ZAMBANKER
Bank of Zambia

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

CONGRATULATIONS MVUNGA, THANK YOU KALYALYA

By ZAMBANKER REPORTER

President Edgar Lungu has appointed Deputy Secretary to the Cabinet for Finance and Economic Development Mr Christopher Mphanza Mvunga as new Governor of the Bank of Zambia (BoZ). Mr Mvunga was appointed on August 22, 2020 and takes over from Dr Denny Kalyalya. In a press statement issued by State House, the President congratulated Mr Mvunga and wished him success in his new role. He also thanked Dr Kalyalya for his service and wished him well in his future endeavours.

President Edgar Lungu swearing in Mr Christopher Mvunga as Governor of the Bank of Zambia. The ceremony was held at State House in Lusaka

President Lungu further noted that the ratification of Governor Mvunga's appointment by Parliament is an indication that the people of Zambia have placed their confidence in him to turn around the fortunes of the country's financial sector.

Mr Mvunga served as Deputy Minister of Finance and National Planning from 2015 to 2016 and has over 13 years of experience in the banking industry. Earlier, he served as Director and Head – Network Management Africa at Standard Chartered Bank Africa Regional Office and Head – Personal Transaction Products at Standard Bank of South Africa, among several other portfolios in Zambia and South Africa.

He is a Fellow of both the Association of Chartered Certified Accountants (FCCA) and the Zambia Institute of Chartered Accountants (FZICA).

Meanwhile, President Lungu has asked the new Governor to ensure that there is closer coordination between fiscal and monetary policy in order to consolidate the existing economic measures. Speaking when he swore in Mr Mvunga at State House, the President said he expects the Central Bank to redouble its efforts to achieve and maintain stability in the foreign exchange market by closely working with the Ministry of Finance.

"I want to emphasise that as Governor of the Central Bank, you have an enormous task ahead of you. You will oversee the operations of the entire financial sector as well as

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NEWS IN BRIEF

BoZ Act to be revised

The Bank of Zambia Act is currently undergoing a revision process. The Ministry of Justice is working on a Bill which will culminate into a new Bank of Zambia Act.

DFS sensitisation stepped up

The Bank of Zambia has stepped up sensitisation on the enhanced use of Digital Financial Services (DFS). The increased use of DFS is expected to minimise person-to-person contact, decongest banks and other financial institution premises and reduce use of cash by: increasing transaction and wallet limits for individuals, small-scale farmers and enterprises as well as removing these limits for agents and corporates. Other benefits are that charges for person-to-person e-money transaction values of up to K150 by all electronic money issuers have been waived and approval for the use of K8 million from the interest earned on Mobile Money Trust accounts to support the provisions of sanitisers at mobile money operator booths. Additional support will be provided to promote awareness amongst the public and mobile money service users.

Gender, technology, financial inclusion supervision Project

Zambia is one of the four countries (others being Kenya, Peru and Colombia) that were recently selected by the Toronto Centre to participate in a project aimed at enhancing the adoption of regulatory technology (RegTech) for the supervision of the financial sector in order to promote gender equality and women economic empowerment.

The Bank of Zambia and the Securities and Exchange Commission are participating in the project which is in two phases. The first phase, which will involve gathering information from a small sample of selected financial service providers and associations in the financial sector, is planned to conclude in 2020.

Impact of covid 19 - disruption to commercial banks' operations

The banking sector has not been spared by the COVID-19. Out of 18 banks in the sector, seven reported incidents of COVID-19. In some instances, this resulted in temporary closure of offices and affected branches to facilitate disinfection of the facilities in line with Ministry of Health guidelines.

Finscope survey 2020

The Bank of Zambia in collaboration with the Zambia Statistics Agency (ZamStats) and other financial sector stakeholders successfully conducted the 2020 Finscope Survey in the month of September, 2020. The Project Team is currently preparing the survey report, which is expected to be launched on 17th December, 2020.

Legal Symposium moved forward

The Legal symposium that was scheduled to take place in the second quarter of 2020 has been postponed to the year 2021 on account of restrictions related to COVID-19. New dates will be communicated in due course. The Central Bank identified the need for close interaction with the legal and compliance functions of regulated entities as a way of promoting knowledge sharing and enhancing compliance with various financial laws and regulations. To this end, the Legal Services Department shall be hosting a Legal Symposium on an annual basis at which various topical issues will be presented and discussed.

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CONGRATULATIONS MVUNGA, THANK YOU KALYALYA

Governor, Mr Christopher Mvunga, presenting a farewell gift to his predecessor Dr Denny Kalyalya

the performance of the country's economy.

I am confident that with over 30 years of experience in the private and public financial management sector, you will apply your skills and expertise to, among others, review and formulate policy-driven solutions to address the macroeconomic challenges that our economy is currently faced with," he said.

The President added that the Zambian economy is faced with numerous challenges, particularly, this year when the country has not been spared from the impact of the covid-19 pandemic. He said the Covid-19 pandemic has had a huge impact on the economy, including significant contraction in economic growth, high fiscal deficits, high inflation and a weakening exchange rate; developments that also pose a threat on financial system stability.

"We must create a win-win situation for all the players in the financial sector and the economy, at large, particularly, finding more efficient ways of financing agricultural inputs and managing the oil procurement sector.

And Governor Mvunga has assured stakeholders that the operational independence of the Central Bank will be maintained.

Governor, Mr Christopher Mvunga, Deputy Governor-Operations, Dr Francis Chipimo, Deputy Governor-Administration, Ms Rekha Mhango and Director-Board Services, Ms Namwandi Ndhlovu pose with former Governor Dr Denny Kalyalya

"I want to assure all stakeholders that the operational independence of the Central Bank will be retained during my reign. The Bank will continue to operate in line with the relevant legislation such as the Bank of Zambia Act and international best practice," he said.

Meanwhile, the Board, Management and Staff of the Bank of Zambia has congratulated Mr Christopher Mvunga on his appointment as Governor of the Bank of Zambia. In a statement issued by the Communications Division, the Bank wished Mr Mvunga success and God's guidance in his new role.

"The Bank would further wishes to express its profound gratitude to Dr Denny H. Kalyalya for his dedicated service and for his immense contribution to the Bank in several key roles. The Bank wishes him well in his future endeavors," the statement read.

BANKS RESPOND POSITIVELY TO POLICY RATE REDUCTIONS

By ZAMBANKER REPORTER

Deputy Governor-Operations, Dr Francis Chipimo, has indicated that commercial banks, in general, responded positively to the Policy Rate reductions by the Central Bank by adjusting their rates downwards. Speaking during a sponsored radio programme, Dr Chipimo, however noted that the speed of adjustment in lending rated differed from bank to bank. In June 2020 for example, the average commercial bank lending rate had declined to 26.4% from 28.8% in March.

The reduction is broadly in line with the percentage points adjustments in the Policy Rate. This reduction was supported by other measures the Bank has undertaken to provide liquidity support to the financial service providers.

"Regarding whether there is anything the Bank can do to compel commercial banks to adjust their lending rates, I wish to state that the Bank of Zambia does not directly determine interest rates in the market, but influences them indirectly through the Policy Rate. In arriving at the cost of their funds, commercial banks take into account a number of factors, with the Policy Rate being the key reference rate. Commercial banks add a premium on the Policy Rate which includes consideration of the risk profile of the individual borrower, liquidity conditions, the prevailing rate of inflation, including yield rates on Government securities, which are considered risk-free assets," he explained.

Other factors that banks take into consideration are the tenure of the loan, as well as the operational cost for the bank.

Dr Chipimo added that the current monetary policy framework is such that the Bank of Zambia sets the Policy Rate with a view to influencing the interbank rate, the rate at which banks lend short-term funds to each other, which ultimately has an impact on the cost of funds in the retail market and the lending rates.

He said the recent adjustment in the Policy Rate should, therefore, translate into lowering of lending rates by commercial banks. This would help to stimulate demand for credit as well as provide relief to bank customers who may have borrowed funds from commercial banks.

"What this means for borrowers is that their interest rates on running loans should decline by the announced percentage points. However, this only applies to loans whose contracts were based on a floating or flexible interest rate which is referenced to the Policy Rate. It also means that new loans will be contracted at lower lending rates than before. For most banks, this means either monthly deductions on existing loans or the repayment period for the loan should reduce accordingly," he said.

Dr Chipimo stated that the Central Bank expects to see lending interest rates trending downwards due to the adjustment in the Policy Rate as well as other measures that have been undertaken. He however noted that the Central Bank is aware that this will be constrained by the high yield rates on Government Securities which have remained high as Government's financing needs from the domestic financial markets have grown over the years due to high fiscal deficits. Since commercial banks take into account yield rates on Government Securities when pricing credit, this may keep lending interest rates in general at elevated levels.

He added that that the advent of COVID-

Dr Chipimo

19 has had an adverse impact on most businesses and that this may affect the response by banks to pass on the benefit of the adjustment to their customers as the risk of credit impairment has increased while economic activity has declined.

''However, we are hopeful that the broader set of measures the Bank has undertaken, such as the Medium Term Refinancing Facility and the issuance of the COVID-19 Bond on behalf of Government will provide adequate liquidity to financial service providers to pass on the benefits to their customers".

The rise in liquidity in the financial system, which has led to an increase in demand for Government Securities is putting downward pressures in yield rates on Government Securities. This will help in reducing commercial banks' lending interest rates overtime, he said.

MOBILE MONEY TRANSACTIONS GROW PAYMENT SYSTEMS

By ZAMBANKER REPORTER

The National Payment system comprising Systemically Important Payment Systems (SIPS) and Non-Systemically Important Payment Systems (NSIPS) grew by 7% and 62% in value and volume of transactions conducted respectively in 2019 from the previous year. The value of transactions conducted through the national payment system streams was K1, 256,682.68 million in 2019 from K1, 169,337.91 million, recorded in the previous year. Key to note from the developments in 2019 is an increased shift in the contribution of NSIPS to the total value of transactions conducted in 2019.

According to the 2019 National Payment Systems Annual Report, NSIPS accounted for 16% of the total value of transactions conducted on the national payment System in 2019 compared to a contribution of 11% in 2018. The shift was mainly on account of the growth in mobile money transactions as the key driver of this growth recording an increase of 122% in value terms from the previous year. On the other hand, in 2019, there was a decline in the use of cheques in Zambia. The volume of cheques cleared reduced by 12.0% to 1,794,631 in 2019 from 2,040,530 in 2018 while the value of cheques cleared declined by 10.0% to K11, 206.96 million in 2019 from K12.416.61 million, in the previous year. The decline in the use of cheques was partly driven by changing customer preferences towards digital payment systems.

Table 1: Comparative Analysis of Transaction Values for the different Payment Streams(2019/2018), K'millions

Payment Stream	2019	2018	Change (%)	Proportion (%)
ZIPSS	975,283.00	968,306.00	1	78
EFT	67,812.80	59,689.04	14	5
CIC	11,206.90	12,416.61	(10)	1
SIPS Totals	**1,054,302.70**	**1,040,411.65**	**1**	**84**
ATMs	48,054.90	45,582.48	5	4
POS	20,094.80	13,459.27	49	2
Remittances	84,823.18	47,692.95	78	7
Mobile	49,353.10	22,191.56	122	4
NSIPS Total	**202,325.98**	**128,926.26**	**57**	**16**
Grand Total	**1,256,628.68**	**1,169,337.91**	**7**	**100**

Table 2: Comparative Analysis of the Transaction Volumes for the Various Payment Streams (2019/2018)

Payment Stream	2019	2018	Change (%)	Proportion (%)
ZIPSS	607,114	573,071	6	0.1
EFT	7,800,720	6,952,305	12	0.7
CICS	1,794,631	2,040,530	(12)	0.2
SIPS Total	**10,202,465**	**9,565,906**	**7**	**0.9**
ATMs	41,773,995	44,726,867	(7)	3.8
POS	26,942,944	18,409,724	46	2.4
Remittances	470,450,589	304,572,685	54	42.7
Mobile	552,475,284	303,955,243	82	50.1
NSIPS Total	**1,091,642,812**	**671,664,519**	**63**	**99.1**
Grand Total	**1,101,845,277**	**681,230,425**	**62**	**100**

CICS in this table means Cheque Imaging Clearing System

The value of Currency In Circulation (CIC) stood at K8,526.6 million compared to K8,194.5 million in 2018 representing an increase of 4.1%. Banknotes continued to account for the larger proportion of the CIC accounting for 97.8% (K8,342.5 million) while coins contributed 2.2% (K184.1 million). The Bank also issued 145.3 million pieces of mint banknotes and coins valued at K6, 063.3 million into circulation in 2019 compared to 130.9 million pieces valued at K3, 315.3 million issued in 2018.

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Table 3 : Currency in Circulation 2017 – 2019

	Values (ZMW)			Pieces		
	2017	2018	2019	2017	2018	2019
K100	5,067,826,250	5,266,779,300	5,814,103,200	50,678,263	52,667,793	58,141,032
K50	1,542,082,350	2,159,563,300	1,980,858,350	30,841,647	43,191,266	39,617,167
K20	292,698,310	281,913,660	295,299,360	14,634,916	14,095,683	14,764,968
K10	114,708,430	108,725,660	130,650,780	11,470,843	10,872,566	13,065,078
K5	89,100,491	120,835,505	90,101,670	17,820,098	24,167,101	18,020,334
K2	28,171,396	49,173,344	31,447,319	14,085,698	24,586,672	15,723,660
K1	103,121,024	132,235,024	109,494,990	103,121,024	132,235,024	109,494,990
50N	63,570,027	63,123,927	62,246,428	127,140,054	126,247,854	124,492,856
10N	10,261,272	8,452,672	8,685,472	102,612,720	84,526,724	86,854,724
5N	3,800,360	3,722,859	3,723,059	76,007,203	74,457,189	74,461,189
Total	**7,315,339,909**	**8,194,525,251**	**8,526,610,629**	**548,412,464**	**587,047,871**	**554,635,997**

Source: Bank of Zambia

In 2019, the Bank made significant progress in the review of the National Payment System Act, 2007 aimed at aligning it with the SADC Model Law and to incorporate new developments in payment systems to make it more relevant and enhance the Bank's role as overseer of the national payment systems in Zambia. The Bank conducted stakeholder engagements to obtain views from various stakeholders and these have been incorporated. The draft national payment systems bill is expected to be enacted into law in 2020.

Another notable achievement in 2019 was the conclusion of the implementation of Phase 1 of the National Financial Switch (NFS) project which involves the switching of ATM and Point of Sale (POS) transactions on the NFS. The next focus is to conclude the final phase of the project which involves mobile payments on the NFS. The second phase is considered critical to the support of various innovations in the payment systems arena as it will ensure interoperability among the various mobile payments on the NFS. The second phase is expected to be concluded in 2020.

The year 2019 also saw the NFS being certified compliant with Payment Card Industry, Data Security Standard (PCI DSS) following the completion of the assessments. In order to ensure the enhanced safety and efficiency of the payment systems, the Bank approved the rules and guidelines on Automated Teller Machines (ATM) and Point of Sale (POS) meant to guide users and service providers. In 2019, the Payments Association of Zambia was formerly registered. This was a culmination of the work that had begun in previous years to set up a payments association that represent the interests of various players in the payment systems in Zambia.

These campaigns are going to continue until a critical mass is reached. As in previous years, the Bank continued to collaborate with different stakeholders on various initiatives aimed at ensuring the development of an efficient, safe and secure payment systems landscape in Zambia. These included the Zambia Information and Communications Technology Authority (ZICTA), Financial Sector Deepening Zambia (FSDZ), Rural Finance Expansion Project (RuFEP), Pensions and financial sector regulators who include the Pensions and Insurance Authority (PIA) and the Securities and Exchange Commission (SEC).

This achievement was made possible with support from the Financial Sector Deepening Zambia (FSDZ) and payment service providers. The association is expected to set standards and rules in the payment system in line with best practice.

As promotion of financial inclusion is one of the key strategic focus of the Bank, in 2019 the Bank in conjunction with industry players undertook financial education campaigns in all the 10 provinces of Zambia. These campaigns were aimed at equipping the general public with financial education information to help them with safety tips in respect to usage of financial services and to encourage the adoption of digital financial services.

These campaigns are going to continue until a critical mass is reached. As in previous years, the Bank continued to collaborate with different stakeholders on various initiatives aimed at ensuring the development of an efficient, safe and secure payment systems landscape in Zambia. These included the Zambia Information and Communications Technology Authority (ZICTA), Financial Sector Deepening Zambia (FSDZ), Rural Finance Expansion Project (RuFEP), Pensions and financial sector regulators who include the Pensions and Insurance Authority (PIA) and the Securities and Exchange Commission (SEC).

