its information resources. Among those who did, the primary motivations were general reading, research, and exam preparations. However, a large proportion of users reported not borrowing materials at all, citing reasons such as lack of awareness, outdated collections, and inconvenient operating hours. User ratings of the Library’s collection averaged 3.42 out of 5, with most respondents describing it as fair or good. Collectively, these findings highlight both the potential of the Library and the challenges it must address to enhance relevance, diversity and accessibility for its users. Accordingly, there were suggestions for improvement which included stronger outreach campaigns, acquisition of modern and relevant works, and more flexible schedules such as opening during lunch breaks or extending hours through staff shifts.

Information Sources

Digital formats dominate user preferences, with e-Books and e-Journals leading the way. However, access challenges such as login difficulties emerged as significant barriers for some users. Survey results on preferred information formats revealed a clear tilt toward digital resources, with eBooks and e-journals topping the list at 77.9 percent. Print materials followed with 57 percent, while audio formats attracted 26.2 percent. Interestingly, only a single respondent 0.7 percent indicated preference for other formats, underscoring the dominance of digital and print as the primary channels through which users access information. Overall, the findings highlight that nearly four out of five respondents favor digital formats, while print continues to hold relevance for more than half of the respondents. The findings emphasised the need for a more intuitive digital platform.

The results reflect the growing

Figure 2: Format of Information Resources (percent)



appeal of digital resources, valued for their convenience, accessibility, and wide-ranging content. While print materials remain relevant, they have taken a secondary role, signalling a change in reading habits towards more technology-driven consumption. Audio formats are seemingly appealing to those who prefer learning while multitasking or on the move. Other formats received minimal attention, underscoring their limited impact. Generally, the results emphasise the need for information providers to prioritise digital resource development while still maintaining a balanced collection that caters for diverse user needs.

Information Needs

Survey responses regarding the Library's effectiveness in meeting users' information needs reveal a generally positive perception, with most respondents describing the Library as helpful or quite helpful. Only a small number rated it as very helpful, suggesting that while the Library meets basic expectations, there is room to elevate its services further. A small proportion of users felt that the Library was not helpful, highlighting a minority whose needs remain unmet. The results further suggest that although the Library is largely effective, user satisfaction and overall value could be significantly strengthened through targeted improvements in resource availability, user support, and service delivery. Key priorities include expanding the collection to better reflect diverse information needs particularly in subject areas relevant to central banking and increasing access to electronically available materials.

Levels of Satisfaction with Library Services

Results on user satisfaction show a generally favourable perception of Library services. Most respondents reported being satisfied with 46 percent, and very satisfied at 15 percent, suggesting that most users appreciate the existing Library services. However, the respondents who were unsure revealed inconsistent experiences or a lack of sufficient interaction with the available services. Only a small minority of 8 percent reported dissatisfaction indicating that negative experiences are relatively rare. While the overall feedback is encouraging, it also highlights an opportunity to enhance Library services for the 31 percent users whose levels of satisfaction were neutral. Therefore, Library staff should carry out user education, promotions and awareness programmes to improve levels of satisfaction of Library users.

Library Environment

Feedback on the Library's physical environment was mixed. More than half of the respondents (82 percent) viewed it as conducive to research, while others (18 percent) cited concerns such as limited space and accessibility challenges. In this regard, most respondents recommended relocating the Library to a more spacious and central location with improved amenities. Although many users find the environment generally supportive, the concerns raised suggest that meaningful improvements are needed for the Library to provide an optimal research setting. Enhancing the physical infrastructure ensuring comfort, accessibility and modern facilities would play a key role in elevating the overall user experience.

Recommendations

The following were some of the recommendations that came from this survey:

a. Relocate the Library to a central, modern, and more accessible space with improved facilities.
b. Expand digital access by investing in e-Books, e-Journals, and developing user-friendly online platforms.
c. Increase awareness through proactive campaigns and integrate Library tours into staff induction programmes.
d. Keep the collection up to date with current, high-demand materials in fields like FinTech, AI, and Economics.
e. Provide training workshops on e-resource access, research methods, and data analysis tools.

Conclusion

The 2025 Library user survey positions the Library's evolution, highlighting both the strength of its existing foundation and the urgent need to adapt to changing user expectations. While user trust and recognition remain strong, the call for transformation is unmistakable. Enhancing user education, running promotions, and raising awareness of new resources particularly through online tutorials can help bridge gaps.

The author is Liberian in the Research Department

FINANCIALLY BEWITCHED?

