REPUBLIC OF ZAMBIA

NATIONAL FINANCIAL INCLUSION STRATEGY

2017–2022

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FOREWORD

This National Financial Inclusion Strategy (NFIS) provides a roadmap to further accelerate our financial inclusion journey in Zambia by setting forth a series of specific, delineated, and sequenced actions for a wide range of stakeholders. Enhanced financial inclusion in various countries has been shown to contribute to wealth creation, economic growth, and sustainable development.

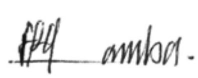
Government recognised the need for a comprehensive National Financial Inclusion Strategy to accelerate progress toward inclusive, stable, and competitive financial sector development in Zambia. The strategy was developed to build on the successes of Zambia's first and second Financial Sector Development Plans (FSDPs), which ran into two successive five-yeara cycles from 2004 to 2009 and from 2010 to 2014.

Our vision is "to achieve universal access and usage of a broad range of quality and affordable financial services that meet the needs of both individuals and enterprises." To us this means that irrespective of social or economic status, gender, or level of education, we want to ensure that every segment of Zambian society has access to basic financial services.

Access to and usage of a broad range of quality and affordable financial products and services would open up opportunities for better livelihoods. It provides a platform for low-income populations with the mechanisms to borrow, save and invest, and make payments. Further, it enables them to plan ahead and better manage their finances, thereby facilitating consumption smoothing, and to protect their loved ones and belongings from unexpected disasters or crises. The overall objective, which is "to provide a framework that will lead to the development of a stable, resilient, competitive, and inclusive financial sector that contributes to economic growth and broad-based wealth creation," and specific objectives sit within a structure that integrates strategies for improving access and enhancing usage and quality to improve the standard of living of all Zambians.

The NFIS consolidates existing relevant strategies and interventions into a single document and implementation plan. With the launch of this NFIS, Zambia joins more than 30 countries that have or are developing national financial inclusion strategies.

The Ministry would like to thank all our financial inclusion partners and various stakeholders for their invaluable support and efforts to improve the livelihoods of our people through an inclusive financial system.



Fredson K. Yamba
SECRETARY TO THE TREASURY

ACKNOWLEDGEMENT

The National Financial Inclusion Strategy (NFIS) is an outcome of an extensive collaborative consultative process. The preparation of this strategy involved significant reflection and consultation with relevant stakeholders and the National Financial Inclusion Drafting Committee (NFSIDC). The Ministry of Finance, therefore, acknowledges the contributions of all stakeholders whose input, involvement, and participation have helped in the development of the strategy. In particular, we would like to recognise the valuable contributions of the NFISDC in putting together the strategy and the World Bank Group through the Financial Inclusion Support Framework (FISF) in supporting Government efforts to develop the strategy.

Special appreciation is also extended to the financial sector regulators (the Bank of Zambia, the Securities and Exchange Commission, and the Pensions and Insurance Authority), the Rural Finance Expansion Programme, and the Competition and Consumer Protection Commission for their active involvement in the development of the strategy. The Ministry also acknowledges the invaluable support and comments received from other public and private sector players, including research, academic, and civil society organisations and development partners during the development of the strategy.

It is the Ministry's earnest expectation that with the launch of this NFIS, Zambia will be able to increase the level of financial inclusion, which should in turn support social economic development.

Mukuli Chikuba
PERMANENT SECRETARY - EMF

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ABBREVIATIONS AND ACRONYMS

AFI	Alliance for Financial Inclusion
AML	anti-money laundering
ATM	automated teller machine
BoZ	Bank of Zambia
CCPC	Competition and Consumer Protection Commission
CFT	combating the financing of terrorism
CSO	Central Statistics Office
DBZ	Development Bank of Zambia
EDR	external dispute resolution
FECU	Financial Education Coordination Unit
FISF	Financial Inclusion Support Framework (World Bank)
FSDP	Financial Sector Development Plan
FSDZ	Financial Sector Deepening Zambia
FSP	financial service provider
G2P	government-to-person
GRZ	Government of the Republic of Zambia
GSMA	Groupe Speciale Mobile Association
KPI	key performance indicator
KYC	know your customer
LASF	Local Authority Superannuation Fund
MCTI	Ministry of Commerce, Trade, and Industry
MFI	microfinance institution
MI	micro insurance
MNO	mobile network operator
MOF	Ministry of Finance
NAPSA	National Pension Scheme Authority
NBFI	non-bank financial institution
NFIS	National Financial Inclusion Strategy
NFISDC	National Financial Inclusion Strategy Drafting Committee
NFISIC	National Financial Inclusion Strategy Implementation Committee
NFISSC	National Financial Inclusion Strategy Steering Committee

NPL	Non-performing loans
NPS	National Pension Scheme
NSFE	National Strategy on Financial Education
P2G	person-to-government
PIA	Pensions and Insurance Authority
POS	point-of-sale
PSPF	Public Service Pension Fund
RUFEP	Rural Finance Expansion Program
USSD	unstructured supplementary service data
SACCO	savings and credit cooperative
SADC	Southern African Development Community
SEC	Securities and Exchange Commission
SME	small and medium enterprise
WBG	World Bank Group
ZECHL	Zambia Electronic Clearing House Ltd.
ZICTA	Zambia Information and Communications Technology Authority

EXECUTIVE SUMMARY

This National Financial Inclusion Strategy (NFIS) is a renewed commitment to financial inclusion in Zambia and builds on previous efforts and ongoing initiatives by Government. The vision for financial inclusion in Zambia is to have universal access to and usage of a broad range of quality and affordable financial products and services. In achieving this vision, it is expected that all Zambians will reap the full benefits of financial inclusion: that is, individuals will be able to use appropriate savings, credit, payment, insurance, and investment services to manage risks, plan for the future, and achieve their goals, and firms will be able to access affordable financing to facilitate innovation and firm growth and create employment.

Despite recent progress on financial inclusion whereby 4.8 million adults (59.3 percent of the adult population) were financially included as of 2015, much remains to be done to achieve this vision. 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.

In addition, significant disparities in financial inclusion remain between rural and urban areas, men and women, youth and adults, and small and medium enterprises (SMEs) and large firms. The potential to leverage digital technologies to reduce costs and expand the reach of the formal financial sector has not yet been fully exploited. Non-bank financial institutions such as insurance companies, pension providers, and microfinance institutions have limited outreach. Low levels of financial capabilities among some consumers and limited consumer protection mechanisms also constrain their ability and willingness to use formal financial products and services to meet their goals.

To address these gaps, this NFIS sets forth a coordinated and sequenced set of actions to be executed by the public and private sectors. The successful implementation of these actions will achieve the following:

- An overall increase in financial inclusion (formal and informal) from 59 to 80 percent and an increase in formal financial inclusion from 38 to 70 percent by 2022;
- Improved physical access to high-quality financial delivery channels, including branches, agents, and automated teller machines (ATMs), such that the number of financial access points per 10,000 adults will increase from approximately seven to 10 by 2022;
- Innovative and diverse financial products and services that meet customers' needs leading to the percentage of adults with at least a transaction account growing from 36 to 70 percent by 2022;
- Improved outreach and adoption of digital financial services;
- Greater availability of affordable financing for SMEs, smallholder farmers, and agricultural entities, thereby reducing the number of SMEs reporting access to finance as a major constraint from 27 to 20 percent by 2022; and

- Enhanced consumer protection and increased financial capabilities of consumers, resulting in an increase in the percentage of adults with high financial product awareness levels from 36 to 50 percent by 2022.

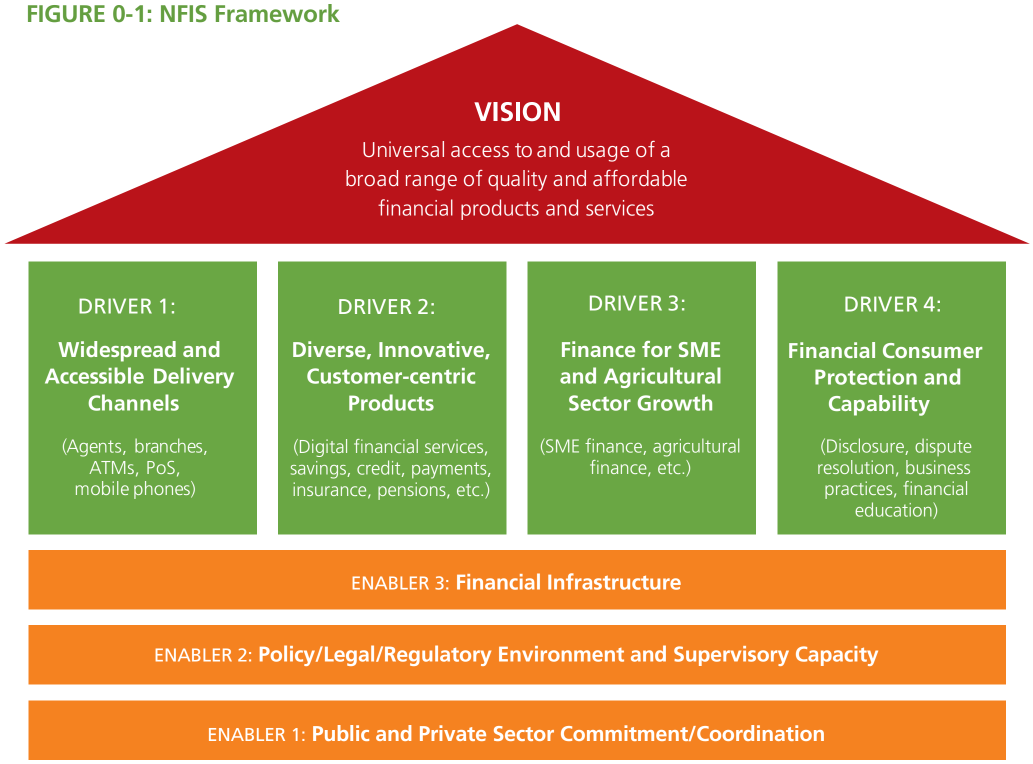
The NFIS Framework (Figure ES 1) outlines the key components required to achieve the NFIS vision. The Framework is built on three key Enablers: (i) Public and Private Sector Commitment and Coordination; (ii) Policy, Legal, and Regulatory Environment and Supervisory Capacity; and (iii) Financial Infrastructure. Strengthening these Enablers will provide the foundation for a healthy and inclusive financial sector. The Framework also outlines four key Drivers: (i) Widespread and Accessible Delivery Channels; (ii) Diverse, Innovative, and Customer-Centric Products; (iii) Finance for SME Growth; and (iv) Financial Consumer Protection and Capability.

This NFIS contains a detailed action plan with a broad range of 50+ targeted and sequenced actions reflecting the enablers and drivers in the NFIS framework. The achievement of these actions is expected to result in the attainment of the previously listed strategy objectives and targets. Actions that are considered to be "high priority, high impact" include the following:

- Migrate government-to-person and person-to-government payments to digital platforms;
- Issue agency and mobile banking regulations;
- Design, test, and launch simplified and tailored products for unserved and underserved consumers, including via mobile-based channels;
- Review and finalise the Credit Reporting Bill;
- Promote utilisation of the Movable Property Security Interest Register to increase asset-based lending, especially to SMEs; and
- Build capacity of regulators to undertake financial consumer protection supervision.

The implementation of this NFIS will be guided by a coordination structure that leverages expertise and resources from the public and private sectors. Measurement of progress toward the NFIS vision and objectives will be supported by a robust monitoring and evaluation system, which includes a range of national-level and action-level key performance indicators and targets, in addition to those previously listed. Implementation of this strategy will complement other financial sector initiatives, including the pursuit of financial stability and financial integrity.

FIGURE 0-1: NFIS Framework



1. INTRODUCTION

This National Financial Inclusion Strategy (NFIS) is a renewed commitment to financial inclusion in Zambia and builds on previous efforts and ongoing initiatives by Government. The vision for financial inclusion in Zambia is to have universal access to and usage of a broad range of quality and affordable financial products and services. In achieving this vision, it is expected that all Zambians will reap the full benefits of financial inclusion: that is, individuals will be able to use a Worldwide, the financial sector is recognised as a facilitator of economic growth and development. A well-structured financial sector is generally associated with financial sector efficiencies that affect all other sectors of the economy positively. Recognising this important role, Zambia embarked on the development of a national policy and strategy to grow and transform the financial sector. The Financial Sector Development Policy is designed to provide a holistic approach for Government to offer strategic guidance and coordinate overall financial sector development initiatives in Zambia. The National Financial Inclusion Strategy (NFIS) is anchored on the Policy.

Zambia's first Financial Sector Development Plan (FSDP, 2004–2009) recognised the "gap in provision of financial services to the low-income households in the rural and peri-urban areas" as a significant challenge and outlined a series of legal, regulatory, and infrastructure reforms to address this gap. The subsequent FSDP II (2010–2015) more explicitly prioritised financial inclusion, including "increasing access to finance" as one of three strategic pillars. The Bank of Zambia in its new strategic plan for 2016–2019 has adopted a strategic objective to "increase formal financial inclusion by 16 percentage points to enhance living standards."

These financial sector reform efforts are aligned with Zambia's National Development Plans and Zambia's Vision 2030 to become a prosperous middle-income country by 2030. The latter includes several references to developing an inclusive financial sector.[1] In addition, there are several recent and ongoing strategies and interventions such as the National Strategy on Financial Education (NSFE), the Rural Finance Policy and Strategy, and the Financial Inclusion Support Framework (FISF), each supported by a range of stakeholders with the objective of supporting financial inclusion.

Zambia has also signalled its commitment to financial inclusion through its participation in international fora. Zambia has been an active participant in the Alliance for Financial Inclusion (AFI) since its founding and, in 2011, was among the first countries to sign the Maya Declaration—a global set of measurable commitments to financial inclusion—and has committed to achieving 50 percent financial inclusion, a target that was recently surpassed. Indeed, according to the 2015 FinScope survey, 59 percent of adults now report using either formal or informal financial services, a sharp rise from the 37 percent recorded in the 2009 survey.

With the end of the FSDP II in June 2015, the Government recognised the need for a comprehensive national strategy to accelerate progress toward financial inclusion in Zambia.

1.1 RATIONALE FOR A NATIONAL FINANCIAL INCLUSION STRATEGY

Financial inclusion has been shown to have several positive effects on poverty alleviation, private sector development, and financial sector stability. Empirical studies have demonstrated that by reducing vulnerability to economic shocks, financial inclusion can be a key driver of poverty alleviation.[2] Inclusive financial systems provide low-income adults with the tools to borrow, save, make payments, and manage risks, which in turn facilitate consumption smoothing and lessen the impacts of unexpected reductions in income that are common among those in the informal sector.[3] Access to a range of appropriate and affordable financial products and services can also facilitate investments in human capital and boost job creation. Without inclusive financial systems, individuals must rely on their own limited savings to invest in education or become entrepreneurs—and firms must rely solely on their earnings to pursue promising growth opportunities. Households must borrow from each other and pool meagre resources to ensure children are educated, major family events such as funerals can be paid for, and expenses can be managed over long periods of uneven income flows.