The Bank in 2019 participated at the Alliance for Financial Inclusion (AFI) Global Policy Forum held in Kigali Rwanda which was held under the theme 'Using Technology for Inclusion of Women and Youth'. The forum was among other objectives aimed at showcasing Rwanda's experience with regard to gender equality policies and also to showcase how the use of technology helps to bring about progress in financial inclusion of the most vulnerable groups who include women and the youth.

In the year 2020, the Bank will continue to implement policies and interventions aimed at ensuring the development of efficient, safe and secure payment systems in Zambia, supported by value adding innovations.

Stay Safe. Go Cashless.

Secure Your Digital Payments

Bank of Zambia

Beware of suspicious requests. Do not respond to unknown callers or messages asking you to send money or account details.

Do not share your mobile money PIN, bank account PIN or ATM PIN with anyone, including a service agent. Ensure no one is able to see your PIN at the ATM or point-of-sale machine.

Avoid exposing personal or financial information online or to unauthorised persons. Stolen information can be used to gain access to your personal or business accounts and harm you or your loved ones.

Report suspicious requests and account activity to your service provider, the Police or to the Bank of Zambia.

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BOZ EASES REFINANCING FACILITY CONDITIONALITIES

By ZAMBANKER REPORTER

The Bank of Zambia has made amendments to the Terms and Conditions of the Targeted Medium-Term Refinancing Facility (TMTRF) in response to some of the challenges noted during the implementation stage. Particularly, the interest rate applicable on the Facility was lowered by removing the 1 percentage point margin over the monetary policy rate. This was the initial intervention to make the funds from the Facility affordable and well matched to average cost of funds prevailing in the market.

The initial borrowing allowance was also increased to 100% of the value of eligible outstanding loans from 50% in order to increase the amount immediately available to the Financial Service Providers (FSPs). The list of eligible collateral was also expanded by including other collateral types

Further, a 14-day offer validity period was introduced to prevent FSPs from unnecessarily hoarding up approved funds. Another 30-day validity period will also apply upon acceptance of the offer to ensure that drawdowns are exhausted within a prescribed period. In case of partial drawdowns, FSPs are now allowed a maximum of three drawdowns and with a maximum thirty days' time horizon between drawdowns. This will speed up the disbursements.

To be eligible, the FSP, should at the minimum: be licensed by the Bank of Zambia; should have a settlement account with the Bank. Where the FSP does not have a settlement account, it will be required to provide a settlement account that it has with a commercial bank; be in a sound financial position as determined by the Bank of Zambia; and be able to provide the Bank with valid and enforceable collateral of the type specified under Section eight (8) of the TMTRF Terms and Conditions.

However, meeting the minimum requirements is not a guarantee to access the Facility. The Bank reserves the right to determine access and can reject or accept an application by an FSP for any other reason it deems appropriate.

An eligible FSP shall submit an application for an advance in the manner prescribed by the Bank. The application must be supported by relevant documentation such as: written application for the Advance from the Facility in a prescribed format; a Board resolution authorizing the FSP to obtain the Advance from the Facility; latest audited financial statements and the latest balance sheet position; a statement of current holdings of Government Securities of eligible collateral, FSPs without settlement accounts at the Bank should submit bank details of the settlement account held with a commercial bank.

The Bank will consider duly completed applications from FSPs as quickly as is possible and will inform FSPs of its decision once made. Funds will be disbursed to FSPs once they have confirmed that all the formalities for lending to clients have been fulfilled and that they are ready to disburse funds once received.

The Bank reserves the right to amend the application procedures as and when deemed necessary.

Funds obtained from the Facility shall be backed by prescribed collateral which shall take into account applicable haircuts. The Bank reserves the right to change the list of eligible collateral as and when necessary and may accept any other type of collateral as determined appropriate.

The interest rate applicable on the Facility shall be fixed over the life of each Advance at the prevailing Bank of Zambia Monetary Policy Rate (MPR) at the time of granting the Advance. The interest shall be paid annually with a 12-month grace period. Much as FSPs are free to set the interest rate charged to clients on the Advance obtained from the Facility, they are obliged to pass on the benefits of the low interest rates on the Facility to their clients and to demonstrate that they have done so at the time of disbursement of the funds.

The FSP that offers an interest rate to the client that is within five (5) percentage points from the rate prevailing on the Facility shall be entitled to an additional borrowing amount equivalent to 20% of the initial borrowing amount. The interest rate applicable for onward-lending by the FSP shall be fixed over the life of the Advance. FSPs are obliged to report to the Bank the interest rate and any other relief offered to their clients as prescribed under Section fifteen (15) of the TMTRF Ts & Cs. The Bank reserves the right to change the pricing mechanism as conditions may dictate, but this will not apply to already exiting Advances made under the Facility.

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IMPACT OF COVID-19 ON NON-BANK FINANCIAL INSTITUTIONS

Mr Muchipu

By COLLINS MUCHIPU

Following the on-set of the coronavirus (COVID-19) pandemic in the first quarter of 2020, the Bank of Zambia (BoZ) conducted a survey to assess it's impact on the operations of Non-Bank Financial Institutions (NBFIs) in the first half of 2020. The survey collected responses from 32 out of a total of 36 NBFIs that are credit providers.

Specific Areas of the NBFIs Impacted by the COVID-19 Pandemic

The respondents indicated that the pandemic had an adverse impact on earnings, loan book performance and operations. Out of 32 respondents 26 or 81% indicated earnings performance while 6 or19.0% indicated operations and loan book performance as the most affected areas. The negative impact on earnings was largely due to poor repayments of the loans as most customers lost business due to the economic slowdown as the country was on partial lockdown. This further reduced the demand for loans.

Impact of COVID-19 Pandemic on Regulatory Capital

The impact of COVID-19 on the regulatory capitals of NBFIs in the six-month period to 30 June 2020 was adverse. The results of the survey showed that out of the 32 institutions that responded, 13 or 41% experienced a decrease in the regulatory capital, eight or 25% had a reduced growth in their regulatory capital, while nine or 34% indicated no impact. The decrease in regulatory capital was largely due to an increase in the losses incurred as a number of institutions did not receive loan repayments from their customers due to slowdown in business activity caused by the partial lockdown in the country.

Economic Sectors Most affected by the COVID-19 Pandemic

The analysis of responses indicated that customers of NBFIs most adversely impacted by the COVID-19 pandemic were in the household and individuals sector, followed by those that belonged to other sectors and then the agriculture sector. It is worth noting that most customers of NBFIs in the households and individuals sector were civil servants that accounted for over half of the NBFI loan book. The less than satisfactory performance of the civil servants' loan book was largely associated with the Government's fiscal challenges rather than the COVID-19 pandemic. The impact of the COVID-19 was therefore more pronounced on the other borrowers in the household sector.

The Impact of COVID-19 Pandemic on Non Preforming Loans

The COVID-19 pandemic had an adverse impact on the level of the non-performing loans (NPLs) of most NBFIs in the six-month period to 30 June 2020. A review of the responses showed that out of 32 respondents, 24 or 75% indicated an increase in the NPLs. The increase in the size of the NPLs was largely attributed to non-repayments of loans by SMEs due to slowdown in business as a result of the partial lockdown the country was experiencing.

The Impact of COVID-19 Pandemic on the Liquidity Position

The impact of COVID-19 pandemic on the liquidity position of NBFIs in the six-month period to 30 June 2020 has been adverse as indicated by most respondents. Out of 32 respondents 30 or 94% indicated a decrease in the liquidity levels. The decrease in the liquidity levels was attributed to an increase in NPLs and the difficult of mobilising deposits in a monetary environment characterised by low liquidity levels. One NBFI indicated an increase in the liquidity position as a result of Government clearing civil servants' loan instalments that were in arrears.

How NBFIs Responded to the Adverse Effects of the Covid-19 Pandemic

The NBFIs responded differently to the adverse effects of the COVID-19 pandemic. Top among the responses was the scaling back of lending activities and offering of loan repayment holidays to borrowers. A review of survey results showed that out of 32 respondents, 11 or 35% responded by both scaling down the lending activities and offering of loan repayment holidays to existing borrowers. The survey further revealed that 10 or 31% of the respondents offered loan repayment holidays, while seven or 22% scaled down lending activities. Four NBFIs responded by closing branches and laying off members of staff to minimize costs against reduced revenue.

Utilisation of the Targeted Medium-Term Refinancing Facility

Despite facing the adverse impact of the COVID-19 pandemic, most NBFIs did not utilise the funding available under the TMTRF that the BoZ introduced in the second quarter of 2020. The BoZ introduced the

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FOCUS ON 2021 NATIONAL BUDGET

By ZAMBANKER REPORTER

- The COVID-19 pandemic has not only been a health crisis but has also adversely impacted the economy. Global business activity has contracted as supply and value chain disruptions dampened demand for goods in general and commodities in particular. The consequence has been loss of jobs and livelihoods for millions of people as countries implemented containment and mitigating measures.

- Domestically, economic activity has also contracted, impacting negatively on the cost of living and employment levels. In addition, revenue collections have been lower than projected, resulting in expenditure realignments.

- To mitigate the negative effects of the pandemic, the Government has instituted specific health, fiscal and monetary policy measures. These measures are expected to contain the spread of the virus and place the economy on the road to recovery. To this end, Government has developed a medium-term Economic Recovery Programme as a successor to the Economic Stabilisation and Growth Programme which ended in 2019.

- The Economic Recovery Programme provides incentives to reinvigorate growth and build resilience while safeguarding livelihoods and protecting the vulnerable. It also contains measures to restore debt sustainability.

- The theme for the 2021 Budget is ***"Stimulate Economic Recovery and Build Resilience to Safeguard Livelihoods and Protect the Vulnerable."***
- The Budget, therefore, aims at stimulating economic recovery through practical and tangible support to businesses. The Budget also enhances our social protection response programmes to prevent the worsening of poverty levels despite constrained fiscal conditions.

Macroeconomic objectives, policies and strategies for 2021

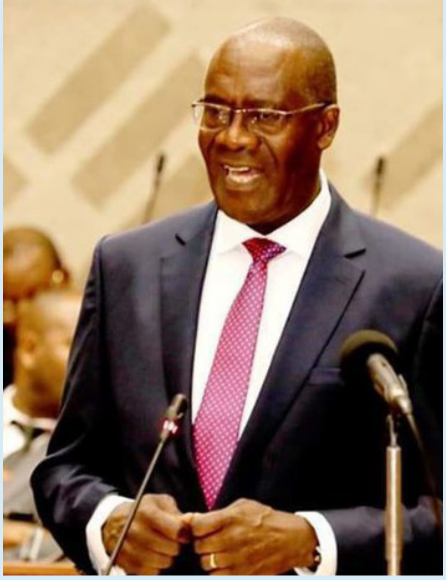
- The focus in the medium-term will be on containing the spread of the virus, mitigating the effects of the pandemic and restoring macroeconomic stability as well as growth. In addition, priority will be to move towards attaining fiscal fitness and restoring debt sustainability, dismantling domestic arrears and safeguarding social protection spending. This Budget, therefore, sets a foundation for the achievement of these objectives in line with our Economic Recovery Programme.

- The specific macroeconomic objectives for 2021 will be: a) Achieve a real GDP growth rate of at least 1.8 percent; b) Reduce the inflation rate towards the 6-8 percent medium-term target; c) Increase Gross International Reserves to at least 2.5 months of import cover; d) Reduce the fiscal deficit to 9.3 percent of GDP; and e) Achieve domestic revenue collections of not less than 18.0 percent of GDP.

Monetary and Financial Sector Policies

- Government is mindful of the adverse effects of the current high inflation rate on its citizens, particularly the most vulnerable. In the recent past, food inflation has been a key driver of inflation. In this regard, improved food supply, following the policies we have implemented to improve agriculture production, will help reduce the current high level of inflation towards the medium-term target of 6-8 percent.

- The Bank of Zambia will continue to pursue regulatory policies that strengthen the resilience of the financial sector in the wake of the COVID-19 pandemic. In this regard, the Bank of Zambia has adopted financial stability and financial inclusion as two focus areas in its 2020 to 2023 Strategic Plan.



Dr Ng'andu

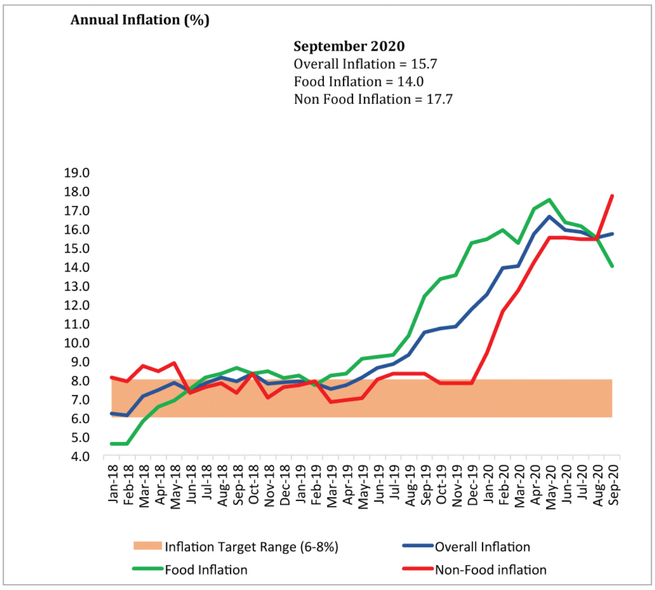
- To strengthen the resilience of the financial sector, the Bank of Zambia introduced the Targeted Medium-Term Refinancing Facility with an initial amount of K10 billion. The Facility allows Financial Service Providers under the supervision of the Bank of Zambia to access funds at relatively low interest rates, currently at 8.0 percent, for on lending to businesses and households. The Facility is being reviewed and adjusted to address identified implementation challenges so that it achieves the intended objectives.

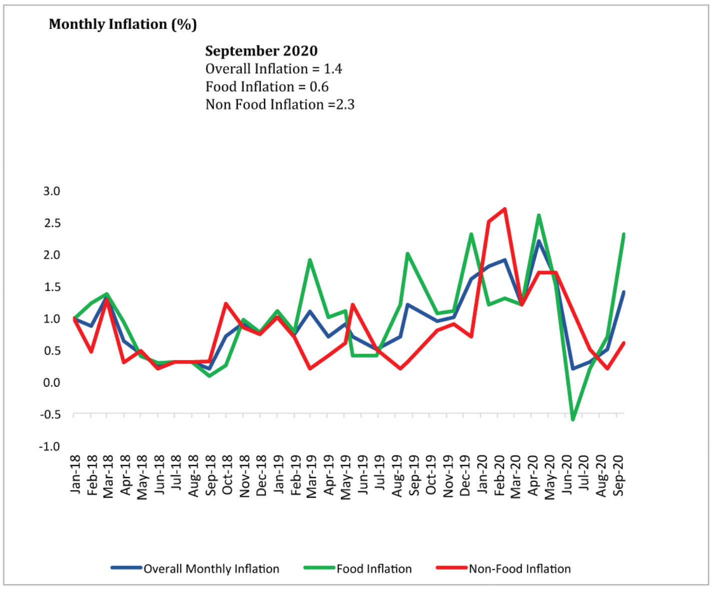
- To achieve universal access to and usage of a broad range of financial services, Government will continue to implement the National Financial Inclusion Strategy and the National Strategy on Financial Education. Increased use of digital financial services is a critical component of the measures being implemented to address the COVID-19 pandemic.

INFLATION PROJECTED TO REMAIN ABOVE RANGE

By ZAMBANKER REPORTER

Annual overall inflation is projected to remain above the upper bound of the 6-8% target range in the second half of 2020, averaging 15.1% against an outturn of 14.8% recorded in the first half of 2020. Factors underpinning this projection include higher fiscal deficits and the weakening of the global economy which are likely to exert pressure on inflation through the exchange rate, interest rate, and/or expectations channels.





Source: *Zambia Statistical Agency (former central Statistical Office).*

According to the July-December, 2020 Monetary Policy Statement, upside risks to the inflation outlook include a further deterioration of the fiscal deficit, the adverse impact of monetary expansion, a deeper than projected global recession, as well as prolonged and extended electricity load shedding. However, inflationary pressures may be moderated as the supply of maize and related products improves following good crop production in the 2019/2020 farming season.

The Crop Forecast Survey shows that maize production increased by over 60.0% in the last farming season. In addition, depressed consumer demand, partly induced by the COVID-19 pandemic, is expected to dampen inflationary pressures over the forecast period. The range of possible inflation outcomes over the forecast horizon are illustrated in Chart 1. Inflation outcomes are expected to range from a minimum of 14.3% to 15.4% with a 30% probability, 14.0% to 15.7% with a 50% probability, 13.5% to 16.2% with a 70% probability and 11.7% to 17.0% with a 90% probability.

