



Bank of Zambia

PRESS STATEMENT

MEASURES IN RESPONSE TO THE DETERIORATING MACROECONOMIC ENVIRONMENT AND THE CORONAVIRUS

The Zambian economy has been facing significant macroeconomic challenges as reflected in low growth, high fiscal deficits, rising inflation and debt service obligations as well as low international reserves. The outbreak of COVID-19 pandemic has compounded the situation, resulting in unprecedented global public health and economic crises. Although the full impact of the COVID-19 shock on public health and the economy cannot be determined at the moment, indications are that it will be unprecedented.

To complement the measures taken by other arms of Government, the Bank of Zambia has also put together a set of comprehensive measures to safeguard financial system stability, promote the greater use of digital financial services and mitigate the negative effects of this shock on the economy. Key among these measures are the following:

1. Established a Targeted Medium-Term Refinancing Facility with an initial amount of K10 billion to provide medium term liquidity. The amount will be reviewed as conditions warrant. This is a three to five years Facility that will be available to eligible Financial Service Providers (FSPs) to enable them restructure or refinance qualifying facilities or on-lend to eligible clients. Detailed implementation guidelines will be rolled out as soon as the on-going discussions with the Bankers Association of Zambia are concluded;
2. Scaled up open market operations to provide short-term liquidity support to commercial banks on more flexible terms than those obtaining before the outbreak of COVID-19;
3. Revised rules governing the operations of the interbank foreign exchange market to support its smooth functioning, strengthen market discipline and provide a mechanism for addressing heightened volatility in the exchange rate in periods of stress;



April 3, 2020

Page 1 of 3

4. Revised loan classification and provisioning rules through the issuance of new Directives as the replacement to Statutory Instrument No. 142 of 1996, which is in the process of being revoked. This will allow FSPs to better accommodate lending, refinancing, and restructuring of facilities to critical sectors;
5. Extended the transitional arrangement provided for under CB Circular No. 11/2017, wherein FSPs were granted a 3-year transitional period from 2018 to 2020 to amortise the 'Day 1 Impact of the IFRS 9' for capital adequacy purposes, for a further two-year period up to 31st December 2022 on account of COVID-19;
6. Allowed eligible non-bank financial institutions to henceforth partially use capital instruments that would not ordinarily qualify as common equity Tier 1 and Tier 2 capital, for purposes of computing regulatory capital;
7. Stepped up sensitization and is encouraging the use of digital channels and contactless mobile payment mechanisms aimed at preventing the spread of the disease by minimizing person-to-person contact, decongesting banks and other financial institutions premises and reduced use of cash by:
 - (a) Adjusting downwards the Zambia Interbank Payment and Settlement System (ZIPSS) processing fees to increase the use of the Real Time Gross Settlement System (RTGS);
 - (b) Increasing transaction and wallet limits for individuals, small-scale farmers and enterprises as well as removing these limits for agents and corporates;
 - (c) Waiving charges for person-to-person e-money transaction values of up to K150 by all electronic money issuers, which will be reviewed at end April 2020;
 - (d) Approving the use of K8.0 million from interest earned on Mobile Money Trust accounts to support the provision of sanitisers at mobile money operator booths. Additional support will be provided to promote awareness amongst the public and mobile money service users; and
 - (e) Urging commercial banks to remove transfer fees on the bank account to electronic wallet transactions for an initial period of (3) months and to reduce the Merchant Discount Rate (MDR).
8. Implemented Business Continuity protocols that will ensure that systemically important payment systems and financial market infrastructures remain available.



Other monetary policy tools available will remain options that may be deployed should conditions so warrant, consistent with the Bank of Zambia forward-looking monetary policy framework. The Bank will continue to monitor the situation and take any additional measures it deems appropriate to safeguard financial system stability.

Stay safe. Practice social distancing. Go cashless.

Issued by,



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April 3, 2020



April 3, 2020

Page 3 of 3