For firms, particularly small and young ones that are subject to numerous constraints, access to finance is associated with innovation, job creation, and growth. Recent evidence also demonstrates that broader access to and use of bank deposits can significantly mitigate deposit withdrawals or growth slowdowns in times of financial stress. Empirical evidence has shown a strong link between financial inclusion and other financial sector objectives such as stability, integrity, and consumer protection.[4]

The promotion of financial inclusion has become an important policy objective for policymakers around the world. In 2010, the G20 formed the Global Partnership for Financial Inclusion and produced a set of recommendations known as "The Principles for Innovative Financial Inclusion."[5] In 2011, the Alliance for Financial Inclusion—an international network of regulators—was formed and launched the Maya Declaration.[6] The World Bank Group (WBG) has also articulated a vision for Universal Financial Access (UFA) by 2020, defined as universal ownership of a transaction account to enable all individuals to store money and make and receive payments.

Despite significant progress in recent years, Zambia lags behind its peer comparators with only 59 percent of the adult population making use of formal and informal financial services, leaving 41 percent excluded.[7] Further, only 38 percent of adult population have access to formal financial services (see Table 1-1).

In addition, significant disparities in financial inclusion remain between rural and urban areas, men and women, youth and adults, and small and medium enterprises (SMEs) and large firms (see Table 1-1). The potential to leverage digital technologies to drive down transaction costs and expand the reach of the formal financial sector has not yet been fully realised. Limited financial capabilities of consumers, limited consumer protection mechanisms, low attractiveness of financial products, and lack of trust in financial institutions also constrain the ability and willingness of consumers to leverage financial products and services to meet their goals. These challenges are further discussed in Section 2.

This NFIS provides a comprehensive roadmap to accelerate financial inclusion progress in Zambia by setting forth a series of specific, delineated, and sequenced actions for a wide range of stakeholders. The NFIS outlines a vision and definition for financial inclusion; provides an assessment of the existing obstacles to achieving greater financial inclusion; and establishes a roadmap with key outputs and actions, a coordination structure, and a monitoring and evaluation system. The NFIS thereby consolidates existing relevant strategies and interventions into a single document and implementation plan. With the launch of this NFIS, Zambia joins more than 30 countries that have or are developing national financial inclusion strategies.

1.2 FINANCIAL SECTOR CONTEXT

During the period 2008 to 2016, the country's economic performance was generally strong. The economy recorded real GDP growth averaging 6.1 percent during the period 2008 to 2011, while during the period 2011 to 2016 real GDP growth averaged 5 percent. Growth was primarily driven by mining, agriculture, and construction. Inflation was contained within single digit levels for most of the period, averaging 9.9 percent between 2011 and 2015. Inflation, however, increased to 14.3 percent and 21.1 percent in October and December 2015, respectively (7.7 percent in September 2015). This was largely because of significant depreciation of the Kwacha and higher food prices. In response to inflationary pressures, the Bank of Zambia (BoZ) tightened monetary policy, which constrained commercial bank liquidity and in turn reduced access to credit by the private sector. Mainly

TABLE 1-1: Overview of Financial Inclusion in Zambia and Comparator Countries

Indicator	Zambia	S. Africa	Tanzania	Botswana	Namibia	Mozambique	Zimbabwe	Uganda	Kenya
% of adults financially included (formal & informal)	59	87	73	76	69	40	77	85	75
—% of women	57	90	68	73	—	38	76	85	73
—% of youth	55	—	—	72	—	—	—	—	74
—% of rural residents	50	81	66	64	61	31	72	83	61
% of adults formally financially included	38	83	57	68	—	24	69	54	67
% of adults with a formal transaction account	36	70	41	52	59	—	32	44	75
% of firms with a loan or line of credit	9	—	17	—	22	—	—	10	36
—% of small firms (5–19 employees)	5	—	13	—	19	—	—	9	30
—% of medium firms (20–99 employees)	14	—	26	—	31	—	—	9	42
# of access points per 10,000 adults	7.0	9.0	—	10.9	93.3	16.9	23.0	—	17.3
GNI per capita, Atlas method (current US$)	1,490	6,080	920	6,460	5,190	590	860	700	1,340
Population density (ppl per sq. km.)	22	45	60	4	3	36	40	1945	81

Sources: FinScope (various years, since 2011); World Bank Findex (2014); World Bank Enterprise Surveys (2013); IMF Financial Access Survey (2016); World Bank World Development Indicators (2015).
Note: # of access points per 100,000 adults is broken down by category in Table 2-1.

due to this action, inflation reverted to single digits of 8.8 percent in November 2016 before closing the year at 7.5 percent. The weaker economic performance in 2015 and 2016 occurred because of unfavourable global developments characterised by declining commodity prices; an elevated budget deficit; and poor rainfall, which adversely affected electricity generation and agricultural production. However, liquidity conditions improved post 2016 following the removal of some quantitative restrictions and reduction in the statutory reserve ratio by the BoZ.

The industry capital adequacy position remained strong, with capital adequacy ratios standing at more than 20 percent, and was above the minimum requirement during the review period. However, the sector faced restrained credit conditions particularly in 2016, leading to high lending interest rates. In particular, lending rates during the period 2011 to 2016 remained high averaging more than 20 percent. This was mainly on account of the stringent monetary policy measures and higher government borrowing necessitated by increased infrastructure investments. Non-performing loans (NPLs) increased during the latter part of the review period due to high lending rates and economic slowdown thus affecting the sector's asset quality.

Zambia's financial system is dominated by banks. As of the beginning of 2017, banks accounted for about 69 percent of total financial sector assets, with majority foreign-owned banks accounting for 83 percent of total bank assets. The non-bank financial institution (NBFI) sector was dominated by pension funds (72 percent of NBFI assets), of which the government-run National Pension Scheme Authority (NAPSA) accounted for 67 percent. Microfinance institutions (MFIs)—both deposit taking and non-deposit taking—comprised 10 percent of NBFI assets, and insurance companies 7 percent. Other NBFIs included four building societies, one government-owned savings and credit institution (Natsave), 10 leasing companies, a development bank (Development Bank of Zambia), 11 savings and credit cooperatives, and 74 foreign exchange bureaus.

Zambia continues to be vulnerable to domestic and external shocks due to the prevailing weak fiscal position and subdued economic performance characterised by limited diversification. To address vulnerabilities, restore economic stability, and reinvigorate growth, the Government embarked on an Economic Stabilisation and Growth Programme dubbed "Zambia Plus" in 2017, to which financial inclusion is a key component.

1.3 DEFINING FINANCIAL INCLUSION

Establishing a clear and consensus-driven definition of financial inclusion can help public and private sector actors focus their activities and discussions in a manner that will help bring about change in the country. Within the context of this NFIS, financial inclusion in Zambia is defined as

> *Access to and informed usage of a broad range of quality and affordable savings, credit, payment, insurance, and investment products and services that meet the needs of individuals and businesses.*

Access is defined as close physical proximity to a financial access point and the reduction of other mechanical barriers to product uptake, such as documentation. ***Informed usage*** is defined as the active use of financial products or services by financially capable consumers. ***Quality*** implies that the products used are suitable, satisfy customer needs, and meet acceptable consumer protection standards. Finally, ***affordable*** means products that are within the means of customers and are sustainable for the provider.

1.4 THE VISION

The overall goal of financial inclusion in Zambia is to achieve universal access to and usage of a broad range of quality and affordable financial services that meet the needs of individuals and enterprises. This has been articulated as follows:

> *Universal access to and usage of a broad range of quality and affordable financial products and services.*

This is an aspirational and long-term vision. Expected progress toward this vision in the context of this NFIS is further defined and operationalized via the high-level and intermediate key performance indicators (KPIs) and targets set forth in the NFIS Monitoring and Evaluation System (Section 5). The high-level targets for this NFIS are to have 80 percent of the population financially included (formally and/or informally) and 70 percent of the adult population formally financially included by 2022.

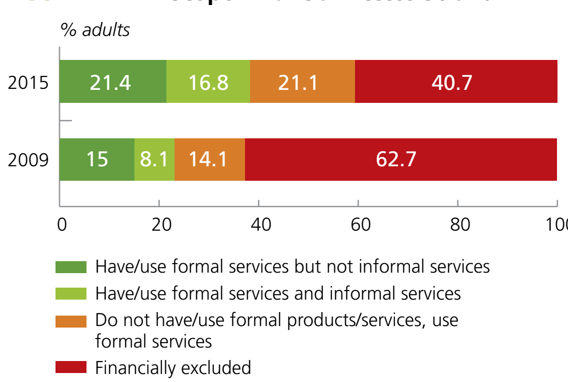
2. THE CURRENT STATE OF FINANCIAL INCLUSION

Financial inclusion in Zambia has improved in recent years. The Zambia FinScope surveys (undertaken in 2005, 2009, and 2015) measure financial inclusion in terms of access and usage of both informal and formal financial services and have recorded a significant increase. Between 2009 and 2015 access and usage increased from 37percent to 59 percent (Figure 2-1). The World Bank Global Findex Survey of 2014 finds a similarly large increase in the ownership of transaction accounts: between 2011 and 2014 the percentage of adults with an account at a formal financial service provider increased by 15 percentage points to 36 percent.[8] This is equivalent to an increase of 1.2 million new account holders. Yet despite these gains the vast majority of individuals and SMEs remain unserved or underserved by the formal financial sector. Many accounts are not actively used and according to the 2014 Global Findex, 30 percent of account holders report not making a transaction within the past year.

The 2015 FinScope also reveals that banks remain the most widely used provider of financial products and services—reaching 25 percent of adults (Figure 2 2). Mobile money providers[9] reach 14 percent of adults, and 4 percent of adults use microfinance services. Less than 6 percent of adults report using insurance and/or pension services, and just under 1 percent of adults report using capital market instruments.

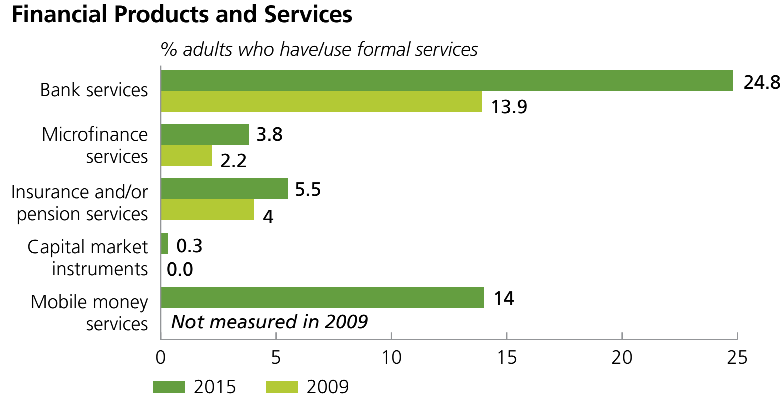
This section reviews the current state of financial inclusion in Zambia, drawing on information and analysis in the two consecutive Financial Sector Development Plans of the Government, the 2016 Financial Sector Assessment Program (FSAP) Update, the World Bank's 2014 Zambia Economic Brief with a focus section on financial inclusion, and the 2012 Diagnostic of Consumer Protection and Financial Literacy. The framework also builds on local and global surveys, data, and findings

FIGURE 2-1: FinScope Financial Access Strand



Source: FinScope 2009, 2015.

FIGURE 2-2: Trends in Uptake of Formal Financial Products and Services



Source: FinScope 2009, 2015.

from the 2015 FinScope Survey, the 2014 World Bank Global Findex survey, the 2016 World Bank Financial Capability Survey, the 2013 World Bank Enterprise Survey, the 2010 Zambia Business Survey, and the 2015 World Bank Doing Business indicators.

2.1 DELIVERY CHANNELS

A wide array of delivery channels exists for formal financial services in Zambia. These include branches and agents of banks, MFIs, and savings and credit cooperatives (SACCOs), as well as mobile money agents and ATMs. Data from the IMF's 2016 Financial Access Survey shows that Zambia has a lower overall density of financial access points (per 10,000 adults) than that of South Africa, Botswana, Kenya, and Zimbabwe (Table 2 1). Further, the majority of financial service providers' outlets in Zambia are located in cities and towns, predominantly along the line of rail from the Copperbelt to Livingstone and major trading routes.

In recent years, banks in Zambia have been deploying agency banking via point-of-sale (POS) devices as one of their main strategies to expand service networks. Notwithstanding the foregoing, the majority of access points in Zambia are mobile money outlets. However, the density of active mobile money agents in Zambia lags behind that of several comparable countries. Some of the reasons for this relatively low penetration of mobile money agents, particularly in rural areas, can be found in the market structure, increased urbanisation, compensation of agents, and marketing of mobile money in Zambia. According to the 2016 Helix Institute of Digital Finance study, relative to six other leading mobile financial service markets (Kenya, Tanzania, Uganda, India, Pakistan, and Bangladesh), agents in Zambia are well trained, but Zambia has the highest percentage of exclusive agents, as 91 percent of agents work exclusively with just one provider.[10] This structure and initiation of over-the-counter (OTC) transactions by agents on a client's behalf also result in a high percentage of agents' time being spent helping clients, which negatively affects efficiency and profitability. Such a market with lower transactions and exclusivity can have a significant impact on agent profitability, as demonstrated in Figure 2-3, which shows that Zambian agents have the lowest profitability among the sample countries, except for India.

The limited motivation for agents in Zambia coupled with only 52 percent of consumers owning mobile phone handsets appear to be key determinants of the slow growth of this delivery channel. The main challenge is associated with unstructured supplementary service data (USSD) platforms and relates to accessing the infrastructure, especially by third-party providers. Agents also require sufficient liquidity, reliable Internet and GSM networks, and more reliable identification documents to register clients.[11] Even among those clients who do use mobile financial services in Zambia, the vast majority of clients use "basic" services of cash in/cash out, money transfer, and bill payment. Credit is not widely offered, and only 2 percent of agents offer savings services.[12]

TABLE 2-1: Financial Access Point Benchmarking, Zambia and Comparators

Indicator	Zambia	S. Africa	Tanzania	Botswana	Namibia	Mozambique	Zimbabwe	Uganda	Kenya
# of total access points per 10,000 adults	7.0	9.0	—	10.9	93.3	16.9	23.0	—	17.3
# of commercial bank branches per 10,000 adults	0.45	1.0	0.24	0.73	12.5	4	1.4	0.29	0.57
# of microfinance institution branches per 10,000 adults	0.15	—	0.01	—	0	2.26	0.64	0.04	0.04
# of other deposit-taking institution branches per 10,000 adults	0.07	0.62	—	1.03	0	0.06	0.94	0.08	0.04
# of active mobile money agents per 10,000 adults	5.25	0.37	—	6.1	26.2	—	19.0	—	15.6
# of ATMs per 10,000 adults	1.1	6.9	0.60	3.1	54.7	10.3	0.62	0.46	1.021

Sources: IMF Financial Access Survey 2016.
Note: The table includes disaggregated access point data for which there are comparable cross-country data.