Further, real GDP growth projection for 2020 has been downgraded significantly, reflecting the unprecedented negative impact of the COVID-19 shock. The economy is projected to contract by 4.21% deeper than the earlier projection of -2.6% against the revised preliminary outturn of 1.4% in 2019. A much gradual recovery in growth is anticipated starting in 2021 but marked with a high degree of uncertainty. The substantial decline in consumer and investment spending induced by disruptions in business operations are expected to weigh on growth. The secondary and tertiary sectors, particularly tourism, wholesale and retail trade, construction, and transport and storage are the most adversely affected by the pandemic. A gradual recovery from 2021 is projected as the COVID-19 pandemic abates and electricity generation picks up with the expected commencement of generation at the Kafue Gorge Lower Hydropower Plant.

The risks to the outlook are tilted to the downside and include the extreme uncertainty surrounding the evolution of the pandemic and delayed restoration of fiscal sustainability through large, frontloaded and sustained macroeconomic adjustment.

In addition, the Statement explains that the global economy is projected to contract by 4.9%2 in 2020, deeper than the earlier projected contraction

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of 3.0%. This largely reflects a more protracted negative impact of the COVID-19 pandemic. This projection contrasts with the outturn of 2.9% in 2019. Protracted economic lockdowns, which have led to global supply chain disruptions and severely constrained investment, global trade, manufacturing and travel mainly reflect the deeper contraction.

Consumption growth is expected to be low due to larger than expected disruption to domestic economic activity and adverse impact on aggregate demand which has resulted from social distancing and lockdowns. The economic fallout from the pandemic is likely to be exacerbated by the anticipated second wave of infections as reflected in the surge in new cases as economies gradually reopen leading to the re-imposition of stricter measures. It is projected that global growth will recover to 5.4% in 2021 as the pandemic abates. This projection, however, is premised on the pandemic diminishing in the second half of 2020 in response to the policy measures taken by governments around the world.

The downside risks to the outlook remain elevated with a high degree of uncertainty surrounding the forecast. The second wave of COVID-19 infections could have stronger repercussions on economic activity, exacerbate the fiscal burden and exert more pressure on the financial system. Renewed infections could result in more stringent containment measures leading to more protracted supply chain disruptions, further weakening of consumer and business confidence as well as increasing unemployment levels. In addition, consumption demand and services activity are expected to be affected by social distancing measures, movement restrictions and adverse income losses partly reflecting business closures and rising unemployment levels.

The escalating US-China trade tension, uncertainty about the future of the UK-EU trading relationships and unstable relations between OPEC Members and its allies are also eminent downside risks to the growth outlook. However, the development of a vaccine and treatment and further policy support will help boost business confidence and prop up economic activity.

Growth in the Sub-Saharan Africa region (SSA) is projected to contract by 3.2% in 2020, worse than the 1.6% contraction anticipated in April. This is against the 3.1% outturn in 2019. Weak demand from key trading partners; steep declines in commodity prices for oil, minerals and metals; and stringent domestic containment measures are expected to contribute to negative growth. Further, a decline in revenue, particularly for resource rich economies due to the effects of the COVID-19 pandemic, is expected to lead to higher fiscal deficits and elevated debt levels thereby constraining efforts of the fiscal authorities to mitigate the economic impact of the pandemic.

A recovery to 3.4% in 2021 is largely premised on the effectiveness of COVID-19 containment measures and national policy actions to cushion the adverse impact of the pandemic, including debt repayment freezes by creditors.

A synchronised deep economic downturn is envisaged for all Zambia's major trading partner countries due to the impact of COVID-19 in 2020. Negative growth is projected in all these countries in 2020 except for China. A recovery is, however, envisaged in 2021. Real GDP for South Africa is projected to contract by 8.0% in 2020 (-5.8% April 2020), affected by the health crisis, weaker external demand, fall in fixed investment and household consumption as well as the increase in unemployment levels. Electricity supply constraints, weak fiscal accounts and elevated government debt are also expected to weigh on the growth outlook.

For the Democratic Republic of Congo (DRC), growth is projected to drop to -2.1% in 2020 from 4.4% in 2019 as Coronavirus induced containment measures weigh on private consumption, while weak global demand for base metals negatively affects exports. Weaker activity in mining will further weigh on growth prospects. Although support from international partners is expected to cushion the fallout, the risks are skewed to the downside.

Commodity prices are expected to remain subdued over the medium-term due to weakening global demand as well as COVID-19 related trade and supply chain disruptions. However, the anticipated pick-up in global economic activity and increase in the production of electric motor vehicles are expected to support copper prices. In the case of crude oil, production cuts in the second half of 2020 through to early 2021 are expected to exert upward pressure on prices. Further, the expected increase in oil demand on account of the anticipated rise in consumption as economies continue to reopen could prop oil prices in the medium-term.

Copper prices are projected to average US$5,767.5/metric ton in 2020 and rise to US$6,044.7/metric ton and US$6,078.0/metric ton in 2021 and 2022, respectively. Crude oil prices are projected to follow a similar pattern, averaging US$42.7, US$44.5 and US$45.4 per barrel over the same period. Prices of selected agricultural commodities, in particular food prices, are projected to decline in 2020, but recover somewhat in 2021 largely due to subdued global demand and supply chain disruptions as a result of trade restrictions. Adverse climate change and the resurgence of the US-China trade tensions remain upside risks to agricultural commodity prices.

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[1]Ministry of Finance, June 2020

[2]IMF World Economic Outlook, June 2020.

[3]Monetary and fiscal policies are expected to remain accommodative over the medium-term in order to support liquidity, stimulate consumer and investor confidence, normalise financial conditions and prop up economic activity. Central banks globally have cut policy rates and taken other far-reaching steps to provide liquidity and maintain investor confidence.

[4]Trade relations between the US and China could deteriorate further due to disagreements over the origin of the COVID-19 pandemic and related policy responses, which may trigger restrictive trade relations. This may reignite the tensions surrounding the Phase One Trade Agreement between the two countries.

[5]The possibility that a formal Trade Deal will not be reached by end-2020 in accordance with the Withdrawal Agreement remains a downside risk and a source of uncertainty.

[6]In the recent past, relations between OPEC+ and its allies have been strained by the oil price war triggered by disagreements over oil production cuts amid plummeting prices in the wake of the COVID-19 pandemic. In addition, OPEC+ has been criticised over its power to raise oil prices as the bloc controls close to 40% of world oil production, whose dominant position has allowed it to act as a cartel, coordinating production levels among members to manipulate global oil prices.

[7]The economic downturn is expected to be more pronounced in tourism dependent (such as Comoros and Mauritius) and resource rich countries (such as Angola, Zambia, Botswana, Nigeria and South Africa) as growth in these countries is expected to return to pre-COVID levels only by 2023 or 2024.

[8]These include China, South Africa, Democratic Republic of Congo, Euro Area, United States of America, and the United Kingdom

GOVERNMENT SECURITIES OPERATIONS FOR 3RD QUARTER 2020

How to a create a school fees and university tuition fund using Government Securities' instruments

By FINZI MWEZANI

In this edition, we discuss how to a create a school fees and university tuition fund using Government Securities' instruments. For hypothetical purposes, we assume a 3 year old child currently in baby class who in 15 years' time would be enrolling into University. The child's baby class fees are currently K4,000.00 per term translating to K12,000.00 per year for three terms. The current average University tuition fees per year in Zambia are around K25,000.00. We can assume that in 15 years' time, the child will enroll in University and will spend 4 academic years amounting to K100,000 as at current fees.

Mr Mwezani

We want to create a fund that will be able to cover our immediate kwacha obligation of paying schools fees now upto University time. Assuming we want to use a 15 year bond that is currently priced at K43.0137 with a yield of 33% (as at September 2020 bond auction) and paying gross annual coupon of 14% (11.76% after tax and fees). For us to get K12,000.00 in coupon payments per year, we need to have a bond of face value K105,000.00 (rounded upwards). To buy a bond of face value K105,000.00 at a price of K43.0137, we need a cash amount of K45,164.39.

We now have a fund that will mature in 15 years' time of value K105,000.00 and will be receiving K12,000.00 every year paid in two installments of K6,000.00 every 6 months until maturity. This fund cost is K45,164.39.

How do we adjust for increases in school fees and/or University tuition fees? Let us assume that school fees are adjusted to K6,000.00 after 5 years and also that Tuitions after 5 years have been adjusted upwards to K35,000.00 per year, we then have to adjust our fund accordingly. Our yearly school commitment would have risen by K6,000.00 to K18,000.00 from K12,000.00 and our University tuition fees over four years would have risen by K40,000.00 from K100,000.00 to K140,000.00. Since, the current fund would have run 5 years and would have 10 years to maturity, we can either buy a new 10 year bond to cover the gap created by the adjustments. Assuming that the 10 year instrument in 5 years' time has features similar to the current 10 year with a price of 44.2786 at a yield of 33% and gross annual coupon of 13% (net 10.92%), we will need a face value of K55, 000.00 to generate yearly coupon payments of K6, 006.00. To buy a 10 year instrument of face value K55,000.00 at a price of K44.2786 for every K100.00, we need total cash of K24,353.23. The value of the fund would have increased to K155,000.00 with also covers the four years University tuition fees of K140,000.00.

Please note that the yields/ prices for Government securities rise or fall depending on market conditions.

The following is a summary of Government Securities operations in Q2 2020.

Treasury Bills (Tbills)

In the third quarter (Q3) of 2020, the Government of Zambia offered a total of K9 billion at cost over seven (7) auctions. A total of K12.73 billion at cost was received translating to a subscription rate of 139% a decline from 165% received in Q2. K11.79 billion was allocated in Q3 translating to 129% take up rate a decline from 145% take up in Q2.

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Figure 1: Treasury bill Yields, Q3 2020

	Last Q2 auction	Q3 Tbill Results per auction						
	13/2020	14/2020	15/2020	16/2020	17/2020	18/2020	19/2020	20/2020
	22-Jun-20	2-Jul-20	16-Jul-20	30-Jul-20	13-Aug-20	27-Aug-20	10-Sep-20	24-Sep-20
91 Days	16.9999	16.0173	14.9999	14.5003	14.5003	14.0000	14.0000	14.0000
182 Days	21.0000	20.0001	18.5000	17.5000	17.5000	17.0000	16.5001	16.5001
273 Days	26.6699	26.0001	24.0000	22.0001	21.5000	20.0000	19.6501	19.6501
364 Days	28.0001	26.5000	26.0000	25.4849	25.4143	24.5000	24.5000	24.5000
Weighted Average Yield Rate (WAYR)	*26.5787*	*25.0055*	*23.4455*	*23.1542*	*21.4928*	*21.8815*	*22.5867*	*21.3930*

Key observations on yield rate movements in Q3 2020

- The yield rate on the 91 Days tenor dropped by approximately 300 basis points over the 7 auctions from 16.9999% as at end of Q2 to 14.0000% at the end of Q3.
- Yields on the 182 Days tenor dropped below the 20% psychological barrier. The yield rate dropped to 16.5001% as at end Q3 from 21.0000% as at end Q2. This represents a 450 basis points drop.
- The 273 Days yield rate dropped by 700 basis points, the biggest drop in Q3 from 26.6699% as at end of Q2 to 19.6501% as at end of Q3.
- The yields on the 364 Days tenor dropped from 28.0001% in Q2 to 24.5000% in Q3 translating to a 350 basis point drop between the two quarter ends.
- The Weighted Average Yield Rate (WAYR) as at the end of Q3 dropped by 520 basis points to 21.3930% from 26.5787% at the end of Q2.

Government Bonds (GRZ bonds)

Three bond auctions were conducted in Q3 2020 with the total of ZMW 3.30 billion offered at cost and a total of ZMW 2.54 billion at cost was received representing an average subscription rate of 56.3% up from 37.2% in Q2. Of the ZMW 2.53 billion received at cost, ZMW 2.52 billion was allocated representing an uptake of 56.2% up from 34.1% recorded in Q2.

Figure 3: Government bond Yields 2020

Government bond Yields 2020

	Q2			Q3		
	4/2020	05/2020	06/2020	07/2020	08/2020	09/2020
2 years	24-Apr-20	29-May-20	26-Jun-20	24-Jul-20	21-Aug-20	18-Sep-20
3 years	30.9500	30.9500	30.9500	30.9500	31.9500	31.9500
5 years	29.7500	32.0000	32.7000	32.7000	32.7000	32.7000
7 years	33.0000	32.5000	33.0000	33.0000	33.0000	33.0000
10 years	25.0000	25.0000	25.0000	25.0000	25.0000	25.0000
15 years	23.5000	23.5000	31.5000	31.5000	31.5000	33.0000
	32.5000	32.5000	32.5000	32.5000	32.5000	33.0000
Weighted Average Yield Rate	31.2985	31.8500	32.3806	32.1499	32.0818	32.5508

Key observations on Govt bond yield rate movements in 2020

- There was a 100 basis point increment on the 2- year tenor which rose from 30.9500% at the end of Q2 to 31.9500% at end of Q3.
- The yield on the 3- year tenor was maintained at 32.7000% in Q3 same as the yield at end of Q2.
- There was no yield moved recorded on the 5-year tenor which remained unchanged at 33.0000% in Q3 same as at end of Q2.
- The 7- year yield rate in Q3 was at 25.0000% across all auctions unchanged from Q2.
- The 10- year yield rate rose by 150 basis points to 33.0000% on auction 09/2020 up from 31.5000% from end of Q2.
- The yield rate on the 15- year rose by 150 basis points to 33.0000% as at end of Q3 from 31.5000% in Q2.
- The WAYR rose by 17 basis points in Q3 to 32.5508% up from 32.3806% in Q2.

For any queries and/or clarifications, get in touch with the Government Securities Unit, Financial Markets Department, Bank of Zambia. Tel +260 399 399, +260 399 343 or email : government.securities@boz.zm

KNOW YOUR MONEY

By ZAMBANKER REPORTER


Mr Phiri


Traders scrutinising a banknote at Nkeyema main market, Western Province

The Bank of Zambia has called on members of the public to familiarise themselves with the features of genuine banknotes and to report any counterfeits to the Zambia Police Service, DEC or Central Bank.

Addressing different audiences during currency sensitisations in Nkeyema District, the Central Bank advised the public to scrutinise a number of security features to identify the genuine banknotes. Manager Currency Front Office Operations, Mr Patrick Phiri, who was also the delegation leader, said the easiest way to check and spot counterfeit banknotes is to use the feel, look and tilt-method.

Mr Phiri explained that Bank notes have many security features and that it is not expected that members of the public will remember all of them. However, they would pick two or three features that they are comfortable with to use regularly.

He added that they would only need to check more security features if their first checks raise suspicions. He said the main principle is to compare the suspected note to an already identified genuine note. The rule of the thumb is not to rely on one security feature.

The security features to look out for include;

- Tactility. Genuine banknotes have a feel of roughness when one runs a finger over the note;
- Gold Iridescent Stripe - Single line of birds flying in opposite directions;
- Peak pixel – Fish eagle's head printed in raised ink with rough feel when you run your fingers over it;
- Watermark – Fish eagle's head visible when banknote is held against the light;
- Value Numeral – Raised ink showing notes denomination;
- Hologram – Shiny metallic strip with color shifting properties, showing birds in flight, coat of arms, denominational value when tilted; and
- Security Thread – Changes color and shows 'BOZ' and birds in flight when tilted. Thread appears as straight line when held against the light.
- Serial number: Each note has a unique serial number. If one receives multiple suspicious notes and the serial numbers match, one or all of the notes are counterfeits.

Printing of counterfeit notes is illegal and is an offence punishable by law. A conviction for the offense carries up to 7 years in prison and a fine. The maximum penalty for the offence is life imprisonment. The Bank of Zambia is the sole authority mandated by law to issue banknotes and coins as legal tender for circulation in the Republic of Zambia in accordance with Section 4[2] of the Bank of Zambia Act No. 43 of 1996. The Bank also ensures that the Zambian currency is adequately protected from counterfeiting by continually adopting new technology based security features that safeguard the integrity of the currency. In 2018, the Bank of Zambia launched enhanced banknotes with new security features to further protect the Zambian kwacha from counterfeiting.

Meanwhile, the Bank of Zambia has called for heightened collaboration between members of public and the police in combatting currency counterfeiting, as it is a problem that cannot be dealt with by law enforcement agencies alone.