By Nchimunya Muvwende

Having stepped out for a short time, I found many missed call from my sister. Worried about the agency of the matter, I quickly called her back but her response really shocked me. " I think my money has been bewitched!" she lamented. The challenge is that, each time I have money, I do not know how it quicky disappears and I have to borrow to sustain my expenses, she explained. My sisters' situation is one that resonates with a number of people who have not mastered the art of taking control of their finances and end up feeling like there is an unexplainable force affecting their finances. It is thus important to discuss what makes people get in this situation and the possible way out.

Lack of Budgeting

Many people underestimate the importance of budgeting. The absence of a clear financial roadmap, commonly known as a budget, it's easy to overspend and lose track of where your money is going. You may be spending smaller amounts of money on some items and not realise that cumulatively, you are losing a significant portion of your income. In addition, the habit of impulsive spending, where people make unplanned expenses that were not budgeted for, is another matter of concern. Without a budget, it's easy to overlook these small expenditures and underestimate their collective effect on your finances. As a way to deal with impulsive expenditure, practice mindful spending by considering whether anything you buy aligns with your financial goals and what you want to achieve. When you do not track your expenses, it is easy to feel like money is being suspiciously lost. However, if you write down whenever you pay for something, accountability helps to clear this mystery.

What you should realise is that making unplanned purchases could be satisfying short-term desires without considering the long-term consequences, which could lead to blaming your depleting income on external factors. Tracking and categorizing expenses allow you to identify areas where you might be overspending and make necessary adjustments. Ultimately, budgeting and expense tracking are powerful tools that can help individuals break free from the cycle of feeling financially overwhelmed or 'bewitched.' It's about taking control, making intentional choices, and working toward a more stable and secure financial future."

Careless Investment

My colleague wondered why she was always a victim of fraud investments. She complained that whenever she invests some good amounts of money in promising investment, it all ends in

tears and wondered whether someone has bewitched her investments. Many like her, have been victims of fraud investments because of the desire to make fast money. Consistently making wrong investment choices is no evidence of being bewitched but rather, a reflection on investment knowledge, choices and management. The fact that you invested money in a poultry business and they all died due to a disease is a reflection of reality of risks in business and not witchcraft. You putting money in a scheme that promises a high fast profit without providing how that money is made is simply a reflection of failure to conduct investment due diligence. It is essential to recognise that the world of investments requires informed decision-making, strategic planning, and continuous learning. The journey to financial success is paved with prudent choices and diligent research, rather than mystical interference.

There is also a challenge of putting all your money in one business simply because of the seemingly lucrative profits to be made. This a dangerous and somewhat careless way to invest. Consider putting your money in different investment vehicles and possibly different businesses, a concept known as diversification. Remember that every business has a risk and you putting all your money in one and facing a business failure may lead you to start thinking someone is working against your investments. Every investment avenue comes with its own set of uncertainties, and acknowledging these uncertainties is a step towards grounded decision-making. For instance, if you invest in agriculture, allocate some funds to financial investments. Avoid schemes promising quick high returns, as fraudsters target desperate investors. Your investment choices greatly affect your financial situation, so analyse your investments carefully and take responsibility for your choices instead of blaming mysterious forces.

Income Overshoot

A friend pleaded with me to urgently lend him some money, which he promised to repay later. Upon further inquiry, I discovered the request was solely to impress a girl he recently met. Reflecting on this scenario, I realised that many individuals fall into debt for misguided reasons. For some, they borrow to satisfy a lifestyle beyond their means, to impress others or even to buy something that is not an emergency. How do you borrow for pleasure and wonder why you are ever in debt? It is as if some people are bewitched with the unsatiable thirsty for borrowing from whatever source they come across but it ought not to be so. There is always a need to balance your expenditure with your income level and only borrow when necessary.

The easy access to debt does not make it a necessary source of income to cover your expenditure. Make borrowing for consumption a last resort. And when you borrow, always consider paying back what you owe. Probably the bewitching will arise from the misfortune you get from running away from the people you owe. Overshooting your income without a proper plan on how to repay the borrowed money should be avoided at all costs.

As we evaluate our financial lives and consider options for the future, it is important to ensure that we become responsible for our actions. You may be looking for a witch in your finances and yet it is the decisions you made that are to blame for your situation. You are not bewitched, take charge of your finances.