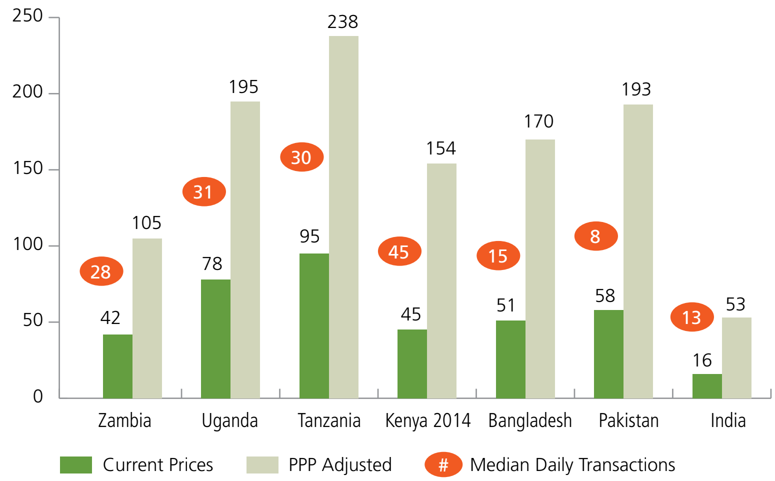
The limited reach of microfinance institutions and SACCOs in Zambia relative to comparable countries may also contribute to a much higher rate of financial exclusion (41 percent) in Zambia than in, for example, Tanzania (26 percent exclusion as of 2013) and Uganda (15 percent exclusion as of 2013) despite similar historical regulatory frameworks across these three countries. Unlike Tanzania, Uganda, and Kenya, where SACCOs are widespread and utilised by 4.3 percent, 7.2 percent, and 21.3 percent of adults, respectively,[13] SACCOs in Zambia are small and serve only 1.4 percent of the adult population.[14] The SACCOs in these comparable countries are predominately based in rural areas and serve low to moderate income earners, including large numbers of women and youth. However, in Zambia, many SACCOs are linked to formal or government employees.

The MFI sector has grown rapidly in recent years, with more than 30 deposit-taking and non-deposit-taking MFIs now in operation, up from 11 in 2008. However, most of these MFIs focus primarily on payroll lending, which limits the degree to which they reach consumers in the informal sector and those not otherwise served by commercial banks. This is illustrated by the fact that only 4 percent of adults report using products and services from microfinance institutions. The sector has faced several challenges, including cost of funds and other operational constraints and inability to adapt to changes in the regulatory and macroeconomic environment.

As demonstrated by Zambia's FinScope 2015 survey, the most important factors for consumers in determining where to save money is the ease of access to the funds followed by security of the funds. Therefore, to reduce financial exclusion, usage of financial service providers that are more approachable and accessible than banks, such as SACCOs and MFIs, should also be further developed. To support these financial service providers, a more comprehensive legal and regulatory framework will be considered as part of the strategy.

Overall, financial access points are highly concentrated in Lusaka and a few other densely populated urban centres along the main trade corridors. Approximately 60 percent of all commercial bank branches are in Lusaka and the Copperbelt. Conversely, approximately 18 percent of the districts in Zambia are not served by regulated financial institutions and lack even a single access point. One exception is the publicly owned National Savings and Credit Bank (NatSave), which maintains a sizeable branch network in rural areas. The distribution networks for insurance and capital markets products are much more limited than for banking services.

FIGURE 2-3: Mobile Money Pricing and Agent Profitability



Source: Agent Network Accelerator Survey: Zambia Country Report. Helix Institute of Digital Finance 2016.

Chilimbas[15] and other such savings groups are utilised by 11 percent and 5 percent of adults respectively in Zambia, which, when combined, exceed usage of mobile money; equal nearly two-thirds of the rates of usage of banks; and significantly surpass MFIs, which are only utilised by 4 percent of adults.[16] Linkages between formal and informal providers remain limited and therefore restrict movement of individuals from the informal financial sector to the formal financial sector.

Financial infrastructure constraints also restrict the reach of the formal financial sector. The National Payment Systems (NPS) Act does not cover all electronic payment instruments. It is envisaged that these provisions will be included in the new NPS Act and be shaped in line with the Southern African Development Community (SADC) Model Law. Governance of the Zambia Electronic Clearing House Ltd. (ZECHL) and open and fair access to the systems it operates will also be addressed. Non-bank financial institutions and service providers do not have direct access to ZECHL. However, there are ongoing discussions, and agreement has been reached on the modalities for participation by non-bank financial institutions.

As a summary of the analysis in this subsection, Box 1 reviews the observed gaps relevant to the role of delivery channels in enabling financial inclusion and the underlying issues that drive these gaps. To the extent possible, these underlying issues are addressed in Section 3 (NFIS Framework) and Section 6 (Action Plan).

BOX 1

SUMMARY OF GAPS AND UNDERLYING ISSUES—DELIVERY CHANNELS

Observed Gaps in Delivery Channels

- Delivery channels are heavily concentrated in Lusaka and other urban areas, with limited access points in rural and peri-urban areas;
- Non-existence of digitalised delivery channels (micro pensions/insurance);
- Low density of agents relative to peer countries;
- High share of OTC transactions and limited functionality of agents;
- Low mobile phone ownership (52 percent of adults own a mobile phone); and
- Low outreach of SACCOs and MFIs across the population.

Underlying Issues

- Lack of interoperability in payment systems;
- Low liquidity throughout financial system and in agents;
- Lack of regulatory framework for agency and mobile banking;
- High levels of mobile money agent exclusivity;
- Low levels of mobile money agent profitability;
- Inadequate linkages between informal savings groups/chilimbas and formal financial service providers;
- Poor connectivity / information and communication technology infrastructure (e.g. ,system failure);
- Limited access of some providers to ZECHL;
- Limited distribution channels for insurance and pensions;
- Limited support for the development of SACCOs; and
- Lack of a policy framework for development and regulation of SACCOs.

2.2 AVAILABILITY OF FINANCIAL PRODUCTS AND SERVICES FOR INDIVIDUALS

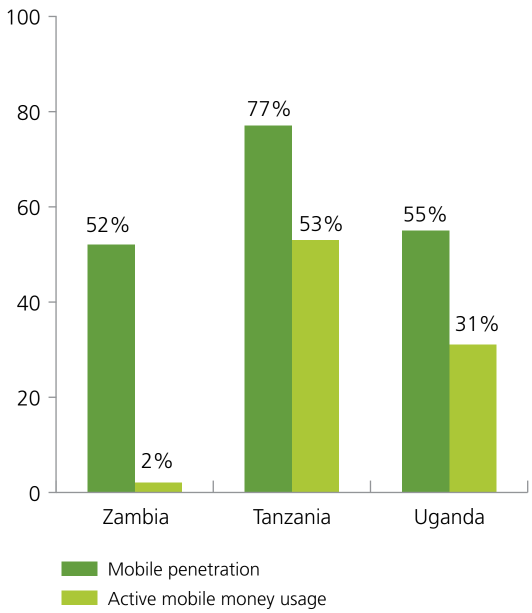
2.2.1 Transaction Accounts

Transaction accounts, including current accounts at banks and digital accounts provided by mobile network operators and others, represent an initial entry point for low-income and financially excluded households that can provide access to a broader set of financial services such as savings, payments, credit, investment, insurance, and pensions. Overall, according to the 2014 Findex, 36 percent of Zambian adults report owning a transaction account, up from 21 percent in 2011. This increase is driven primarily by increased uptake of digital transaction accounts, such as those provided by Zoona, MTN, and Airtel. As of 31 March 2016, Zambia had 5.92 million registered digital transaction accounts, compared with 2.90 million registered bank accounts. Indeed, Zambia is now one of 19 economies with more digital transaction accounts than bank accounts, according to data from the Groupe Speciale Mobile Association (GSMA), yet more than 3.5 million Zambian adults do not own a transaction account. Approximately 31 percent of unbanked adults cite "lack of enough money to use one" as the main reason for not owning an account, while 17 percent cite cost, 15 percent cite distance, 15 percent cite a lack of trust, and 14 percent report that they do not need an account, according to the 2016 World Bank Financial Capability Survey.

To increase availability of digital transaction accounts in particular, the BoZ issued Circular 09/2015 on electronic money in June 2015. Zambia was among the first countries in Africa to launch digital financial services in 2002. The promise of mobile money is particularly high in a low population density country with a large unbanked rural population and a mobile phone ownership rate of 52 percent.[17] However, as of 2015, only 250,000 (2.2 percent of the adult population) of the 8.5 million unique mobile subscribers are active monthly mobile money users (Figure 2 4). By comparison, in 2015, 31 percent of adults in Uganda had used mobile money in the last 90 days, and in Tanzania 53 percent had an active mobile money account.[18]

The reasons for this limited uptake and usage of digital transaction accounts in Zambia are multifaceted. Zambia's marketplace is unique in Sub-Saharan Africa in that a third-party provider (Zoona)—not a mobile network operator (MNO)—had the largest agent network accord-

FIGURE 2-4: Comparative Mobile Penetration[19] and Active Mobile Money Usage



Source: FinScope 2015.

ing to the Helix Institute 2016 Report. Compared with other countries, Zambia's agents have the highest level of exclusivity and one of the lowest levels of profitability. There are also challenges related to the reliability of the network platforms for digital financial services in the country, which limits uptake. However, the most widely cited reason for not using digital financial services in the country is related to knowledge about how to use the services. Other challenges include, but are not limited to, the cost of using the services, little confidence in the security and privacy of the systems, low transaction thresholds, inadequacies in the product design, and a general preference for using cash as opposed to digital payments.

Liquidity management outside the line of rail also presents a major challenge. Regulation does not appear to be a major obstacle at the moment, though better coordination between the BoZ and the Zambia Information and Communications Technology Authority (ZICTA) on know your customer (KYC) requirements would be helpful. Draft agency and mobile banking regulations will be finalised and implemented. In addition, this strategy will adopt the enactment of new laws, the issuance of new regulations, and the review of existing laws and regulations that may impede the development of the electronic money ecosystem, as strategic actions. A need exists to develop an adequate ecosystem of digital transactions to promote and sustain the market. One important measure would be for the Government to migrate key payment streams (notably government-to-person, or G2P, and person-to-government, or P2G) onto such an ecosystem to increase usage and demand. Similarly, remittances can be more fully leveraged to increase financial inclusion. Cross-border remittance flows to and from Zambia remain relatively low, reflecting limited uptake of electronic transfer instruments and the relatively small Zambian diaspora. Yet remittances frequently represent the low-income population's first exposure to regulated financial services, and there is significant scope to migrate existing remittance transfers (much of which may be undertaken via unregulated cash-based channels) to electronic platforms. The achievement of interoperability through improvements to the National Switch will be a key measure to lower the cost of remittance services and migrate flows to electronic platforms.

2.2.2 Savings, Pension, and Investment Products

Savings, pensions, and investment products are critical, inter alia, to enable individuals to manage risks, invest in homes and education, absorb financial shocks, and provide income in retirement and old age.

Approximately one-third of Zambians currently save, but the most common forms of savings are informal. According to the 2015 FinScope Survey, the savings services and mechanisms used by Zambians are cash at home (reported by 43 percent of adults), banks (30 percent), Chilimbas (15 percent), the use of family members and friends to keep money safe (12 percent), farming inputs (10 percent), cash on hand (8 percent), business stock or materials (7 percent), pension or NAPSA (6 percent), savings groups (5 percent), and the mobile phone (4 percent).[20] Livestock and crops are common forms of saving in the rural areas. Capital markets are underdeveloped, and there is a lack of appropriate investment products for average households.

The World Bank Financial Capability Survey 2016 indicated that only 26 percent of adults under the age of 60 reported that their income sources will be sufficient to meet their expenses in old age. There is also a disconnect between expectations and reality regarding working during old age, particularly among adults with low financial capabilities. In this group, 11 percent of young respondents expect to have to work in old age, but 30 percent of older respondents actually report working in old age. These findings reiterate the need for financial service providers to help Zambians smooth consumption over their lifecycle and plan for old age. Currently, pensions in Zambia are largely confined to the minority of the population who are formally employed. Zambia has a two-tiered pension system, with mandatory and voluntary pillars. All those who are formally employed must contribute to one of three public schemes: the National Pension Scheme (NPS), the Public Service Pension Fund (PSPF), or the Local Authority Superannuation Fund (LASF). The total assets of these three schemes were approximately K13.1 billion as of end 2015, and they had a combined membership of 881,138. The voluntary pillar consists of trusts established by employers. These pension funds had 112,260 members and assets of K5.7 billion as of end 2015.

There are no voluntary or mandatory schemes currently in place for agricultural or informal workers, who make up the bulk of the active population. Expansion of pension coverage to the self-employed and informal sector workers will be part of the strategy.

If the NFIS is to facilitate savings and wealth accumulation among a larger share of the population, new investment products will need to be developed to encourage Zambians to save or move from informal to formal savings. Financial service providers need to develop techniques using digital distribution channels to serve new market segments, particularly low-income clients, at low cost, and to deliver products that meet their needs. As an example, Kenya has developed a product that enables Kenyans to purchase small denominations of treasury securities on their cell phones. Efforts to pro-

BOX 2

SUMMARY OF GAPS AND UNDERLYING ISSUES—PRODUCTS AND SERVICES FOR INDIVIDUALS

Observed Gaps for Products and Services

- Cash is the predominant form of payment,
- Limited use of electronic retail payment instruments,
- Universally accessible transaction accounts,
- Only 53 percent of adults are aware of mobile money,
- Shallow primary and secondary markets for issuance and trading of securities,
- Low free float of shares,
- Inadequate financing instruments for SMEs,
- Most savings done informally,
- Low uptake of insurance and investment products,
- Low income replacement ratio in retirement,
- Lack of appropriate long-term financing products,
- Low awareness of available financial products and services,
- Data on available products and services are limited and not comparable,
- Public perception that available financial products are not suitable for individuals with low irregular income streams,
- Lack of public trust in financial institutions due to past failures, and
- Absence of pension products for informal and agricultural workers.

Underlying Issues

- Limited acceptance networks for electronic retail payment instruments;
- High transaction fees for electronic retail payment instruments;
- G2P and P2G payments delivered via cash and paper-based instruments;
- Lack of consistent tiered documentation and KYC process for financial products and services;
- Infrastructure challenges, such as limitations in power and network reliability;
- Lack of customer-centric product design (e.g., language barriers, service gaps) and use of technology;
- Absence of framework for broadening contribution to pension schemes;
- High cost of existing financial products and services;
- Lack of deposit insurance;
- Lack of regulations for micro pensions and micro insurance;
- Lack of regulations to mandate quoted companies to list their securities on the securities exchange within a prescribed period;
- Inadequate incentives for companies to list their securities on the securities exchange;
- Limited availability/use of disaggregated consumer data to inform product design and delivery;
- Legal restrictions to product development and information access;
- Inadequate legislations to support consumer protection; and
- Inadequate incentives for financial inclusion micro products.

mote financial literacy with awareness and understanding of these new products and services will be an important part of this effort.