Speaking during currency sensitisations in Western Province, the Central Bank urged members of the public not to be afraid of the police but instead work with them in fighting the scourge. These comments followed numerous complaints by various groups addressed that the police victimise/interrogate and sometimes arrest anyone who reports and/or hands in counterfeits. Other complaints were that there were no incentives for reporting counterfeits from the State.

The Central Bank through its Manager Currency, Mr Patrick Phiri and Assistant Manager Government Securities, Mr Chiputa Chikatu explained that there was enhanced engagement between the Central Bank and the Zambia Police on the amicable handling of counterfeits in which members of the public should be encouraged to report such matters and where necessary be turned into State witnesses without undue pressure.

POLICY RATE REDUCED FURTHER

By ZAMBANKER REPORTER

The Monetary Policy Committee (MPC) at its August 17-18 meeting further reduced the Monetary Policy Rate by 125 basis points to 8%. Key factors the Committee took into account in arriving at its decision were: the need to safeguard stability of the financial sector, people's lives and livelihoods in the wake of Covid-19 Pandemic; the projected steady decline in inflation towards the upper bound of the 6-8% medium-term target range at the end of the forecast period. This is premised on the expected moderation in food prices due to the improvement in supply of food items; and significant worsening of the domestic economic conditions in the second quarter and much weaker growth prospects in 2020.

Deputy Governor-Operations, Dr Francis Chipimo, speaking during the MPC media briefing

The Zambian economy is projected to contract by 4.2% in 2020, deeper than the earlier projection of negative 2.6%. This is against a revised preliminary outturn of 1.4% in 2019. The substantial decline in consumer and investment spending due to disruptions in business operations are expected to continue constraining economic growth. The most adversely affected sectors are tourism, wholesale and retail trade and construction.

The nation has experienced a rapid rise in COVID-19 cases reflecting the severity of the pandemic with the cases rising to 10, 218 as at August 19, 2020 from 832 at the time of the May MPC Meeting. This has had a telling effect on domestic economic activity, which worsened in the second quarter, as reflected in company shutdowns, job and income losses, declining business output, and a notable weakening in consumer demand.

Further, electricity load shedding and rising production costs, associated with high energy tariffs continued to weigh on growth. Results from the Second Quarter 2020 Bank of Zambia Quarterly Survey of Business Opinion and Expectations indicate worsening economic conditions with all monitored indicators showing deterioration, except for new orders, largely due to increased demand for pharmaceutical products used in the fight against COVID-19 pandemic.

The on-going fiscal spending pressures were compounded by measures taken to contain the COVID-19 pandemic. At the same time, the pandemic has precipitated a sharp drop in revenue.

Global economic growth is projected to contract by 4.9% in 2020 compared to the earlier projection of 3.0%, largely reflecting a deeper and more protracted negative impact of the COVID-19 pandemic. Measures taken to contain the pandemic, which are severely constraining private consumption, investment, trade, and travel are resulting in weakening global demand.

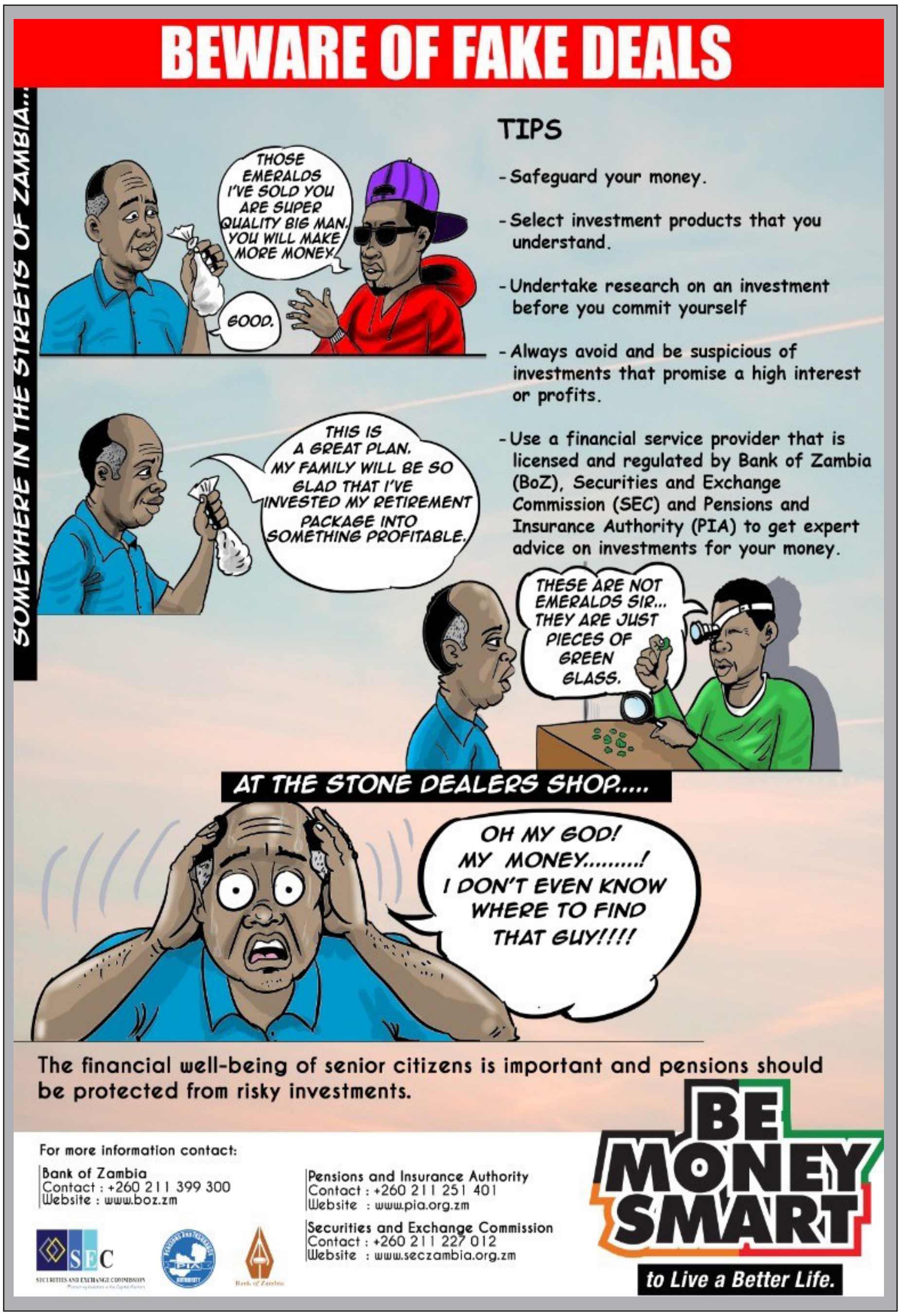
Consequently, output and employment have fallen, as manufacturing activity has declined sharply due to supply chain disruptions and the shutdown of factories. The services sector, particularly transport and tourism sub-sectors, have continued to be the most adversely affected.

It is projected that, as the pandemic abates and economic activity normalises, global growth will recover to 5.4% in 2021 against an earlier projection of 5.8%. However, there is a high degree of uncertainty surrounding the forecast, as the recovery will be dependent on the evolution of the pandemic as well as the speed of developing and delivering a vaccine and treatment.

FINANCIAL SECTOR JOINT MESSAGING CAMPAIGN LAUNCHED

By ZAMBANKER REPORTER

The Bank of Zambia, in collaboration with the Pensions and Insurance Authority and the Securities and Exchange Commission launched a Joint Messaging Campaign on August 18, 2020 to enhance financial education and encourage the public to be smart investors.



The Joint Messaging Campaign is a response by the three financial sector supervisory authorities to the rising incidences of financial fraud and the resultant financial losses being experienced by citizens.

The Campaign will seek to raise awareness about fraudulent investment schemes and encourage citizens to only deal in products and services that are provided by entities regulated and authorised by any of the three financial sector supervisory authorities.

This is consistent with the National Strategy on Financial Education in Zambia, which seeks to empower citizens with sufficient knowledge, understanding, skills, and confidence to make prudent financial decisions for themselves and their families.

The Campaign, which will run for a period of 12 months on various media platforms including social media, will cover topics such as: digital financial services; network marketing; insurance services products; pyramid schemes; and cryptocurrency, among others.

In a statement issued by the Financial Sector Regulators Joint Secretariat, it had been observed, with concern, that members of the public had been falling prey to fraudulent financial products and misleading investment adverts offered by entities operating outside the ambit and supervision of the three financial regulators (BoZ, PIA and SEC). Pensioners, farmers, workers, entrepreneurs, young and old, have all been targeted in different ways, with some losing their money, including life savings, such as, pensions, to these unlicensed entities on the promise of high returns.

'As regulators, we believe that fraudulent financial activities perpetrated by unlicensed entities cannot thrive in an environment where members of the public are well informed about various financial products and services. It is, therefore, our hope that this Campaign will equip our citizens with the information needed to make informed and prudent financial decisions. The ability to identify fraudulent financial products is especially critical at a time when information and communication technologies (ICTs) have flattened geographical boundaries and enabled new, faster and more sophisticated ways of committing fraud.'

ZAMBIA RECORDS LOWER TRADE

...however, a notable increase in export earnings from soap and washing detergents was recorded...

By ZAMBANKER REPORTER

Zambia's trade decreased in the second quarter of 2020 compared to the second quarter of 2019. Export performance declined by 14.5%, reflecting the fall in copper earnings due to the continued downward trend in commodity prices. Imports declined faster at 38.7%, reflecting supply chain disruptions, subdued domestic economic activity and weak consumer demand.

Export perfomance declined by 14.5%, reflecting the fall in copper earnings due to continued downward trend in commodity prices

According to the second quarter Direction of Trade Report, major destinations for Zambia's exports were Switzerland, China, Singapore, the Democratic Republic of Congo, Luxembourg and Hong Kong. Total exports earnings were US$1.57 billion in the second quarter of 2020, 14.5% lower than the US$1.83 billion reported in the corresponding quarter in 2019. This was largely due to the fall in copper export earnings from Switzerland and China. Supply chain disruptions, the fall in commodity prices and subdued global economic activity caused by COVID-19 largely accounted for lower export earnings.

There was, however, a notable increase in export earnings from soap and washing detergents to the Democratic Republic of Congo (DRC) and Malawi due to heightened demand for sanitary products to combat COVID-19.

The top five export commodities were copper and articles thereof; ores, slag and ash; salt, sulphur and plastering material; lime and cement; inorganic chemicals and compounds of precious metals; as well as sugars and sugar confectionery

Major source countries for Zambia's imports were South Africa, China, United Arab Emirates (UAE), India, DRC and United States of America. The value of merchandise imports was US$1.14 billion in the second quarter of 2020 compared to US$1.86 billion in the corresponding quarter in 2019, representing a decline of 38.7%.

Imports from the top five source countries accounted for 18% of total imports with South Africa being the highest contributor at 10%. Significant reductions in imports of mineral fuels and vehicles were recorded.

Generally, the decline in imports was largely attributed to the COVID-19 related lockdown and other restrictions imposed to prevent the spread of the virus which saw companies scale down operations resulting in weak demand for imported goods. In addition, lower consumer demand contributed to the significant fall in the volume of imports.

FREQUENTLY ASKED QUESTIONS ON GOVERNMENT SECURITIES

By BESNAT MWANZA

BoZ has been called upon to raise awareness about Government Securities among ordinary citizens, can an ordinary members of the public (individuals) invest in Government Securities?

Ms Mwanza

There are no restrictions to eligibility. Business firms, institutions, foreign entities and ordinary individuals are all eligible to purchase Government securities at the Bank of Zambia. The only condition is that every entity and individual must have a local commercial bank Kwacha account.

The Bank is currently running adverts on billboards around Lusaka, Ndola, Kitwe, Livingstone, Mongu, Solwezi, Kabwe and Chipata as a way of enhancing public awareness on Government Securities. In addition, we had a radio programme on one of the radio stations where we marketed Government securities. Further, every year we participate in agriculture and commercial shows and selected provincial shows to raise awareness about Government securities. Unfortunately, this year, all shows were cancelled due to the outbreak of the Covid – 19 pandemic.

How does the Bank of Zambia rate the level of participation from ordinary citizens?

Participation from ordinary individuals is very high and encouraging.

Who is eligible to purchase Government Securities?

As stated above, everyone is eligible to invest in Government Securities as long as they have a local commercial bank Kwacha account.

However, one of the biggest challenges smaller investors face is the cost of participating in the Government Securities auctions. Each investor needs a commercial bank account to participate in the auctions and commercial banks collect charges to facilitate this service. The charges are not standard and range from K50 to K300. Currently, the minimum amount to invest is K1, 000.00. When an investor is charged K300 for a K1, 000.00 investment, they make a loss on the investment.

What is the Bank of Zambia doing to resolve this challenge?

The Bank of Zambia is reviewing and developing recommendations that fees relating to investment in Government Securities should be standardized to only cover ZIPSS charges. This will enable commercial banks lower the cost for their clients. Further, the BoZ is exploring ways that could allow prepayments via the RTGS. This would also attract lower charges.

Small investors also face the challenge of accessing the BoZ or Commercial Bank to place bids on the auction. To mitigate this challenge, the BoZ has embarked on the Government Securities Online Application Project aimed at, among other things, allowing investors to directly register on the Central Securities Depository (CSD) and executing transactions in the primary and secondary markets. This would enable investors even in areas where there is no BoZ or commercial bank presence to invest in securities.

What are the thresholds for participation?

The minimum threshold is K1, 000.00 for the non-competitive window and between K1, 000.00 to K29, 000.00 for the competitive window.

Efforts aimed at increasing participation

The Bank of Zambia is finalising the enhanced marketing strategy for Government Securities. We intend to intensify our information outreach to include presentations via print, electronic and social media. We also intend to translate our presentations in different Zambian languages and publish the brochures, flyers, short videos and audios to this effect.

As part of the Bank's strategy to enhance financial literacy and inclusion, we intend to reach out to many employers and employees country wide through presentations on investing in Government Securities. Government Securities provide a very solid alternative to savings in Bank accounts and social security especially to employees approaching retirement.

Ms Besnat Mwanza is Acting Assistant Director -Communications in the Board Services Department.

PHOTO FOCUS

WESTERN PROVINCE CURRENCY SENSITISATION OUTREACH PROGRAMME IN PICTURES

PHOTO FOCUS

COUNTRY WIDE FINSCOPE SURVEY EXERCISE IN PICTURES

ECONOMIC STABILISATION INTERVENTIONS BY BOZ

By ZAMBANKER REPORTER

Deputy Governor-Operations, Dr Francis Chipimo, has stated that Zambia, like other countries, has not been spared from the adverse effects of the COVID-19 pandemic on the economy. These include the sharp depreciation of the Kwacha, heightened fiscal pressures and deterioration in economic activity with growth projected to significantly contract in 2020.

Speaking during a sponsored radio programme, Dr Chipimo explained that the Bank of Zambia instituted the following measures to mitigate the adverse impact of COVID-19 on the economy and the financial sector: reduced the Monetary Policy Rate by 225 basis points to 9.25% in May 2020 from 11.50%; established a K10 billion 3-5 year Targeted Medium-Term Refinancing Facility to eligible Financial Service Providers for on-lending to critical sectors of the economy and their clients who may be impacted by the COVID-19 pandemic; commenced a Bond Purchase Programme intended to provide liquidity to the financial sector, promote bond consolidation and deepen the secondary market; scaled-up open market operations to provide liquidity support on more flexible terms, including for tenors beyond overnight; revised rules governing the operations of the interbank foreign exchange market to support its smooth functioning, strengthen market discipline, and address exchange rate instability; initiated arrangements to engage domestic and non-resident financial institutions in foreign exchange swaps to help minimise volatility in the foreign exchange market.

Other measures include extension of the requirement of mining companies to pay in US dollars to all their statutory obligations (taxes in addition to mineral royalties) in order to support the build-up of foreign exchange reserves; and revised loan classification and provisioning rules to better accommodate lending, refinancing and restructuring of facilities to critical sectors.

"We are already seeing the impact of these measures. As indicated earlier, liquidity in the market has increased significantly and lending interest rates started coming down in line with the Policy Rate adjustment. Subscription rates in Government securities have improved substantially and we have noted increased participation of non-resident investors. The exchange rate has remained relatively stable in recent months and foreign reserves have generally stabilised," he said.

Meanwhile, the Deputy Governor assured that the Bank of Zambia continues to fulfill its advisory role to Government mainly through the Ministry of Finance. He said the Bank has a good working relationship with the Ministry and is represented in a number of economic management meetings and policy discussions. He added that the Ministry has taken on board a number of measures the Bank has recommended and that the results from our engagements, including some of the reforms the Ministry is currently undertaking are being seen.