The author is Economist – Liquidity Forecasting, Financial Markets Department

THE JOY OF THE MUNDANE

By Zelipa Mitti

There is something liberating about realising that most of life is not a highlight reel. We tend to think joy arrives with noise. The kind of joy that you announce, photograph, and replay. It is easy to believe that joy lives somewhere out there, waiting for us in the next achievement or the next version of ourselves. In our pursuit of the extraordinary, we overlook the very things that make up most of our lives. A large part of our days is made up of small, repeatable things. Waking up, making tea, answering messages, sitting in traffic, deciding what to eat yet again. It is easy to label these moments as dull and something to get through on the way to something better. But if we are honest, the "something better" does not always happen as frequently as we imagine.

The irony is that we spend so much time chasing highlights that we miss the steady comfort of what is already working: a quiet morning when nothing urgent is calling your name, a meal that turns out better than expected, or finding money you forgot in a jacket pocket. None of these moments are life changing, but they are undeniably satisfying. Part of the problem is expectation. We expect joy to feel intense and memorable for it to be worth talking about. The mundane does not behave that way. It is subtle. It shows up without announcement and leaves just as quietly. If you are not paying attention, you would think it was never there at all.

There is also the issue of familiarity. The more we experience something, the less we notice it. We chase excitement, which is not necessarily a bad thing. Excitement is wonderful, energising, and sometimes necessary. But it is also fleeting. The thrill of a promotion fades, the new phone becomes just a phone, the new outfit becomes part of the rotation. Even the long awaited weekend eventually turns into Monday morning. The shine fades, as it always does. Even small conveniences that once felt like luxuries quickly become standard. Humans adapt quickly, which is impressive, but also inconvenient when it comes to appreciation and gratitude. The mundane, on the other hand, is steady. It is reliable. It does not try to impress. It does not depend on perfect timing or ideal circumstances. It is available on a random Tuesday when nothing particularly exciting is happening. And sometimes, that is exactly when you need it most.

Consider the satisfaction of completing a simple task, or finishing something you have been putting off. These are not glamorous activities, but they carry a sense of order and accomplishment. There is peace in knowing that something, however small, is taken care of. Even routines, which are often blamed for making life dull and predictable, can be comforting. There is relief in not having to decide everything all the time. Knowing what comes next can free up mental space and reduce the noise of daily life.

Of course, not everything about the mundane is enjoyable. Some parts are repetitive, some are tiring, and some are just inconvenient. But not every moment needs to be exciting because joy does not require perfection. When we begin to pay attention, the mundane stops feeling meaningless and instead feels full of small comforts and familiar patterns that do not demand applause. This does not mean we stop striving or dreaming. It simply means we do not postpone joy until everything is perfect. It means we allow ourselves to experience contentment in the middle of ordinary days, not just at the peak of extraordinary ones.

In many ways, life is mostly made up of the mundane. And that is not something to escape from, but something to engage with more fully. Because when we learn to appreciate the everyday, we realise that joy was never as far away as we thought. It was sitting quietly in the background, waiting for us to notice. The joy of the mundane is not about pretending every moment is profound. It is about noticing that the scaffolding of happiness is built from small things. If you can laugh at the everyday and smile at the ordinary, you are already living a life that is richer than it looks.

The author is Web Editor in the Executive Department

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In accordance with Directive 6(2), the Bank advises the public that the Scheme currently comprises twenty-four (24) member institutions: fifteen (15) commercial banks and nine (9) deposit taking non-bank financial institutions. The member institutions are as follows:

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3. Access Bank Zambia Ltd
4. Bank of China Zambia Ltd
5. Citibank Zambia Ltd
6. Ecobank Zambia Ltd
7. First Alliance Bank Zambia Ltd
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9. First National Bank Zambia Ltd
10. Indo-Zambia Bank Ltd
11. Stanbic Bank Zambia Ltd
12. Standard Chartered Bank Zambia Plc
13. United Bank for Africa Zambia Ltd
14. Zambia Industrial Commercial Bank Limited
15. Zambia National Commercial Bank Plc

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2. FINCA Zambia
3. LOLC Finance Zambia Ltd
4. Madison Finance Company Limited
5. Micro Finance Zambia Limited
6. National Savings and Credit Bank
7. Pulse Financial Services Limited, T/A Entrepreneurs Financial Centre (EFC) Zambia
8. Vision Fund Zambia
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The Bank of Zambia will advise the public of any future changes to Scheme membership through the Government Gazette, daily newspapers of wide circulation, or electronic media.

For further information, please contact:

Besnat Mwanza (Ms)
Assistant Director – Communications
Bank of Zambia
P.O Box 30080
LUSAKA
Telephone number +260 211 399300
Email: info@boz.zm

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