2.2.3 Insurance

Zambia has been among the first African countries to make insurance more inclusive by way of a multi-stakeholder coordination structure. However, overall penetration rates remain low with just 2.8 percent of adults reporting having insurance as of 2015. Life insurance (individual and group) and motor vehicle insurance are the most common insurance products, each covering approximately 40 percent of insured adults.[21] Funeral insurance is reported by 33 percent of those with insurance, while medical and health insurance are reported by 25 percent and 17 percent of insured adults, respectively. To increase uptake of insurance products, particularly by low-income households and the informal sector, development of micro insurance (MI) has been a priority area. However, traditionally, micro insurance has been associated with low margins that make direct sales costly and render it an unattractive business for brokers. The use of non-traditional distribution channels, such as MNOs, has offered new opportunities for the insurance market. The number of MI policies grew from 200,000 in 2011 to more than 3 million in 2015,[22] including insurance products distributed through mobile network operators,[23] and the number of insurers offering MI has increased from five life insurers in 2012 to nine (including non-life insurers) in 2014.

The principal reason cited by individuals who do not use insurance products was a lack of awareness of the product, so there is a clear need to educate the population about insurance. There is also a need to continue to innovate and scale up appropriate insurance products adapted to the needs of low-income households, including, in rural areas, weather and crop insurance for farmers.[24] Product design features need to focus on improving customer experience and convenience (including the claims process) and lowering costs. Recent efforts in this area (including by FINCA, Airtel, and Zoona) are encouraging and need to be further expanded. Improved distribution channels and widespread digital transaction accounts will be critical to these efforts. Also important in promoting inclusive insurance will be adaptations to the regulatory framework, including lower capital requirements for micro insurers and proportionate KYC and anti-money laundering (AML) requirements.

As a summary of the analysis in this subsection, Box 2 reviews the observed gaps relevant to the role that the availability of products and services in the market plays in enabling financial inclusion and the underlying issues that drive these gaps. To the extent possible, these underlying issues are addressed in Section 3 (NFIS Framework) and Section 6 (Action Plan).

2.3 SME AND AGRICULTURAL FINANCE

The World Bank's 2013 Enterprise Survey shows that the number one barrier to growth for firms in Zambia is access to credit (27.5 percent of firms listed it as the most important barrier), followed by practices such as inadequate and poor record keeping and poor corporate governance of the informal sector (22.5 percent). However, deeper investigation showed that 53 percent of small firms (i.e., those with 5–19 employees) were rejected in their most recent loan application, whereas 9 percent of medium-sized firms (20–99 employees) and virtually none of the larger firms (100+ employees) had loan applications rejected.[25] When credit is available, the cost is high, straining SMEs' capacity to pay: commercial banks report nominal interest rates as high as 40 percent, while in the micro-finance sector annual rates have now reached 70 percent. Not surprisingly, small firms are most likely to indicate that access to finance is a major constraint. In Zambia, only 5 percent of these small firms have a loan, compared with 17 percent of small firms in Sub-Saharan Africa, and yet 37 percent of small firms report needing a loan (Figure 2-5).

Access to finance for SMEs is limited due to the presence of structural constraints, including firm informality, high collateral requirements, and poor bank lending tools. Most small firms are informal in Zambia, and the reasons for this include poor access to registration centres, the lack of perceived tangible benefits to formalisation, and tax avoidance.

Collateral requirements generally focus on immovable property such as land and buildings, as financial services providers are generally reluctant to provide credit secured by movable property. Many SMEs do not own immovable property, thus presenting them with financing challenges. To improve the legislative framework to enable credit secured by movable property, the Movable Property (Security Interest) Act 2016 was enacted on 6 April 2016. This Act provides for the creation of security interests in movable property, makes security interests effective against third parties, enhances the availability of low-cost

FIGURE 2-5: Access to Finance for Small Firms, Zambia and Comparator Countries

Indicator	Zambia	Sub-Saharan Africa	All Countries
% of firms with a loan or line of credit	8.8	22.6	34.3
% of firms using banks to finance investments	12.2	20.2	25.3
% of firms using banks to finance working capital	9.9	22.5	30.5
% of firms reporting access to finance as a major constraint	27.4	36.9	25.8
% of firms whose recent loan application was rejected	34.1	14.2	11.5
% of firms with a checking or savings account	86.1	86.1	86.6

Source: World Bank Enterprise Surveys.

secured credit to debtors to use the full value inherent in their assets to support credit, and establishes a Collateral Office and Collateral Registry.[26]

While growing slightly over the past five years, domestic credit provided to the private sector was only 19.6 percent of GDP in 2015, compared with 45.6 percent in other lower-middle-income countries and 99 percent in middle-income countries.[27]

On the consumer side, 29.8 percent of consumers had borrowed money in the 12 months prior to the 2015 FinScope Survey. The primary reasons for consumer borrowing were to cover living expenses and emergency medical expenses. Consumer loans represent the largest portion of banks' lending portfolios (34 percent in December 2016 based on Bank of Zambia statistics). Some portion of these consumer loans is likely also used by households for informal microenterprises.

Lending to the agricultural sector has over the years been substantial, relative to lending to other sectors. It has, however, declined significantly over the past 10 years as a proportion of total bank lending.[28] In 2006, bank lending to the agricultural sector was approximately 25 percent of all bank loans; at the end of 2016 it was 17.1 percent. It is unclear whether other financial service providers are filling this gap. Cross-country econometric studies show that GDP growth originating in agriculture is, on average, at least twice as effective in benefitting the poorest half of a country's population as growth generated in non-agricultural sectors.[29] In addition, a strong agricultural sector could help diversify sources of foreign exchange earnings for the country. The importance of growth in this sector as a tool to help reduce poverty cannot be overstated.

A lack of alternative sources of funding from traditional banking such as venture capital, private equity, crowd funding, and capital markets in general has hampered SME growth in Zambia. Similarly, a lack of innovative working capital financing instruments for SMEs also serves as a significant barrier to SME growth in Zambia. Limited access to funding for providers of working capital (e.g., microfinance institutions); relatively high default rates on loan facilities, which are above 10-percent acceptable regulatory thresholds as of end 2016; and low awareness of relevant products constrain availability and uptake of working capital financing instruments such as factoring—a type of finance in which a business sells its accounts receivable (invoices) to a third party to meet its short-term liquidity needs. There is need to explore the opportunities that lie within the capital markets, where innovative products can be designed to ensure entities such as microfinance institutions and banks access cheaper capital that can then be directed to financial inclusion initiatives targeting SMEs as an example.

Finally, a well-developed credit information system and movable collateral registry are essential to help fuel both SME and agriculture finance. Ensuring the availability of agriculture insurance, leasing services, and an electronic warehouse receipt system is more specific to needs of farmers. Efficient and predictable insolvency and debt enforcement frameworks are also important drivers in improving financial inclusion and increasing access to credit. Modern frameworks may lead to the reduction of the cost of obtaining credit. Increased access to finance enhances enterprise growth, which in turn leads to preserving employment, enhancing growth, and creating new job opportunities. Stakeholders report problems of delays and information quality with the existing credit and collateral registries.

As a summary of the analysis in this subsection, Box 3 reviews the observed gaps relevant to the role of SME and agricultural finance in enabling financial inclusion and the underlying issues that drive these gaps. To the extent possible, these underlying issues are addressed in Section 3 (NFIS Framework) and Section 6 (Action Plan).

BOX 3

SUMMARY OF GAPS AND UNDERLYING ISSUES—SME AND AGRICULTURAL FINANCE

Observed Gaps for SME and Agricultural Finance

- Limited availability/uptake of financing;
- High levels of small firm rejection for loans;
- Scarcity of credit products that do not require physical collateral;
- Inadequate long-term credit, refinancing, and equity;
- Lack of appropriate financing for start-ups and greenfield projects;
- Lack of appropriate incentives and mechanisms to support green financing;
- Limited availability of agriculture and SME insurance and leasing products;
- Poor provision of non-credit services: savings, cash flow, payments, and insurance;
- Low levels of registered firms;
- High informality of operations;
- Insufficient products for youth, women, and smallholder farmers; and
- Inadequate institutional framework to support SME and agricultural finance.

Underlying Issues

- Arduous business registration processes and unknown benefits of registration;
- High cost of credit;
- Low level of coverage and inaccurate data of the credit bureau (17 percent of adults);
- Lack of traditional collateral, financial statements, and earning records;
- Lack of an accurate and up-to-date collateral registry and acceptance of movable collateral;
- Limited capacity of financial institutions to serve the SME market segment and little market information for customers to assess options;
- Lack of competition in SME and agriculture finance;
- Limited availability/use of disaggregated SME data to inform product design;
- Limited usage of existing warehouse receipt system;
- Lack of institutions in rural areas due to high operational costs; and
- Lack of information and awareness of options for SME and agriculture loans.

2.4 FINANCIAL CONSUMER PROTECTION AND FINANCIAL CAPABILITY

The continuing rapid growth in financial inclusion in recent years has brought many Zambians into the formal financial system for the first time. This offers new opportunities but also exposes consumers to new risks and obligations that they may not fully understand. Further, low levels of consumer trust and confidence in formal financial service providers has been identified as one of the causes of financial exclusion in Zambia. Financial consumer protection and financial capability have thus emerged as priority areas for financial sector development. Strong financial consumer protection can empower the public by ensuring that individuals and firms are treated fairly and have access to clear and transparent information about the costs, risks, and rewards of financial products. Financial capability equips consumers with the knowledge, skills, attitudes, and behaviours required to act in their best interests and to select and use financial services that best meet their needs. Together, financial capability and consumer protection build public confidence in financial institutions and enhance the understanding and communication of client needs to financial institutions, thus encouraging financial inclusion.

A consumer protection/financial capability diagnostic conducted by the WBG in 2012 identified important gaps in the existing legal and institutional framework for consumer protection and found it to be characterised by overlapping jurisdictions. Sector-specific laws currently have limited provisions related to consumer protection. While drafts of new sector laws contain more comprehensive provisions, these bills have not yet been passed. Moreover, overlapping mandates between financial regulators (BoZ, the Pensions and Insurance Authority or PIA, and the Securities and Exchange Commission or SEC) and the Competition and Consumer Protection Commission (CCPC) complicate implementation of meaningful consumer protection measures. Furthermore, the provision of mobile and digital financial services requires that financial sector regulators collaborate with the Zambia Information and Communications Technology Authority (ZICTA) on consumer protection. In addition, there is need for financial sector regulators to have dedicated functions for market conduct supervision, which is currently being done alongside prudential supervision, and for consumer protection rules to not only be enhanced but monitored closely and enforced. Among the key gaps in the current consumer protection regime are the following:

- **Disclosure and transparency:** There is currently a lack of transparency in the financial sector due to limited disclosure. This can result in opaque pricing, unfair competition, and limited consumer awareness of the terms and conditions of basic financial products. According to the 2016 World Bank Financial Capability Survey, just 23 percent of adults report being provided the terms and conditions of financial products before purchase. Regulators have begun to take steps to enhance transparency and promote consumer protection. Under the regulatory framework, Central Bank Circular No. 19/2015 on the removal of interest rate caps, consumer protection measures, and key facts statements for consumer credit was issued in November 2015 to all financial services providers to engage in responsible lending practices, promote transparency in the pricing of credit products, and provide consumers with sufficient information to understand credit agreements.[30] The implementation of the key facts statements is monitored under the regulators' supervisory regime.
- **Dispute resolution:** 13 percent of Zambians experienced conflicts with a financial service provider in 2015, and just 25 percent of these adults attempted to resolve the dispute (World Bank Financial Capability Survey 2016). The main reason cited for inaction in these instances was lack of familiarity with government agencies that can help. Legally mandated regulation of internal complaints handling is limited and varies considerably across and within sectors. Multiple agencies have formal or de facto responsibility for alternative dispute resolution, including industry associations, which have voluntary schemes; financial regulators, which lack a clear mandate to intervene but are often approached by aggrieved consumers; and the CCPC. The CCPC is a government agency with a formal mandate to resolve consumer disputes, but it may not have the financial expertise needed to adjudicate complex financial disputes. There is, therefore, a need to mandate standardised internal dispute resolution mechanisms, establish a formal external dispute resolution mechanism for the sector, and inform customers of such facilities.
- **Business practices:** Several business practices by financial service providers give rise to concerns that will be addressed in law or regulation. These include, inter alia, charging interest on a flat rate rather than on reducing balances, unfair prepayment penalties, non-disclosure of penalties or other fees, abusive debt collection practices, mandatory bundled or tied sales, the absence of cooling-off periods for relevant products, and failure of credit providers to verify a customer's ability to repay.

According to the 2016 World Bank Financial Capability Survey, adults with low financial knowledge and product awareness are less likely to be formally financially included. Cognisant of the importance of strengthening financial capability, a National Strategy on Financial Education (NSFE) was developed under the FSDP II to provide a framework for the implementation of financial education initiatives. A Financial Education Coordination Unit (FECU) was established in 2013 under the FSDP Secretariat and tasked with implementation of the NSFE. The mandate of FECU came to an end at the end of the project with the understanding that NSFE initiatives would be mainstreamed into the financial sector regulatory institutions.

In recent years, several educational initiatives have been undertaken, including financial literacy weeks, outreach to youth and schools, and media awareness programs. While these programs have reached thousands of Zambians, they have yet to achieve significant scale or impact. It is important to design and implement financial capability initiatives that will reach a larger share of the population and bring about meaningful and sustainable behavioural change. The comprehensive baseline assessment of existing financial capability provided by the 2015 FinScope and the 2016 World Bank Financial Capability Survey provide important new tools to improve program design, targeting, and delivery.

The 2016 World Bank survey revealed that while most adults can perform simple financial calculations, they lack the numeracy skills needed to identify better bargains and the specific knowledge required to make informed savings and borrowing decisions. Indeed, just 29 percent of adults were able to provide the correct answers to five of seven financial knowledge questions spanning these topics. Vulnerable groups who struggle the most in understanding basic financial concepts are more likely to live on the lowest incomes and in rural areas.

The same survey shows that compared with other aspects of financial capability, survey participants show relative strengths in areas related to living within their means and planning for unexpected expenses. However, financial attitudes and behaviours that relate to people's capacity to save and their ability to choose financial products appear to be a challenge. Although Zambians seem to be relatively good at living within their means, it should be noted that a significant proportion of the respondents (around a third) still regularly run short of money or borrow money to purchase necessary items such as food. The low savings capacity captures the fact that only about a fourth of the Zambian respondents have any money left after paying for food and other essential items. The challenge in choosing financial products that fit their needs best reflects the fact that the majority of respondents (77 percent) do not seem to consider many alternatives before deciding which product to get, and they do not check terms and conditions of the product before they get it.