Regarding the prescribed conditions of the TMTRF, Dr Chipimo explained that like with other loan facility, the Terms and Conditions of the Facility are meant to provide guidance on the management of the Facility. He said the Central Bank took into account all necessary procedures to ensure smooth running of the Facility. There were rigorous consultations with market players before the Facility was launched. Meetings were held with key stakeholders, including the Bankers Association (BAZ) and the Association of Microfinance Institutions. Further, the Bank of Zambia engaged various industry associations such as ZACCI, ZNFU, representatives from the SMEs as part of the implementation process. Post the launch, the Bank has continued to engage the market and where necessary the terms and conditions have been amended to take into account the concerns from the market.

The Facility is available through Financial Service Providers (FSPs) that satisfy the eligibility criteria. The FSPs are expected to on-lend to borrowers in need of liquidity or refinancing, including the reduction of interest rates on prevailing facilities. This, in a way will help strengthen and enhance the resilience of the financial sector as well as support economic recovery in the wake of the COVID-19 pandemic. Businesses and households should be free to approach any of the FSPs to access the funds on the Facility. The decision as to who to lend to however remains with the FSP who carry the full risk.

The K10 billion on the facility is an initial amount and the Bank of Zambia may revise the amount as and when the demand increases.

SENIOR ANALYST TO HEAD AFI WORKING GROUP

By ZAMBANKER REPORTER

Mr Moses Musantu, Senior Analyst – Consumer Protection and Market Conduct, has been elected as Chairperson of the Alliance for Financial Inclusion (AFI) Consumer Empowerment and Market Conduct (CEMC) Working Group effective 27 October, 2020 for the period 2020 to 2021. Mr Musantu is a Bank of Zambia primary member on the CEMC Working Group and was before the election serving as Second Co- Chairperson of the CEMC Working Group. Mr Musantu has succeeded Ms Rochelle Tomas from the Central Bank of Philipines whose tenure of office had ended. Mrs Wati Seeto from the Reserve Bank of Fiji and Mrs Madalitso Chamba from the Reserve Bank of Malawi were elected as deputy chairpersons.

Mr Musantu

The CEMC Working Group is one of the seven AFI working groups that are the key source of policy developments and trends in financial inclusion and serve as "communities of practice" on key financial inclusion issues. The working groups are the primary mechanism for generating and incubating knowledge in the AFI network and provide a platform for knowledge exchange and peer learning to allow policymakers to share, deliberate and deepen knowledge and understanding on key financial inclusion issues.

The CEMC Working Group was launched in April 2011 to examine how consumer empowerment and protection can help to secure access to financial services and improve the quality of these services. Specifically, CEMC Working Group has three primary objectives:

- To promote the adoption of evidence-based policy and regulatory solutions for the empowerment and protection of financial consumers, which is also correlated with improving access to finance and the quality of financial inclusion.
- To develop a set of core principles for financial consumer empowerment and protection policymaking.
- To support the design and validation of tools for policy analysis (e.g. diagnostic and demand side assessment tools) and policymaking (e.g. framework of minimum standards) for use by working group members.

In conducting its mandate, the CEMC Working Group develops policy guidelines, conducts peer review and actively engages the CEMC industry and global Standard Setting Bodies. Mr. Musantu led a three member team that developed and published in 2020 a Complaint Handling Framework in Central Banks which has also been translated in French. Mr Musantu further represented the CEMC Working Group on a Subgroup jointly constituted with the Digital Financial Services Working Group that developed the Policy Model on Consumer Protection. The CEMC Working Group currently has 64 members' institutions drawn from 59 countries.

THE 2020 AMENDMENTS TO THE BFSA: EIGHT NEWS!!!

Mr Zulu

By LUNGISANI ZULU

The Banking and Financial Services (Amendment) Act, No. 7 of 2020 ushers in amendments to the Banking and Financial Services Act, 2017 (BFSA) regulating the financial sector in Zambia.

In this paper, I set out to highlight eight changes to the main Act which have been introduced by this new law.

1. Definition of Insolvency for Financial Service providers

Under the Banking and Financial Services Act, 2017, insolvency was defined to include a situation where a financial service provider has regulatory capital which is below the prescribed minimum. This was misleading as it conflated undercapitalization with insolvency.

This language has changed and insolvency now, as before the 2017 Act, means having regulatory capital which is zero or below zero. There should be less confusion as a result of this clarification.

2. Prohibition of conducting a banking business without a license expanded together with BoZ's remedial measures

The new law has made it very clear that it is illegal for a company, a body corporate and indeed any person to conduct a banking business, financial business or offer a financial service without a license. Doing so is an offence punishable by up to five years imprisonment.

Where any person is collecting funds from members of the public in violation of the law, BoZ has been mandated to direct repayment of those funds to members of the public or take up those funds and repay them to the affected members of the public.

3. Anti-money laundering and counter financing and terrorism measures

BoZ has been given a specific regulatory mandate over the financial sector to prevent and combat money laundering and financing of terrorism or proliferation or any other serious crimes. Pursuant to this new mandate, BoZ may issue any relevant directives and take any necessary measures.

4. No more extended 'waiting' period of 90 days post possession before remedial action

Under the Banking and Financial Services Act, 2017, BoZ could take possession of a financial service provider and had 90 days to prepare a statutory statement of affairs which determined what remedial action to take over it. This 'waiting period' obviously led to heightened anxiety from all stakeholders and asset deterioration of the possessed institution.

This requirement has been removed. Now, BoZ can take possession of a financial service provider and immediately implement remedial action without a waiting period. Though the statutory statement of affairs will still be prepared to ascertain the financial condition of the possessed financial service provider, this will no longer have to be in 90 days.

5. Challenges of possession now go to the tribunal, not court

Under the Banking and Financial Services Act, 2017, a person aggrieved with the decision of BoZ to take possession of a financial service provider could challenge the decision in the High Court, within 21 days of the decision.

Now, if aggrieved, you petition the Minister of Finance to set up a tribunal to enquire into the decision of BoZ.

6. Priority List on Liquidation

Before amendment, section 132 of the Act made no distinction on the depositors who had priority to receive proceeds from a liquidation of a financial service provider. This has now changed as there are now two categories of depositors. Those whose claims are covered by a deposit protection scheme are now ahead in priority to those not covered by a deposit protection scheme.

This categorization is important as it paves way for introduction of a deposit protection scheme by BoZ. Under a deposit protection scheme, deposits up to a certain amount will be automatically insured deposits. When a financial service provider fails, the deposit protection scheme will immediately pay out the protected amount to depositors and the scheme will then be subrogated to the claims of the compensated depositors. It is for this reason that giving priority to the protected deposits assures the sustainability of the deposit protection scheme.

7. 30 days to determine appeals by the Tribunal

In an effort to introduce efficiency, the law now provides that the tribunal appointed by the Minister to determine appeals against decisions of BoZ have 30 days to deal with appeals. This should result in faster resolution of disputes with the regulator of the financial sector.

8. Compensation by the Tribunal

The law has now given specific powers to the Tribunal appointed by the Minister to make compensatory awards in appropriate cases.

I trust that the above highlight of some of the changes will assist in the better understanding of the provisions of the Banking and Financial Services (Amendment) **Act, No. 7 of 2020.**

Mr Lungisani Zulu is Senior Legal Counsel in the Legal Services Department.

WHAT DOES GOING DIGITAL LOOK LIKE FOR ZAMBIA?

Ms Nakazwe

By KATEULE NAKAZWE

Since the outbreak of the COVID-19 pandemic, we have seen an increase in digital and contact-less financial transactions. Is it safe to say that the COVID-19 pandemic is driving the increase in adoption of Digital Financial Services (DFS) in Zambia?

DFSs are financial services accessed and delivered through digital means such as the internet, mobile phones (both smartphones and digital feature phones), ATMs, POS terminals, chips, electronically enabled cards, biometric devices and any other digital system. The 2018 National Survey on Access and Usage of Information and Communication Technologies (ICTs) by households and individuals in Zambia revealed that the most widely held formal financial services accounts were electronic wallets accounting for 21.5 percent of individuals aged above the age of 10 years. It also established that at least 48.9 percent of all the households across the country had used digital financial services before. Majority of households reported having used Digital Financial Services for receiving and sending money representing 92.8 percent and 77.6 percent respectively.

In response to the COVID19 pandemic outbreak, several regulators employed interventions encouraging the use of DFSs and announced emergency measures to temporarily suspend mobile money transaction fees for different kinds of transactions. The Bank of Zambia reduced the processing fees of the Zambia Interbank Payment and Settlement System (ZIPSS) to increase the use of Real Time Gross Settlement System (RTGS) in March, 2020. Different central banks increased the transaction and wallet limits for mobile money agents and corporates and also waivered charges for person-to-person e-money transactions values of up to K150 by all electronic money issues to the end of June, 2020. In Kenya, the central bank suspended the customary 1 to 1.5 percent fee charged by mobile network operators on transfers below the equivalent of USD 10 transfers within the M-PESA8 platform, from March 16, 2020 until year-end. The central bank in Liberia, suspended all charges to users for money transfers as well as merchant transactions until the first week of July, 2020.

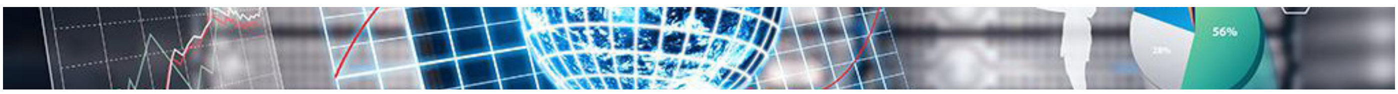
According to National Payments Report 2019, the value of local remittances grew by 80 percent to K82, 109.6 million from K45, 539 million in 2018. The increase in both value and volumes was on account of growth of mobile based transactions. The value of Mobile Money transactions processed also increased by 122 per cent to K49.35 billion from K22.19 billion in 2018. The value of mobile payments as a proportion of GDP increased to 15.7 per cent from 8.2 per cent in 2018. The volume of point of sale transactions increased by 46 per cent to 26, 942, 944 fro, 18, 409, 724 in 2018. The increase in the use of the PoS machines was due to the promotion of digital financial serves and increased number of terminals. This report was prepared before Covid- 19 outbreak; the numbers are projected to grow further this year.

Although Zambia has been making steady progress in the shift to a digital economy, some challenges and barriers to this still exist.

1. Market Fragmentation in mobile money services.

Zambia's two largest mobile operators, Airtel and MTN both supply mobile money services. The state owned operator, Zamtel also supplies standard mobile money services through its Kwacha brand and smartphone mobile wallet app ZamPay. No single player has over 50% of the market share. (This is one major reason M-PESA was so successful in Kenya: one player dominated the market). Fragmentation makes it difficult to drive adoption. Cross network transactions are more expensive.

Merchants adopting mobile money as a means of payment is another issue that



arises from fragmentation. If I walk down the road to John's Kantemba and I buy bread and milk, can I pay John via mobile money? In most cases the answer is no. John will most likely demand for cash. Unless John is on the same network as me and has an active wallet. He might even ask to include a withdrawal charge. John as a merchant might find it very cumbersome to have 3 mobile money wallets to cater to all his client's needs.

Recently, we have seen the large supermarkets, Shoprite and Pick n' pay, start to accept mobile money payments as a response to the covid-19 pandemic. How has Kazang made this possible? Payments are taken using Kazang Prepaid's proprietary mobile terminals which are designed and built to withstand a more informal business environment. For instance, the devices don't require a constant power supply and work off of the GPRS mobile data service which means they don't need a fixed data connection. They have implemented separate interfaces with each of the network providers for merchant payments (basically like Visa payments but for mobile wallets). Merchants are paying around 2% for this service and its definitely more convenient than having 3 or more wallets. All Kazang machines can accept merchant payments for all networks. They are also able to do Cashin and Cashout via the National Financial Switch for all banking partners and MNO's that are live on the National Financial System.

The new financial switch is important so that integration and moving money around is easy regardless of the platform you are on. It also helps reduce the cost of sending money. The World Bank's most recent report (Migration and Development Brief 32: COVID-19 Crisis through a Migration Lens) showed that the global average cost of sending a remittance is largely unchanged, despite the pandemic, at 6.8 percent. Even with our robust mobile money ecosystem, Sub-Saharan Africa remains the most expensive region to send money to at 9 percent.

2. The unbanked Vs the banked

For you to make use of an ATM or a POS, you must have a debit card that is tied to a bank account. How many Zambians have access to formal financial services today? According to the National Financial Inclusion Strategy (NFIS) 2017-2022, more than 3.5 million Zambian adults (approximately 41 percent of the adult population) are financially excluded and more than 5 million Zambian adults (approximately 60 percent of the adult population) do not use financial products and services from regulated providers. According to the FinScope survey of 2015, 56.4% of Zambian adults cannot reach a brank or ATM within an hour. This barrier is significantly skewed towards rural areas where 75% of adults are affected. ATMS are only available to existing bank customers only, as most of the services available at an ATM require a bank card to transact. The adoption of DFSs can be affected by the high number of the unbanked population. One of the objectives of the NFIS is to improve physical access to high-quality financial delivery channels, including branches, agents and ATMs such that the number of financial access points per 10,000 adults will increase from approximately seven to 10 by 2022. Another is to design, test and launch simplified and tailored products for unserved and underserved consumers, including via mobile-based channels.

3. Digital skills and Infrastructure

The Zambia Information & Communications Technology Authority (ZICTA) 2018 National Survey on Access and Usage of Information and Communication Technologies (ICTs) by households and individuals in Zambia reported that the proportion of individuals who indicated that they had used the internet before was 14.3 percent in 2018. It was estimated that 53.5 percent of all individuals across the country were active users of mobile phones established by estimating the proportion of individuals that had used a mobile phone in the last three months prior to the survey. Only 6.8 percent of individuals across the country reported to know how to use a computer. The main reason cited for not using the internet was lack of knowledge on how to use the internet, accounting for 70.1 percent of individuals that indicated that they had never used the internet. Other barriers to the uptake of internet services by individuals included lack of appropriate devices, lack of interest in the services as well as lack of access to the services.

Digital competencies, apart from the most basic—such as using a mobile phone for voice calls or simple messages—cannot be developed without foundational literacy and numeracy skills. Most Zambians have some level of foundational digital skills, but intermediate and more advanced ICT skills are in very short supply. The World Banks' 2020 digital economy diagnostic report for Zambia highlighted digital infrastructure and digital skills as hurdles to a digital economy and recommended the review excise duties, corporate tax rates, import duties and license fees for connectivity providers and model the fiscal implications of potential reductions to make digital devices and services more accessible. On the low quality of foundational digital skills in Zambia, one of the recommendations is to map the current ICT school curriculum against the Digital Competence Framework for Citizens (DigComp 2.1) to gain a comprehensive overview of which digital skills and competencies need to be developed. Another is to update the senior secondary school digital curriculum to include more advanced digital skills training as well as scale up digital skills training in TEVET institutions. The access and usage of digital services will continue to be low if these challenges are not addressed.

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

PROJECT MANAGEMENT AT THE BOZ

By NAMUKULO MWAULUKA

Project management was formalised in the Bank in 2014 with the approval of the Bank of Zambia Project Management Policy. Prior to this, departments implemented projects in an adhoc manner. The project management policy linked projects undertaken within the Bank to the Bank's strategy and introduced a formal process for deciding on what projects to admit into the portfolio. However, before we explore the process of managing projects, lets define a few concepts.

What is a project?

The Project Management Institute (PMI®) defines a project as a temporary endeavour undertaken to create a unique product, service or result. Projects must have a commencement and completion date (have a definite beginning and an end). Projects also have an output, this could be a product, a service or a result. At BoZ, priority is given to projects that arise from the Bank's strategy and projects that require the Bank to comply with statutes, contractual requirements and regulatory requirements.

Why do we implement Projects?

Projects are implemented in order to achieve a desired benefit. This benefit needs to be defined clearly in the projects business case as part of the justification for the project. The benefits realised from a project often come through implementing changes. Therefore, projects are change initiatives and they arise from the desire to improve the operational environment. For example, the day to day running of a banking system is not a project, however, a project may arise if a decision is made to add a new feature or upgrade the system.

Where do projects come from?

Projects may arise from a perceived need, a problem or an opportunity. A need can arise from a deficiency in the operational environment or the desire to improve operations. Opportunities arise in the environment and these need to be exploited. Problems are pain points that need to be resolved to allow for better operations of the organisation. For example, the problem of the Zambian currency having too many zeros was solved in 2012 through a project which redenominated the Zambian currency (currency rebasing project).

2012 Currency Rebasing Project

Before

After

Mr Mwauluka

How are projects managed?

Each project has a project manager to oversee the implementation of daily activities. The project manager heads the project team which has the responsibility of implementing the project. Within the project team, there are core team members (often referred to as the project management team) who play the role of the projects secretariat and closely assists the project manager. These project management team members must be appointed at the beginning of the project. Other project team members can be brought onto the project as and when the need arise.

What about project oversight?

The Project Management Procedures define governance at two levels. At the higher level, are the portfolio governance structures and at the lower level, are the project governance structures.

Portfolio governance structures include the Board of Directors, Portfolio Review Committee, Project Management Office, Heads of Departments and Internal Audit department.

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PROJECT MANAGEMENT AT THE BOZ

Board of Directors	•Approves the Project Management Policy, approves budgets for projects and provides oversight over the project portfolio.
Portfolio Review Committee	•Approves projects to be added to the Portfolio and provides project portfolio oversight.
Project Management Office	•Provides regular project monitoring, project management tools and techniques and education on project management.
Heads of Departments	•Develop business cases for new projects and take ownership of projects that fall within their respective business areas.
Internal Audit	•Provides reasonable assurance on the adequacy and effectiveness of the Bank's Project Management Framework.

Oversight at Project Level

At the Project level, the governance structures are applied in proportion to the size of the project. Three classes of projects have been defined in the Bank based on the size and complexity of the project. Class A projects (large size and highly complicated projects) have sponsors at the level of the Governor and Deputy Governors and have a project steering committee (governance board) to provide project level oversight. Class B projects (medium size and medium complexity projects) have sponsors at the level of Head of Department and have project steering committees to provide project level oversight. Class C projects (small size and low complexity projects) have sponsors at Director and Assistant Director levels and do not have project steering committees. Projects in all classes have project managers that report to their respective Project Sponsors. The project manager leads the team which implements the project.

Project Sponsor	•Ensures that resources are in place, promotes the project, and is overaly responsibility for the project's success
Project Steering Committee	•Provides advice, ensures delivery of the project outputs and the achievement of project outcomes. Makes decisions about changes to the project as it develops.
Project Manager	•Ensure that the project proceeds within the specified time frame and under the established budget, while achieving its objectives
Project Team	•Execute various tasks in order to implement the project.

What Gains have been made since 2014?

Since approving the Project Management Policy in 2014, the Bank has recorded several positive gains in the area of project management. These include:

i. Establishing processes for vetting and prioritising projects before admitting them onto the portfolio of projects.

ii. Convening Portfolio Review Committee (PRC) meetings every quarter to review the performance of the project portfolio and consider proposed new projects.

iii. Enhanced project oversight with project managers reporting into the Project Management Office (PMO) every month and the PMO reporting to the PRC every quarter.

iv. Building an internal project management capacity and now has seventeen (17) certified Project Management Professionals (PMP®) and five (5) Certified Associates in Project Management (CAPM®).

v. The Bank has successfully implemented several strategic projects which include:

1. Thomson Reuters Trade Reporting System for real-time visibility of foreign exchange transitions taking place in the Commercial Banks.

2. The Bureau de Change Monitoring System for real-time visibility of transactions in the Bureaux and enforcement of daily transaction

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BOZ EASES REFINANCING FACILITY CONDITIONALITIES

Access to the Facility shall be subject to borrowing limits. The borrowing limits applicable shall be calculated on the basis of the loan data for the FSP in respect of outstanding amounts of eligible loans. The eligible loans shall be the total amount of the outstanding performing loans based on the latest financial position as at the time of application.

An eligible FSP shall be entitled to 100 percent of the total outstanding eligible loans. Where the initial Advance applied for is below 100%, the FSP can obtain additional funds but this should not exceed the total amount of the outstanding performing loan portfolio.

To drawdown the funds on the Facility, the FSPs shall be required to demonstrate how it will ensure that the benefits obtained on the Facility are extended to its respective client(s). The Bank of Zambia will closely monitor the performance and use of the Advance obtained from the Facility through regular reporting.

Further to the requirements, FSPs shall provide name(s) of client(s), sector, terms for the on-lending, collateral obtained if any, and any other pertinent supporting information. Once the Advance has been approved and communicated accordingly, the offer shall remain valid for a period of 14 days beyond which it shall lapse. Consideration to extend the validity period shall be on a case by case basis and only with justifiable reasons; once the offer has been accepted, there shall be a drawdown within 30-day. In case of a partial initial drawdown, the remaining amount should be exhausted in a maximum of two drawdowns within a maximum period of 30 days between drawdowns. Consideration to extend the drawdown period shall be on a case by case basis and only with justifiable reasons.

The above changes to the Terms and Conditions are expected to improve utilisation of the Facility by FSPs which in turn, will positively impact the number of clients that will have access to the funds.

The full revised terms and conditions can also be found on the Bank of Zambia website www.boz.zm

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IMPACT OF COVID-19 ON NON-BANK FINANCIAL INSTITUTIONS

TMTRF in order to enable Financial Service Providers (FSPs) to support businesses and households that were being impacted by the COVID-19 pandemic. By supporting businesses and households, the BoZ expected to mitigate the impact of the COVID-19 pandemic on the financial sector through rising non-performing loans and that might compromise financial system stability.

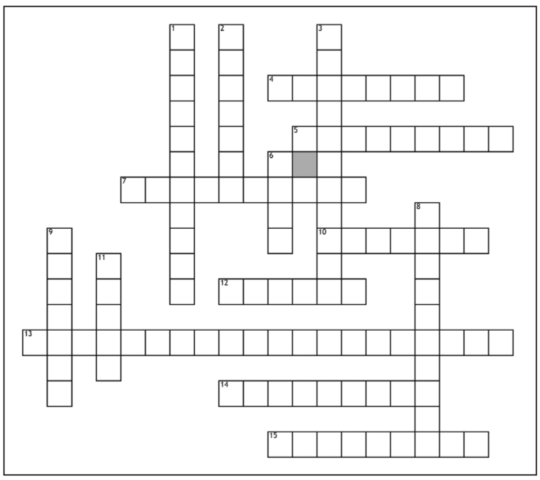
The survey results showed that only 14 or 44% of respondents applied for the facility, while 17 or 53% did not apply. On the other hand, one or 3% of the NBFIs indicated that they did not intend to apply for the facility. The respondents that did not apply stated that they could not meet the eligibility criteria to qualify for the TMTRF.

Conclusion

Based on the survey findings, most NBFIs were adversely impacted by the COVID-19 pandemic in the first half of 2020. As credit quality deteriorates, especially in the sectors hit the hardest such as households and individuals, most NBFIs are likely to continue being impacted negatively by the pandemic in the 12 months to 30 June 2021. The impact of the COVID-19 is therefore likely to lead to some weak NBFIs becoming insolvent and eventually closing.

The author is Examiner: Non-Deposit Taking Microfinance Institutions in the Non-Bank Financial Institutions Supervision Department.

PUZZLE CORNER



Down

1. A numerical value assigned to a person's potential ability to repay debt.
2. Any asset that can enhance one's power to perform economically work.
3. An investment in which some early investors are paid off with money put up by later investors.
6. Measures the responsiveness of a stock's price.
8. Any mechanism used for generating future income.
9. Organizations or individuals who owe a company.
11. A benchmark used to evaluate a fund's performance .

Across

4. A member of a household that spends on goods and services.
5. The ease with which an investment can be converted into cash.
7. Inability to pay all debts.
10. An amount of money spent to buy goods and services.
12. An exchange goods or services without using money as a medium of exchange.
13. Debt instruments issued by the Government of Zambia through the Bank of Zambia.
14. The process of simultaneous buying and selling of an asset from different platforms or exchanges.
15. A party who agrees to be responsible for the payment of another's debts should that party default.

WORLD SAVINGS DAY DELIVERS ON SAVINGS CULTURE

Ms Siwale

By SILVIA SIWALE

Zambia adopted the World Savings Day (WSD) as a commemorative event in 2014 under the auspices of the National Strategy for Financial Education. The WSD highlights the necessity of savings in every individual's life and is celebrated on October 31st every year. This article discusses the history, themes, celebrations and significance of the event.

The commemoration of the WSD dates as far back as 1924 during the first international Savings Bank Congress in Milano, Italy and has been regarded as a particularly successful measure of awareness on the importance of saving and to educate people on how to save. It is spearheaded by the World Savings Bank Institute (www.wsbi-esbg.org).

In Zambia, some of the common forms of celebrations include: encouraging and educating the public, especially the children, to begin small savings. The financial sector, schools and parents celebrate this by gifting piggy banks to children and introducing them to the concept of savings; posters are displayed and circulated through various media to highlight the need to save and reserve assets for the future; the financial sector also arranges coinathorns (saving coins in piggy banks), quizzes and essay writing challenges.

More importantly, the Government does a large part of active campaigning by publicising a host of measures that have been in place and how the public can benefit from these. Awareness and publicity generation forms a large part of actual savings as people need to be drawn towards various products and services as well as to be told explicitly about the need to save.

Annual Global themes are developed for each commemoration and are usually coupled with a local (country specific) interpretation. Below are the themes under which the World Savings Day has been celebrated in Zambia:

Year	Theme
2014	"A better life through savings: Every Ngwee counts"
2015	"A better life through savings. It pays to plan"
2016	"Key life events: know and plan your finances to live a better life"
2017	"Know and plan your finances to live a better life"
2018	"Save, invest, insure: what do you wish for?"
2019	"Be Money Smart: Savings Give Life a Lift! "
2020	"When you save a bit, big things happen!"

By creating awareness and providing information on the subject of saving, it is hoped that citizens will develop skills that will enable them achieve sustainable financial outcomes. This begins with the awareness of savings products and services in financial services, insurance and capital markets.

Local Savings Products and Services

Some of the savings products and services borne out of World Savings Day commemorations in Zambia include:

(i) "Stan the Stanbic Guy"

'Stan' was introduced in 2016 by Stanbic Bank and is a Savings Cartoon character used to teach on savings through short videos on ZNBC and all of the Stanbic social media channels and cartoon clips in the Daily Mail and Times of Zambia newspaper.

(ii) Hippo Bank

This is a fun interest-earning savings account specifically designed for children aged between 3 and 18 years old. This is a savings account for children that intend to inculcate financial discipline and literacy from an early stage. The features of this account include: free ATM debit card, no restrictions on the number of withdrawals, no monthly management fees, tiered interest rates on savings, no fees on Internet Banking, a membership card for a child that will entitle them to discounted services from our partners, free Accidental Life Cover for the Parent/Guardian, worth up to K2,500, cover is paid immediately on the loss of a parent/guardian, to minimise disruption of the child's saving routine. Minimum balance is K250 only.

(iii) Puresave Account

A PureSave account aims to help clients build up cash reserves. Interest earned on a PureSave account is higher than that earned on a regular savings account, which means customer money grows faster and attains financial goals more efficiently. Funds are available on demand. Customers can deposit any amount at any time. Interest is

The Central Bank conducted outreach programmes with the Lusaka Museum (Children's Library), where it taught the importance of saving, budgeting and distributed piggy banks to participants.

paid on a tiered basis, meaning that the interest rate increases as the balance increases – so the more one saves, the more they earn! Features include: no account management fees, funds are immediately available – customers don't have to give notice before making a withdrawal, clients can access their account electronically using free Visa Debit card, interest rates are tiered and interest is paid every month, while customers have access to 2 withdrawals in a month. Minimum Balance is K100.

"Tenga Mobile Money by Atlas Mara Bank"

(iv) Tenga Mobile Money

Tenga Mobile Money solution is a platform that enables individuals across the country to save and invest, to transfer moneys, make bill payments and provides short term borrowing opportunities that can be accessed on any mobile phone on USSD, Android and Apple Apps.

Tenga Mobile Money comes with no monthly charges for account maintenance. A minimal amount is charged for transactions. Zero monthly charges. The charges come in effect on cash withdrawals at the point of transaction.

Tenga Mobile Money can also be used for day to day transactions across the country through Atlas Mara's 50 branches and 174 ATMs as well as through it's existing partners Kazang, Zoona and Konse Konse 543 with over 10,000 outlets across the county.

(v) Tenga Group Savings

With the Tenga Group Savings solution, a group of people can automate their Village Savings and Loans Associations (VSLA) paper based system to a computer based system. Therefore, enabling people to exchange and save money on a safe and secure platform. This platform will enable group of people to achieve some of the following; Village banking accessible on USSD, Android and Apple Apps on any mobile phone; no need to physically meet, especially with the Covid 19 restrictions, it is a safer tool to use for transactions; members have 24/7 access to transactions and records which gives people financial history; groups define their own rules. This includes the value of the contributions and loans. Tenga Group savings solutions has the ability to capture respective group rules that is one of the unique features.

The Tenga group savings (TGS) automates all Group processes and enables groups manage all their group activities and communications on their respective mobile phones. At each meeting the funds will be collected to allow for members to borrow from the investment fund. Investments and loans are done electronically and the solution replicates the three to four way transaction authentication according to the prescribed Group mandate

(vi) Sungako Kandalama Savings Account by First Alliance Bank

In it's quest to financially include the unbanked masses, especially the low income groups, First Alliance Bank launched a Savings account product called the Sungako Kandalama

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ZAMBIA ENDORSED WITH SAFE TRAVEL STAMP-WTTC

The Tourism economy was severely hit by the corona virus (COVID 19) pandemic and measures were introduced to contain its spread. Globally, nations experienced low economic activities resulting in reduced revenue, thereby, impacting negatively on the financing of national programmes.

Zambia's tourism sector has been thrown into a major crisis due to the pandemic, putting thousands of businesses and jobs at risk. As tourism begins to open up gradually, the sector has now developed protocols on health and safety to mitigate the effects of the turbulences caused by COVID 19 in business and people's incomes. Stakeholders in the tourism sector adopted these protocols and ensured that destination Zambia was safe for tourism business.

The United Nations World Tourism Organisation (UNWTO) was quick to acknowledge Zambia's efforts in this respect and in a "tweet "highlighted Zambia as one of the global destinations committed to restarting tourism safely.

The re-opening of the Zambian tourism sector by His Excellency The President Mr. Edgar Chagwa Lungu, brought the much-needed relief to the industry, much to the delight of the men and women who drive the hospitality industry. Our focus obviously was more inclined to push domestic travel due to the fact that international travel was still a challenge considering that most of Zambia's international markets still had threats of COVID 19.

In pushing for increased domestic activities, the Minister of Tourism and Arts, Hon. Ronald Chitotela launched the domestic tourism campaign with the theme "Take a holiday, have it Local" a call to action to inculcate domestic travel among Zambians and residents alike. The Minister challenged us to re-think local and promote home-grown and authentic tourism. Henceforth, domestic tourism will be essential to the growth and sustainability of the sector.

Further, in order to give validation to the protocols, the Zambia Tourism Agency sought endorsement from the World Travel and Tourism Council (WTTC) to give Destination Zambia the "Safe Travels Stamp" for international travel. The endorsement stamp has now been issued and Zambia stands ready as one of the tourism destinations in the world with an internationally recognized COVID 19 safety symbol.

The WTTC branded stamp allows travelers to recognise governments and organisations around the world that have adopted health and hygiene global standard protocols- enhancing visitor experience through safety. This stamp authenticates that Tourism is ready for the challenge of doing business in the new normal and advance tourism growth in the country. The Private Sector should apply for the safety stamp from the Zambia Tourism Agency.

Domestic tourism will be an essential contributor to the growth of the tourism economy and will provide a foundation for sustainable tourism growth and development.

The Agency is urging the domestic travel market to take time and acquaint themselves with the Tourism Sector COVID 19 Safety protocols. The travelers should become our partners in the quest to provide a safe destination for all Zambians. You can download the protocols on our website.

The country should remain resilient in ensuring that the wonders that we boast about and the unique heritage we have been endowed with are shared by all Zambians.

The Zambia Tourism Agency has collaborated with the local tour operators across selected destinations to offer reduced local packages that are affordable to the Zambians and residents. We urge all Zambians and residents to take advantage of this rare opportunity and take a holiday to some of Zambia's award-winning holiday destinations.

Get in touch with the Agency on the following addresses;
Email: info@zambia.travel;
marketing@zambia.travel
Website: www.zambia.travel
Telephone: +260 211 229087/90

PERSONALITY PROFILE-NANCY MWILWA

Nancy with her daughter Chitalu

In this edition, we feature Ms Nancy Mwila, Assistant Director-Foreign Market Operations in the Financial Markets Department. Follow Ms Mwilwa's journey in the Bank from Assistant Economist at Boz4 to Assistant Director and find out why she continues to be an inspiration to many. Have an enjoyable read!