The 2016 World Bank Financial Capability Survey and 2015 FinScope further indicate that many adults are not aware of basic financial products and services that are critical to expanding financial inclusion in Zambia. For example, 54 percent of adults who do not use mobile money services have never heard of them, and 88 percent of uninsured adults report having never heard of insurance. Overall, just 36 percent of adults are familiar with products from at least five of nine provider types.

Box 4 provides a summary of the observed gaps discussed in this subsection relevant to the role that financial consumer protection and capabilities play in enabling responsible financial inclusion and the underlying issues that drive these gaps. To the extent possible, these underlying issues are addressed in Section 3 (NFIS Framework) and Section 6 (Action Plan).

BOX 4

SUMMARY OF GAPS AND UNDERLYING ISSUES—FINANCIAL CONSUMER PROTECTION AND CAPABILITIES

Observed Gaps in Financial Consumer Protection and Capabilities

- Low awareness of available financial products and services (e.g., just 36 percent of adults are familiar with products from at least five of nine provider types);
- Lack of comparison shopping or familiarity with terms and conditions of purchased financial products and services;
- Infrequent use of internal or external dispute resolution mechanisms; and
- Low knowledge of basic financial concepts (e.g., just 29 percent of adults provided correct answers to at least five of seven financial knowledge questions).

Underlying Issues

- Lack of clear institutional mandates for financial consumer protection;
- Lack of transparency (e.g., no standardized, understandable product information);
- Limited and inconsistent internal complaint resolution mechanisms within financial institutions;
- Unclear avenues for external dispute resolution;
- Unfair business practices and fraud;
- Limited resources and specialized technical capacity for financial consumer protection supervision at regulatory agencies;
- Limited enforcement/penalties for misbehaving financial institutions;
- Lack of clear institutional arrangements and governance for financial education;
- Limited use of data, research, and effective learning methods for the target groups to inform design of financial education programs;
- Limited reach of financial education programs; and
- Limited monitoring and therefore little evidence of effectiveness/impact of financial education programs..

2.5 UNDERSERVED SEGMENTS: RURAL RESIDENTS, WOMEN, AND YOUTH

While financial inclusion has grown significantly, overall figures mask significant inequalities. This subsection further examines gaps related to three key underserved segments: rural residents, women, and youth.

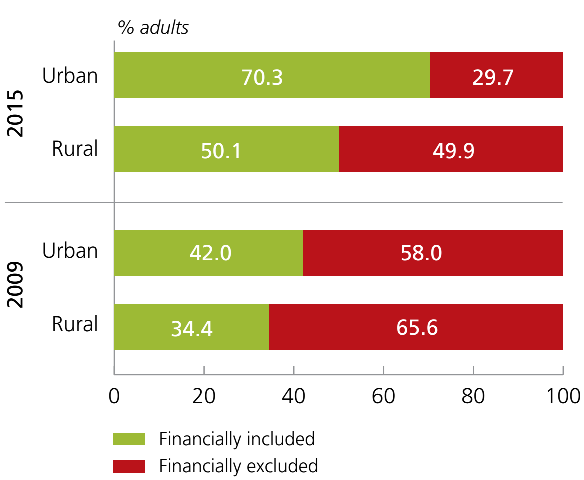
In 2015, the national financial inclusion rate was 59 percent. However, there are disparities between the urban and rural population, where inclusion is 70 percent and 50 percent, respectively (Figure 2 6).[31] Further, the country's financial access points are highly concentrated in Lusaka and the Copperbelt, which account for 60 percent of bank branches, while 25 percent of rural districts are currently not served by any regulated financial service provider).[32] In view of the importance of financial inclusion, the state-owned NatSave and ZamPost have been used as vehicles to serve the unbanked outside of the main urban centres. However, most providers have not found it cost-effective to serve these areas using existing service models. To enhance the provision of finance services to underserved areas, there is a need for innovative and cost-effective modes of service provision given Zambia's low population density and high incidence of poverty in rural areas.

The recent rapid expansion of agent outlets, coupled with new technologies such as mobile banking, now offer the possibility for banks, MNOs, and other providers to extend outreach to rural areas in a cost-effective manner. A further opportunity arises from leveraging investments in existing rural branch networks including new business models that adopt shared space and agents. The expansion of financial access points in rural areas is thus a critical target that will need to be met to bridge the urban/rural divide. If this is accomplished, providers will be able to offer a range of tailored, affordable financial services in rural areas for the first time. The NFIS Secretariat will coordinate closely with the Rural Finance Expansion Program (RUFEP), which has been working to increase access to and usage of sustainable financial services by poor rural men, women, and youth.

The gender gap in financial inclusion is not as wide as the rural/urban gap. Although women remain modestly more financially excluded than men, there is evidence that the gap is narrowing. Financial inclusion among women increased from 34 percent in 2009 to 57 percent in 2015, while male inclusion rates rose from 41 percent to 61 percent over the same period (Figure 2 7). Yet these overall figures mask important differences in the type and quality of financial services used by different genders. Most notably, men are significantly more likely than women to use bank services, electronic payments, and formal sources of borrowing; while women are significantly more likely than men to use informal savings groups. There is also evidence that women have lower product awareness levels and less knowledge of the location of the nearest financial service provider. This demonstrates that significant progress is yet to be made to ensure that women have equal access to and use of regulated financial products and services.

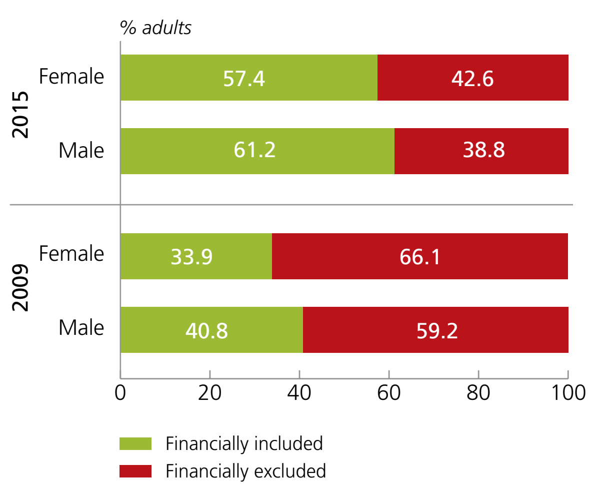
Ensuring that progress is indeed achieved is a critical component of the NFIS, in particular given the critical roles that Zambian women play in the areas of education,

FIGURE 2-6: Rural/Urban Gap in Financial Inclusion



Source: FinScope 2009, 2015.

FIGURE 2-7: Gender Gap in Financial Inclusion

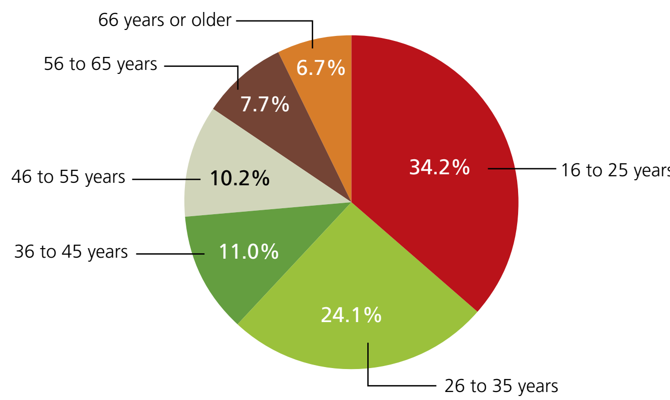


Source: FinScope 2009, 2015.

food security, and agriculture, as shown by recent studies. Strengthening linkages between savings groups and formal financial institutions and continued progress in improving customer-centric product design and low-cost, digitally enabled delivery channels are important elements of this agenda. Special focus on women literacy will be critical in this regard.

The age group between 16 and 25 comprises the largest proportion of financially excluded adults in Zambia (Figure 2 8). With a median age of only 16.7 years, Zambia has the fifth youngest demographic profile of any country in the world. Uptake and usage of financial products and services by youth is critical to smoothing their transition from childhood to adulthood and addressing the financial pressures (e.g., related to advancing their education, gaining financial independence, getting married, etc.) that come with this transition. According to data from the 2016 World Bank Financial Capability Survey, adults who formed sound savings habits as children tended to adhere to these throughout their adult lives, and as a group, these adults outperformed others in almost every financial capability area. Ensuring that youth below the age of 18 can open and use savings or transaction accounts in their own right, without having a joint account holder, is intended to support a savings culture, job creation, and youth employment activities. It will also ease pressure on the need for the Government to set up special funds for youth development.

FIGURE 2-8: Financial Exclusion by Age Group

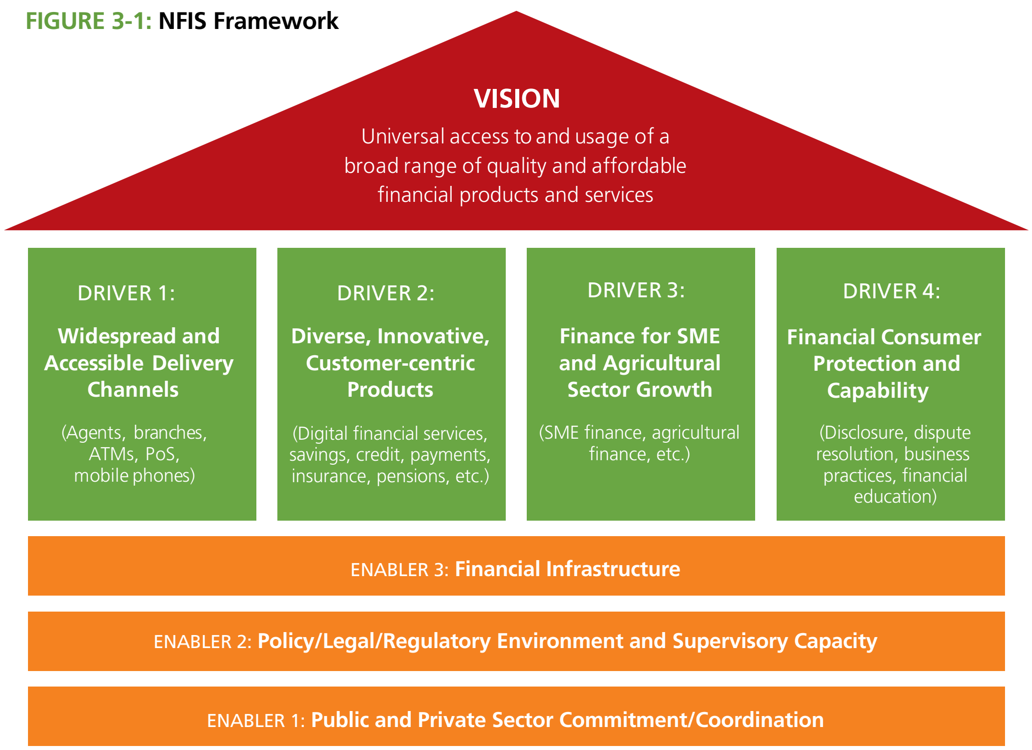


Source: FinScope 2015.

3. NFIS FRAMEWORK

Expanding financial inclusion in Zambia requires a framework to provide a conceptual foundation for the NFIS, and a consistent operational structure that is reflected across the Action Plan, Monitoring & Evaluation System, and Coordination Structure. The framework in Figure 3-1 reflects the gaps and underlying issues identified in Section 2. The policy framework comprises a set of cross-cutting priority areas—the key enablers—that need to be put in place as they will lay the foundation for overcoming financial exclusion decisively over the long run. The key enablers will support targeted strategic policy objectives—the drivers—aimed at increasing access and devel-

FIGURE 3-1: NFIS Framework



oping an ecosystem of financial services that will have the quality and features required by individuals and enterprises in Zambia. The drivers are used to structure the action plan, the monitoring and evaluation system, and the coordination structure (via the working groups).

The NFIS framework is aimed at providing confidence to consumers in the formalised financial system and providing an enabling environment to the providers of financial services. The regulatory arms of government shall encourage fair competition among all providers of financial services, thereby encouraging innovation, growth, and job creation while offering protection to responsible consumers. Higher confidence in the formalised financial system is expected to contribute to the realisation of the NFIS vision to have universal access to and usage of a broad range of quality and affordable financial products and services.

3.1 KEY ENABLERS

The NFIS policy framework is built on three key enablers for financial inclusion: (1) public and private sector commitment to the NFIS implementation and coordination; (2) enabling policy/legal/regulatory environment and supervisory capacity; and (3) financial infrastructure.

3.1.1 Public and Private Sector Commitment / Coordination

The strong commitment and effective coordination of relevant stakeholders, including policymakers, regulators, supervisors, and the private sector, will be critical for effective implementation of the NFIS. Commitment from each stakeholder implies their willingness to invest time and resources in the implementation of the action plan and to coordinate within a well-functioning and adequately resourced coordination structure. The coordination structure is detailed in Section 4 and is led by a high-level steering committee chaired by the Secretary to the Treasury of the Ministry of Finance.

3.1.2 Policy / Legal / Regulatory Environment and Supervisory Capacity

A policy, legal, and regulatory framework that promotes financial stability, competition, proportionality, and consumer protection is critical to achieve financial inclusion objectives. Legal and regulatory reforms that are fundamental to expanding financial inclusion include enhanced consumer protection, particularly on digital finance products and child-and-youth products; regulations on dormant accounts; tiered KYC requirements to encourage basic bank accounts and digital finance; adoption and implementation of the Credit Reporting Bill; deposit insurance; and reform of insolvency legislation that balances protections afforded to creditors and debtors. Monetary policies also have an impact on the viability of financial services providers and their ability to provide attractive savings accounts and affordable credit. Finally, tax policy affects formality in the real sector and thereby indirectly affects SME finance. The Government of the Republic of Zambia (GRZ) will ensure that critical legal reforms are finalised and adopted in a timely manner.

3.1.3 Financial Infrastructure

An insufficient financial infrastructure will limit the benefits and bounds of financial inclusion. Reforms in payment systems, secured transactions and creditor/debtor rights, private credit bureaus, and interoperability of payment instruments are crucial for ensuring that the financial system can operate soundly and efficiently. Ensuring a well-developed credit information system and a market infrastructure that protects the rights of lenders via a judicial system and borrowers via responsible lending and effective consumer protection is essential to help fuel SME finance.

3.2 KEY DRIVERS

Building on the three NFIS enablers, the NFIS policy framework envisions four drivers that are critical to realising the NFIS vision: (1) widespread and accessible delivery channels; (2) diverse, innovative, and customer-centric products for individuals; (3) accessible and supportive financial services for SME and agricultural sector growth; and (4) financial consumer protection and financial capability. These drivers are reflected in the action plan, the monitoring and evaluation system, and the coordination structure. Many of the policy objectives and actions within these drivers relate to the previously described enablers.