- **If the closest person to you were to describe you, what would they say?**

From the top of my head, I think that they would say gregarious, approachable with a good sense of humour. I am also perceived to be results oriented and willing to take up challenging assignments. I have also been described as obstinate and stern in certain instances but I perceive it more like being determined and having the desire to get things done. I am a very hands on person, if I have to roll up my sleeves to get things done, I will do just that.

- **What attracted you to central banking as a career?**

I was attracted to a career at the central bank because of the invaluable experience that I was likely to gain as well as the integrity and stability the career offers. In this vein, I have had a very diverse experience at the central bank over the years with the dynamism of central banking coming into play in response to the ever changing macroeconomic conditions and challenges.

- **Who has been the biggest influence on your career and why do you think they have made an important impact?**

A lot of people have shaped me professionally in my career over the years particularly the current Directors of Financial Markets and Economics departments who have challenged me in various areas along my path. However, two people stand out in having made the biggest impact on me, that is, Dr Situmbeko Musokotwane and the late Mrs Caroline Nyimba Ng'ambi. Dr Musokwatane was the first Director of the Financial Markets Department and from the beginning, he always preached about excellence in execution in all our endeavours in his pursuit of the BoZ-Way. He certainly walked the talk and set the foundation as well as the tone of my career at the central bank. Mrs Ngambi, who later became a Director in the same department, was very determined and exploited her opportunities wisely as she progressed in her career. She embraced challenges which were thrown in her direction and was also a very solid mentor.

- **What are some of the most significant pronouncements made in your area of expertise and why have they been important?**

Throughout my career I have been involved in enhancing the efficacy of the monetary policy implementation. I was instrumental in the introduction of the foreign exchange swaps in our monetary policy toolkit early in my career. It is an aspect we are likely to see more of in future due to changes in the dynamics in the money and foreign exchange markets.

I was also highly involved in the implementation of the Bank of Zambia (BoZ) Central Securities Depository (CSD) in 2014 which is focused on securities registration and settlement. Attendant to this, it has an auction platform, an overnight lending facility and accommodates secondary market

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trades. I have also been instrumental in the establishment of the e-Bond Platform which is aimed at facilitating secondary market trades in the fixed income space and enhanced transparency in terms of volumes and prices. With this in place, delivery versus payment has been achieved as the platform is interfaced with the BoZ CSD and the Real Time Gross Settlement (RTGS).

■ Has there been a time in your career that you wanted something so badly that you were unstoppable in pursuing it. What obstacles did you overcome to get there?

We all look forward to career progression. I would not term my desire for that as wanting it so badly and being unstoppable in its pursuit. I have slowly climbed the ladder after joining the Bank as an Assistant Economist at BoZ 4. I have put in a lot of effort to get to where I am today.

■ When working on a team, what's hardest for you?

Commitment and candor are great assets to have on a team. I find it very frustrating when team members do not show the same level of enthusiasm in meeting assignment goals in the required manner. I have had to exercise a lot of patience in trying to garner and nurture support in the right direction.

■ What makes you happiest and most effective when working with others?

I appreciate the fact that we all have different skill sets. In this way, we complement each other greatly in our daily work. It is always a pleasure to learn from others who have more experience and knowledge in certain areas. It also feels really good when there is appreciation from others on what you bring to the table especially when they share the same level of zeal as you.

■ What would your referee point at as your greatest strengthen and weakness?

My greatest strength is that I do not give up when I need to accomplish something even in the midst of great obstacles. I was involved in an assignment which was meant to deliver a Primary Dealership System (PDS) in the Government bond market. Despite the challenges which beset our economy, I pursued the programme to its logical conclusion. Despite the PDS not being established, all the required documentation to support its implementation were put in place instead of just pulling the plug midway. I also mentor young girls in an informal environment to help guide and nurture in both their professional and personal lives.

As a lover of nature

My main weakness is that I can be very impatient at times. So I have had to learn to be empathetic overtime so that I get the best from my colleagues.

■ What are some of the most memorable experiences you have had in the Bank?

Earlier in my career at the central bank I was nominated to attend the Outward Bound Camp for 2 weeks in Mbala and I was simply not pleased about it. The session was meant to promote leadership skills and team building as well as nurture strong character. The facilities were very basic and in bad condition to be honest but the programme was packed with activities. The long hikes, early morning swimming, kayaking, camping, rock climbing as well as spending a day and night alone in the bush with minimal food, water and 3 match sticks with absolutely no entertainment was an abstemious character building experience. The learning points were that - I am able to take on risk in a measured way there is so much that one can achieve once you overcome the fear factor and resilience is in abundance in all of us as long as we dig deep to find it. There are only two words to describe this episode rough and thrilling.

■ What types of activities do you enjoy outside of work?

I enjoy road trips outside Lusaka. I enjoy the countryside as the scenic beauty has a calming effect on me. I am on mission to explore all provinces of the land to appreciate all the natural features and destinations they have to offer. I also find plant and flower gardening extremely therapeutic. It is a real pleasure to see how landscaping can transform a place from an eyesore to beauty and to be able to reap from the benefits that nature provide.

■ Your last words to the Zambanker reader?

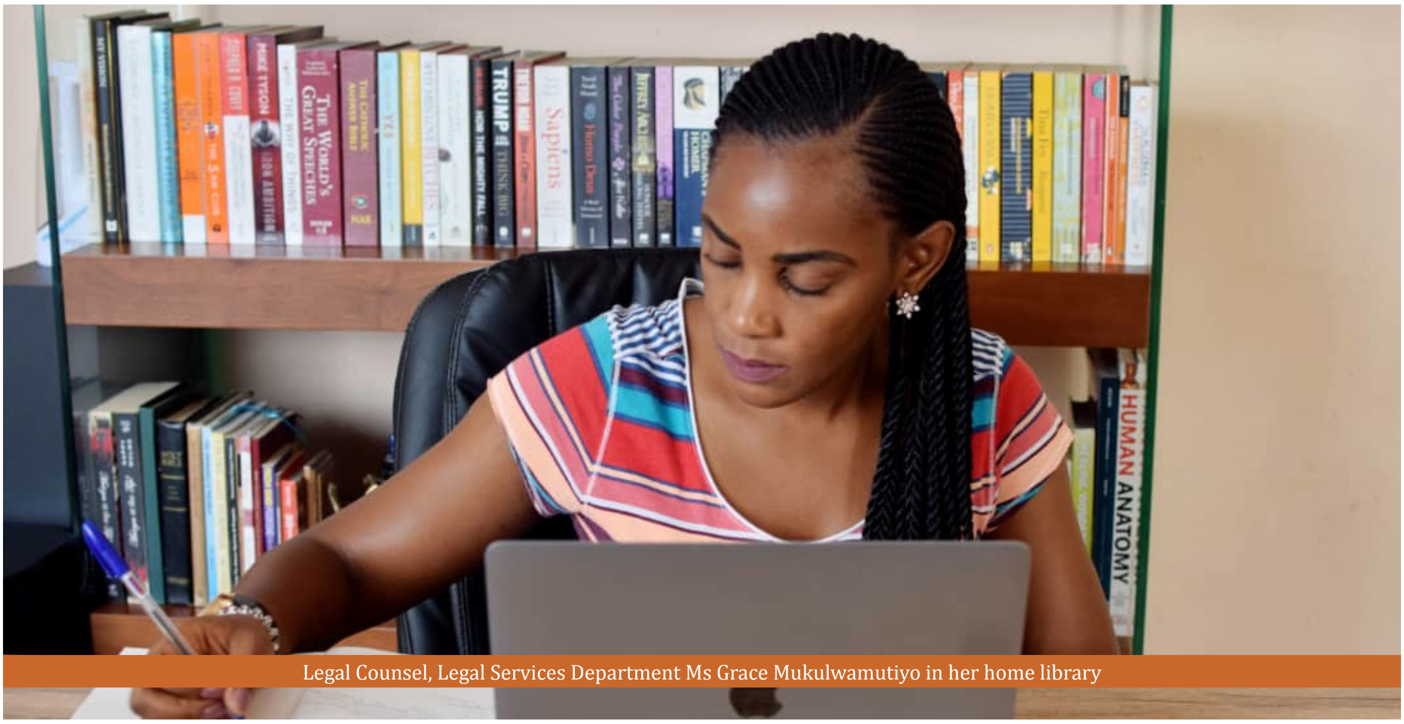
Invest your life into activities that you enjoy the most and have a healthy work-home balance.

TELEWORKING

By INIGO MULAISHO

The revolution will not be televised, it will instead be Teamed or Zoomed, Webexed to a computer apparatus near you. With these few words, a new revolution is taking root; a revolution with implications on where we work, how we work and where we live. This revolution is called working from Home (Teleworking)! The Working from Home revolution is a continuum from the decentralisation of computing power in the 1970s, a revolution that gave birth to the PC and the emergence of technology juggernauts, Microsoft, Apple Inc.

Mr Mulaisho



Legal Counsel, Legal Services Department Ms Grace Mukulwamutiyo in her home library

The Working from Home revolution may not be quite the spectacle of the Great Migration of thousands of wildebeest and zebra from the Serengeti in Tanzania to Masai Mara in Kenya; but the worldwide numbers of employees migrating to their homes from the traditional work place are even more staggering; figures numbering in the millions of people shifting from the offices to homes. A new, smarter, economic, family friendly, environment friendly, talent friendly, employer friendly, employee friendly way of employees engaging with their employers, is dawning.

In this new dispensation, the relationship between the employer and the employee, will be centred on deliverables a relationship which will eventually blossom into a client, quasi consultant agreement. The employee of the near future, will be a nimble professional, offering his/her services as per project an arrangement favourable to both parties the employer is at liberty to choose the best person for the project based on past performance and the employee is at liberty to tailor a favourable arrangement.

Prior to the emergence of COVID-19, on the world stage, companies and organisations were generally drifting towards providing employees with avenues to work from home, outside of office hours but with the introduction of COVID-19 virus, the landscape changed, the agenda is to now provide an avenue for staff to permanently work from home. The low hanging fruits, for conversion to work from home jobs, are computer operated jobs with little dependency on the office physical environment. In most organisations, the departments of HR, Finance, Marketing, Legal, even Executive Leadership Teams and Boards of Directors, are generally considered remote working friendly.

The rising tide of employees working from home, has necessitated top tech companies, in Silicon Valley to

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THE FUTURE ECONOMY

By VELIKA MPUNDU


Ms Mpundu

The adage 'the future is female' is representative of the perception that women represent a powerful force in the future of any economy. Women globally are repositioning themselves to take up opportunities that were once male dominated and only a pipe dream. There is a rise in the number of women taking up top positions, in politics, government, engineering, medicine, management in the formal workplaces, in trades such as bricklaying, carpentry, mechanics and manufacturing plus commercial agriculture.

Accordingly, more and more women are taking charge of their finances by creating and controlling more of their own wealth. Further, women have continued to influence household purchasing decisions, including whether to bank or invest the family income.

Although women represent a huge market with growing purchasing power, Financial Services Providers (FSP) have not fully tapped into this market as women still face a number of barriers in accessing financial information and services.

In the urban areas for instance, many women are establishing and owing their own businesses at a high rate. However, the source of capital for these entrepreneurs usually comes from savings, family, friends or micro savings groups (Chilimba). In the rural areas, women's source of income is agriculture, chilimba, family and microbusinesses that help them support their families. Women remain financially excluded mainly because it is difficult for them to access financial advisory services or financial products specifically packaged to meet their needs. Nearly all products offered by FSPs are a one size fits all type of products, using the same delivery channels and same marketing messages that appeal to the elite such that the ordinary woman out there is left feeling intimidated and left out.

Currently, there are very few FSPs offering financial products or advisory services specifically tailored for women. This creates an opportunity for innovation and creativity when developing products and services that pull in all classes of woman hence bridging the gap in the financial exclusion among women. Women are strong savers and prudent borrowers; they generally only borrow what they can manage to repay thereby providing financial institutions with a reliable source of liquidity. Therefore, the female economy presents a highly profitable and largely unexploited business opportunity which can lead to an increased client base.

In their quest to attain financial freedom, women seek to have financial information, preferring to take their time when deciding on major financial actions. The professional woman seeks knowledge about how to set up a trust fund for the children, wealth management, saving effectively for retirement and any opportunity to network at professional or social developmental events. Whereas, the ordinary housewife or a woman managing a small business or engaged in farming at a family level will seek knowledge on financial planning, how to optimize savings, the best investment vehicles and how to be financially independent. The majority of these women lack the experience, knowledge or confidence in financial matters, this is where social marketing is proving to be a powerful tool in influencing women's behaviors toward a greater financial inclusivity. Some FSPs have already taken advantage of social media as an effective method of reaching and disseminating information to a wide audience.

In this fast paced world, where women are moving with the times in order to be recognised as movers' shakers, the financial sector need to constantly revisit their drawing boards. Embracing financial inclusion in terms of capturing the female population entails avoiding to portray women in stereotyped roles of wives or mothers. Social marketing which now has become a necessity, the marketing strategies and products used should communicate women as serious valuable customers.

Women by nature are loyal customers, who stick with institutions that treat them well and make them feel that they belong. Female clients desire to have an enjoyable experience in their interaction with FSPs, they highly value personal relationships, thereby easily recommending such institutions which they are comfortable with to others. However, they do shun institutions that make them feel insignificant or unwelcome or are not empathetic in their time of desperate need.

Being social beings, women crave to have established relationships therefore, they are more receptive to financial advice from an advisor after forming a positive relationship and not just a transaction. The shift to also focus on fair treatment of customers in the spectrum of financial inclusion enables more women to comfortably interact with financial institutions without feeling prejudiced.

Velika Mpundu is Senior Analyst-Research & Regulatory Policy in the Bank Supervision Account

IT'S THE LITTLE THINGS

By JEAN C. KAMANGA

Life gets so busy in normal times, and we learn to go with the flow
And then something drastic happens, and all of a sudden, the flow as we know it is disturbed.
Everything is in turmoil and our lives feel shattered.
Life as we know it, has changed.
The Centre cannot hold and our reality is changing, faster that we can adapt.
But adapt we must, lest we lose ourselves
And adapt we will, because we choose to
And because of the little things, that matter in ways unimaginable
We keep going, because we choose to

Ms Kamanga

Life appeared to be proceeding normally in Zambia in the first quarter of 2020, even though the corona virus had already started spreading to other parts of the world. There were some heightened concerns, but nothing even remotely scary. Then came March 18, when we reported our first case of the virus in the country, and suddenly, everything changed. Life as we know it ceased to exist, things we took for granted could no longer be done, such as getting a simple handshake, hugging a friend, visiting close relations and having a birthday party for a loved one among others. This became even worse, as Zambia started recording deaths from corona virus. We had watched the effects of the pandemic in countries like Italy and Iran, but the reality is very different when directly confronted with the virus. We watched as isolation centers got filled up with loved ones, many of whom recovered, while some succumbed to the deadly disease. By 23rd July, 2020, Zambia had a cumulative 11, 082 cases, with 10, 062 having already recovered and with 277 falling victim to the virus. At the time of writing, there were 12, 025 reported cases, 11, 454 recoveries and 287 deaths.

The harsh reality of the pandemic unfortunately does not end there; it has left in its wake harsh socio-economic consequences for families. Job losses, company closures and retrenchments are the order of the day. Once thriving cities are now faced with severe economic hardships as production is severely hampered by the effects of the pandemic. Commodity prices have fallen drastically due to reduced demand, and the Kwacha, the local currency, has come under severe pressure. In African countries where "black tax" continues to be a major concern, the pressure for the middle class has become heightened. Those who have not lost their jobs now have a bigger concern as the number of people dependent on their salaries has increased drastically.

In times like these, it's very easy for one to get down on themselves. Seeing all that is going on around us can be quite depressing; so much death, so much misery and suffering, and the reality of another global recession. How does one react to all this?

Finding myself again in the Little Things

Following the pandemic, adaptation has become necessary for one to live with the 'new normal' and to avoid depression. Here are some of the things I did to adapt:

More Family time....

I spent more time with my family and I absolutely loved that. Since I could not go anywhere safely, I stayed home. And I interacted with my family. The more time I spent home, the better we all felt. I rediscovered the joy in little children, who I found to adapt even more easily than I could. We played games, watched television, cooked meals, did chores. It was very satisfying for me personally, and indeed the entire family. It was also less stressful and I found myself really paying attention to the family.

Rediscovering myself ....

In a very long time, I had been so busy, I found that the only time I was ever really alone was when I was travelling. The pandemic forced a lot of people to spend time with themselves and I personally loved that. I found that I could think more clearly and logically. I rediscovered my passion for reading and I read more books in a period of about one month than I had in the entire 2019. My books ranged from self-help books such as "Ikigai: The Japanese sewcret to a long and happy life", to the Alex Cross series by James Patterson. I love reading a lot and somehow, I realised that I had not been reading as much as I would have wanted to. Somehow, now I do.

Nature Time

I spent more time with nature and noticed things that I would not normally notice. I noticed how clean the air felt and smelt. I noticed the colour of the trees whenever I took walks. There were fewer cars on the road and somehow, the environment seemed happier than it had been in a very long time. I took to jogging in the morning, when the air was freshest and when I felt I was more in tune with the environment. I visited the Victoria Falls in July, and for some reason, it looked more beautiful than I had ever seen them. Or perhaps I just

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IT'S THE LITTLE THINGS

Ms Kamanga with part of her family

noticed things that I never paid much attention to in my previous visits. It was serene.

Staying Positive....

The pandemic challenges all of us to attempt to find a silver lining, where none is so far visible. It has taught me the benefits of a positive attitude especially when faced with situations we have very little control over. How we respond determines a lot of things for us. All of a sudden, I had a much clearer understanding of Franklin Covey's 7 habits of highly effective people. I had to learn to 'carry my own weather' in a world that was increasingly gray. I learnt how much control I have over my own mind set and how much that could influence a lot of things around me. I learnt the power of negative energy and how I could avoid getting swallowed up in it.

Being Thankful

The pandemic has taught me to be more appreciative and not to take things for granted. I learnt to notice all the things I should be thankful, as opposed to complaining over something I could not change. I learnt to pray and to thank God for the little things, that turned out to matter quite a lot. For the good health that we sometimes take for granted.

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

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PROJECT MANAGEMENT AT THE BOZ

limits.

3. Implementation of the Human Capital Performance Management System for better employee performance monitoring.

4. Implementation of an electronic recruitment module within the Bank's Oracle E-Business platform to streamline the recruitment process.

5. Implementation of faster high-speed banknote processing facilities at both the Head Office and Regional Office.

6. Implementation of a business continuity management centre which is more than 300 kilometres away from the primary site.

7. Implementation of an integrated security management system that has provided increased visibility of the Bank's cash processing and storage areas across the Bank and has introduced biometric access control in addition to card-based access control.

8. Implemented an electronic library management system to aid the research functions of the Bank.

9. Implemented an electronic balance of payments monitoring system for online monitoring of capital flows of capital.

10. Implemented the Basel II Capital Accord and enhanced the Bank's Risk Based Supervision Framework.

It is my hope that this article has opened up the Bank's project management framework to you and improved your understanding of how the Bank implements its projects. Having highlighted the gains that the Bank has made since it introduced formalised project management, it is worth noting that the Bank is on a maturity journey and has not yet arrived at its destination. The Bank will therefore continue to make investments in project management in order to achieve better strategy delivery.

The author is a Project Management Professional (PMP®), Manager of the Bank's Project Management Office and President of the PMI® Zambia Chapter.

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TELEWORKING

Senior Economist, Economics Department Mr Francis Mbao Teleworking from his garden

adopt to the new normal; Twitter has announced, it's entire workforce can work from home forever, Facebook is planning on 50%, of a staff of 45,000, working from home within the next 5-10 years, the plans incorporate home perks such as company sponsored internet access and laptops, Google Inc. is allocating an allowance of $1000 to each employee for purposes of purchasing office equipment for home use.

Technology companies are not the only ones making changes Central Banks around the world are introducing measures which range from staff rotation to the temporarily relocation of staff to their homes. The Central Banks operating Swift or any other mission critical software domiciled at the Central Bank have no option but to maintain a retinue of essential workers and observe good social distancing practises. The high finance business districts of London and New York were not left untouched by COVID 19 prevention measures Traders worked seamlessly from their homes executing time bound trades with no delays, quite evidently, the technology held up. Whilst working from home may have proven to be viable for commercial banks, most banks will most likely take a cautious, hybrid approach to allow for walk in clients and the close supervision of Traders.

The relocation of staff, to their homes, made possible by fastly evolving sets of technologies, led to a spike in the market demand for laptops and other computer accessories. The increase in traffic and employees logging in from home, will demand an increase in vigilance and expenditures on network security. The widely available modes of remote communication are text and video the near future will allow for projected holograms, and for a 3D immersive experience. Your Office will be wherever you take it.

Whilst it's quite evident, the new dispensation of working from home presents enormous saving opportunities for the employer and the employee, there are other costs incurred for the exercise; in an article, Mark Zuckerberg sites initiatives such as the occasional onsite visits, by employees, the inverse of offsite meetings, incur huge costs that will partly offset inadvertent savings from the work from home exercise. An area of obvious saving is in the renting of office space; organisations no longer have to rent office space to accommodate their work force, and the organisations with office space can use the space for profit making ventures. In 2007, Sun Microsystems, as a result of their working from home policy, eliminated 7,700 fixed seats in physical offices, the savings were enormous, $255 million saved over four years, and currently an annual savings of $68 million. The implementation of a work from home policy, reduces an organisations carbon footprint and eliminates wastage. The traffic we witness, traversing to town, every week day, will all be eliminated, leading to employee fuel cost savings and a significant reduction in road maintenance costs. Given the savings to be realised, by an organisation, from the implementation of working from home policy; it will be incumbent on managers to implement the policy, failure to which, will result in unnecessary organisation losses.

Working from home, across the world, is proving to be a smash hit with employees, the levels of productivity are generally up, the employees are more motivated and most organisations are experiencing a decline in employees calling in sick. American Express noted a 26% increase in employees taking calls, when a work from home policy was implemented, an increase of 43% in the business output. The confluence of savings from rentals and other office expenses, for the employer in combination with the hypnotic lure of working from home for the employee, will prove to be a too irresistible force for either party to ignore Company Boards will expect savings from smaller offices and competing companies will fight for employee talent by raising the ante with good working from home offers.

As with most changes in the work place touching on peoples jobs; a certain level of employee insecurity creeps in, managers fear being exposed by the new work environment, and their subordinates are of the inclination it's a lot more difficult to be removed, when you are physically situated in an office chair as opposed to the comfort of your home. An uneven, uneasy, marriage of convenience ensues, between both

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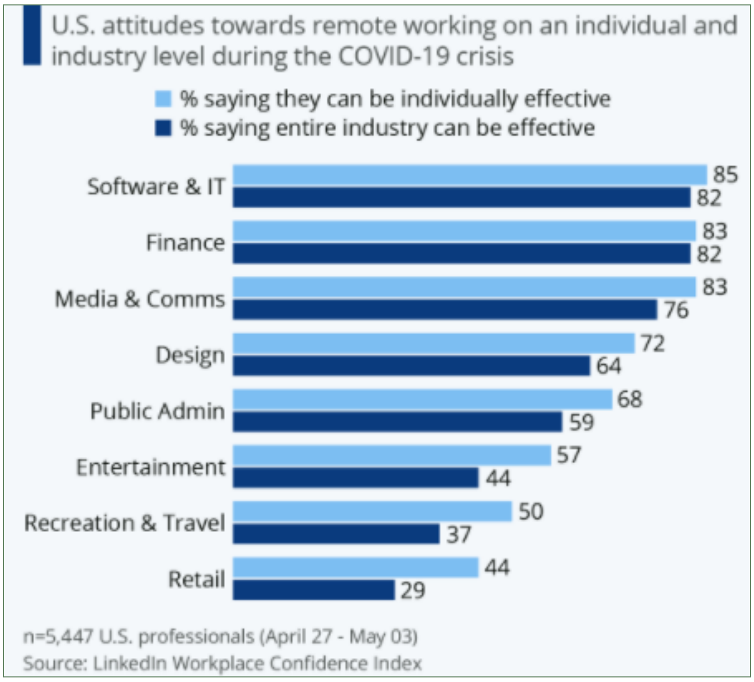
TELEWORKING

DEPARTMENT	WFH %	WFH OPTIONAL	ROTATION OF STAFF WFH
Board Secretariat	0	No	No
Banking Front Office	0	No	Yes
Banking Back Office	40	Yes	Yes
Bank Supervision	80	Yes	Yes
Economics	26	Yes	No
Finance	0	No	No
Financial Markets	0	Yes	No
Human Resources	0	No	No
ICT	0	No	No
Internal Audit	0	No	No
Non Bank Fin. Inst.	63	Yes	No
Payment Systems	0	No	No
PMS	0	No	No
SRMD	16	Yes	No
Security	0	No	No

Which Industries are best geared towards remote working



parties, either one is in fear of losing his/her job.

To cave in to these nascent fears, and back to pre-covid business as usual days, only temporarily closes the door on what may prove to be a life saver for Africa; the unhindered availability of the country's and the world's top minds at the touch of a button. The strides in technology make it no longer kosher or acceptable to make bad decisions based on the limitations of physical geography.

Managing working from home staff requires a different skillset, a different approach; the moral of the worker is paramount. Managers are encouraged to set schedules, select set tools of communication, ensure team efforts are collaborative, and resist the urge to micromanage. The role of manager in the working from home setup can be likened to a player/coach as opposed to the traditional touchline coach.

The Working from Home revolution represents the decentralisation of the workforce; a feat made possible by the decentralisation of computing power in the 1970s. However, the decentralisation of the workforce, in this day and age, is only made possible by the centralisation of data and other shared computer resources. Our work environment will resemble how we play work oriented apps similar to Facebook, WhatsApp, snapchat etc will become common place in our office environment.

When COVID-19 is finally in our rear view mirrors; it will be remembered; the most impactful, long lasting, outbreak of 2020, is the Work From Home Revolution. This revolution has already docked; organization success will be determined by an organizations ability to adopt to change lest they go the way of the dinosaurs or Kodak Inc.

The author is Software Engineer in the ICT Department

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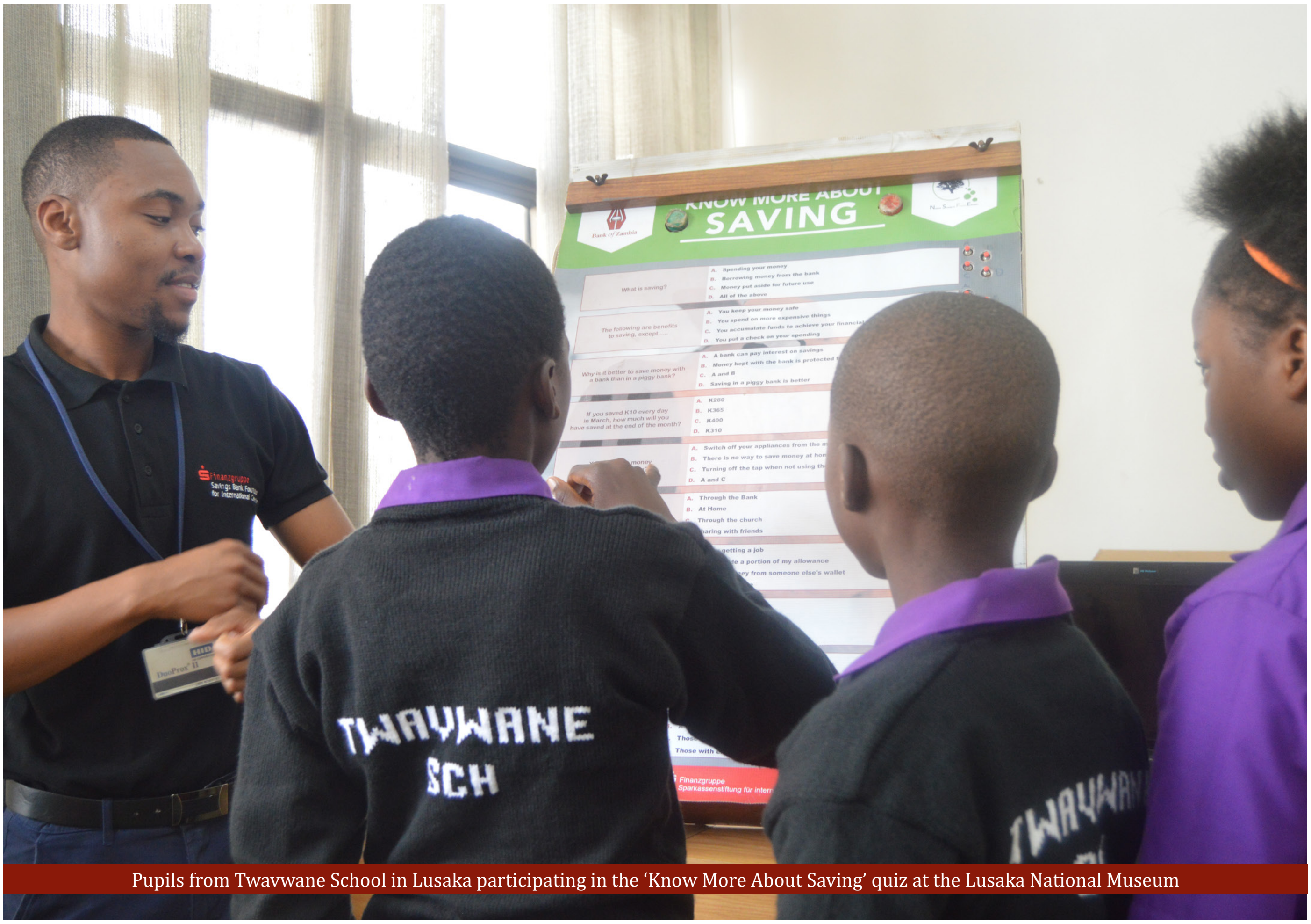
WORLD SAVINGS DAY DELIVERS ON SAVINGS CULTURE



Pupils from Twavwane School in Lusaka participating in the 'Know More About Saving' quiz at the Lusaka National Museum

Savings Account. This account is a pure savings account with no monthly Charges on the account. To encourage savings No VISA card is issued on this account as a policy. A competitive interest rate is paid twice a year. This account has been popular to clients who would like to save money for school fees, Holidays, Hospital Bills and Emergencies.

The Bank has invested in the latest technology in the core banking system called Flexcube. Other E-platforms in place are: Internet Banking, E-ZRA, E-NAPSA, and soon to be launched in 2020, MPOS.

(vii) Zanaco Literacy Programme

Zanaco' s financial Literacy program has, for many years offered training on financial literacy to Women organisations and Children. This year the Bank evolved its financial literacy program with the introduction of a children's comic to allow an easier and more engaging understanding of savings

(viii) Sure Save Account

The PureSave now called Sure Save was launched in 2016. The account is designed for customers who look to save but look for the flexibility of periodic access to their funds . The sure save gives them the opportunity to make periodic withdrawals while still earning interest.

(ix) Treasure Chest Account

The Treasure Chest Account was launched in 2015 and is designed to offer flexibility on savings periods to customers. The product has savings periods beginning from 3 months, allowing our customers to set clear savings goals.

(x) Baby Blossom Account

The Baby Blossom Account was launched in 2015.It is an account that empowers customers to save for the financial future of their children. Whether it's saving for their first day of school or for university, this account secures children's future by having customers save a small amount of their earnings every month.

(xi) Village Banking Plus Account

With the increased interest and participation by individuals in Village Banking groups, the Zanaco Village Banking Plus Account was launched in 2019 and is designed to help savings groups to grow their money in a safe and convenient way. Offered in multi currencies, the account offers attractive interest rates at the end of group cycles and is free of bank charges.

Conclusion

Overall, World Savings Day celebrations have been successful considering market players have planned and coordinated their own activities in line with respective themes.

Ms Silvia Siwale is Acting Manager Media and Publications in the Board Services Department.

Did you know that as a bank account holder you are required to submit your TPIN to your bank?

Effective 1st January 2017, legislation was enacted to make it mandatory for financial institutions registered under the Banking and Financial Services Act to require all bank account holders to obtain a TPIN issued by the Zambia Revenue Authority (ZRA).

All existing bank customers; individuals over the age of 18 years, corporate and business entities as well as Small and Medium Enterprises (SMEs) are required to submit their TPINs to their banks. New customers are also required to register for a TPIN and submit it to the bank at the time of opening an account.

Submitting your TPIN to the bank does not mean that taxes will be charged on your bank account but will enable the TPIN holders to transact with ZRA and other institutions that require a TPIN such as:

- Ministry of Lands for registration and transfer of titles;
- Road Transport and Safety Agency (RTSA) for motor vehicle registration and change of ownership;
- Ministry of Commerce, Trade and Industry for import and trade licensing;
- ZESCO for new applications for power connection;
- PACRA for transfer of shares and;
- Transfer of property such as mining rights.

You can register for your TPIN using the ZRA website or visit any ZRA office.

BAZ

Bankers Association of Zambia