3.2.1 Widespread and Accessible Delivery Channels

Individuals and SMEs cannot take up or effectively use financial products and services if they cannot access them. The NFIS therefore prioritises actions that increase the accessibility and functionality of delivery channels, including branches, agents, ATMs, and POS systems. These actions are particularly critical for ensuring that unserved and underserved segments are provided the opportunity to enter the formal financial system and to reduce existing disparities in financial inclusion.

Strategic objectives under this driver include the following:

- Expand reach and quality of agent-based and other cost-effective delivery channels,
- Expand use of mobile-based delivery channels,
- Improve overall quality of service of financial service providers,
- Achieve interoperability and scale of retail payment systems,
- Strengthen reach and sustainability of microfinance institutions and SACCOs, and
- Strengthen pathways to formal financial inclusion for users of informal financial services.

3.2.2 Diverse, Innovative, and Customer-Centric Products

Universal access to transaction accounts and a diverse and widespread distribution network will create the "rails" for innovative financial services that conveniently and affordably meet the needs of all Zambians. These include new payment, insurance, savings, investment, and pension products—all of which can help individuals manage risk, smooth consumption, plan for the future, and meet their financial goals.

Policy objectives under this driver include the following:

- Reduce documentation barriers to product uptake and usage;
- Simplify products using customer-centric design (customer oriented designs);
- Expand supply of micro-insurance and micro-pension products; and
- Improve quality and availability of financial products and services for women, youth, and rural residents.

3.2.3 Finance for SME and Agricultural Sector Growth

Small and medium enterprises in Zambia are engines of job creation and growth. Given government's policy priority to improve financing for SMEs, agriculture, and rural areas to achieve economic diversification and inclusive growth, actions under this driver will specify priority areas to expand access to finance for SMEs and agriculture/rural finance.

Policy objectives under this driver include the following:

- Improve knowledge of governance of rural SMEs and their cash flow management,
- Build capacity of financial service providers to lend to SMEs and to farmers,
- Improve government-supported SME and agricultural finance schemes,
- Support growth in financing agriculture value chains,
- Develop financing instruments that meet SME/agricultural needs, and
- Improve credit reporting systems.

3.2.4 Financial Consumer Protection and Capability

The lack of consumer understanding and confidence in financial institutions has long been associated with financial exclusion in Zambia. Strengthening financial capability and consumer protection has therefore been identified as a key driver of financial inclusion.

Policy objectives under this driver include the following:

- Improve comparable disclosure practices of financial service providers;
- Improve awareness of, access to, and efficiency of dispute-resolution mechanisms for financial consumers;
- Improve business practices of financial service providers;
- Improve deposit protection;
- Strengthen financial consumer protection supervision;
- Clarify institutional arrangements and legal mandates for financial consumer protection; and
- Strengthen financial capability of consumers.

4. COORDINATION STRUCTURE

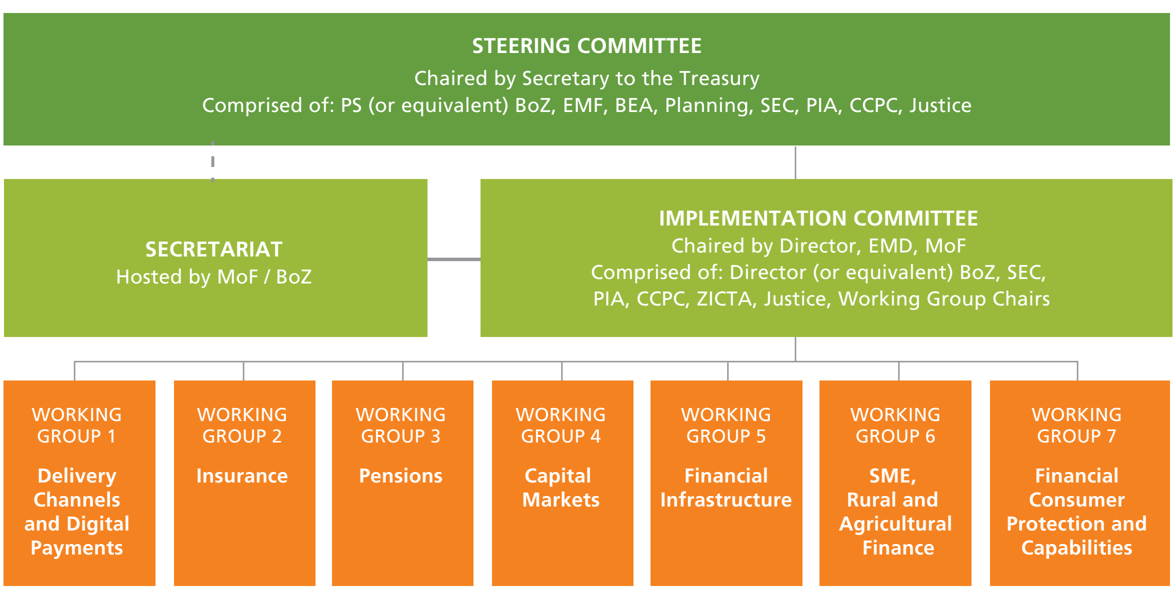
The initiatives needed to achieve broad financial inclusion will be carried out by multiple stakeholders in the public and private sectors. Hence, the formation of a national governance structure is critical to achieving the objectives of the NFIS. As shown in Figure 4 1, it is proposed that this governance structure be composed of three governing bodies: 1) the NFIS Steering Committee, 2) the Implementation Committee, and 3) the NFIS Secretariat. Seven working groups comprising private, public, and development partners will be instrumental in implementing the NFIS.

4.1 NFIS STEERING COMMITTEE

The National Financial Inclusion Strategy Steering Committee will provide overall policy guidance for the development and implementation of the strategy and a high-level platform for achieving Zambia's financial inclusion objectives and vision. The NFIS Steering Committee will function as the guiding body for governance and coordination of Zambia's National Financial Inclusion Strategy.

The National Financial Inclusion Strategy Steering Committee (NFISSC) shall be chaired by the Secretary to

FIGURE 4-1: Coordination Structure



the Treasury and deputised by the Deputy Governor—Operations, Bank of Zambia. The Committee comprises

- The Secretary to the Treasury, Ministry of Finance;
- The Deputy Governor—Operations, Bank of Zambia;
- The Permanent Secretary—Economic Management and Finance (EMF), Ministry of Finance;
- The Permanent Secretary—Budget and Economic Affairs (BEA), Ministry of Finance;
- The Permanent Secretary—Planning, Ministry of Development Planning;
- Chief Executive Officer, SEC of Zambia;
- Registrar and Chief Executive Officer, PIA;
- Executive Director, CCPC;
- The Permanent Secretary, Ministry of Justice;
- The Chairperson of the National Financial Inclusion Strategy Implementation Committee (NFISIC) as Ex-Officio; and
- Up to two other persons appointed by the Chairperson of the Committee.

The tasks for the National Financial Inclusion Strategy Steering Committee are to

a) Provide overall guidance, supervise the National Financial Inclusion Strategy Implementation Committee, and monitor its performance;

b) Guide the implementation of major legislative and policy reforms required to realise Zambia's national financial inclusion objectives;

c) Lead the effort to coordinate nationwide policy reforms to meet the national financial inclusion objectives;

d) Ensure that annual budgetary allocations provide sufficient resources for implementation of reforms under the National Financial Inclusion Strategy;

e) Monitor and evaluate the implementation of the National Financial Inclusion Strategy, including tracking the progress of reform actions and monitoring indicators and results achieved;

f) Meet biannually to take stock of the progress on the NFIS and make necessary course corrections; and

g) Perform other functions required to achieve its purpose.

4.2 NFIS IMPLEMENTATION COMMITTEE

The Implementation Committee will have the overall responsibility of drafting and implementing the National Financial Inclusion Strategy, under the guidance of the Steering Committee. The Implementation Committee will have support from various working groups established to drive financial inclusion.

The NFISIC will be chaired by the Director of the Economic Management Department in the Ministry of Finance and deputised by the Senior Director—Supervisory Policy, BoZ. The committee comprises

- Director, Economic Management Department;
- Senior Director—Supervisory Policy, BoZ;
- Director—National Planning, Ministry of Development Planning;
- Representative of the BoZ;
- Representative of the SEC;
- Representative of the PIA;
- Representative of the CCPC;
- Representative of ZICTA;
- Representative of the Ministry of Justice;
- Chairpersons of the working groups; and
- Up to two other persons appointed by the Chairperson of the Committee.

Key staff of the NFIS Secretariat are to be in attendance.

The tasks for the National Financial Inclusion Strategy Implementation Committee are

a) Lead effective intra-government, inter-institutional, and public-private coordination of activities to meet the national financial inclusion objectives;

b) Collaborate and coordinate with other existing or future thematic groups such as the RUREF, payments groups, etc.;

c) Notify and establish mechanisms and guidelines for clearly mandated and relevant working groups to aid in the implementation of the NFIS;

d) Oversee the activities and effectiveness of the working groups and make changes when necessary;

e) Ensure that a functional NFIS Secretariat is in place and has sufficient capacity and financing to provide support on updates to the NFIS action plan, conduct data aggregation, report on results indicators, conduct monitoring and evaluation (M&E), research, support implementing agencies, and conduct various administrative functions for the Implementation Committee;

f) Establish a system for proper cascading, implementation, and reporting of financial inclusion reform actions by the respective implementing institutions and working groups;

g) With assistance from the working groups, prepare and approve a detailed action plan based on the NFIS action plan, identifying and assigning specific tasks for the short, medium, and long terms;

h) Identify, communicate, and acquire sufficient resources from various funding sources (government budgets, donors, international institutions, private sector, etc.) for the implementation of financial inclusion reform actions;

i) Create the necessary public awareness of the National Financial Inclusion Strategy and its implementation progress;

j) Review, measure, monitor, and evaluate implementation of member institutions against the set of NFIS M&E targets and milestones, providing timely feedback;

k) Review existing policies, practices, and systems and identify opportunities and/or critical obstacles to enhance financial inclusion and implement proper remedial actions;

l) Meet on a quarterly basis, or more frequently when deemed necessary, to review and discuss development and implementation of NFIS processes and provide guidance accordingly;

m) Report to the National Financial Inclusion Steering Committee on implementation, progress, and results of the NFIS through regular periodic reports; and

n) Perform other duties as directed by the National Financial Inclusion Strategy Steering Committee.

4.3 NFIS SECRETARIAT

The NFIS Secretariat, housed at the Ministry of Finance (and co-supported by the Bank of Zambia) is responsible for providing technical, administrative, and research support to the NFIS Steering Committee and the Implementation Committee and to ensure smooth implementation of the NFIS.

Sector-specific institutions will provide secretariats to each of the subject-specific working groups established and shall coordinate with the main Secretariat to be housed in the Ministry of Finance for smooth implementation of the strategy.

The NFIS Secretariat and the secretariats for subject-specific working groups will consist of staff with the requisite technical, research, and administrative expertise. To ensure proper implementation of the NFIS, it is recommended that the NFIS Secretariat have sufficient full-time staff and budget resources from the government and/or development partners and the secretariats for the working groups to have full- or part-time staff.

The NFIS Secretariat will

a) Ensure the availability of required data and information for establishing baselines and tracking progress under the monitoring and evaluation framework;

b) Conduct or contract research required to inform implementation of the NFIS;

c) Collect information, data, and implementation updates from the working groups;

d) Provide quarterly progress reports on NFIS implementation to the Implementation Committee;

e) Conduct impact evaluations of initiatives; and

f) Provide technical and administrative support to working groups through the specific working group secretariat, the Steering Committee, the Implementation Committee, and the lead implementing agencies.

4.4 WORKING GROUPS

Working groups will be formed in the following focal areas: delivery channels and digital payments; insurance; pensions; capital markets; financial infrastructure; SME, rural, and agricultural finance; and financial consumer protection and capabilities. In addition, there may be cross-cutting thematic working groups that will focus on topics such as gender and youth. The primary objectives of working groups are to validate and monitor developments in the market, propose and facilitate execution of detailed implementation plans, resolve technical issues, and propose solutions to the Implementation Committee to achieve specific NFIS objectives.

Each working group will comprise representatives from public and private sector implementing entities and individuals with the requisite technical expertise in each defined area. Respective working groups will be chaired by an elected member from the private sector who should be at senior management level. The secretariat for each working group shall be as outlined in Annex 1.

While the working groups will serve as an avenue for consultation and review, the "primary entity" as listed in the action plan is ultimately responsible for the implementation of each action. Some actions may also require one organisation acting unilaterally to implement regulations/directives. Others will be cross-functional across several working groups with one working group identified as the lead. Annex 1 includes an initial list of working groups, with suggested chairs and participants.

The tasks for the national financial inclusion working groups are

a) Based on the results and market conditions expected by the completion of the strategy, develop detailed NFIS implementation plans in their specific area of focus, including timelines and assignment of responsibilities, for proposal to the Implementation Committee;

b) Consult with other industry players or stakeholders to obtain buy-in on proposed actions, solutions, and plans;

c) Collaborate and coordinate with other existing or future thematic consultative groups on areas of common concern;

d) Provide information on progress in implementation and related targets to the NFIS Secretariat on a quarterly basis, or as needed;

e) Propose solutions to theme-specific challenges to the Implementation Committee; and

f) Propose changes and course corrections to agreed action plans or targets, as required.

5. MONITORING AND EVALUATION SYSTEM

The measurement of progress toward Zambia's financial inclusion goals and objectives requires a monitoring and evaluation (M&E) system that is well resourced, well coordinated, and accepted by a full range of stakeholders. When these conditions are met, such an M&E system can be a powerful and effective tool for identifying obstacles, demonstrating results, and efficiently allocating resources.

The key objectives of the NFIS M&E system are to

- Track the execution of NFIS measures and actions to ensure that implementation is on track (Section 5.1),
- Facilitate measurement of impact-level and intermediate-level financial inclusion outcomes (Section 5.2) through a robust data infrastructure (Section 5.3), and
- Coordinate and provide technical support for evaluations of strategically important financial inclusion initiatives (Section 5.4).

Overall responsibility for the monitoring and evaluation of the NFIS rests with the NFIS Secretariat. The NFIS Secretariat will coordinate day-to-day execution of the M&E system and provide technical expertise to strengthen the internal M&E capabilities of institutions and partners engaged in implementing the NFIS. The M&E function will be supported by data experts and analysts from institutions represented in the NFIS Implementation Committee. The NFIS Secretariat will convene a biannual meeting of these representatives.

5.1 TRACKING IMPLEMENTATION OF THE NFIS

A key function of the M&E system is to ensure that the actions outlined in the NFIS action plan are being executed by the responsible entity according to the specified timeline and are linked to the results framework to improve finance inclusion. Thus, each implementing institution will be responsible for reporting implementation status (not yet initiated, initiated, completed), relevant obstacles to completion, and estimated completion dates on a biannual basis to the NFIS Secretariat. This information will then be consolidated into periodic reports.

5.2 NFIS RESULTS FRAMEWORK

The NFIS results framework allows implementing institutions and other stakeholders to monitor progress toward the objectives set forth in the NFIS using defined indicators and targets. The NFIS results framework shall include the determination of access in terms of the availability of products and services and physical proximity (number of POSs and distance to POSs) and affordability, usage in terms of product acquisition and frequency of use, quality in terms of product development that considers the needs of customers, and product attributes (design) that match the needs of consumers. The indicators listed in Table 5-1 reflect the full range of available data resources produced by a range of stakeholders. The indicators are structured by the NFIS drivers as defined in Section 3.

Indicators are presented at two levels. Impact indicators represent national-level targets that measure progress driven by a range of actions, including factors outside the scope of the NFIS, such as economic growth. Relevant indicators from the AFI Core Set of Financial Inclusion Indicators are included in this level (see, for example, indicators 3–6) and those from the G20 Financial Inclusion Indicators (see, for example, indicators 7, 8, 9, and 14).

Action indicators represent intermediate outcomes that are directly linked with specific NFIS actions; these indicators serve as a link between the actions and the impact indicators. The M&E framework will be coordinated and updated by the NFIS Secretariat. It is expected that the indicators and targets will be reviewed and updated annually.

5.3 FINANCIAL INCLUSION DATA INFRASTRUCTURE

High-quality data are the foundation of a robust M&E system. Zambia has a range of existing supply- and demand-side data sources with which to measure financial inclusion progress. Annex 2 outlines the existing and potential financial inclusion data sources as of the time of the publication of the NFIS. The Secretariat will be responsible for the continuous updating of this resource.

It is important to note there is a difference between the indicators presented in the M&E framework and the full depth and breadth of the objectives and actions defined in the NFIS. Thus, it is critical that efforts to increase the scope and quality of Zambia's financial inclusion data infrastructure be undertaken and prioritised and that the M&E framework maintain a certain degree of flexibility to incorporate these data sources, indicators, and targets as they become available. In particular, efforts are required to improve demand-side measurement in the following areas:

- SME finance,
- Uptake and usage of digital financial services, and
- Product quality and satisfaction.

Once new questions and modules in these areas have been developed and piloted (including through cognitive interviews, focus groups, and field testing), they can be integrated into the regular demand-side national surveys (e.g., those undertaken by FinScope and Central Statistics Office or CSO instruments for individuals and SMEs). These initiatives will be complemented by simultaneously improving the scope, consistency, and quality of supply-side financial inclusion data, that is, data collected directly from financial service providers. Several activities under the NFIS action plan will be devoted to strengthening the data landscape to better monitor and evaluate financial inclusion.

5.4 EVALUATION OF KEY ACTIONS

In addition to monitoring progress, it is critical that evaluations of key NFIS actions be conducted to assess their efficiency, impact, and the degree to which they contribute to national-level NFIS objectives and targets. An independent mid-term evaluation of the implementation of the NFIS action plan will be conducted in 2019 and a final evaluation in 2022. A key role of the NFIS Secretariat will be to coordinate, oversee, and mobilise resources for these evaluations.

TABLE 5-1: National Results Framework

Driver	#	Impact Indicator	Baseline	Target 2022	Source	Reporting Frequency	Reporting Breakdown
Cross-cutting	1	% adults financially included (*formal & informal*)	59 (2015)	80	FinScope	As data available	By district
	1a	% women financially included (*formal & informal*)	57 (2015)	80	FinScope	As data available	By district
	1b	% youth financially included (*formal & informal*)	55 (2015)	80	FinScope	As data available	By district
	1c	% rural financially included (*formal & informal*)	50 (2015)	75	FinScope	As data available	By district
	2	% adults formally financially included	38 (2015)	70	FinScope	As data available	By gender, age, income, rural, district
Delivery Channels	3	# of access points per 10,000 adults[33]	7.64 (2015)	10	BoZ	Annual	By type of access point (branch, agent, ATM)
	4	% of districts with at least one access point	82 (2015)	100	BoZ	Annual	By type of access point (branch, agent, ATM)
	5	% of total population living in districts with at least one access point	92 (2015)	100	BoZ	Annual	By type of access point (branch, agent, ATM)
Products	6	% adults with a transaction account	36 (2014)	70	Findex / FinScope	Triennial	By gender, age, income, rural, district
Products	7	% adults making or receiving a digital payment	29 (2014)	60	Findex / FinScope	Triennial	By gender, age, income, rural, district
Products	8	Cashless retail transactions per capita	—	tbd	BoZ	Quarterly	By type of instrument
Products	9	% adults saving at a regulated financial institution	22 (2015)	30	FinScope	As data available	By gender, age, income, rural, district
Products	10	% adults saving with informal saving groups	6 (2016)	Monitor only; no target	FinScope	As data available	By gender, age, income, rural, district
Products	11a	% adults with at least one insurance product	2.8	10	FinScope	As data available	By gender, age, income, rural, district
Products	11b	% adults with at least one non-mandatory insurance product	3.8	15	FinScope	As data available	By gender, age, income, rural, district
Products	12	% adults with at least one pension product	4 (2015)	20	FinScope	As data available	By gender, age, income, rural, district
Products	13	% adults using an investment product	0.3 (2015)	tbd	FinScope	As data available	By gender, age, income, rural, district
Finance for Growth	14	% SMEs with a loan or line of credit	8 (2013)	20	Enterprise Survey	As data available	By firm size, industry, district, gender
Finance for Growth	15	% SMEs reporting "access to finance" as a major obstacle	27 (2013)	20	Enterprise Survey	As data available	By firm size, industry, district, gender
Protection & Capability	16	% adults that express trust in the financial sector	68 (2015)	75	Gallup World Poll	Triennial	By gender, age, income, rural, district
Protection & Capability	17	% adults that check terms and conditions of financial products before purchase	23 (2016)	40	WB Financial Capability Survey	As data available	By gender, age, income, rural, district
Protection & Capability	18	% adults who try to resolve conflicts with financial institutions (of those who experience a conflict)	25 (2016)	40	WB Financial Capability Survey	As data available	By gender, age, income, rural, district
Protection & Capability	19	% adults with high product awareness levels (i.e., familiar with products from at least 5 of 9 provider types)	36 (2016)	50	WB Financial Capability Survey	Periodic	By gender, age, income, rural, district

TABLE 5-1, *continued*

Driver	#	Impact Indicator	Baseline	Target 2022	Source	Reporting Frequency	Reporting Breakdown
Protection & Capability	20	% adults with high financial knowledge levels (i.e., correct answers to at least 5 of 7 financial knowledge questions)	29 (2016)	45	WB Financial Capability Survey	Periodic	By gender, age, income, rural, district

Driver	#	Action Indicator	Baseline	Target 2022	Source	Reporting Frequency	Reporting Breakdown
Cross-cutting	21	% G2P payments delivered via digital channels	—	tbd	MOF	Biannual	By G2P program / institution
Cross-cutting	22	% P2G payments delivered via digital channels	—	tbd	MOF	Biannual	By P2G program / institution
Delivery Channels	23	% agents that are non-exclusive	7	100	BoZ	Biannual	
Delivery Channels	24	% savings groups linked to FIs	—	tbd	SaveNet, BoZ	Biannual	
Products	25	% regulated FIs with tiered KYC product requirements	—	tbd	BoZ	Biannual	
Finance for Growth	26	% individuals covered by credit reporting system	17	tbd	BoZ, WB Doing Business	Biannual	
Finance for Growth	27	% registered firms covered by credit reporting system	—	tbd	BoZ	Biannual	
Protection & Capability	28	% FIs rated compliant with disclosure requirements	—	tbd	BoZ, PIA, SEC	Biannual	Provider type
Protection & Capability	29	% complaints resolved via internal dispute resolution mechanisms at financial institutions	—	tbd	tbd	Biannual	
Protection & Capability	30	% complaints resolved by external dispute resolution mechanism (of those received)	—	tbd	tbd	Biannual	
Cross-cutting	31	# NFIS biannual reports released publicly	0	10	NFISIC	Biannual	
Cross-cutting	32	# stakeholders actively participating in NFIS coordination structure	0	tbd	NFISIC	Biannual	

6. ACTION PLAN

The following action plan (Table 6-1) outlines a series of actions to close the gaps identified in Section 2. The action plan is structured around the four drivers in the NFIS policy framework, with an additional "cross-cutting" category. Policy objectives are listed along with associated, specific actions. Each action is linked to a primary entity, one or more secondary entities, a priority level, and a timeline (e.g., 2018–2019). While the working groups will serve as an avenue for consultation and review, the "primary entity" as listed in the action plan is ultimately responsible for the implementation of each action. Indicators from the NFIS results framework relevant to each action are marked in the "relevant indicators" column—these include high-level, national impact indicators and intermediate, action-level indicators. Both the public and private sector must play a key role in implementing the action plan; though it is ultimately the private sector that will move forward financial inclusion in Zambia.

TABLE 6-1: Action Plan

#	Objective	Action	Primary Entity	Secondary Entities	Priority	Timeline	Relevant Indicators
Widespread and Accessible Delivery Channels							
1	Expand reach and quality of agent-based and other cost-effective delivery channels	Issue agent banking regulations (that clearly eliminate agent exclusivity)	BoZ	Justice, CCPC, BRRA	High	2017	I: 3-5 A: 23
		Review branching requirements and consider tiered requirements for simplified branches	BoZ		Medium	2017–2018	I: 3-5
		Undertake study of causes and potential solutions to address agent liquidity issues	BoZ	Development partners	High	2017–2018	I: 3-5
		Leverage ZamPost network for agent banking	ZamPost		Medium	2018–2019	I: 3-5
		Leverage "mystery shopping" as a supervisory tool to ensure agent compliance with KYC, disclosure, and other regulatory requirements	BoZ	ZICTA and CCPC	Medium	2018–2019	I: 3-5
		Provide incentives (tax, etc.) for FSPs to expand branch/agent networks in rural areas	MOF		Medium	2018–2020	I: 3-5

TABLE 6-1, *continued*

#	Objective	Action	Primary Entity	Secondary Entities	Priority	Timeline	Relevant Indicators
Widespread and Accessible Delivery Channels, continued							
2	Expand use of mobile-based delivery channels	Enable and promote use of mobile-based delivery channels for non-payment products (e.g., insurance, credit)	BoZ	Industry	High	2017–2018	I: 11-13
		Develop cheaper avenues for low-income consumers to obtain mobile phones	ZICTA	Industry	High	2017–2018	I: 6-13
		Encourage employers to partially disburse wages through mobile-based payment instruments	MOF		Medium	2018	I: 6-8
3	Improve overall quality of service of financial service providers	Issue industry-specific quality of service charters	BAZ, industry associations		High	2017	I: 16
4	Achieve interoperability and scale of retail payment systems	Complete phased implementation of National Switch	BoZ	BAZ, industry associations	High	2017–2018	I: 6-8
		Grant fair and open access to ZECH for non-banks that meet standards	BoZ	BAZ, industry associations	High	2017–2018	I: 6-8
		Promote interoperable products	BoZ	BAZ, industry associations	High	2018–2019	I: 6-8
		Promote expansion of acceptance networks for retail payment systems	BoZ	ZICTA	High	2018–2019	I: 6-8
5	Leverage G2P and P2G payments to expand financial inclusion	Undertake an assessment/mapping of G2P and P2G programs to assess feasibility of digitisation and determine strategy	MOF		High	2017–2018	I: 6-8 A: 21, 22
		Migrate G2P payments to digital platforms (e.g., for Farmer Input Support Program and Women' Livelihood Program)	Ministry of Agriculture, MCDSW	FSPs	High	2017–2020	I: 6-8 A: 21
		Migrate P2G payments to digital platforms (e.g., school payments, taxes)	Ministry of Education	FSPs	High	2018–2020	I: 6-8 A: 22
6	Strengthen reach and sustainability of SACCOs and MFIs	Develop and expand linkages between SACCOs and other formal financial institutions and between MFIs and other formal financial institutions	MCTI, BoZ	Industry	Medium	2018–2022	I: 6,9
		Review feasibility of incorporating SACCOs into financial sector legal and regulatory framework	MCTI	BoZ	Medium	2018	I: 6,9,16
7	Strengthen pathways to formal financial inclusion for users of informal financial services	Recognise financial inclusion role of informal savings groups	BoZ		Medium	2017	I: 10 A: 24
		Expand linkages between savings groups/Chilimbas and formal financial service providers	MCTI	BoZ	Medium	2018–2021	I: 6,9,10 A: 24
Diverse, Innovative, Customer-Centric Products							
8	Reduce documentation barriers to product uptake and usage	Review potential financial inclusion impacts of tax identification requirement for account opening and consider mitigating approaches (e.g., exemptions for low-value accounts)	BoZ, ZRA, ZICTA, Industry	MOF	High	2017	I: 6, 11-13
		Issue, promote, and implement tiered KYC requirements	SEC, PIA, ZICTA, ZRA, Industry	FIC, Justice, BoZ	High	2017–2018	I: 6, 11-13 A: 25
		Develop a centralised electronic KYC database into which all market players could tap to ensure customers meet KYC requirements	BoZ, ZICTA	MOF, MoHA	Medium	2018	I: 6, 11-13

TABLE 6-1, *continued*

#	Objective	Action	Primary Entity	Secondary Entities	Priority	Timeline	Relevant Indicators
Diverse, Innovative, Customer-Centric Products, continued							
9	Simplify products using customer-centric design	Introduce and promote basic savings/transaction accounts	Industry, BoZ			2017–2018	I: 6,9
		Design, test, and adopt simplified, tailored products (e.g., savings, credit, payments, collective investments, insurance, pension etc.), facilitated by sandbox regulation for pilot products	Industry	BoZ, PIA, SEC	High	2017–2020	I: 6,7,9,11-13
		Develop approaches to incentivise uptake of simplified products (e.g., competition among providers)	BoZ, PIA, SEC	FSP	Medium	2018–2019	I: 6,7,9,11-13
		Explore affordable development USSD code menus in seven main local languages	ZECH	BoZ, Payments dept., ZICTA	High	2018	I: 6,7,9,11-13
10	Expand supply of insurance and pensions products	Formulate strategy for professional development and certification of insurance practitioners through the Insurance Institute of Zambia (IIZA)	Insurance Association, IIZA	PIA	Medium	2018–2019	I: 11a, 11b
		Amend insurance regulations to lower capital requirements for micro insurers	PIA	Insurance association	High	2020	I: 11a, 11b
		Issue regulations on micro pension	PIA	Pensions association	High	2020	I: 12
		Public sensitisation to insurance, pensions, and collective investments	PIA	Pensions providers	Medium	2021	I: 11-13
11	Improve quality and availability of financial products and services for women, youth, and children	Design approaches to reduce barriers to financial inclusion for women, youth, and children	Industry	MOF, BoZ, Ministry of Gender, Associations, Industry	High	2020	I: 1a, 1b, 1c
		Promote children's accounts in line with child- and youth-friendly banking principles[34]	BoZ	Banks and MFIs	Medium	2018	I: 1a, 1b, 1c
		Change legal/regulatory requirements to allow youth (from age 16) to open and operate savings/transaction accounts	BoZ, MOF		Medium	2018	I: 1b
Finance for SME and Agricultural Sector Growth							
12	Improve coverage and quality of credit reporting systems	Review and finalise Credit Reporting Bill	MOF	BoZ, Justice	High	2017	I: 14,15 A: 26,27
		Implement online movable collateral registry (in line w/ 2016 Movable Property Security Interest Act)	PACRA	Industry	High	2017	I: 14,15
13	Build capacity of financial service providers to serve SMEs	Train lenders in "down scaling" SME lending, valuation, and registration of movable assets	Industry, PACRA, MOF	Providers of technical assistance	High	2018–2019	I: 14,15
		Improve SME finance practices through non-credit offerings (e.g., cash-flow support, payments, insurance, equity) and evaluate programs such as Live Labs for potential scale-up	Industry, MOF	Providers of technical assistance	High	2018–2020	I: 14,15
14	Improve government-supported SME finance approaches	Review effectiveness and impact of existing SME and agricultural support schemes/interventions to make transformative changes in targeting, sustainability, recovery, and impact, Including exploring partial guarantee schemes	ZDA, LuSE, CEEC, DBZ, NatSave, MoA	Relevant ministries and agencies	High	2018	I: 14,15
		Review and strengthen mandates of existing state-owned financial institutions in rural and agricultural finance	MOF		High	2018	I: 14,15
		Undertake assessment to consider feasibility and potential contribution of new entity with agricultural mandate	MOF	BoZ, RUFEP	High	2018–2019	I: 14,15

TABLE 6-1, *continued*

#	Objective	Action	Primary Entity	Secondary Entities	Priority	Timeline	Relevant Indicators
Diverse, Innovative, Customer-Centric Products, continued							
		Provide incentives for rural outreach and innovation (e.g., accounting treatment, limited tax holiday on imports of ATM/PoS equipment for deployment in underserved areas)	MOF, ZRA, BoZ, PIA, SEC	ZICTA	High	2019	I: 14,15
15	Finance agriculture value chain	Promote warehouse receipt financing	Industry associations	RUFEP, SEC, MoA, ZAMACE	High	2017–2018	I: 14,15
		Build capacity for FSPs to design and offer agriculture finance products	Industry associations	BoZ, Providers of technical assistance	High	2017–2022	I: 1c
16	Develop innovative and accessible instruments for financing of SME	Undertake assessment to determine existing constraints and potential reforms and actions (including related to factoring and leasing)	MOF	Development partners	Medium	2017	I: 14,15
Financial Consumer Protection and Capability							
17	Clarify institutional arrangements and legal mandates for financial consumer protection	Enact existing relevant legal amendments to strengthen and harmonise mandates for financial consumer protection and resolve overlaps with CCPC	BoZ, SEC, PIA, CCPC	MOF, MOC	High	2017	I: 16
		Issue a shared policy/strategy for financial consumer protection	BoZ, SEC, PIA, CCPC		High	2017	I: 16
		Revise and consolidate multi-sectoral MoUs CCPC	BoZ, SEC, PIA,		High	2017–2018	I: 16
18	Improve disclosure practices of financial service providers	Issue key fact statement and other disclosure requirements for core retail financial products, based on market research	BoZ, SEC, PIA, CCPC	Industry	High	2018–2019	I: 17 A: 28
19	Improve access to and efficiency of dispute resolution mechanisms for financial consumers	Issue internal complaints-handling requirements for financial institutions	BOZ, SEC, PIA		High	2018	I: 18
		Determine institutional arrangement for external dispute resolution (EDR) and establish (preferably single) EDR mechanism for financial sector	BoZ, SEC, PIA, CCPC		High	2019–2021	I: 18
		Publish data on customer complaints and leverage for supervision	tbd (by EDR arrangement)	BoZ, SEC, PIA, CCPC	High	2018–2022	I: 18
		Undertake efforts to strengthen customer awareness of dispute-resolution channels	BoZ, SEC, PIA, CCPC	Industry	Medium	2020–2022	I: 18
20	Strengthen financial consumer protection supervision	Determine internal responsibilities within regulators for financial consumer protection supervision	BoZ, SEC, PIA		High	2018	I: 18
		Build capacity of regulators to undertake financial consumer protection supervision	BoZ, SEC, PIA		High	2018–2019	I: 16,18
21	Improve business practices of financial service providers	Draft and issue regulations that ensure/ address responsible lending practices, cooling-off periods, collection practices, sales practices, treatment of dormant accounts	BoZ, SEC, PIA		Medium	2019–2020	I: 16,18
22	Improve deposit protections	Review and pass Deposit Insurance Bill	BoZ, MOF		High	2017	I: 9, 16
23	Strengthen financial capability of consumers	Determine institutional leader and governance arrangements for NSFE implementation	MOF, BoZ, SEC, PIA		High	2017	I: 19,20
		Review and update the National Strategy for Financial Education (action plan and M&E)	BoZ, SEC, PIA		High	2018	I: 19,20
		Ensure coordination with the National Strategy on Financial Education implementation mechanisms	BoZ, SEC, PIA	MOF	Medium	2017–2022	I: 19,20

TABLE 6-1, *continued*

#	Objective	Action	Primary Entity	Secondary Entities	Priority	Timeline	Relevant Indicators
Financial Consumer Protection and Capability, continued							
		Fully embed appropriate financial education into primary, secondary, vocational, and tertiary school curriculum	Ministries of Education	BoZ, SEC, PIA, CCPC	High	2018–2019	I: 19,20
		Design, implement, and evaluate priority programs that are likely to be effective and reach scale, leveraging community-based channels (e.g., traditional authorities, churches)	BoZ, SEC, PIA	FSDZ, Ministry of Chiefs and Traditional Affairs	High	2017–2022	I: 19,20
Cross-Cutting							
24	Improve data infrastructure for financial inclusion	Incorporate financial inclusion modules into CSO survey instruments	CSO		Medium	2018–2019	
		Review scope, quality, and consistency of supply-side financial inclusion data	BoZ, PIA, SEC		Medium	2018–2019	
25	Improve cross-agency coordination for financial inclusion	Ensure participation of relevant stakeholders in NFIS coordination structure	NFIS SC		High	2017–2022	A: 32
		Provide regular updates to all government authorities on financial inclusion progress	MOF		High	2017–2022	A: 31

7. RISKS AND MITIGATION APPROACHES

Certain risks could undermine realisation of the objectives and targets of the NFIS. These risks and proposed mitigation approaches are summarised in Table 7 1.

TABLE 7-1: Risks and Mitigation Approaches

Risk	Potential Impact on Strategy	Mitigation Approaches
Deterioration in macroeconomic conditions leading to high interest rates, tight liquidity, and diversion of financial sector policy prioritisation away from financial inclusion.	High	– Undertake prudent fiscal and monetary policies to ensure macroeconomic stability. – Promote financial system stability through adequately capitalised financial institutions that are able to withstand shocks.
Tight fiscal conditions limiting availability of government resources to support implementation.	High	– Enhance budget resource mobilisation and prioritisation of financial inclusion during resource allocation. – Identify and engage the private sector and development partners for additional resources.
Slow process of legal and regulatory reforms.	High	– Provide a dedicated staff to oversee reforms. Allocate adequate resources
Public and private sector commitment needed to advance the financial inclusion agenda is not sustained throughout the implementation period 2017–2022.	Medium	– Ensure active, consistent, and broad-based participation of all stakeholders in the coordination structure. – Host annual or biannual fora to assess implementation and secure continued buy-in. – Promote awareness raising and prioritisation of NFIS agenda by high-level "champions" within each institution.

ANNEXES

ANNEX 1: WORKING GROUPS

WORKING GROUP 1: **Delivery Channels and Digital Payments**
(Secretariat: BoZ)

WORKING GROUP 2: **Insurance**
(Secretariat: PIA)

WORKING GROUP 3: **Pensions**
(Secretariat: PIA)

WORKING GROUP 4: **Capital Markets**
(Secretariat: SEC)

WORKING GROUP 5: **Financial Infrastructure**
(Secretariat: BoZ)

WORKING GROUP 6: **SME, Rural, and Agricultural Finance**
(Secretariat: RUFEP)

WORKING GROUP 7: **Financial Consumer Protection and Capabilities**
(Secretariat: CCPC)

ANNEX 2: FINANCIAL INCLUSION DATA SOURCES

Data Source	Demand or supply side	Unit of measurement	Target population	Panel dimension	Mode of interview	Sample size	Year (most recent)	Frequency	Topics covered	Responsible Institution
Existing Sources of Financial Inclusion Data										
Bank of Zambia	Supply	Financial service providers	Licensed FSPs	Yes	Electronic reporting	—	2015	Annual	Access points, product uptake / volumes	BoZ
FinScope	Demand	Individual age 16+	Adults	No	Face to face	8,570	2015	Periodic	Accounts, payments, savings, credit	FSD Zambia
ICT Survey	Demand	Individual age 10+	Adults	No	Face to face	6,150	Forthcoming	Every 2–3 years	Uptake / usage of digital financial services	ZICTA / CSO
Financial Capability Survey	Demand	Individual age 18+	Adults	No	Face to face	2,505	2016	tbd	Financial capability	World Bank
Global Findex	Demand	Individual age 15+	Adults	No	Face to face	1,000	2014	Triennial	Accounts, payments, savings, credit	World Bank
Enterprise Surveys	Demand	Firm with >5 employees	Formal firms	No	Face to face	720	2013	Periodic	Access to finance	World Bank
Potential Sources of Financial Inclusion Data										
Living Conditions Survey	Demand	Household / Individual	All households	No	Face to face	12,000 HH	2010, 2015	Biennial	Consumption, education, housing, etc.	CSO
Informal Sector Survey	Demand	Household engaged in informal sector production	Households	No	Face to face	3,000	2013	Biennial	Production, employment	CSO
Crop Forecasting / Post-Harvest Surveys	Demand	Agricultural production unit	Small, medium, large farms	Yes	Face to face	15,000	2015	Annual	Agricultural production, inputs	CSO

Notes: FSD = ; FSP = financial service provider; HH = ; ICT = ; tbd = to be determined.

NOTES

1. Section 3.1.4 of Zambia Vision 2030 notes that Zambia will "improve access to affordable credit and other financial services as well as the development of capital markets in both rural and urban areas, for both men and women."
2. See, for example, Ratna S., M. Čihák, P. N'Diaye, A. Barajas, S. Mitra, A. Kyobe, Y. Nian Mooi, and S. Reza Yousefi (2015). Financial Inclusion: Can It Meet Multiple Macroeconomic Goals? IMF, Washington D.C..; World Bank (2014). Global Financial Development Report 2014: Financial Inclusion. Washington, DC.
3. See, for example, Jack, W., and T. Suri (2014). "Risk Sharing and Transactions Costs: Evidence from Kenya's Mobile Money Revolution," *American Economic Review,* 104(1): 183–223.
4. See, for example, Han, R., and M. Melecky (2013). "Financial Inclusion for Financial Stability: Access to Bank Deposits and the Growth of Deposits in the Global Financial Crisis." Policy Research Working Paper 6577, World Bank, Washington, DC.
5. In 2016, the G20 endorsed an update of these principles focused on leveraging digital technologies to expand financial inclusion, the "G20 High-Level Principles for Digital Financial Inclusion."
6. The Maya Declaration is a global and measurable set of commitments by developing and emerging country policymakers to unlock the potential of the poor through greater financial inclusion. Institutions from more than 80 countries have endorsed the declaration.
7. FinScope 2015.
8. See http://datatopics.worldbank.org/financialinclusion/.
9. Mobile money providers are defined as banks or non-banks that facilitate the electronic transfer of value via mobile phones or similar devices.
10. Helix Institute of Digital Finance (January 2016). Agent Network Accelerator Survey: Zambia Country Report. Nairobi, Kenya.
11. Financial Sector Deepening Zambia (February 2016). Consumers Behaviours in Zambia: Analysis and Findings. Lusaka, Zambia.
12. Helix Institute of Digital Finance (January 2016). Agent Network Accelerator Survey: Zambia Country Report. Nairobi, Kenya.
13. World Council of Credit Unions Credit Unions Statistical Report (December 2015). Wisconsin, United States.
14. FinScope 2015.
15. Chilimbas are informal rotating savings and credit groups.
16. FinScope 2015.
17. FinScope (2015).
18. FinScope (2015).
19. According to FinScope, mobile penetration is used to refer to the number of people who own mobile phones relative to the population.
20. FinScope 2015.
21. FinScope 2015.
22. The increase was a result of a new product from an MNO that has since been withdrawn.
23. We understand that the mobile product has since been dropped, resulting in a sharp drop in micro-insurance policies.
24. Recent progress has been made in this area. According to Financial Sector Deepening Zambia (FSDZ), uptake of weather insurance for farmers in 2016 was 60,000.
25. Since 2007, the Ministry of Commerce, Trade and Industry (MCTI) has used either investment, turnover, or employment-based definitions depending on the circumstances and with clear thresholds for each indicator. The employment-based indicator of a small enterprise in Zambia according to the MCTI are those with up to 45 employees, and medium enterprises are those with up to 100 employees.
26. The Movable Property (Security Interest) Act 2016.
27. World Bank (2016). World Development Indicators. Washington, DC.
28. As of December 2016, the major allocations of banks' loan portfolios were 34 percent consumer; 17 percent agriculture; 12.6 percent manufacturing; 10.25 percent wholesale and retail trade; 6.3 percent mining; and 4.6 percent transport, storage, and communications.
29. World Bank (2008). Agriculture and Poverty Reduction. World Development Report. Washington, DC.
30. Bank of Zambia. (2015). Removal of Interest Rate Caps and Consumer Protection Measures, CB Circular No. 19/2015. 4th November. Lusaka, Zambia.
31. FinScope 2015.
32. FinScope 2015.
33. "Access points" includes branches of commercial banks, microfinance institutions, building societies, savings and credit institutions (NatSave), development finance institutions, active agents of commercial banks and mobile money providers, and ATMs.
34. Child Friendly Banking Principles is an international benchmark of youth accounts that ensures their safety, reliability, and accessibility to children and youth. The set of eight principles was developed by CYFI, MasterCard, and the financial inclusion working group in 2011 and has since been adopted by all major international players, including UNICEF, UNCDF, etc.